

CITY DEALS

Competitive Process for
Regional City Stream

Regional Capitals Australia Submission



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Introduction

Statement of Intent

The purpose of this paper is to present the views of the Regional Capitals Australia (RCA) membership in relation to the regional city stream of the City Deal process.

While the paper represents RCA's agreed policy positions, our members' views have been additionally sought so that guidelines under development by the Government enable strong applications from our member cities.

It is the position of RCA that in line with the Government announcement to develop City Deals for '*all willing capital cities over coming years*' - the same approach should be adopted for all willing regional capital cities in recognition of their strategic importance. It is the position of RCA that the Government use the upcoming competitive process for regional City Deals as one of prioritisation. Accordingly, the feedback contained in this submission provides the framework for how this competitive prioritisation should occur.

About Regional Capitals Australia

RCA is an alliance of local governments from across the nation representing Australia's regional capital cities. The alliance has 29 members but represents the interest of all 50 nominated cities (Appendix E).

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

RCCs are not defined statistically, but by the role the city plays in the wider region. RCCs act as service 'hubs' and perform a 'capital city' role within the regions, 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.

RCCs are home to almost four million people and service the needs of another four million Australians who live in surrounding areas. Australia's RCCs jointly **generate \$225 billion per annum**, or more than 15 per cent of national economic activity.

Context

As the nation's productivity continues to decline, the development of a network of socially and economically thriving RCCs should be the objective of all levels of government in Australia. Regional City Deals (RCDs) should play a critical role in this aim, and many RCA members have cited the receipt of a City Deal (CD) as a 'game changer' for their community and economy.

Why should we get city deals right in regional cities?

Managing rapidly growing population and congestion

Australia's population is predicted to almost double to just over 40 million people over the next 50 years. 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.

National population growth will not only continue to create social pressures on the swelling suburban fringes of our major metropolitan cities, but will continue to squeeze the infrastructure needed to connect workers to jobs in capital city Central Business Districts (CBDs).

Left unabated, population growth will continue to bring crippling congestion costs. In 2011, the cost of delays on roads in the six largest capital cities was \$13.7 billion – this is projected to grow by around 290 per cent to \$53.3 billion in 2031.

Infrastructure Australia puts the cost at addressing the national infrastructure deficit anywhere between \$450 - \$700 billion. Federal and State governments cannot afford to allow this gap to widen.

Australia's RCCs are also growing. Currently over four million people, or about 15 per cent of Australia's total population, call a regional capital home. An additional one million people will live in a RCC in just under 10 years – it is the position of RCA that this figure could be much higher with the right policy and investment framework.

Diversifying regional capital city economies

It is anticipated that as the population of our member cities continues grows so will the economic opportunities for the communities that reside. This is largely due to the ability to economically diversify, making public and private investment more attractive.

There are also significant benefits to the national economy by growing RCCs. The Regional Australia Institute (RAI) estimates that for every 100,000 Australians who choose to live in growing small cities rather than our five big cities, that an additional \$50 billion will be released into the economy over 30 years in reduced congestion costs.

Most importantly, however, the development of a network of 50 regional capitals across the country will ensure the eight million Australians who access the services and infrastructure located in these cities are not left behind.

Specific Findings of Membership Survey

At the end of 2016, RCA conducted a survey of its membership regarding the imminent launch of the CDs competitive process commencing in 2017.

A detailed summary of the survey's findings is presented in **Appendix A**. RCA has also undertaken three case studies highlighting issues that provide more detail on specific challenges facing some cities when dealing with traditional grant based programs. These case studies can be found in **Appendix B**.

Commonalities in Responses

Whilst a number of findings reflected the diversity of the RCA membership, some common themes were apparent:

1. An overall recognition that the 'three tiers' of Government – federal, state and local should be vital partners in the City Deal processes (with *State Government* cited by all respondents as the key player in securing a CD)
2. Local government (as opposed to State and Federal Government) was highlighted by respondents (57%) as being the key stakeholder to identify a city's challenges and opportunities to be solved through a CD.
3. Nearly half (42%) of all respondents also saw both formal government and self-selecting regional alliances (e.g. Regional Development Australia Committees, G21 or the Gippsland Local Government Network) as key to identifying issues and opportunities for CDs and were seen as possible partners in the CD. Universities (35%) and Health Alliances (14%) were named as key to this task.
4. All respondents saw State Government as a vital partner in securing a city deal.
5. A lack of funding and/or the inability to leverage required funding was seen as a factor by a large majority (57%) of respondents in historically solving long term social and economic issues in the past. A lack of political will was a contributing factor for almost a third (28%) of respondents.
6. More than three quarters (78%) of respondents stated a comprehensive, coordinated 'package' of projects was key to solving local issues.
7. More than half (58%) of respondents highlighted a competitiveness indicator of a CD should be based on solving issues that impacted both a city and the wider region. Only a quarter (25%) thought the competitiveness should be on the city's issues alone. Interestingly, a small number (17%) of respondents were unsure.

Areas of Divergence in Responses

There were also areas of divergence in RCA's membership feedback on CDs:

Appropriate lead time

Members provided a mixed response when asked what lead time was appropriate to prepare a competitive bid for a City Deal:

- Up to 18 months' lead time (7%)
- Up to 12 months' lead time (38%)
- Up to six months' lead time (46%)
- Two to three months' lead time (7%)

Short and long term benefits

There was a positive response in relation to short and/or long-term change that a CD could deliver. Benefits included:

- Enhanced liveability and higher standard of living for communities
- An increase in the availability and diversity of employment opportunities.

Issues analysis

When asked to identify issues a CD should solve over and above those highlighted by the Government, member responses were unique to their communities:

- High levels of community disadvantage
- Community safety issues
- Emergency services management
- City Central Business District (CBD) revitalisation (a liveability indicator)
- Indigenous incarceration levels.

Overall significance to cities

Overall, respondents viewed the receipt of a CD as a 'game-changer' for their city – some comments are outlined below:

- *"Assist in transforming Karratha from a small mining/port city into a significant regional city"*
– City of Karratha
- *"Short term, it provides confidence which our region badly needs. Long term, it provides a vision and strategic direction that we can focus on delivering with great outcomes"*
– Mackay Regional Council
- *"Deliver long term jobs and grow our population to a more sustainable size"*
– City of Greater Geraldton
- *"The medium term change would see Ballarat transition from a regional city to a capital city of Western Victoria"* – City of Ballarat.

Merit Based City Deals

Liveability and Connectivity

RCA understands the Government has announced that CDs, whilst tailored to each city, will prioritise the following domains for action:

- Governance, city planning and regulation
- Infrastructure and investment
- Housing
- Jobs and skills
- Innovation and digital opportunities
- Liveability and sustainability

RCA agrees with these areas for action and specifically welcomes the government's recognition of liveability and connectivity as key features in a CD. It is our position that significant weighting should be given to these two key areas in assessing RCC CDs.

RCA members know that to drive jobs and economic growth within a RCC, the city must have high levels of liveability and connectivity. 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 in RCC must be focused on enabling the city 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.

*(Please refer to RCA's enclosed factsheet – **Appendix D** for further information on our position on growing RCCs).*

“While regional cities already offered great lifestyle, short travel times, affordable housing and clean air, it [is] important government supported regional cities for greater growth”

Minister for Regional Development and Communications – Senator, The Hon. Fiona Nash.

Process Considerations

Clarifying the Game – What does ‘Competition’ Look Like?

CDs have been highlighted as a new paradigm in policy and investment for urban Australia. To date, recipient cities have been chosen by the Government, so while there is broad understanding of the objectives of the deals, namely increasing the opportunities of cities through six key areas, there is little understanding of how ‘competitiveness’ will be assessed.

Clarity on the ‘competition’ is required so RCCs do not start preparing bids based on ‘business as usual’ programs like the Building Better Regions Fund or draw inaccurate conclusions based on misinterpreted analysis of the Townsville and Launceston deals (refer *Table 2 ahead*).

To ensure our member cities are ‘City Deal’ ready, clarity on the ‘competition’ should include the following information included in *Table 1* below.

Table 1: Clarity of Competitive Process for Future City Deals

Area of Competitive Process	Issue / unknown	RCA Recommendation
Eligibility	<ul style="list-style-type: none"> – Definition of a regional city is required to establish eligibility for applicants. 	<ul style="list-style-type: none"> – Cities must be located outside the urban growth boundary of the five major metropolitan cities – Significant Urban Areas - as defined by the Australian Bureau of Statistics. – The applicant can demonstrate the city as a significant regional centre that supports surrounding towns and communities with regional services and infrastructure.
Role of State Government	<ul style="list-style-type: none"> – As a partner in all CD negotiations, will cities be required to highlight State support as part of the bid process? – Will the Federal Government undertake this engagement directly with all states prior to the competitive process being announced? 	<ul style="list-style-type: none"> – CD guidelines should map and communicate the level of State support required from applicants.

Area of Competitive Process	Issue / unknown	RCA Recommendation
Metrics of Competition	<ul style="list-style-type: none"> – Transparency on the metrics of ‘competition’ is required to ensure there is transparency on how bids will be compared. 	<ul style="list-style-type: none"> – Refer to RCA Recommendation 4: Departmental analysis of RCCs.
Key non-government players	<ul style="list-style-type: none"> – What types of non-government entities and their intended role should be highlighted in bids? – Guidance on those stakeholders government would not like to see at the table should also be highlighted. 	<ul style="list-style-type: none"> – CD guidelines should map, weight and communicate priority stakeholders.
Skin in the game	<ul style="list-style-type: none"> – What sort of resources will applicants and bid parties be required to bring to the table during the negotiation process? – Grant programs like BBRF are prescriptive on co-funding ratios between applicants and funding parties. 	<ul style="list-style-type: none"> – Any Local Government (LG) financial requirements in a CD should be prescriptive. – The role of LG’s capacity to fund significant projects and infrastructure should be understood when setting funding ratios.
Research and evidence	<ul style="list-style-type: none"> – It is currently unclear how the City Deal process will intersect with existing regional/city planning activities. – Will existing city plans be the basis for all negotiations? – Is there an expectation that projects seeking funding should be ‘shovel ready’? 	<ul style="list-style-type: none"> – As many cities have undertaken significant planning exercises – guidelines should recognise this work as a key component of the application process. – As a CD is seeking to overcome large-scale problems not solvable through other government programs, the extent to which the project is planned for should be a secondary consideration identifying economic and social needs.

