

Regional Development and Decentralisation Committee
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16 August 2017

Dear Committee Chair,

Regional Development Australia (Grampians) welcomes this opportunity to provide a submission to the Australian Government inquiry into regional development and decentralisation.

RDA Grampians is an independent advisory body with voluntary community, business and local government members. Membership is comprised of representatives from business, higher education, industry, government and the community.

RDA Grampians' goal is to support economic development in the region, working across all three levels of government. It is charged by the Australian and Victorian governments to provide strategic advice on regional planning, economic and social issues and job creation, and deliver services on their behalf.

As displayed in Figure 1, RDA Grampians represents a large area in the west of Victoria, from Moorabool Shire (Bacchus Marsh) through to the border with South Australia. The region includes the regional cities of Ballarat and Horsham and a range of other settlements and rural hamlets. The region's population exceeds 230,000 residents with an output of \$19.8 billion and gross regional product of \$10.5 billion.



An Australian Government Initiative



Figure 1: Grampians RDA region

The region is comprised of two halves, each with different characteristics and capabilities. The western element includes the Wimmera, which is more sparsely populated (51,700 people) and strongly agricultural in nature. The eastern side, which has a higher-level concentration of population (178,300 people), is connected to Melbourne and is experiencing high levels of population growth that is forecast to exceed state averages over the next 15 – 20 years.

This submission considers the issues of decentralisation generally and uses the Grampians region to highlight points relevant to the submission. The submission is organised as follows:

1. Introduces RDA Grampians' definition of decentralisation as it pertains to this submission
2. Outlines the case for decentralisation
3. Discusses the benefits arising from decentralisation
4. Details a range of issues that need to be considered when undertaking decentralisation
5. Conclusions

We thank you for the invitation to make a submission to this inquiry, and look forward to receiving a copy of your report when completed.

Should you wish to discuss RDA Grampians' submission further, please do not hesitate to contact me on 03 5327 2861

Yours sincerely,

Stuart Benjamin
Chairman
Regional Australia Development Committee – Grampians



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1. Introduction and definition

There are many variations to the term decentralisation. For example, decentralisation can be defined as the devolution of ‘public functions from higher tiers to lower tiers of government’¹. This submission however considers decentralisation to mean the ‘physical transfer of Commonwealth entities and staff from Canberra and metropolitan areas to regional Australia’. We define regional Australia as areas outside the metropolitan state capitals, including Canberra.

We believe that decentralising corporate Commonwealth entities to regional Australia can provide many advantages, both for the Commonwealth government and for the communities where entities are relocated to. Of the regional areas in Australia, we believe that the Grampians region would greatly benefit from the relocation of services and can also provide a number of benefits for entities that are relocated to the area.

While there are many positive impacts for the community and government in relocating Commonwealth entities to regional areas, we acknowledge that past relocation efforts in Australia have produced mixed results, however, many factors have changed for the better and much of regional Australia is now better suited for decentralisation than previously.

2. The case for decentralisation – why regional Australia is suited for decentralised services

The following points highlight the benefits that decentralisation can provide for regional areas. RDA Grampians is of the view that many regional areas, including the Grampians are now sufficiently developed in terms of capability and capacity to support decentralisation. This has not always been the case, and as such decentralisation efforts may not have been as successful as they may otherwise have been. Regional Australia paints a rather different story than as recently as a decade ago.

2.1 Decentralisation is part of the solution to taking the pressures off growing capital cities

Australia’s major capital cities are experiencing significant growth which is leading to a range of issues including:

- Increased congestion across road and rail infrastructure
- Declining housing affordability, particularly for lower and middle income households wishing to buy or rent
- Increased difficulties accessing the central city from newer outer fringe suburbs
- Urban encroachment into rural areas leads to the loss of valuable agricultural land

Decentralisation of government services can assist to mitigate these impacts through increasing the population growth rate outside of capital cities; decentralisation is part of the solution to improving the liveability and functionality of metropolitan areas².

¹ Humphreys & O’Donnell (2006), *Public Service Decentralisation Governance Opportunities and Challenges*, Institute of Public Administration

² Department of Transport, Planning and Local Infrastructure (2014), *Plan Melbourne Metropolitan Planning Strategy*, State Government of Victoria



This submission will argue that there are a variety of government services that can be delivered as effectively, at lower cost from decentralised locations, and that decentralisation produces significant economic and social benefits.

2.2 Which services are suitable for decentralisation?

The services sector is recognised as a significant and dynamic component of the national economy with growing importance in terms of employment and value add to the economy. The government service sector is comprised of a wide variety of different elements including, among many others, wholesaling, retailing, legal, finance, information technology, consulting, and communications.

Given the breadth of the term 'services', researchers have classified services by the level of knowledge and expertise that attaches to them from lower order (service that involve more routine and process driven outcomes) to higher order (services involving more specialised and technical advice)³. Within this paradigm there are knowledge intensive business service firms (KIBS) and non-KIBS firms (administrative and back office services). KIBS can be further broken into professional management services (P-KIBS) and technical services (T-KIBS, such as engineering, scientific and natural science).

This construct applies equally to government services; there are higher order elements, and lower order elements, some more specialised than others.

Due to the nature of the services there are different locational attributes that attach to each. These attributes can be used to define the suitability of services for decentralisation. Using this model, it becomes apparent that some service types are more suitable for decentralisation than others, and some locations will be more suited to accepting decentralised services than others.