Area of Competitive Process	Issue / unknown	RCA Recommendation
Strategic alignment with State and Federal planning requirements	– Will there be a requirement to demonstrate strategic alignment with both State and Federal urban and regional objectives and plans?	– MoUs between state and federal partners must map strategy alignment across levels of government to ensure there are no conflicts
The role of local government (LG) in the negotiation process	– Will LG have an equal role during the negotiation?	– LG should be formally announced as a key partner in all CD negotiations. – Guidance on the number of personnel and skill-set required by all negotiation partners needs to be made clear to ensure cities can be CD ready prior to preparing a bid.
Legality	– The regulatory issues around financing and partnerships and for LG are different in each state.	– There should be recognition of the types of contracts that LG are allowed to enter into in all CD negotiations.

RCA Recommendation 1: Creation of Regional Capitals City Deal Took Kit

RCA recommends that a Regional Capitals City Deal tool kit is developed to ease confusion and highlight how each of the issues highlighted above will be treated in comparative analysis. This tool kit should be developed as a matter of priority to enable strong applications from cities – as many regional cities are in the process of preparing their bids.

Case Study – Perception versus Reality - The Australian Experience To-Date

The Australian Government has committed to early deals for Townsville, Launceston and Western Sydney.

Evident across the Townsville and Launceston CDs is a focus on some common areas of investment: education, social infrastructure, digital connectivity and jobs. Commitments in both cities also have CBD revitalisation programs. Table 2 highlights these areas of commonality.

Due to the ‘newness’ of the CD program, there is a risk that cities will pay close attention to these deals and prepare bids that have a similar ‘look and feel’ – moving away from a clear objective of the program to deal with previously unsolvable local issues and opportunities.

To ensure this issue does not occur, RCA recommends that guidelines prepared highlight the areas where the government is looking for a common approach and also clearly articulate those areas where flexibility will be required to enable regions to prepare bids on the areas of highest need and social and economic return.

Table 2: Commonalities between two regional CDs (Launceston and Townsville)

Investment Focus	Commitment
Education	<ul style="list-style-type: none"> Local university expansion (Launceston) Enhance city’s global educational reputation (Townsville) National Institute for Forest Products Innovation Hub (Launceston)
Social infrastructure	<ul style="list-style-type: none"> CBD revitalisation (Launceston & Townsville) Sports stadium development, business case for new entertainment centre, urban renewal corporation (Townsville)
Natural resources	<ul style="list-style-type: none"> Establishment of water taskforce, development of energy efficiency program (Townsville)
Digital innovation	<ul style="list-style-type: none"> Maximise use of digital connectivity to improve service delivery through a Smart City Strategy (Townsville) Focus on improving outcomes through innovation and digital opportunities (Launceston)
Transport	<ul style="list-style-type: none"> Transport initiatives that enhance Townsville’s liveability and access to jobs and services
Jobs	<ul style="list-style-type: none"> Help grow jobs through investments and partnerships with local businesses (Launceston)
CBD / Planning	<ul style="list-style-type: none"> Develop co-located health and knowledge employment hubs with residential accommodation and public transport connections (Townsville)

Note: Commitments made under the Townsville City Deal are greater and more established than other CDs due to the more progressive nature of this particular deal, therefore only commitments common across both Launceston and Townsville have been highlighted.

RCA Recommendation 2: Clarity and flexibility around Government-identified domains for action

Any guidelines being prepared must provide clarity regarding the Government-identified ‘domains for action’ a City Deal must contain, whilst ensuring a flexible approach to ensure that CDs are in fact bespoke measures to address an individual city’s needs.

Creating an Equal Playing Field

Addressing the unique challenges and variability between cities

While it is the position of RCA that all RCC CD bids should be flexible enough to allow for innovative locally designed solutions, RCA also recognises a competitive process means that bids must be able to be compared.

To ensure this comparison occurs in a transparent way, RCA states there must be a process put in place to create a level playing field that will deal with the inherent differences between the boundaries, size, resources and regulatory restraints on RCCs.

Unless this variability is accounted for in the assessment process in an open manner, the transparency of the assessment will be jeopardised.

For example, Townsville and Launceston are both cities of scale with populations above 80,000 people. The deals involved linear stakeholders (Local, State and Federal) and no abnormal regulatory or imposed financial local government limits were apparent. Due to these commonalities between the cities, it could be assumed that city selection was based on the ease of an outcome rather than applying the CD model to solve issues that were previously unsolvable through existing government programs.

It is the position of RCA that the unique challenges of RCC applicants are captured in the assessment process to eliminate bias of project selection, to keep the process transparent and to provide feedback for unsuccessful and future applicants.

Case Studies

Below is a snapshot of two case studies (full case study in Appendix B), highlighting the unique challenges facing two RCCs in a CDs application.

Snapshot case study – Western Australia

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, WA prohibits the use of these structures (such as council controlled organisations). This could potentially act as a significant roadblock during a CD negotiation for the cities of Albany, Broome, Bunbury, Greater Geraldton, Kalgoorlie-boulder, Port Hedland and Karratha.

In considering their application for a CD, 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 this deal – which could provide an important funding stream for other projects identified for the city.

Like for Like Assessment

The government has taken the first step in recognising the differences between applicants in regional Australia, through the new Building Better Regions Fund guidelines announced by The Hon. Fiona Nash, Minister for Regional Development. In this new funding model, small, medium and large projects will no longer compete against each other for funding, instead projects will be ranked against projects of their own size.

RCA sees this existing Government assessment process as a clear basis for levelling the playing field against small, medium and larger RCC. A like-for-like assessment process could also include an assessment of the capacity of smaller cities to prepare complex and competitive bids.

A measure such as this will ensure the opportunity to develop RCC CDs exists across cities of all sizes.

“Developing our big cities or our small ones is not a choice, we can readily do both”

– Jack Archer, Regional Australia Institute – Deal or No Deal? Bringing Small Cities into the National Cities Agenda– April 2016

RCA Recommendation 3: Creating a Level Playing Field

- A unique challenges and complexity index should be established to ensure that the objective of CD to address complex problems is maintained.
- A like-for-like competitive process should be initiated whereby city bids are assessed against applicants of similar sizes and capacity.

Snapshot Case Study – Twin Cities and Border Towns

The cities of Albury and Wodonga share a border between New South Wales and Victoria. The distance between the cities is a short 10-minute car or bus ride.

Combined, Albury-Wodonga is the 17th largest Australian city with more than 100,000 residents, servicing a regional population in excess of 180,000. It is anticipated that by 2036, Albury and Wodonga will have a combined population of approximately 125,000 people.

Both Albury and Wodonga have highlighted that the complexity of dealing with two local and state governments, they are independently overlooked or not considered a strategic priority area despite their combined significance. This issue plays out at both the macro and micro level and is a daily consideration for both councils when delivering essential services such as health and education to the combined communities.

The two cities see the opportunity of a CD as a way of addressing many issues; however, note the complexity of an Albury-Wodonga CD may be high. The number of stakeholders that will be involved in any deal needs to be seen in a positive light rather than replicating the status quo and working against the two cities' vast potential.

Evidence Gaps

Understanding the impact of Service Hubs in supporting wider regional growth

It is the position of RCA that Australia's regions will thrive when a regional capital city's long-term strategic value AND its social and economic links to the region it serves are understood and planned for.

This position was confirmed in our recent membership survey. When members were asked whether a competitiveness indicator for a CD should be based on solving JUST the regional city's issues or the wider regional issues, almost 60% of respondents indicated both should be assessed collectively.

Preparing evidence-based CD bids that highlight wider regional impact for comparison between regions, however, will be challenging.

When preparing the RCA submission to the 44th Parliament's Senate Inquiry into "(t)he future role and contribution of regional capitals to Australia", RCA found large data gaps associated with understanding the level and drivers of growth and investment in RCC alone. There was almost no data available to understand the comparative impact on a city through regional funding or the impact on a regional area where investments into a city had occurred.

This gap was confirmed by the Regional Australia Institute in the Canberra Senate Hearing when it was recognised that data gaps are one of the biggest challenges to the institute's work. CEO Jack Archer stated it was "factually impossible to make a decent assessment" on the level and effectiveness of investment into RCC cities.

The detailed analysis undertaken by the Standing Committee on Rural and Regional Affairs and Transport affairs inquiry into RCCs highlighted a deep concern for this issue, and reflected a clear recommendation in the final report to close these gaps.

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

<p>Senate Inquiry Recommendation 3</p>	<p><i>The committee recommends that the Australian government develop a national data set focused on regional capitals. Specifically, data should be gathered on:</i></p> <ul style="list-style-type: none"> <i>(a) who is using the resources in each regional capital (including non-residents);</i> <i>(b) how much Commonwealth and state funding is provided to each regional capital; and</i> <i>(c) the projected growth of each regional capital.</i>
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While it is true that the analysis of indicators which determine the progress of RCC are getting better (as outlined in the table below) the analysis still remains incomplete and as such may impede a truly comparative analysis of CD bids amongst cities and regions.

Table 3 below maps what RCC indicators are measured in the following key government progress reports. Only Regional Online provides a set of data across the regional cities. There is no data that highlights the progress of cities in supporting regions.

Table 3: Regional Capital City indicator measures published in government reports

Report	No. of RCC individually included across all indicators	Measures and Compares
<p>State of Australian Cities Report 2014-15:</p> <p>Report focuses on comparing cities with populations over 100,000</p>	<p>13</p> <p>(3 cities are included as combined populations – e.g. Albury-Wodonga)</p>	<p><u>Indicators measured:</u></p> <ul style="list-style-type: none"> • Population and Settlement • Economy & Human Capital and Labour • Infrastructure and Transport
<p>Progress in Australian Regions Yearbook Report 2016</p> <p>Report focuses on comparing ‘regions’ – uses SA1, SA2 and SA3, SA4 (LGA) levels meaning not all RCC are measured across all metrics.</p>	<p>15</p> <p>(6 cities are included as combined populations)</p>	<p><u>Progress indicators measured:</u></p> <ul style="list-style-type: none"> • Social: generally SA2 • Economy: Mixed SA2 and SA3 • Environment: SA1 <p><u>Contextual indicators measured:</u></p> <ul style="list-style-type: none"> • Population and Demographics: Mixed SA2 and SA3 • Transport and Infrastructure: Mixed SA2 and SA3 • Industry and Innovation: Mixed SA2 and SA3
<p>Regional Online</p>	<p>50</p>	<p><u>Indicators measured:</u></p> <ul style="list-style-type: none"> • Society • Economy • Environment and Governance • Population and Demographics • Transport and Infrastructure • Industry and Innovation

Gaps - Liveability and connectivity indicators in RCCs:

- Where a RCC may have a competitive advantage or a strategic gap on ‘liveability’ indicators such as: air pollution, housing affordability, traffic congestion and average commuting time, these indicators are not widely measured in RCCs, meaning the liveability of a RCC is not easily measured, compared and, as a result, planned for.
- Where a RCC may have a competitive advantage or a strategic gap on ‘connectivity’ indicators there is little analysis or metrics available to demonstrate and compare a city’s connectivity to its region, State capital or even other RCCs. This means the connectivity of a RCC is not easily measured, compared and, as a result, planned for.

Both of these gaps are important indicators to understand if the objective is to create jobs and increase private sector investment. It is clear that business will analyse these indicators when making investment decisions and workers will assess these issues when making liveability choices.

Gaps - RCCs as service hubs:

- The social and economic relationship between RCCs and regions has received almost no national policy attention – meaning once again, data available to demonstrate and compare a city’s role as a service hub largely does not exist. The exception to this issue is in the area of health where the hub and spoke policy is well understood and implemented across regional Australia.

These issues must be addressed to plan for and map the success of regional, rural and remote Australia. A lack of comparative data is a clear roadblock to success for a competitive CD process and will also present issues for the impending regional development strategy.

RCA also notes that the Regional Australia Institute has developed [In]Sight: Australia's Regional Competitiveness Index which snapshots the competitiveness of Australia's Local Government Areas and Regional Development Australia regions. Once again this data set does not measure liveability or connectivity and it is the position of RCA that the Government develop its own dataset which cannot be disputed and, as such, could form the basis for decision-making process such as CDs.

“These deals will not be focused exclusively on how many people live in the city or region, but on its potential for economic growth and on cooperation between governments” – The Hon. Fiona Nash – Minister for Regional Development

RCA Recommendation 4: Departmental analysis of RCCs

Dedicated resourcing within the Department of Prime Minister and Cabinet - Cities Unit and also within the Department of Infrastructure and Regional Australia should be allocated to undertake analysis of the unique growth and investment drivers of regional cities, namely:

- Mapping the liveability and connectivity of the cities; and
- Mapping the relationship between a regional capital and the region it serves.

This information should be developed in a timely manner to allow inclusion in the National Cities Performance Framework that will inform the regional City Deal process.

RCA Recommendation 5: Regional Capitals Representation on the Cities Reference Group

A representative of Regional Capitals Australia be offered a place on the Cities Reference Group to enable the unique views of our member cities to be reflected in this important forum.

Business Case Requirements – Constraints of Local Government

When asked to identify why significant regional / city issues had not been solved in the past, a large majority of respondents (57%) indicated a lack of funding and/or the inability to leverage required funding as the prime factor. A lack of interest ('political will') from governments (28%) was also key.

When asked to identify previous challenges experienced with competitive grants processes, members' responses also cited politics / political interference (46%) and the lack of clarity from funding authorities (30%) as the two top challenges. Members also noted insufficient lead times, and having to compete against major capital cities and the contestability by multiple cities/regions over a limited pool of funds as being relevant issues.

Assistant Minister Angus Taylor has made it clear that the government sees the issue squarely about business case preparation:

“There are lots of plans for projects out there....frankly, there haven’t been enough good projects to be investable” – Minister Angus Taylor, Regional Australia Institute City Deals Forum, October 2016

Good grant applications and associated business case preparation is an onerous task that is also predicated on the establishment of clear evidence. Traditionally business case preparation is also tied to the level of government with the least resources – particularly in a time of rate-capping (Victoria and New South Wales) and more broadly, federal cuts to Financial Assistance Grants.

While not unique to the CD process, it is the position of RCA that the planning and development of Australia’s RCCs should not be the sole financial responsibility of one level of government.

Equally, RCA members would highlight that the resources required to get a project ‘shovel ready’ when there is no guarantee of success is a financial burden that many councils are not willing to bear.

Considering the comparable size of the task for CDs compared to, for instance, a Building Better Regions Fund application, there is genuine concern amongst members about how competitive bids will be resourced.

A Case Study
Capacity of Local Government – Planning Costs for Small RCCs

The City of Greater Geraldton is a coastal city covering almost 13,000 square kilometres of Western Australia’s Mid-West region. The city is 400 kilometres north of Perth and has a thriving community of more than 40,000 people. Despite the many assets of the city including: coastal aspect, low house prices and full fibre NBN - Geraldton struggles with an unemployment rate of 7.1% and a workforce participation of 63%. - figures that must be addressed with a strong economic strategy.

Council has recently invested in an economic growth plan, which identifies a range of initiatives to bring grow the local economy. At a cost of \$1 million for development, the vital document only proceeded with State Government funding. The cost of the plan is only the start of investment that will be required to bring transformational growth to Geraldton and the surrounding region. A key project included in the growth plan is CBD revitalisation works, involving major traffic management redistribution, undergrounding electricity services and amenity improvements. The total estimated cost to bring the project to a ‘shovel ready’ status is \$2 million for the detailed design and business case development.

Council cannot allocate project-planning costs as there is not an identified or appropriate revenue stream. Additionally, even if the money could be found, there is no guarantee of attracting the capital works investment. Despite the obvious transformational liveability and productivity impacts, there are too many other traditional local government infrastructure projects competing for the City’s limited financial resources that are likely to be a higher priority from an immediate service-need perspective.

Snapshot Case Study – Ballarat: the Capital of Western Victoria

Located in Western Victoria, the city of Ballarat acts a ‘hub’ and provides services and infrastructure for the wider regional area of 400,000 people. Ballarat is in a key strategic position at the centre of some of Victoria's most important freight, tourist and commuter transport routes.

Ballarat requires 15,000 new jobs in the next 15 years to support the projected population increase of 35,000 new residents. With the wave of growth now being experienced, Ballarat has undertaken a significant city planning - the “Ballarat Regional Capital Plan” to ensure the city reaches its potential as the capital of Western Victoria. Projects include:

- Economic transformation: the development of a new employment zone and tech park
- CBD revitalisation: including transport connectivity and parking, civic hall and a renewed retail offering
- Regional health and education: an education and health precinct with an innovation hub
- World-class events and culture: facilities to attract and house world-class cultural and sporting events, as befits a capital city.

The City of Ballarat has cited City Deals as a ‘game-changer’ – highlighting the new way of doing business as a unique opportunity and catalyst for immediate benefit and value, without the holding costs normally associated with speculative development. The receipt of a CD would not only transform the city itself but have significant, wide-reaching implications for the surrounding region.

While council has undertaken significant work to progress the development of their plan the cost of the detailed planning across the areas defined is out of the scope of the city – this will be a road block to success.

To deal with this issue RCA recommends a more flexible and phased process is put in place to bring certainty to any investment that a local government makes when preparing a business case to support a funding bid. See Table 4 below for RCA’s suggested phased process.

Table 4: Example of phased process for City Deal business case development

Phase	Description
Expression of Interest	Applicants prepare a high-level Expression of Interest mapping out the key components and parties of a CD then contact the Cities Unit in Prime Minister & Cabinet to discuss the bid, seeking feedback on the proposed approach.
Workshop	Where there is agreement the CD has the components to pass through the EOI phase – a workshop is held to further map out the details of a bid between proposed partners – the funding of the CD and associated business cases can also be agreed at this point between partners.
Deal development phase	Once a CD’s proposed funding and partners are identified, all involved parties engage in preparing/negotiating a CD. This could potentially be co-funded by the relevant parties (noting resource implications for both state and federal governments).
Formal submission	The formal submission would include a full application in line with guidelines.
Direct interview	Shortlisted CD-ready applicants can meet face to face with those

	assessing bids to present their case. This is a chance to work through any unknowns and address misunderstandings from the assessment team.
Announcement	Shortlisted deals are assessed and then an announcement is made on successful bids.
Capacity-building	Unsuccessful applicants for a CD are given detailed feedback after the announcement to identify where shortcomings exist, and how to get 'CD ready'.

RCA submits a process of this nature would facilitate ongoing engagement with applicants. In the event a city submits a proposal that is not successful in a round, or not deemed 'deal ready' during the workshop phase, candidates would receive adequate feedback to be able to adjust their submission accordingly and re-submit in a subsequent round. Importantly, ongoing liaison and collaboration across the three tiers of government would be evident throughout the process – as opposed to a 'one-off' approach, evident in traditional grants programs.

While the Cities Unit in Prime Minister & Cabinet is well-placed to be the appropriate contact point within Government for this role, consideration could also be given to whether other departments – e.g. the Department of Infrastructure and Regional Australia – could play a mentoring role in assisting cities to prepare for this process.

RCA Recommendation 6: Phased Application Process

Consideration of a phased process, as outlined above is used as the basis for regional city applications to a city deal.

RCA submits there is merit in considering co-funded bids between partners in a CDs application. The concept of co-funded bids:

- is consistent with the objective of the CDs platform of a partnership approach – where cities 'partner' with State and Federal governments and the private sector; and
- allows for cities to share expertise, cost-sharing in preparing a City Deal business case, mitigating the constraints of local government.

The Co-operative Research Centres (CRC) Programme Guidelines present a good example of partners who collaborate for a single research programme. Under this model:

- CRCs must establish and be governed by an incorporated company, limited by guarantee, and known as the 'CRC entity'; and
- Legal agreements for CRCs collaboration are supported by 2 formal agreements:
 - o the *Funding Agreement* – an agreement between the *CRC Entity* and the Australian Government setting out the terms on which funding is provided; and
 - o a *Participants Agreement* – an agreement between the *Participants* and the *CRC Entity*.

RCA Recommendation 7: Co-Funded Bids

Consideration be given to co-funded bids between partners, designed to ease the cost, internal resourcing and unknowns about a City Deal application.

Key Learnings from the International Experience

It is understood that the concept of CDs emanated from the UK where 29 CDs have been concluded across England, Scotland and Wales.