Locational theories suggest that higher order service types are more likely to locate, grow and improve outcomes in cities where information, knowledge and networks are most dense, but that some services can locate in regional areas where a cultural affinity exists.⁴ It follows that:

- T-KIBS will tend to locate in larger and more central cities because their markets are more extensive and because they rely more heavily on collaborations and information exchange
- P-KIBS are more local than those of T-KIBS, therefore they will be less concentrated at the top of urban hierarchy and more strongly present in smaller cities, particularly where there is a strong local capability to support the sector, for example a local university to provide a steady flow of graduates
- Non-KIBS can be located in any area, therefore, the impact of amenity and lifestyle are significant considerations for this workforce. This posits that service firms increasingly have to consider the preferences of their labour when making decisions about their own location.

³ Miles et al (1995), *Knowledge intensive business services their role as users, carriers and sources of innovation*, European Innovation Monitoring System (EIMS) Reports, European Commission

⁴ Polese and Shearmur (2004), *Culture, Language, and the Location of High-Order Service Functions The Case of Montreal and Toronto*, 'Economic Geography' volume 80



These factors pose important considerations in relation to decentralisation of services, specifically:

1. Lower order services are suited to decentralisation to areas where amenity and lifestyle benefits accrue to the workforce. Many regional locations claim to provide such benefits over metropolitan areas.
2. Higher order services are less likely to be successfully relocated, because it is the density of networks within a metropolitan region that are critical to their successful operation and continued improvement.
3. Specific, nice higher order services can be decentralised because the proximity to their core interest is in the place to which they relocate. For example, Horsham, would be suitable for certain type of decentralisation associated with its high levels of agricultural research capability and infrastructure.

While this framework can be applied to either territorial or functional decentralisation, RDA Grampians is of the view that functional decentralisation is much more likely to succeed – this is the transfer of a Federal Government function, currently undertaken in a metropolitan locale to a regional one.

It is also worth noting that recent improvements in data and digital technologies and connectivity means backend service and processing elements of an organisation can be divorced from other aspects, allowing:

- Cost benefits to accrue to the organisation
- Lifestyle and amenity benefits to accrue to the workforce
- Economic benefits to the region in which the services are relocated.

Ballarat, with its renowned lifestyle, amenity, quality digital and data infrastructure, and direct road and rail connectivity to Melbourne would be a location suited to decentralisation of lower order services.

2.3 Many regional economies have the capability to support decentralisation

Regional economies are changing across the country as traditional industries such as mining, agriculture and manufacturing decline, or transition to different business models that employ greater levels of technology and capital, and less labour.

The Ballarat economy is a typical case in point. The City has a strong history of being based around manufacturing and agricultural production and processing. This is changing. Ballarat's role as a support and service centre is reflected in high levels of growth in health, education, and public services. Figure 2 shows the expected growth profile of the economy from 2014 – 2031.



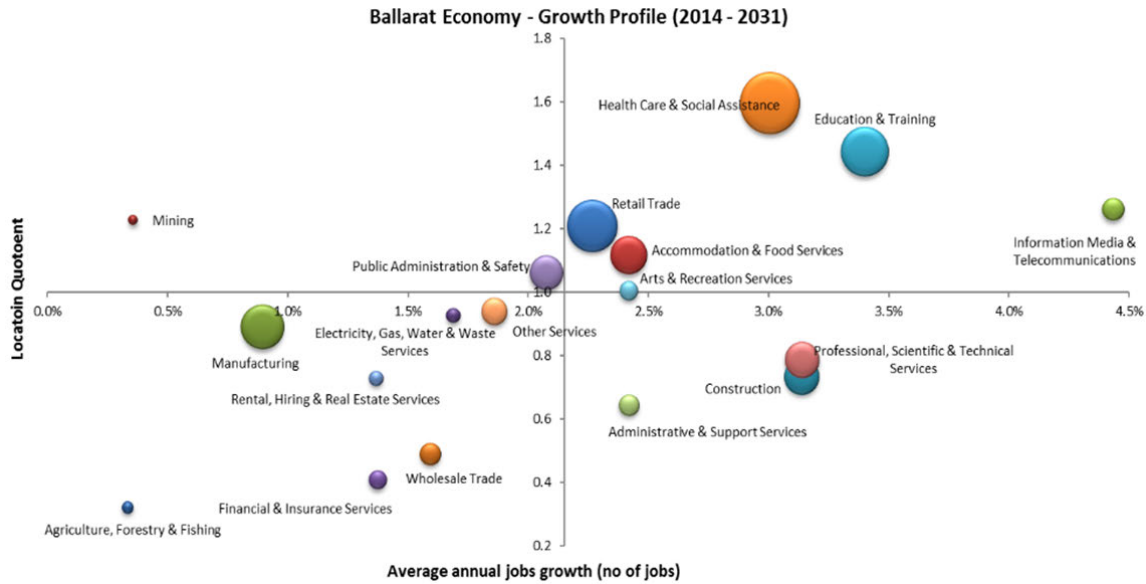


Figure 2 – Ballarat Economy – Growth Profile (2014 – 2031)

The industries of the past, whilst remaining important are not those of the future. Ballarat’s service economy such as professional, scientific, and technical services, real estate, health, ICT and finance / insurance are expected to continue to grow while traditional sectors of manufacturing and agriculture will grow at slower rates, reflecting higher levels of international competition. Compared to other regional areas, Ballarat’s business services sector has shown significant growth as measured by the percentage of FTEs compared to state averages (100%). This analysis is shown in Figure 3⁵.