While CDs have often been cited as the new paradigm for city development and long-term growth – driving a ‘renaissance’ in the cities of Greater Manchester and Glasgow, the initiative has not been immune from criticism. Identified weaknesses of UK CDs have included:

- **Transparency:** stakeholders and communities were unsure how key parts of the deal have been arrived at;
- **Central power:** it was clear that the negotiating power resided nationally, reducing the spirit of a true partnership arrangement;
- **Assessment:** failure to put in place a clear monitoring and evaluation framework;
- **Accountability:** the lack of clarity around who is accountable for public funds devolved through CDs; and
- **Responsibility:** the capacity of the UK’s Department for Communities and Local Government to provide a single, coherent access point to be responsive to local area issues and concerns as the deal was being built and negotiated.

The themes highlighted by UK stakeholders are at risk of being transferred to the Australian experience unless clear terms of engagement, communication, responsibility and Key Performance Indicators are established with the buy-in from relevant parties once a City Deal is agreed upon.

Specifically, capacity on the part of the central administrative agency is vital. Significant government resourcing was deployed during preparatory work for the Townsville and Launceston CDs. A competitive process involving multiple cities presents a far greater challenge; accordingly, adequate resourcing from the Cities Unit to effectively manage ongoing liaison with applicant cities is crucial.

Opportunity for Strategic Alignment

RCA makes the following recommendations in relation to the future implementation of CDs:

Coordination with Infrastructure Australia

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:

1. Efficient, liveable and productive regional hubs should be considered national economic assets and a key priority of every level of government.
2. Long-term regional infrastructure plans be developed to enable Australia's regions to reach peak potential.

Strategic infrastructure investment is the keystone of all productive and liveable cities. The infrastructure needs of RCC have not been well understood, nor planned for by successive State and Federal Governments.

RCA sees the increased focus on RCC through the Smart Cities Framework and CDs to bring strategic alignment between the Cities Unit and Infrastructure Australia's *AIP*.

As reflected in the Government's statements that CDs "*will drive reform through incentivising actions and accountabilities at the state and local level*", RCA considers this concept be further applied to state government regional planning.

While 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.

RCA Recommendation 8: Federal incentives for state government regional planning

Through the development of the National Regional Development Strategy, the expanding role of the National Cities Unit under the Smart Cities Framework and negotiations with the States on individual cities, the federal government should incentivise the States to prioritise and plan for the detailed infrastructure needs of regional Australia and RCCs.

“A couple of catalytic investments which then encourage a whole round of private sector investment, that's what we're looking to do in our city deals”

— The Hon Angus Taylor – Assistant Minister for Cities, Regional Australia Institute City Deals Forum, October 2016

Summary of Recommendations

Table 5: Summary of RCA City Deal Recommendations:

Recommendation	Detail
1. Creation of Regional Capitals City Deal tool kit	RCA recommends that a Regional Capitals City Deal tool kit is developed to highlight how each of the issues highlighted above will be treated in comparative analysis. This tool kit should be developed as a matter of priority to enable strong applications from cities - as many regional cities are in the process of preparing their bids.
2. Clarity and flexibility around common City Deal domains for action	Any guidelines being prepared must provide clarity regarding the common domains for action a City Deal must contain, whilst ensuring a flexible approach to ensure that CDs are in fact bespoke measures to address an individual city's needs.
3. Creation of complexity index	<ul style="list-style-type: none"> • A unique challenges and complexity index should be established to ensure that the objectives of CDs to address complex problems is maintained. • A like-for-like competitive process should be initiated whereby councils are assessed against councils of similar sizes and capacity.
4. Departmental analysis of RCCs	<p>Dedicated resourcing within the Department of Prime Minister and Cabinet's Cities Unit and also within the Department of Regional Australia should be allocated to undertake analysis of the unique growth and investment drivers of regional cities, namely:</p> <ul style="list-style-type: none"> - Mapping the liveability and connectivity of the cities; and - Mapping the relationship between a regional capital and the region it serves. <p>This information should be developed in a timely manner to allow inclusion in the National Cities Performance Framework that will inform the regional City Deal process.</p>
5. RCA representation on the Cities Reference Group	A representative of RCA be offered a place on the Cities Reference Group to enable the unique views of our member cities to be reflected.
6. Phased process for business case development	A phased process could assist in not only levelling the playing field amongst cities but also providing much needed confidence of return on investment for councils in spending tight resources. The phased process could consist of (in order): an expression of interest, workshop, deal development phase, formal submission, direct interview, announcement and capacity-building feedback for unsuccessful applicants.
7. Co-funded bids	Consideration be given to co-funding of bids between partners designed to ease the cost, internal resourcing and unknowns about a City Deal application.
8. Federal incentives for state government regional planning	Through the development of the National Regional Development Strategy, the expanding role of the National Cities Unit under the Smart Cities Framework and negotiations with the States on individual cities, the federal government should incentivise the States to prioritise and plan for the detailed infrastructure needs of regional Australia and RCCs.

For More Information

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Appendices

Appendix A - RCA Membership Survey – City Deals 2016

The RCA membership was sampled on City Deals returned 14 responses, of which 10 were CEOs or, General Managers, four were Mayors – all were from different cities from each state in Australia – with the exception of South Australia.

Vital partners in designing and delivering a City Deal [14 responses]

There was an overall recognition that the ‘three tiers’ of Government: federal, state and local were vital partners in designing and delivering a City Deal.

All respondents cited **State Government** as a vital partner in securing a City Deal, in collaboration with:

- Federal Government (71%)
- Local government (57%)
- Private businesses and investors (42%)

In addition, regional partnerships, telecommunications and utility companies, universities, health providers and the community were named as potential partners.

Formal alliances / partnerships currently in place [14 responses]

Forty-two percent (42%) of respondents named **Regional Development Alliances** (such as Gippsland Local Government Alliance and Regional Development Victoria) as entities involved in partnerships already underway.

Universities (35%) and health services (14%) were also cited. RCA members also referred to partnerships in the resources industry, education, health, community groups (e.g. football clubs) emergency services, airports and stadiums.

Entities and organisations tasked with identifying challenges and opportunities in regions / cities [14 responses]

When asked which entities or organisations were tasked with identifying challenges and opportunities in regions and cities, 57% of council respondents submitted they were the entity responsible, followed by state governments and state government entities (35%), while universities and RDA committees were cited by 35% and 21% of respondents respectively. In addition, not for profit and industry groups and private businesses were identified as being tasked with this work.

Varying issues of concern [11 responses]

Member responses cited diverse areas of concern for their cities, which included:

- Disadvantage

- Community safety
- Emergency services management
- Economic diversity
- Strategic planning, including the need to avoid duplication
- City CBD revitalisation
- Indigenous issues; including drug use, employability, incarceration levels

Key problems with solving identified issues

[14 responses]

Fifty-seven percent (57%) of respondents indicated a lack of funding and/or the inability to leverage required funding was the prime factor in preventing identified issues being solved in individual cities, followed by lack of interest ('political will') from governments (28%).

The diversity of individual regions and their needs was evident when respondents listed a range of factors which, in their view, prevented local issues being solved:

- Social issues, especially drug use and graffiti
- CBD needs revitalising to attract more jobs
- Lack of economic diversity
- Importing disadvantage due to the local cost of housing
- Poor education standards
- Unrealistic cultural expectations
- Political correctness

Could a single project solve these issues?

[14 responses]

When asked whether a single project could solve these issues or whether the solution formed part of a package of smaller, intersecting projects, 78% of respondents cited the latter; that a package of projects was required.

Only two respondents cited specific transport initiatives as measures to solve local issues, and one respondent indicated both single projects and a package of measures could solve issues.

Short and/or long term change that a City Deal could deliver

[14 responses]

Respondents again provided an assortment of positive outcomes a City Deal could deliver for their city, including:

- Enhanced liveability and a higher standard of living
- A revitalised CBD
- Enhanced services and infrastructure
- Investment and job creation
- City growth: the transition of a city from a regional one to 'the capital of Western Victoria'
- Population growth
- Confidence that the needs of a regional city could be met

Growth and investment plans underway in regional cities

[13 responses]

When asked to name existing and future growth and investment plans in their cities, respondents listed region-specific initiatives, including:

- Economic Development Strategy in Wodonga
- Orange City Council Economic Growth Plans
- Ballarat's CBD Strategy, CBD Transport Plan, Ballarat West Investment Plan, CBD Parking Strategy
- Riverina Murray Regional Plan, Albury 2030 Community Strategic Plan
- City of Greater Geraldton Growth Plan
- NSW Murrumbidgee Murray Growth Plan and regional transport plan
- Karratha Local Planning Strategy, Pilbara Planning and Infrastructure Framework
- Greater Whitsunday Alliance
- International Engagement Strategy in Greater Shepparton
- Strength-led transition in the Latrobe Valley and Regional Rail Project in Gippsland
- Tamworth Intermodal transport hub and international freight hub
- Palmerston City Centre Master Plan and Community Infrastructure Plan

Roadblocks to projects and strategies

[13 responses]

When asked whether there were any major issues or barriers that would impede their city's ability to enter into a partnership with public or private entities in the region:

- Four cited regulatory or financial restrictions
- One respondent cited '*speed of FIRB approvals*'
- One respondent commented '*it will take a while to streamline economic partnerships*'

In addition, private-public partnerships were submitted as difficulties by two respondents; specifically, regulatory restrictions in Western Australia preventing such partnerships with local government was identified as a roadblock.

Members were also asked to name specific programs or projects that would have solved their city's identified issues but did not proceed. Respondents were also requested to indicate the reasons for the program not proceeding.

Of the twelve responses received, 35% cited lack of funding as the cause of the program or project's demise. Lack of government support was also named as an issue.

Specific, unsuccessful initiatives cited by members included:

- Karratha University – due to insufficient funding and support
- Shepparton Bypass – due to lack of funding
- Airport expansion – due to financial barriers
- Baranduda Fields – due to cross border challenges

One member commented: '*lobbying by opponents at State or Council levels*' blocked a major employment-generating industry proceeding.

An appropriate lead time to prepare a competitive bid for a City Deal [13 responses]

Members provided a mixed response when asked what lead time was appropriate to prepare a competitive bid for a City Deal:

- Up to 18 months (7%)
- Up to 12 months (38%)
- Up to 6 months (46%)
- 2 to 3 months (7%)

Previous challenges with competitive grants processes [13 responses]

When asked to identify previous challenges experienced with competitive grants processes, members' responses cited politics / political interference (46%) and the lack of clarity from funding authorities (30%) as the two top challenges. Members also noted insufficient lead times, having to compete against major capital cities and the contestability by multiple cities/regions over a limited pool of funds as being relevant issues.

Data gaps [11 responses]

55% of respondents highlighted data gaps as an issue in responding to government grant programs. Respondents cited data regarding the economic benefit of regional cities, experience in addressing disadvantage and the lack of detail regarding new industry and strategy for local regions.

CDs: regional city or wider regional issue? [12 responses]

When respondents were asked whether a competitiveness indicator for a City Deal should be based on solving a regional city's issue or a wider regional issue, 58% of respondents indicated it should be both a regional city and a wider regional issue, while 25% indicated it was a regional city issue only.

One respondent commented that the competitiveness of the process meant investing in areas that *'made the most sense'* and one member submitted *'it is too restrictive to think of CDs as a mechanism purely to solve problems'*.

Further recommendations [11 responses]

The majority of respondents (54%) did not have any further recommendations for consideration in designing a regional City Deal, but one respondent noted that clarity and being prescriptive about what is required in the competitive process is necessary. Three councils also indicated interest in submitting input as the process is developed.

Appendix B - Case Studies on City Deal Challenges Unique to RCCs

City Deals Case Study: City of Ballarat

The City of Ballarat, which is one of Australia's largest inland cities and the third largest city in Victoria, is host to some of the nation's most historic mining and political heritage. Home to more than 100,000 people, Ballarat's city boundaries cover 740 kmsq and the city is just over 115km from the State's capital Melbourne.

Located in Western Victorian, the city provides services and infrastructure for the wider regional area of 400,000 people.

Ballarat is in a key strategic position at the centre of some of Victoria's most important freight, tourist and commuter transport routes. The four main highways radiating from Ballarat - the Western, the Midland, the Glenelg and the Sunraysia - connect it to industrial centres such as Melbourne, Adelaide, Geelong and Portland; regional locations like Bendigo and Mildura; and agricultural areas in the Mallee and Wimmera.

Due to the city's connectivity and proximity to Melbourne, the city has a high number of professional commuters and it is expected that the city will grow by more than 35% in the next 20 years.

Like many RCCs there is high employment in healthcare and social assistance, retail trade, manufacturing and construction. Unlike many RCCs there is a growing professional, scientific and technical services sector. Ballarat requires 15,000 new jobs in the next 15 years to support the projected population increase of 35,000 new residents.

With the wave of growth now being experienced, Ballarat has undertaken a significant city planning - the "Ballarat Regional Capital Plan" to ensure the city reaches its potential as the capital of Western Victoria. Projects include:

- Economic transformation: the development of a new employment zone and tech park
- CBD revitalisation: including transport connectivity and parking, civic hall and a renewed retail offering
- Regional health and education: an education and health precinct with an innovation hub
- World-class events and culture: facilities to attract and house world-class cultural and sporting events, as befits a capital city.

The City of Ballarat has cited CDs as a 'game-changer', highlighting the new way of doing business as a unique opportunity and catalyst for immediate benefit and value without the holding costs normally associated with speculative development. Immediate benefits would subsequently spur confidence in the regional community and private sector.

However, the City of Ballarat highlights that City Deal application guidelines should be flexible to enable large scale planning undertaken by cities to anchor bids and ensure there is no need for cities to 'reinvent the wheel' with new plans and evidence when applying.

City Deals Case Study: City of Greater Geraldton

The City of Greater Geraldton is a coastal city covering almost 13,000 square kilometres of Western Australia's Mid-West region. The city is 400 kilometres north of Perth, and has a thriving community of more than 42,000 people, servicing a mid-west region of more than 50,000.

The city is a regional service centre for the towns of Mullewa 100km north east of the city and the Greenough settlement located 20kms to the south.

Geraldton's historic coastline is a tourist attraction and includes the beautiful but under-developed foreshore, HMAS Sydney Memorial and the Houtman Abrolhos Islands located 80km off the coast.

Like many RCCs, areas outside the city have a higher proportion of jobs in primary production, while the City of Greater Geraldton has higher employment in health, welfare, education and retail.

Despite the many assets of the city including coastal aspect, low house prices and full fibre NBN and national highway connectivity, the city is struggling with an unemployment rate of 7.1% and a workforce participation of 63% - figures that must be addressed with a strong economic strategy.

Geraldton's economic potential in part can also be seen through the lenses of restrictive or stretched infrastructure, some examples are outlined below:

- The city is a popular destination for international cruise ships visiting Western Australia's coastline – due to insufficient docking infrastructure, cruise ship passengers can only visit the city when the weather is calm – meaning an inconsistent source of tourism dollars for local businesses.
- The Mid West region has the largest source of rock lobster in Australia, with more than 98% of regional catch being exported to China. Unfortunately this has to be sent to Perth by road freight, as the city's runway does not allow for international freight carriers to land. The additional freight costs mean Geraldton's local fishing industry is at a competitive disadvantage in responding to Asia's growing appetite for this delicacy. Unless the airport infrastructure is expanded, the industry will also face challenges in dealing with Asia's growing demand for 'just in time' air freighted produce.
- Just like the thriving CBDs of Melbourne and Sydney, all cities need a functional city heart that supports tourism, retail, hospitality and other professional businesses. Geraldton's CBD is tired and inefficient, limiting prospects for private investment into the city by local businesses.

Economic stimulation and investment to make the most of the region's underdeveloped coastline and proximity to Asia is required to meet the local employment challenges and attract more people to the city. Council believes a City Deal could assist in addressing regional challenges in a collaborative manner with industry and government sitting at the table.

The key identified projects within the plan that are likely to form components of a city deal include:

Economic stimulation:

- Cruise ship terminal Infrastructure Upgrade: \$20M
- Airport runway upgrade and extension: \$24M
- Regional museum expansion: \$20M

Increasing city liveability:

- Health education and training precinct: \$17M
- CBD revitalization: \$30M

Value capture:

- Relocation of Council offices to release valuable CBD land in a possible value capture opportunity: \$8M

Road Blocks to Success – Limits of Local Government

Geraldton's Economic Growth Plan is a key overarching city strategy that identifies a range of initiatives to bring transformational change to the local economy. At a cost of \$1 million for development, the vital document only proceeded with State Government support.

The cost of appropriate business case development is a major hurdle for The City of Greater Geraldton. While significant evidence exists within the plan detailing specific projects can transform the city, moving towards 'shovel ready' detailed business cases for the above project is not possible for this small regional city council.

An example of this is where the Economic Growth Plan identified the need for CBD revitalisation works involving major traffic management redistribution as undergrounding electricity services. The total estimated cost for the CBD redevelopment is estimated at \$30 million – plus \$2 million for the detailed design and business case development required for 'shovel readiness'.

Council cannot allocate project planning costs from its budget for this investment as they do not have an appropriate revenue stream. Additionally, even if the money could be found there is no guarantee of attracting the capital works investment. Despite the obvious benefits to the economy, there are too many other traditional local government infrastructure projects competing for the City's limited financial resources that are likely to be a higher priority from an immediate service-need perspective.

Another limiting factor in Western Australia is the lack of ability under the Western Australia Local Government Act to allow local governments to develop corporations that have shared equity with the private sector. Effectively, this limits the number and range of options to establish suitable governance arrangements for enterprises that leverage shared investment. This barrier also means local governments in WA have to rely on more traditional models such as leases and service contracts.

City Deals Case Study: Albury-Wodonga – a cross-border approach

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 17th 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 utilized). 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. Their location on the iconic Murray River and near some of Australia's best wine regions provides a unique tourism opportunity and a point of difference against the many coastal towns in Australia.

The cities also now have shared mutual interests including: Albury Wodonga Health, high speed rail, regional tourism and events, social enterprise and cooperative governance, local procurement, integrated strategic planning, and integrated service delivery across the cities.

Despite these shared interests and economic benefits both cities are struggling with unemployment rates of 9.3% (Albury) and 7.3% (Wodonga) and workforce participation rates of 61.8% (Albury) and 64.4% (Wodonga) figures that must be addressed with a strong economic strategy.

Albury and Wodonga are considering a joint City Deal approach as an opportunity to strengthen their cross border relationship and provide both local and national benefit, whilst serving as an exciting model for innovation in regional development.

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 cities are now considering the components of a possible City Deal - possible projects include:

- **Rail:** inland freight route and high-speed rail.
- **Roads:** strategic planning for upgrading the existing National and State Highway networks in and around the city to maximise connectivity into central business areas, urban growth corridors, industrial precincts and city arterial road network.
- **Health:** building on the innovative cross border Albury Wodonga Health service collaboration model to ensure health services and infrastructure meet the long-term needs of the regional community.
- **Regulations and Licencing:** opportunities to discuss refinements to minimise cross border impacts faced by new and existing businesses and investors.

It is important to note that due to Albury and Wodonga's locations adjacent to the border, and their distance from their state capitals, the cities are at times independently overlooked or not considered a strategic priority area despite their combined significance. Such disregard is not just made by the respective state and federal governments but also by the private sector.

This issue plays out at both the macro and micro level and is a daily consideration for the councils when delivering or facilitating the delivery of essential services such as health and education to the combined communities.

The two cities see the opportunity of a City Deal as a key mechanism in rectifying many issues, however note that in assessing like-for-like City Deal bids, the complexity of an Albury-Wodonga City Deal may be high. The issues and number of stakeholders that will be involved in any deal needs to be seen in a positive light rather than replicating the status quo and working against the two cities' vast potential.