⁵ This analysis is based on specific higher order services for Ballarat comprising Finance and insurance, professional scientific and technical services and ICT conducted at SA4 level



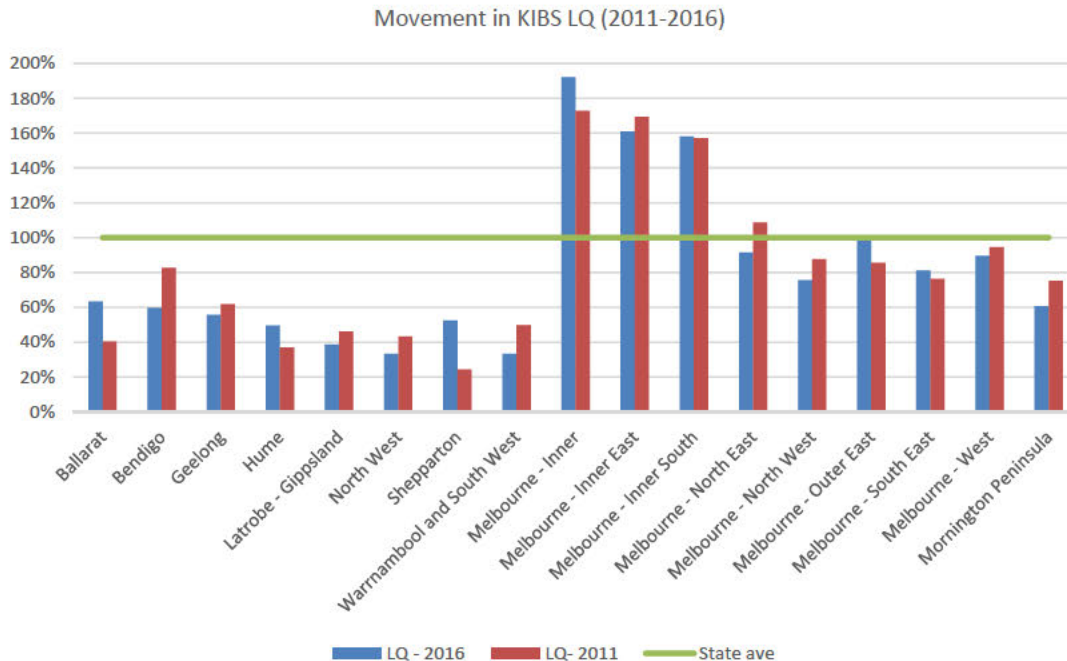


Figure 3 – Movement in KIBS location quotient (2011-2016)

The location quotient of Ballarat’s KIBS sector has increased from 40% to 63% and the number of FTEs from 4,100 to 6,600 between 2011 and 2016. Ballarat now has the highest relative KIBS employment in regional Victoria, surpassing Geelong (56%) and Bendigo (60%).

The growth in the KIBS sector shows that there is improved capacity and capability to support decentralisation efforts. Growing health, education sectors and other services (Figure 3) show sectors capable of supporting significant population increases. The platform for decentralisation to regional areas is in place in terms of industry structure and economic capability and capacity.

2.4 Regional areas have the infrastructure to support decentralisation and related population growth

Regional City infrastructure is not as congested or as overburdened as many metropolitan areas. Supporting population growth through decentralisation will not cost funds, it will leverage existing infrastructures, making them more efficient and reducing the marginal costs of use to existing residents. This stands in stark contrast to additional population growth in metropolitan areas which require additional infrastructures to be built.

This issue was examined by Regional Cities Victoria (RCV) in 2012 when considering the implications of higher rates of population growth in regional cities. Critical findings included⁶:

- Regional Cities have the capacity to accommodate significantly higher population levels over and above Base Case Scenario population projections.
- Plan Melbourne, The Victorian Government’s overarching state planning document states that ‘research has confirmed that in many cases the cost of servicing residents in regional centres is

⁶ Essential Economics (2009): *Implications of Population Growth on Infrastructure and Resources in Regional Cities*



significantly below the cost of servicing residents in the growth areas of capital cities⁷. The cumulative costs of building infrastructure to support additional population growth in Victoria's Regional Cities are less than the additional costs (principally congestion related) of population locating in Melbourne; the economic benefit over the period to 2036 of incrementally increasing population growth in Regional Cities is estimated to be between \$2.1b and \$4.9b⁸. The Regional Australia Institute has published research with similar findings.

- Net State Benefits associated with higher populations in Regional Cities include:
 - Efficient use of taxpayer resources with regard to population settlement and associated infrastructure and service delivery.
 - Reduced stress on metropolitan Melbourne infrastructure, which will assist in improving existing congestion-related inefficiencies (recognising that a proportion of future population settlement in Regional Cities would otherwise be accommodated in Melbourne's outer growth areas).
 - Enhanced economic and social outcomes for regional communities e.g. economic output, new business investment opportunities; expanded skills pool; industry diversification; improved service provision; enhanced lifestyle opportunities; improved support for small towns, and enhanced social outcomes.
 - Continuation of successful State Government policy with regard to population and business expansion, and government investment in regional Victoria.

These analysis highlight that regional cities have the capacity to absorb population increases, and in doing so, will create improved national economic benefit through lower infrastructure development costs and through the improved leverage of infrastructures and productivity improvements.

2.5 Developed versus lagging regions

One of the policy ambitions of regional development is to support lagging regions, that is, those falling behind others. A lagging region is characterised by higher levels of disadvantage, lower levels of productivity gain, participation, and often higher unemployment. The region is termed 'lagging' because it is falling behind other regions and, therefore, the notion has connotations pertaining to equity between regions or places. Many of these regions lie in rural Victoria and some in the Grampians RDA.

While RDA Grampians does not recommend that inequity between specific regions should be *the deciding factor* in whether to decentralise government, the rate at which regional Australia is failing behind metropolitan Australia in many areas indicates that the lagging of regions should be *a factor* in determining decentralisation policy.

2.6 Federal versus regional interest and benefit

The issue of national benefit, compared to local or regional benefit is often used as an argument against decentralisation, that is, there is no incremental national benefit arising from the movement of services from one location to another. It is not the place of this paper to debate this issue, other than to note that in the view of RDA Grampians, the decentralisation of services provides more marginal economic benefit to a regional location than the marginal loss from the capital city. There are several reasons for this:

⁷ Plan Melbourne, Metropolitan Planning Strategy, p135

⁸ The costs of supporting an increasing population of a city over a point are commonly referred to as dis-agglomeration economies, the economic benefits of cities growing, agglomeration economies. The RCV works suggests that Melbourne is reaching a size of population and complexity where the costs now exceed the benefits of growth. Agglomeration within a regional context is further addressed in 3.3 below.