Appendix C - Comparison of RCCs Membership Data

- *State of Australian Cities Report (2014-15)*
- *Progress of Australian Regions Yearbook Report (2016)*
- *Regional Online*

Eligible Regional City	City listed in State of Australian Cities Report (2014-15)?	City data listed in Progress of Australian Regions Yearbook Report (2016)?	City data listed in Regional Online
Albury City Council	Part (listed combined as Albury - Wodonga)	No	Yes
City of Wagga Wagga	No	No	Yes
Coffs Harbour City Council	No	Part (listed as Coffs Harbour-Grafton; not as Coffs Harbour)	Yes
Dubbo City Council	No	No	Yes
Gosford City Council	No	No	Yes
Orange City Council	No	No	Yes
Tamworth Regional Council	No	No	Yes
Palmerston City Council	No	No	Yes
Bundaberg Regional Council	No	No	Yes
Mackay Regional Council	No	Yes	Yes
Toowoomba Regional Council	Yes	Yes	Yes
Rockhampton Regional Council	No	No	Yes

Eligible Regional City	City listed in State of Australian Cities Report (2014-15)?	City data listed in Progress of Australian Regions Yearbook Report (2016)?	City data listed in Regional Online
Launceston City Council	Yes	Part (*Note: Listed as 'Launceston and North East' not just Launceston city)	Yes
Horsham Rural City Council	No	No	Yes
Greater Shepparton City Council	No	Yes	Yes
Ballarat City Council	Yes	Yes	Yes
City Of Wodonga	Yes – (listed as Albury-Wodonga)	No	Yes
Greater Bendigo City Council	Yes	Yes	Yes
Greater Geelong City Council	Yes	Yes	Yes
Latrobe City Council	No	Part (*Note: Listed as Latrobe-Gippsland, not Latrobe City)	Yes
Rural City Of Wangaratta	No	No	Yes
Warrnambool City Council	No	Yes (*Note: Listed as Warrnambool and South West, not Warrnambool City)	Yes
City Of Albany	No	No	Yes
City Of Bunbury	No	No	Yes
City Of Greater Geraldton	No	No	Yes
City Of Kalgoorlie-Boulder	No	No	Yes

Eligible Regional City	City listed in State of Australian Cities Report (2014-15)?	City data listed in Progress of Australian Regions Yearbook Report (2016)?	City data listed in Regional Online
Shire Of Broome	No	No	Yes
City of Karratha	No	No	Yes
Town Of Port Hedland	No	No	Yes
Ballina Shire Council	No	No	Yes
Cessnock City Council	No	No	Yes
Lismore City Council	No	No	Yes
Maitland City Council	No	No	Yes
Newcastle City Council	Yes	Yes (*Note: Listed as Newcastle and Lake Macquarie, not City of Newcastle)	Yes
Port Macquarie - Hastings Council	No	No	Yes
Shoalhaven City Council	No	Yes (*Note: Listed as Southern Highlands and Shoalhaven)	Yes
Tweed Shire Council	Yes (with Gold Coast-Tweed Heads)	No	Yes
Wollongong City Council	Yes	No	Yes
Wyong Shire Council	No	No	Yes
Alice Springs Town Council	No	No	Yes
Cairns Regional Council	Yes	Yes	Yes
Fraser Coast Regional Council	No	No	Yes

Eligible Regional City	City listed in State of Australian Cities Report (2014-15)?	City data listed in Progress of Australian Regions Yearbook Report (2016)?	City data listed in Regional Online
Gladstone Regional Council	No	No	Yes
Mount Isa City Council	No	No	Yes
Sunshine Coast Regional Council	Yes	Yes	Yes
Townsville Regional Council	Yes	Yes	Yes
Port Lincoln City Council	No	No	Yes
Burnie City Council	No	No	Yes
Devonport City Council	No	No	Yes

Appendix D - Regional Capitals Australia Fact Sheet



Policy Positions

Economic and Social Infrastructure

Jobs, Skills and Education

Communications Technology

Population Growth

Productivity

Liveability

REGIONAL CAPITALS AUSTRALIA

Regional Capitals Australia (RCA) is an alliance of 30 local government associations across the nation, representing Australia's regional cities.

Regional capital cities 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. Regional Capitals perform a 'capital city' role within their regions.

Regional capitals jointly generate \$225 billion per annum, or more than 15 per cent of national economic activity. Regional capitals are home to almost four million people and service the needs of another four million Australians who live in surrounding areas.

“
Just over one-third of Australians rely on having a socially thriving regional capital to meet their everyday needs.
”

POLICY FRAMEWORK

Regional Capitals have the potential to play a critical role in the future prosperity of our Australia. For this to happen a national regional capitals policy framework is required.

The objectives of this framework should be to build the capacity of regional capitals to:

- Increase population;
- Increase productivity; and
- Increase liveability.

The key elements of this policy:

- Infrastructure for better economic outcomes and social amenity;
- Communication technology for better domestic and international connectivity; and
- Education and skilled pathways to enable jobs of the future and ensuring that regional Australians do not get left behind.



ECONOMIC AND SOCIAL INFRASTRUCTURE

The continued investment in economic and social infrastructure is the most important issue facing the sustainable growth of regional capitals today.

Recognising the strategic importance that regional capitals have in Australia's future, then investing accordingly can add billions of dollars to Australia's economic output.

National Productivity – The Challenges and Benefits

Australia's four largest cities projected to grow by about 45 per cent by 2031. This growth will not only continue to create social pressures on the swelling suburban fringes of these cities but will continue to squeeze the infrastructure needed to connect workers to jobs in large major city CBDs.

The 2015 Infrastructure Australia Audit found that the overall quality of Australia's infrastructure lags behind comparable nations coming with a congestion cost of \$53 billion by 2031. The Business Council of Australia and Infrastructure Partnerships Australia estimates Australia's current infrastructure deficit at anywhere between \$450 and \$700 billion.

Compared to the metropolitan deficit - the price of competitiveness in regional capitals is surprisingly affordable - the Regional Australia Institute estimates that the backlog in regional capitals infrastructure is \$15 billion or between two to three per cent of the national deficit in percentage terms.

Australia's regional capitals have the capacity to share in this projected population growth and with higher populations the capitals can increase economic output by filling skills gaps and contributing to a diversified local economy.



Regional Capitals Infrastructure – the problems and solutions

Infrastructure is more than just roads and bridges. Facilities and systems services are vital to economic growth. Appropriate infrastructure refers to the "fundamental facilities and systems serving a country, city, or area, including the services and facilities necessary for its economy to function."

Workers in regional capitals are six percent less productive than the national average. This has been attributed to lower educational attainment, less economic diversity and infrastructure gaps that are preventing business investment. Boosting productivity in regional capitals requires productive infrastructure that adds to the economic diversity of the region and also promotes labour mobility through increased liveability.



Infrastructure funding arrangements are inefficient, inequitable and unreliable

The majority of infrastructure funding provided to regional capitals is to address urgent repairs to decaying or dangerous infrastructure, not to generate economic activity or support and encourage population growth.

The only predictable source of funding is the Black Spot Programme and the Roads to Recovery Programme. This does not include the ad-hoc, competitive, application-based funding programs such as the National Stronger Regions Fund. There is also inconsistent data available on infrastructure funding for regional capitals to effectively demonstrate infrastructure deficits.

Current funding processes require regional capitals to commit considerable financial and human resources to planning for projects that may never be funded. Infrastructure funding is not unilaterally based on evidence or long-term regional strategy. Equally there is little connectivity between infrastructure requirements for regional capitals and national growth objectives. Meaning that the problems and potential of regional capitals will not be recognised or addressed.



Federal, state and local regional engagement and collaboration is lacking

Infrastructure is not consistently funded in Australia. Multiple levels of government handle 'soft' and 'hard' infrastructure under a plethora of different funding arrangements and there is a dearth of data available to analyse funding patterns.

Regional capitals face increasingly complex funding processes for infrastructure across federal, state and local regional development areas, it is clear that effective coordination between all levels of government is now critical.

Infrastructure funding Return on Investment requires review

Infrastructure funding decisions based primarily on demand will favour metropolitan areas.

While large Australian cities have the largest populations, demographic pressures tend to be more extreme and severe in regional capitals. Nearly 70 per cent of regional capitals have higher than national average senior dependency ratios and 90 per cent of the capitals have a lower than national average university education attainment.

Basing infrastructure funding primarily on population, rather than a need for economic diversity and potential for growth, exacerbates a worsening gap between regional and metropolitan infrastructure and ignores the substantial flow-on benefit of liveability-promoting infrastructure needed to attract and retain productivity boosting businesses and workers.

Regional capitals are already attractive to new industries and workers who are working flexibly or seeking a liveable alternative, without the grinding congestion issues of major cities.

Continuing to provide the right services and amenities is crucial to attracting and retaining these industries and workers.

Recommendations

Investing in infrastructure contributes directly to a regional capital's economy, providing jobs, increasing value add spending and lifting productivity. Infrastructure investment also increases business and employment activity.

RCA recommends:

- 1** An Infrastructure Australia review that seeks to build a list of national strategic projects in regional capitals that are calculated with equitable return on investment models, including social as well as economic capital.
- 2** The creation of a Regional Capitals Productivity Fund to consistently and predictably fund productivity-improving projects in regional capitals.
- 3** The creation of a Liveability Infrastructure Fund to fund amenity improvement projects that will promote labour mobility, migration and jobs in regional capitals.



JOBS, SKILLS AND EDUCATION

Regional capitals are the hubs through which the majority of Australia's agribusiness and resources exports move. They are also employment centres for wider regional areas, where demand for service sectors is growing.

Regional capitals will continue to be key to Australia's global competitiveness but more must be done to ensure they are able to adapt successfully to local structural economic change and emerging market trends.

A key component of this will be to better to connect to global markets while also attracting fast-growing, vibrant technology industries. To meet these transitions as well as the challenges of the future, regional capitals must be able to train and attract a workforce that innovates and diversifies their economies.

The Challenges

Workers in regional capitals are six per cent less productive than the national average. This has in part been attributed to lower educational attainment, less economic diversity and infrastructure gaps that are preventing business investment and opportunities.

Equally, regional capitals are not immune to the changing economic environment, particularly as there is movement away from traditional agriculture and manufacturing industries to advanced manufacturing and service industries.

The Australian Bureau of Statistics research paper 'Review of Regional Development Australia Committee Regional Plans, 2013', noted that regions are well aware of this significant threat, as nearly 40 regions highlighted in their plans that there was an over reliance on one or a few main industries and the corresponding need to diversify their economies to be competitive in the future.

Being competitive while adapting to a changing economy

To remain competitive at a local and global level, regional capitals need to capitalise on their core strengths while ensuring there is adequate diversification of industry and labour force to guard against industry-specific downturns and economy-wide shocks.

However there are already advantages in these capitals that can be built upon. Currently 15 per cent of national economic output is generated in regional capitals and 40 per cent of Australia's exports are produced in or move through a regional capital. Driving this output is a labour workforce of more than two million people and 300,000 active businesses.

Equally regional capitals are growing with an extra one million people expected to call a regional capital home by 2020. Regional capitals are seen as a desirable 'liveable alternative' for people and businesses seeking to escape congested metropolitan cities – people making the switch are often a highly educated mobile workforce bringing a diverse range of skills and innovative business models.



Skills and education in regional capitals fall behind national educational attainment.

Compared to national averages, regional capital workers are more likely to be employed in manual roles, such as technical and trades, and there are a reduced number of workers in higher value professional and managerial occupations.

Regional capitals and their surrounding areas fall behind national higher educational attainment. While these cities compare favourably with their metropolitan counterparts, when it comes to the percentage of the working age population holding certificate and diploma qualifications, they lag behind for university qualifications.

Young people aged 15-24 years from rural and regional Australia are half as likely to be attending university as young people from metropolitan areas. Students in regional capitals face significant barriers to tertiary education. They are less likely to apply for university study, less likely to accept places and more likely to defer admission.

The situation adversely impacts on the types of capital investment from business and jobs that can be attracted in some regional locations due to both perceived and actual skills-gaps in these areas – overall making regional capitals less competitive.

However, students who are able to study in a regional area are significantly more likely to continue with their education and also to live and work in that area. According to a recent report, 65.7 per cent of students who study at regional higher education institutions remain in regional areas for employment five years after course completion.¹

Since the barriers to education can be significant, students in regional capitals need accessible university education or skilled pathways through employment that will enable higher levels of education to be obtained and in order to remain engaged with skills growth throughout their career.

A skilled workforce is more productive and ensuring these services exist in regional capitals will mean that the gap between the metropolitan areas and the regions does not grow wider - keeping young workers from moving to capital cities and attracting workers from different sectors to live and work in these cities.

¹Australian Council for Educational Research, Australian Regional Higher Education: Student Characteristics and Experiences, July 2010, p 93



Recommendations

Skills and Education

Regional capitals must be able to retain and attract young people or people transitioning to the services sector. To do this, we need renewed focus on improving the skilled pathways (through VET) and universities offerings to match industry needs. This can be achieved by directing funds to regional research and education facilities, providing incentives for students (domestic and international) to study in regional capitals and improving the career pathways within the regions to promote jobs growth.

RCA Recommends:

- 1 Set aside funds designated for regional universities and TAFEs, giving better support to regional research and education facilities.
- 2 Provide incentives for students (domestic and international) to study in regions and regional capitals to promote skill retention in regional capitals; and
- 3 Better align regional course offerings to promote jobs growth in key areas, partnering with business to create jobs pathways.





COMMUNICATIONS TECHNOLOGY

The complete and efficient rollout of broadband, reduction in mobile black spots and increased competition in the telecommunications market are urgent issues, constraining population and skilled jobs growth.

The opportunities – Industries of the Future

The availability of high-speed broadband services and other connectivity technologies means that people now have choices. The tyranny of distance that has reduced the connectivity for regional capitals can in part now be removed.

These technologies also mean that economies reliant on outputs such as primary production, manufacturing, health and professional services must now 'advance' if they are to remain relevant and competitive and if they are going to connect into new markets.

Additionally, this new connectivity enables 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 the ability to innovate and diversify the local economy, an important factor of growth, if the productivity of regional capital cities is to increase.

But better Internet connections draw jobs to regions not just by attracting businesses, but by attracting workers whose fast broadband is a baseline requirement to move to an area.

A more competitive telecommunications market in regional capitals will increase affordability and improve services.

Magnet Cities – A Case Study for the Future of Regional Capitals

This factor has been confirmed by KPMG UK when completing leading research into how developed second (regional) cities from around the world improve their 'offer' and attract residents, visitors and business investment.

KPMG's research centred on nine cities and the qualities they possessed that had turned around their 'misfortunes' to enable them to become a 'magnet city.' The report found that all the 'magnet cities' became highly attractive to a specific group of educated, ambitious and energetic young people. These 'young wealth creators' generate the jobs of the future:

Designers, engineers, high-tech/low-tech entrepreneurs, researchers, biologists, physicists, artists, bloggers, filmmakers, musicians, digital animators, food experimenters, app designers, games designers, clean-tech advocates, chemical engineers, mechanical engineers, accountants and advanced manufacturing.

Regional capitals are ideally suited to be what KPMG calls 'magnet cities' that attract educated, ambitious and energetic young people, or 'young wealth creators'.

However, telecommunications access was a factor of a successful magnet city. Uneven access to high-speed broadband and mobile black spots constrain innovation and discourage such people to live and work in regional capitals.



The Challenges

In Regional Capitals Australia's 2014 survey of internet connectivity, the majority of the capitals surveyed classified their current broadband coverage and quality as poor to variable. A smaller group classified their current broadband coverage as satisfactory to good.

These assessments were based on consideration of whether available broadband is adequate for the city's requirements. Variable or 'patchy' services appear to be a particular problem for regional capitals, while some areas of a city, such as new developments or CBDs, have adequate broadband coverage - this is not consistent across the entire regional city.

This is particularly relevant given the commitment to provide NBN to all new 'greenfield' sites. It will be important not to neglect 'brownfield' or existing developments that contain high priority precincts which also have valid broadband requirements.

Mobile coverage was also of concern to regional capitals. The knowledge economy, of which regional capitals can contribute to greatly, is based on mobile connectivity.

The Australian Government's Mobile Blackspot Programme aims to deliver 499 new and upgraded mobile base stations across regional and remote Australia in Round 1.

However, rollout of the programme is inconsistent and is based on state co-funding partnerships. The disparity in program rollout based on the interplay between state and federal funding is set to put capital workers further behind in economic connectivity and competitiveness.

These findings indicate firstly that providing 'fit for purpose' access should be a key consideration in rolling out all communication technology to regional capitals.

The latest Infrastructure Australia Audit projects demand for telecommunications infrastructure will continue growing faster than GDP growth. This is largely due to business and consumer demand for services that increasingly depend on high volumes of data. This includes agriculture, tourism, financial services - industries that drive regional economies.

Regional capitals require the speed and scalability of infrastructure to enable the cities to continue to remain connected and take advantage of the growing opportunities that this connection will bring.



Recommendations

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

RCA Recommends:

- 1** Fast internet access is now a core liveability requirement and RCA recommends that all regional capitals have Full Fibre to the Premises (FttP) by 2021.
- 2** Prioritise regional capitals in the delivery of the Mobile Blackspot Reduction Programme to enable full telecommunications access for all cities.
- 3** Resourcing of the communication portfolio to reflect its economic development importance, and investing in ICT education and growth and encouraging telecommunications competition in regional capitals.



POPULATION GROWTH

Australia's population is predicted to almost double to just over 40 million people over the next 50 years. 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.

Australia's regional capitals are also growing. Currently over four million people, or about 15 per cent of Australia's total population call a regional capital home. An additional one million people will live in a regional capital in just under 10 years.

On average these cities are keeping pace with the national growth rates and more than a quarter of the capitals are growing faster than the national average. These cities are located all around Australia including Cairns in Queensland, Karratha in Western Australia and Ballarat in Victoria.

The Cost of Congestion

The national population growth will not only continue to create social pressures on the swelling suburban fringes of our major metropolitan cities but will continue to squeeze the infrastructure needed to connect workers to jobs in large major city CBDs.

National population growth has associated crippling congestion costs. In 2011, the cost of delays on roads in the six largest capital cities was \$13.7 billion and is projected to grow by around 290 per cent to \$53.3 billion in 2031. Infrastructure Australia puts the cost at addressing the national infrastructure deficit at anywhere between \$450 and \$700 billion. Australia cannot afford to allow this gap to widen.

Compared to the metropolitan deficit - the price of competitiveness in regional capitals is surprisingly affordable - the Regional Australia Institute estimates that the backlog in regional capitals infrastructure is \$15 billion or between two to three per cent of the national deficit in percentage terms.



Part of the Solution – Alleviating National Congestion and Increasing Productivity

Australia's regional capitals have the capacity to share in this projected population growth. Higher regional population growth is part of the solution to 'ease the squeeze' on the five metropolitan cities while increasing overall national productivity.

Population growth in regional capitals will also increase the economic diversity required to raise labour productivity and address skills gaps that are a drain on regional economies.

Strategic population growth

Much of the growth that Australia is receiving is due to immigration. Regional capitals are well placed to accommodate growth from new migrants. 110,000 new overseas migrants have settled in a regional capital in the last five years, representing approximately 35 per cent of net population growth in these cities.



POPULATION GROWTH

Growth is required to address an ageing population and skilled labour gaps

There are many challenges in regional economies and these issues must be addressed with active population strategies if Australia is to meet the opportunities of the future:

- 1 Workers in regional capitals are six percent less productive than the national average. This has in part been attributed to lower educational attainment, less economic diversity and infrastructure gaps that are preventing business investment and opportunities.
- 2 Regional capitals have a higher proportion of ageing population than the Australian average. Nearly 70 per cent of regional capitals have senior dependency ratios above the national average (21.2 per cent) and will require significant support through services and infrastructure in the next 20 years.
- 3 People in regional capitals and their surrounding areas fall behind national higher educational attainment. They are more likely to hold certificate and diploma qualifications, rather than a university qualification, and are more likely to be employed in manual roles, such as technical and trades than higher value professional and managerial occupations. Attracting skilled residents will assist in addressing skilled labour shortages and also increase economic diversity.



The Capacity to Grow

Despite their current growth rates, regional capitals still have additional capacity to share in Australia's growing population. The growth in regional capitals is in part due to the liveability of regional capitals, the availability of services and lifestyle and affordability factors – particularly in relation to housing prices which can be up to 60 per cent lower than major metropolitan cities.

With the support of national policies that seek to attract and retain a growing and skilled labour force to these cities, regional capitals can play a growing and critical role in the future prosperity of the nation.

“The Regional Capitals Australia alliance believes these policies be focused on regional capitals infrastructure for better economic outcomes and social amenity; access to communications for better domestic and international connectivity; and education and skills development, that lead to jobs of the future and ensuring that no-one gets left behind.”