1. Learning from previous decentralisation activities can be used to inform future activities, reducing risks and increasing the prospects of the decentralisation being successfully delivered.
2. Agglomeration economies, and therefore productivity gains are more likely in the decentralised location than will there will be dis-agglomeration economies from the loss of the services
3. The more efficient use and leverage of existing regional infrastructure compared to the need to develop new infrastructure in metropolitan locations
4. The relatively larger impact the decentralisation is likely to have on social disadvantage in the regional location compared to the creation of social disadvantage in the metropolitan area
5. The propulsive impact on commercial development that is likely to arise from the decentralisation and underpinning of further commercial development in a regional area

RDA Grampians appreciates that each instance is a case by case example and that these are generalities, however, the principles of this argument are well understood and provide a solid case that decentralisation does generate national benefit. Detailed economic cost benefit analysis of the decentralisation should be undertaken to assess these impacts on a case by case basis.

3. The benefits of decentralisation – What are the national benefits that would accrue from the decentralisation of services

Decentralisation of Government services offers locations' significant economic and social benefits. This section outlines these benefits.

3.1 Employment growth and job creation

In the most obvious benefit to arise from decentralisation is the creation of direct and indirect jobs in the place to which the services have moved. Larger populations support greater amenity and support businesses and services, reducing imported expenditures associated with sectors such as retail, food and hospitality. Larger populations require development of other services in education and health.



With high population growth rates and transitioning economies these employment opportunities will be needed in many regional areas. For example, City of Ballarat’s Economic Programme (2015), estimates that the growth in employment by industry sector between 2014 and 2031 to be as follows:

Table 1 – Expected employment growth (2014 – 2031)

	Employment 2014	Employment 2031	% Increase
Agriculture, Forestry & Fishing	386	408	5.7%
Mining	234	248	6.0%
Manufacturing	4,646	5,353	15.2%
Electricity, Gas, Water & Waste Services	441	568	28.7%
Construction	2,240	3,435	53.3%
Wholesale Trade	975	1,239	27.1%
Retail Trade	5,299	7,341	38.5%
Accommodation & Food Services	2,699	3,809	41.1%
Transport, Postal & Warehousing	1,324	1,923	45.3%
Arts & Recreation Services	688	971	41.1%
Education & Training	4,101	6,471	57.8%
Health Care & Social Assistance	6,849	10,349	51.1%
Information Media & Telecommunications	799	1,401	75.4%
Financial & Insurance Services	770	950	23.4%
Rental, Hiring & Real Estate Services	459	566	23.2%
Professional, Scientific & Technical Services	2,233	3,425	53.4%
Administrative & Support Services	841	1,187	41.1%
Public Administration & Safety	2,347	3,175	35.3%
Other Services	1,442	1,898	31.6%
Totals	38,773	54,718	41.1%

It is forecast that there will need to be over 15,900 new jobs by 2031 to support expected increased population. Decentralisation will not directly impact this situation (assuming employees choose to relocate); however, it will indirectly support employment creation, helping to underpin the new employment requirements.

3.2 Lower Government rental costs and supporting regional development

Decentralisation of government services would result in two interesting, and contrasting land economic driven benefits depending whether use is made of existing or new commercial space. Firstly, as can be seen in Figure 4, Ballarat, like all comparable regional cities has a considerably lower rental cost than metropolitan equivalents. With *existing* A-grade office space available at between \$280 - \$320/m², compared to CBD office space that is around one-third to two times the rental cost. There are opportunities to derive significant savings. For example, if a 500-person



decentralisation activity were to occur, then a 6000m² space would be required. Decentralising this to a regional area, would save between \$7.3m and \$17.7m over a 15-year commercial lease term. For new development, the lower rates of return are reducing the incentive for developers to construct commercial sites and accept development related risks.

Most developers would be satisfied with a 7% rental yield (there is evidence of 7% being acceptable on regional building infrastructures). Based on current construction costs, planning controls and fit out standards, a gross floor area rental of >\$400/sqm is required to achieve a >7% rental yield. If a term of lease of less than 15 years was provided, then returns would need to increase by 0.25% - 0.5% or to around \$415m² - \$430m². This situation is also represented in Figure 4.