For more information please refer to our policy positions on:

- 1 Economic and Social Infrastructure
- 2 Jobs, Skills and Education
- 3 Communication Technology

PRODUCTIVITY

As the Productivity Commission noted, the high productivity growth of the 1990s brought home two key messages: first, productivity growth matters as a source of prosperity for Australians; second, the policy environment is important for fostering productivity growth. Australia is now facing a tougher economic climate with greater challenges to maintaining stability and national prosperity.

National Productivity Decline

Australia's productivity has been on a steady decline since the late 1990s. The transition away from primary production and manufacturing industries and an interdependent global market has seen Australia become less competitive in many areas.

The national population growth has also decreased the efficiency movement of people and products and has come with crippling congestion costs. In 2011, the cost of delays on roads in the six largest capital cities was \$13.7 billion and is projected to grow by around 290 per cent to \$53.3 billion in 2031. Infrastructure Australia puts the cost at addressing the national infrastructure deficit at anywhere between \$450 and \$700 billion. Australia cannot afford to allow this gap to widen.

Productivity in Regional Capitals

More than 15 percent of national economic output was derived in Australia's regional capital. These cities have 300,000 active businesses and a two million person workforce. Projections indicate that an additional 465,000 people will join the labour force over the next 15 years.

40 per cent of Australia's exports are produced in regional Australia, with much of this passing through regional capitals. These cities are economic gateways – the cities contain ports, airports, rail/road connections, processing plants, freight and logistic centres that export raw materials and finished goods domestically and internationally.



Challenges to Productivity in Regional Capital's

In 2012, however, productivity per Regional Capital worker was estimated at approximately \$116,000 – the national average is \$123,000. This means that workers in regional capitals were six percent less productive than the national average.

Compared to national averages, regional capital workers are more likely to be employed in manual roles, such as technical and trades; there are a reduced number of workers in higher value professional and managerial occupations.

Regional capitals and their surrounding areas fall behind national higher educational attainment. While these cities compare favourably with their metropolitan counterparts, when it comes to the percentage of the working age population holding certificate and diploma qualifications, they lag behind for university qualifications.

The situation adversely impacts the types of capital investment from business and jobs that can be attracted in some regional locations due to perceived, and actual skills-gaps in these areas – overall making regional capitals less competitive.

Equally, the majority of infrastructure funding provided to regional capitals is to address urgent repairs to decaying or dangerous infrastructure, not to generate economic activity or support and encourage population growth. The only predictable source of funding is the Black Spot Programme and the Roads to Recovery Programme. This does not include the ad-hoc, competitive, application-based funding programs such as the National Stronger Regions Fund.

Regional capitals have also lagged behind in connectivity through communications technology, meaning that high value technology jobs have not been frequently available in these cities.

PRODUCTIVITY

Being competitive while adapting to a changing economy

To remain competitive at a local and global level, regional capitals need to capitalise on their core strengths while ensuring there is adequate diversification of industry and labour force to guard against industry-specific downturns and economy-wide shocks.

Regional capitals have the capability to boost Australia's productivity by developing capabilities as goods and services hubs, and by:

- Taking advantage of inherently lower costs of producing goods and services
- Building human capital through industry-relevant education and training
- Creating sustainable communities (economically, environmentally and socially) that attract new migrants and the young wealth creators to live and work regionally
- Sensibly managing population growth (without the constraints of major city congestion)
- Working together to access international, national and regional markets
- Providing small and large infrastructure that creates jobs.

Increased resources for regional capitals' education and training are required to better align skills with jobs and retain the expertise necessary to increase productivity in the most globally competitive sectors.

Compared to the metropolitan deficit, the price of infrastructure competitiveness in regional capitals is surprisingly affordable. The Regional Australia Institute estimates that the backlog in regional capitals infrastructure is \$15 billion or between two to three per cent of the national deficit in percentage terms. This advantage should be embraced by governments at all levels and increased social and economic investment should follow.

With the availability of high-speed broadband services and other economy-changing technologies, there is not much that limits regional capital economies to primary and manufacturing industries or whole sectors of workers to the major cities. The opportunity for economic diversification and skills transfer is real and an issue that government's at all levels must embrace.



Magnet Cities – A Case Study for the Future of Regional Capitals

This factor has been confirmed by KPMG UK when completing leading research into how developed second (regional) cities from around the world improve their 'offer' and attract residents, visitors and business investment.

KPMG's research centred on nine international cities and the qualities they possessed that had turned around their 'misfortunes' to enable them to become a 'magnet city'. The report found that all the 'magnet cities' became highly attractive to a specific group of educated, ambitious and energetic young people. These 'young wealth creators' are generating jobs of the future.

Due to the growing liveability of regional capitals, these cities are ideally suited to be what KPMG calls 'magnet cities' that attract educated, ambitious and energetic young people, or 'young wealth creators'.

If Australia is to retain our liveability and prosperity while increasing our international competitiveness, ensuring that regional capitals can increase their productivity must be part of objective.

"The Regional Capitals Australia alliance believes these policies be focused on regional capitals infrastructure for better economic outcomes and social amenity; access to communications for better domestic and international connectivity; and education and skills development, that lead to jobs of the future and ensuring that no-one gets left behind."

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LIVEABILITY

Regional Capitals are Urban Centres

Australia is one of the world's most urbanised countries, with around 89 percent of Australians living in urban areas.

Despite the homogenous way in which regional Australia is discussed and planned for, regional capitals are not rural communities but vibrant urban centres that provide access to essential infrastructure, services, business, employment and education.

Many people are drawn to the lifestyle and affordability offered by regional capitals. More than a quarter of these centres are growing faster than the national average (in percentage terms), with one million additional people projected to live in a regional capital in less than ten years.

Regional Capitals and Liveability

Liveability can be determined in many ways, however the Economist Intelligence Unit (on which Melbourne has ranked internationally number 1 for the past four years) measures five factors of a city's liveability:

1. Stability
2. Healthcare
3. Culture and Environment
4. Education
5. Infrastructure

The availability of lifestyle and affordability offered by regional capitals, particularly in relation to housing prices – which can be up to 60 per cent lower than major metropolitan cities – mean that more and more people are seeking out the liveable alternative and calling a regional capital home.

Just as Melbourne's liveable reputation is built upon its vast amenity, so too should Australia's regional capitals. An arts centre, community sporting facilities, accessible foreshore or a connected and functional Central Business District are all the things that increase amenity and attract investment by both companies and people.



Liveability and Productivity are Intrinsicly Linked

More than 15 percent of economic output comes from regional capitals. However, workers in these cities are six percent less productive than the national average. This has in part been attributed to lower educational attainment, less economic diversity and infrastructure gaps that are preventing business investment and opportunities and the transition away from traditional industries such as manufacturing and primary production.

Increasing congestion in Australia's major metropolitan cities threatens to decrease liveability over time. More people equals more cars, equals more roads and more competition for infrastructure.

National growth also has crippling congestion costs. In 2011, the cost of delays on roads in the six largest capital cities was \$13.7 billion and is projected to grow by around 290 per cent to \$53.3 billion in 2031. Infrastructure Australia puts the cost at addressing the national infrastructure deficit at anywhere between \$450 and \$700 billion. Australia cannot afford to allow this gap to widen.

Australia's growing metropolitan city congestion and growing housing unaffordability presents an opportunity for regional capitals to increase the liveability and subsequently the productivity of the city by attracting a wealth creating knowledge professionals and new innovative businesses.

With the availability of high-speed broadband services and other economy-changing technologies, there is not much that limits regional capital economies to primary and manufacturing industries or whole sectors of workers to the major cities. The opportunity for economic diversification and skills transfer is real and an issue that government's at all levels must embrace.



LIVEABILITY

Magnet Cities – A Case Study for the Future of Regional Capitals

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*Designers, engineers, high-tech/low-tech entrepreneurs, researchers, biologists, physicists, artists, bloggers, filmmakers, musicians, digital animators, food experimenters, app designers, games designers, clean-tech advocates... chemical engineers, mechanical engineers, accountants, advanced manufacturing.*¹

Regional capitals are ideally suited to be what KPMG calls 'magnet cities' that attract educated, ambitious and energetic young people, or 'young wealth creators'.

“The Regional Capitals Australia alliance believes that if we want to attract and retain a growing population and stimulate productivity gains, regional capitals need infrastructure that improves liveability of regional capitals, promoting labour mobility and economic diversification.”

For more information please refer to our policy positions on:

- 1** Economic and Social Infrastructure
- 2** Jobs, Skills and Education
- 3** Communication Technology



Appendix E –Regional Capitals Australia Members and Eligible Cities

Regional Capitals Australia Current Membership

RCA Local Council Member	State
Albury City Council	NSW
City of Wagga Wagga	NSW
Coffs Harbour City Council	NSW
Dubbo City Council	NSW
Gosford City Council	NSW
Orange City Council	NSW
Tamworth Regional Council	NSW
Palmerston City Council	NT
Mackay Regional Council	QLD
Toowoomba Regional Council	QLD
Rockhampton Regional Council	QLD
Bundaberg Regional Council	QLD
Launceston City Council	TAS
Horsham Rural City Council	VIC
Greater Shepparton City Council	VIC
Ballarat City Council	VIC
City of Wodonga	VIC
Greater Bendigo City Council	VIC
Greater Geelong City Council	VIC
Latrobe City Council	VIC

Rural City of Wangaratta	VIC
Warrnambool City Council	VIC
City of Albany	WA
City of Bunbury	WA
City of Greater Geraldton	WA
City of Kalgoorlie-Boulder	WA
Shire of Broome	WA
City of Karratha	WA
Town of Port Hedland	WA

Regional Capitals Australia – Eligible Councils

Council	State
Ballina Shire Council	NSW
Cessnock City Council	NSW
Lismore City Council	NSW
Maitland City Council	NSW
Newcastle City Council	NSW
Port Macquarie - Hastings Council	NSW
Shoalhaven City Council	NSW
Tweed Shire Council	NSW
Wollongong City Council	NSW
Wyong Shire Council	NSW
Alice Springs Town Council	NT

Cairns Regional Council	QLD
Fraser Coast Regional Council	QLD
Gladstone Regional Council	QLD
Mount Isa City Council	QLD
Sunshine Coast Regional Council	QLD
Townsville Regional Council	QLD
Port Lincoln City Council	SA
Burnie City Council	TAS
Devonport City Council	TAS
Mildura Rural City Council	VIC