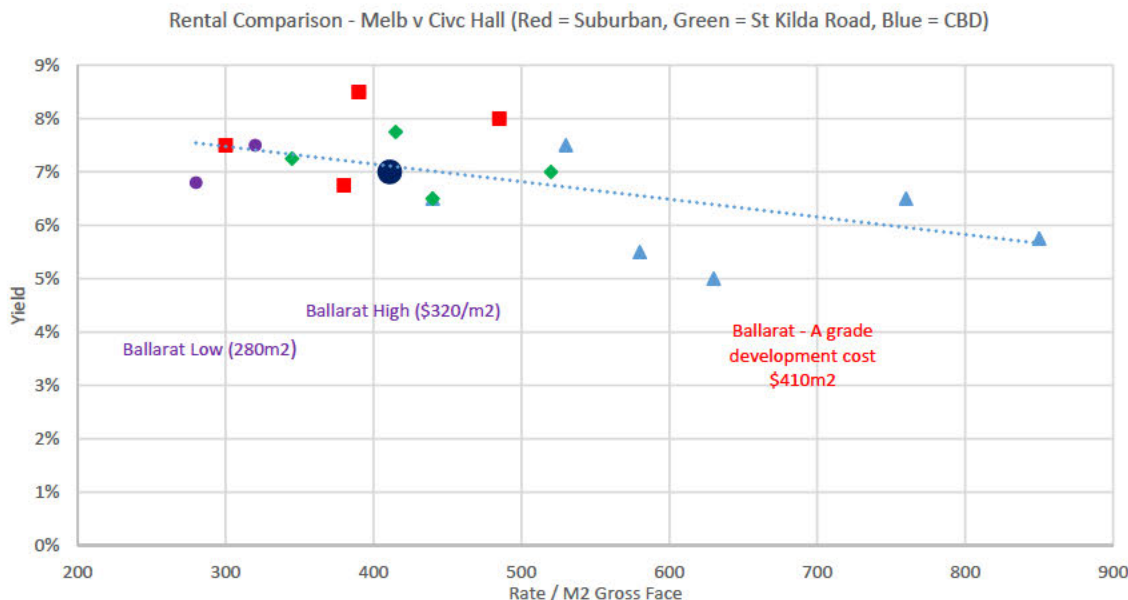


Figure 4 – Estimated rental compared to Melbourne

As can be seen, the estimated rate of around \$400m² is comparable to mid-range suburban office accommodation and B-Grade St Kilda Road office accommodation rates. These are the markets Ballarat is competing with for development.

The challenge is that Ballarat CBD rentals range from around 200m² to 320m². At these levels, developers are reluctant to enter the market as the rental yield is not acceptable. Furthermore, once outside the key CBD activity zone, rates decline quite quickly and there is high levels of discrepancy between areas within the CBD itself.

As many service firms in regional areas are small the market is likewise fragmented. The industries in these regional areas are underdeveloped and, compared to metropolitan areas, somewhat immature. This means that there is almost no other entity (Federal, State and Local Government excepted) that can create a demand for rental space backed by a long-term creditworthy tenant in regional areas that warrants the development of large scale commercial office space. This acts to limit the development of commercial offices within regional areas. The limitation of commercial space, curtails industry development. Given the transition currently underway within many regional centres, there is a need for office and commercial development to occur. Without tenancies of sufficient size and quality to underwrite these developments they are unlikely to occur.



To an extent this situation constitutes market failure within these regional areas and requires an intervention to support the development of the infrastructures necessary to underpin service sector and firm growth and productivity.

Decentralisation of government services represents such an intervention. The supporting of new commercial developments through decentralisation supports further commercial office development within regional areas, allowing further industry development to occur.

3.3 Support development of agglomeration economics and national productivity growth

It is widely accepted that increasing density in a place creates economic benefits (agglomeration benefits) which lead to higher levels of regional productivity. Decentralisation would act to increase the density of regional areas (cities), and therefore agglomeration benefits. The Regional Australia Institute is of the view that such benefits begin to accrue once a city exceeds 50,000 residents, which would mean that decentralisation would create agglomeration benefits for any of 31 of Australia’s regional cities whose population exceeds 50,000 people, as shown in Figure 5.

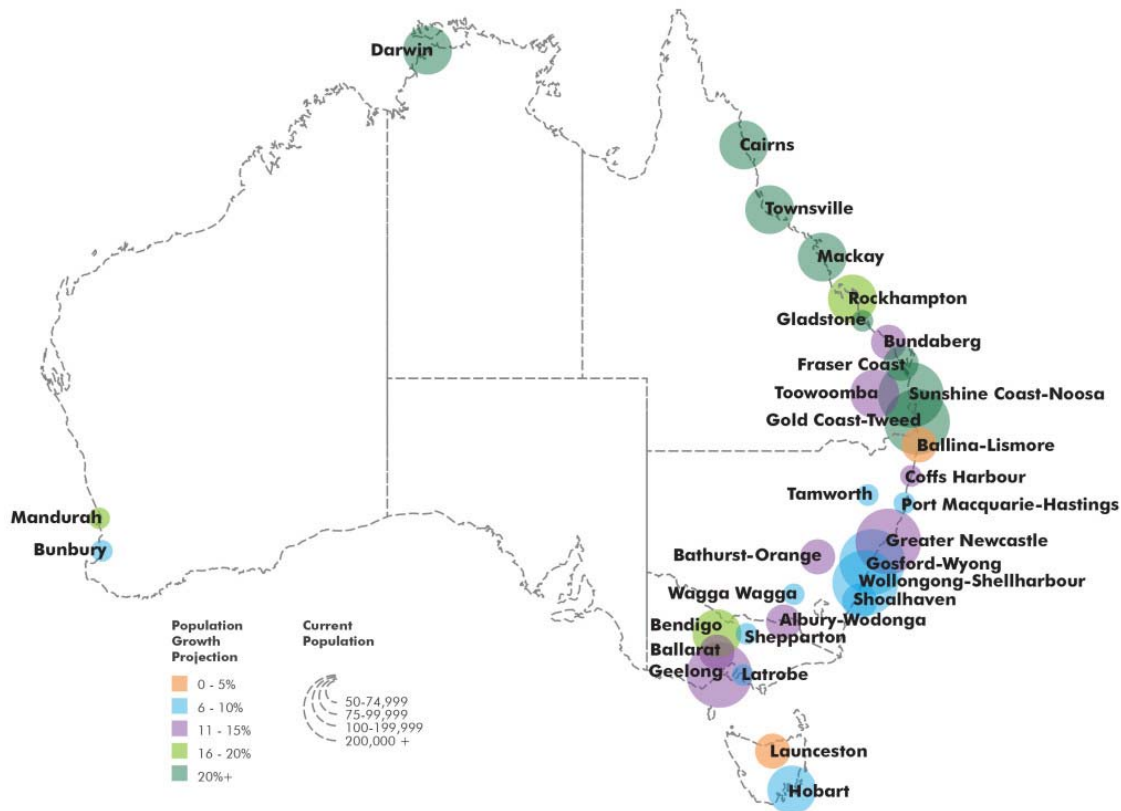


Figure 5 – Australian regional cities with populations >50,000

Regional Australia Institute also estimates that the productivity levels of Australia’s regional cities are 88% of that of the major metropolitan cities. While this is to be somewhat expected given the relative size of the cities, it does highlight the productivity benefits that scale brings.

Ballarat is Victoria’s fastest growing regional city. This growth is expected to continue with the population expected to increase to over 140,000 by 2031, an average annual growth rate of 2.1% per annum, above the state average over this timeframe of 1.6%.



Importantly, Ballarat is also an important centre of employment for those residents of the surrounding region. The combination of the increased population and the high number of people who work in the city mean that the city has an increasing level of employment density, a key driver of agglomeration economics which leads to higher levels of regional productivity. This characteristic would be common amongst many of the Cities shown in Figure 5 above.

Within Victoria it has been calculated that across all Victorian regional capitals there has been an increase of employment density (an indicator of agglomeration) of 5% between 2010 and 2015, but that there are significant variations between locations. This has been calculated to SA2 level, meaning LGAs data can also be assessed.

A map showing the change in the employment density (agglomeration) of Victoria’s regional capitals is shown at Figure 6.

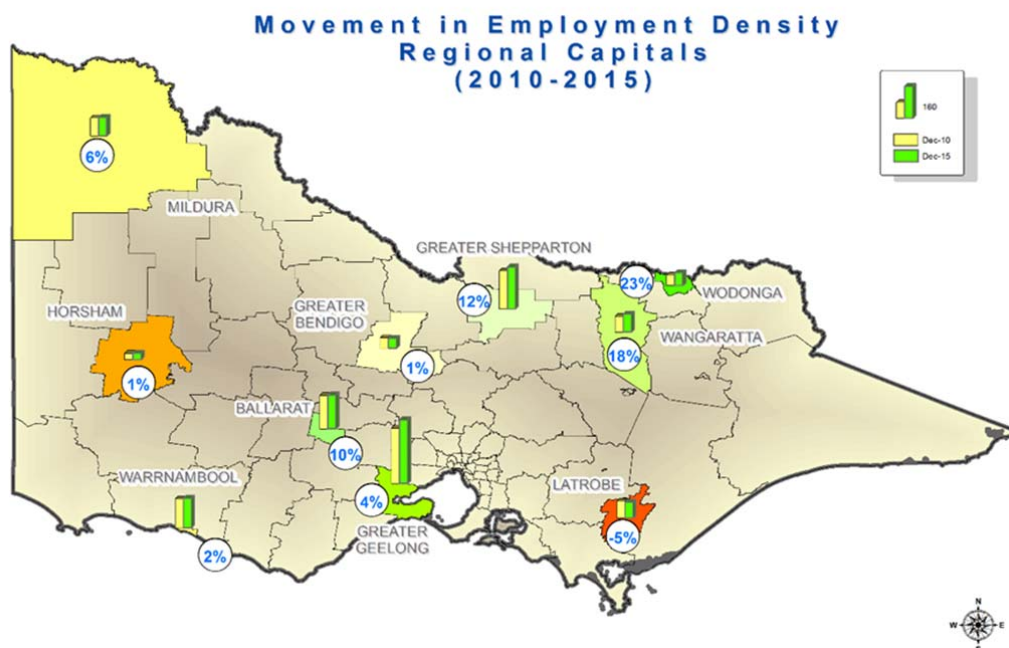


Figure 6 – Movement in employment density (2010 – 2015)

This analysis shows that Ballarat’s employment density has increased by 10% over the period 2010 – 2015, double the average rate of all regional capitals, and indicating agglomeration is occurring / underway. Importantly, the density index of 3,095 is second only to Geelong indicating that the level of ‘density’ is relatively high – the precursor for agglomeration economics and productivity growth to occur.

Further supporting the growth in the city’s employment density through decentralisation will underpin improved levels of regional productivity.

In addition to this, more sophistication in the services relocated is understood to be a key factor in supporting the growth and levels of innovation in related sectors, particularly where there is a relationship between the service sector and other dominant sectors of the economy, such as in Ballarat where there are strong linkages between the sectors as manufacturing.



Similarly, in other regional cities where there is a natural and particularly strong linkage between the city and the surrounding region, such as Horsham shares with agriculture, then the economic literature suggests that increased productivity would not just arise through density driven factors, but also from those arising from specialisations. In these circumstances, to generate maximum economic and social outcomes decentralisation should seek to align the services relocated with the specific industry specialisations of specific places.

Seen within this context decentralisation should therefore be seen as not only creating employment and economic activity in its own right, but also supporting the development and increasing sophistication of other sectors with which it is related.

3.4 Leverage new digital and data infrastructures

The past decade has seen the introduction of fibre network to much of regional Australia. As this submission has identified, many of the potential decentralisation candidates would require access to such technology; without it the decentralised services would not be as effective, and as efficient. Decentralisation therefore leverages the investment in this national NBN infrastructure, reducing costs to all users.

The Australian Academic and Research Network (AARNet), is an extreme speed fibre optic network that delivers data transfer speeds not otherwise available nationally within the country. The network is shown in Figure 7.

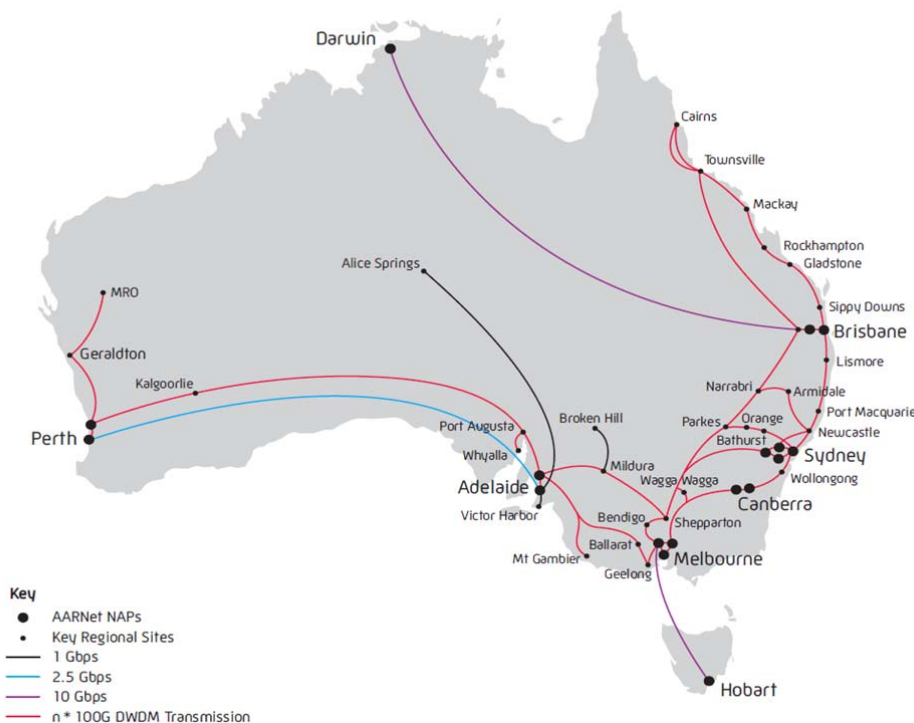


Figure 7– AARNet National Network

This infrastructure, as we understand is currently underutilised in terms of capacity and capability and presents as a significant opportunity to support decentralisation of back end offices that require data exchange. The additional capacity and capability that resides in the AARNet represents a significant piece of enabling infrastructure for non-metropolitan Australia.



Ballarat and Horsham are located on the AARnet pipeline as are most the cities identified in Figure 7. If government departments relocated to regions on the AARNet they would have access to fast internet to support processing of big data and fast connection back to Canberra, or other metropolitan areas if required.

3.5 Addressing social disadvantage

The experience of disadvantage is connected to where people live and the local resources available to them. Research into disadvantage in Australia has found a common feature across all states and territories was the prominence of disadvantaged localities in rural and regional areas. Disadvantage occurs when an individual, family or community is deprived of resources or opportunities that underpin social and economic wellbeing. Disadvantaged people and communities lack either material resources (income, housing, services, and transport), skills/knowledge resources (education, health) or 'social capital' resources (social participation, inclusion, strong governance).

A Commonwealth Senate inquiry into poverty and hardship found that a key factor of disadvantage was inequality in the distribution of employment opportunities between rural and regional areas compared with metropolitan areas. The limited employment opportunities in regional areas result in unemployment and underemployment, which then lead to reduced income for communities in these areas.

Significant economic and demographic changes have occurred across regional areas, such as the decline of primary industries like agricultural that have historically provided numerous employment opportunities and supported thriving communities. The winding down of these industries has resulted in a decrease in economic opportunities for residents, particularly for unskilled workers.

Relocating government entities to regional areas provides for increased employment opportunities, income and an opportunity to address disadvantage in regional communities. While government relocation may not provide direct employment opportunities for all people in the communities, there is benefit to be derived from the service industry that would be supplied, such as hospitality and retail which are key employers of the unskilled workforce.

3.6 Housing affordability

A major issue facing many in Australia's capital cities is housing affordability. The costs of securing housing or rent, or purchase are increasing compared to income levels, these issues are being felt most acutely for those on lower and middle incomes and amongst the younger generation. Regional areas provide a ready solution to this issue.

When it comes to renting, the Ballarat Central median house rental price per week is \$270 and Horsham is \$250, which makes renting less expensive than Victoria's average of \$375⁹. Unit prices are around two-thirds that of houses.

With median house prices of \$345,000 and \$245,000 respectively, Ballarat Central and Horsham prices are much lower than the Victorian median of \$515,000. According to the Real Estate Institute of Victoria, in the three months to December 31, Melbourne's median house price increased 5% to a record high \$770,000¹⁰. Figure 8 shows the median house price between Melbourne and regional Australia over the past decade.

⁹ Real Estate.com <https://www.realestate.com.au/neighbourhoods/ballarat%20central-3350-vic>, accessed 8 March, 2017

¹⁰ <https://www.reiv.com.au/property-data/median-prices>, accessed 8 March, 2017



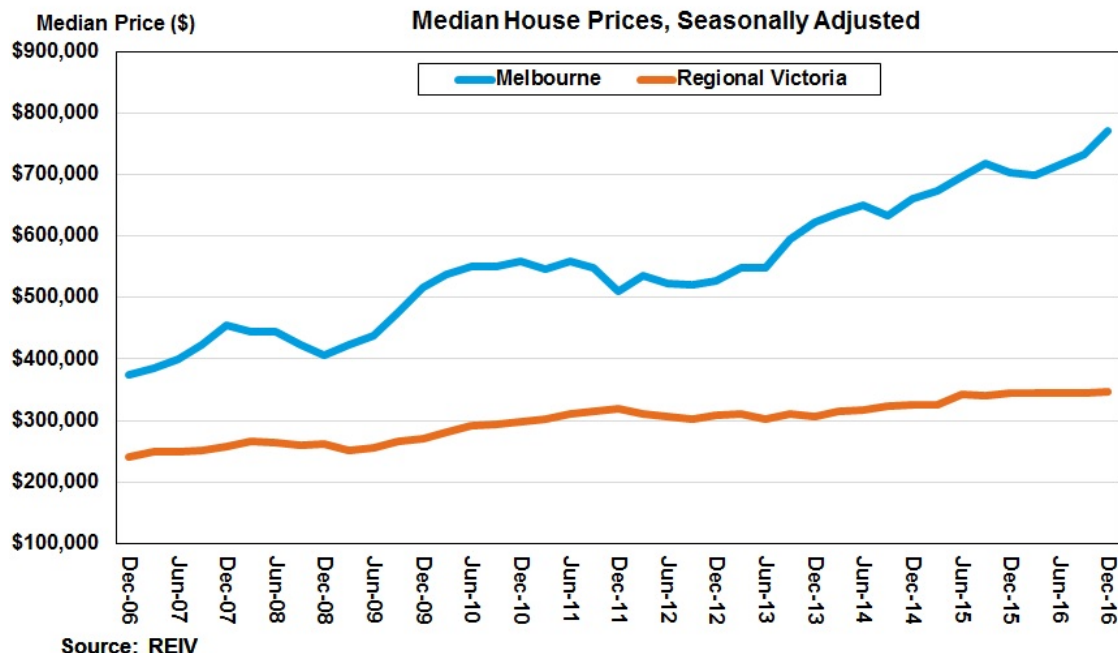


Figure 8 -Housing affordability analysis – metropolitan versus regional areas

While maybe not as extreme (Melbourne and Sydney house prices have increased at faster rates than other capital cities), this story could be told in any state of Australia. Housing in regional areas is significantly more affordable than capital areas. When the additional transport costs required to move about capital cities are also factored in, regional areas provide significant economic advantages, provided employment opportunities are available and accessible.

4. Issues associated with decentralisation

This submission has made the case that decentralisation will bring significant benefits to areas services are located into, however, there are considerations that need to be thought through to produce the best possible economic and social benefits.

4.1 Relocation incentives and employee retention

There have been several decentralisations that RDA Grampians is aware of that have successfully resulted in continuity of service provision and delivery of economic and social benefits to regions, including National Disability Services and Traffic Accident Commission to Geelong, State Trustees to Bendigo, State Revenue Office to Ballarat. The decentralisation of Rural Ambulance to Ballarat is viewed as being less successful as the decentralisation included high level policy devolution, which ‘made its way’ back to Melbourne. The lessons from these experiences should be learned and repeated, if they contributed to success, and not repeated if they resulted in less than optimal outcomes. Central to the success of the decentralisation is the way existing employees are relocated and the manner of the relocation.

There is very little public guidance on these matters for affected employees of decentralised service organisations. EBAs may, or may not include reference to these issues. This creates doubt, anxiety and confusion and adds complexity to the process.



It is recommended that clear guidance be established for potentially affected employees. Experiences suggest the following should be considered:

- Nature of relocation allowances and packages
- Financial advice and planning
- House and land sales and purchasing
- Integration into the new region, including introductions to relevant childcare, medical and education institutions
- Rental assistance
- Continuity payments

If employees do not wish to relocate then there is a risk that the decentralised service may not operate as effectively or as efficiently in the short term.

Addressing these issues is likely to increase the retention rate for employees. There is some anecdotal evidence that retention rates are as low as 60% after 3 years of decentralisation. This is not only expensive in terms of recruitment, training and lost institutional knowledge, but also unsettling for remaining staff.

4.2 Relocation – A two-person problem

Much thinking about relocation of people associated with decentralisation has focused on the main or primary income earner. Cambridge in the United Kingdom has long experienced the issue of employee relocation as part of Federal Government decentralisation and localism policies as well as when managing the many employees of firms that have moved into the region away from metropolitan regions.

The approach adopted by the region is to address employee relocation as a two-person problem, not one based around the sole or primary income earner. This approach requires decentralisation approaches to take a comprehensive approach, and be proactive in supporting relocation of entire family units, not just the individual employed.

4.3 Decentralisation not devolution

Decentralisation essentially considers the movement of service provision, of whatever nature from one location to another. Devolution is the movement of authority, power and decision making (such as policy development) to a decentralised location. The latter is likely to be far more complicated, and presents greater risks. The decision making associated with departmental authority is more akin to higher order services than the day to day operational elements, which are more in the nature of lower order service delivery.

Government's policy and decision making bureaucracy needs to be located close to other departments to improve coordination and access information. Personal relationships and networks support and facilitate policy making and authority. These cannot be as easily devolved; however, they are not as critical to the day to day successfully operating routine aspects of government service provision.

RDA Grampians therefore recommends that at this point, the senate committee focus on operational decentralisation, often referred to as de-concentration and delegation and not policy and authority devolution.



4.4 Supporting policy to leverage development opportunities

To provide further benefit to both the regional community where entities are located and the government itself, there should be a consolidated effort to leverage opportunities for development that arise from the decentralisation initiative.

Examples of leveraging policy include, creating linkages between the decentralised service, industry and educational institutions to create pathways for employment and local procurement and participation policies which support local industry development and employment creation.

An example of where government has successfully partnered with local communities to support economic development is the Regional Incubator for Social and Economic Research (RISER) research centre hosted at the Federation University campus in Horsham.

The RISER initiative is jointly funded by RDA, the Victorian Government, Federation University Australia and the Wimmera Development Association. The initiative is designed to build stronger, local communities and maximise the impact of infrastructure projects by partnering researchers with local government and business across the region.

The initiative leverages relationships between the university and local businesses to undertake research that is shaping government priority setting and policy making. PhD students are mentored by local community and business representatives and are provided with scholarships to lead research projects focusing on 'rurality'. These projects examine social and economic topics and are designed identify regional economic infrastructure priorities and to strengthen the case for increased funding for the Grampians region.

Funding has not only brought new students to the area, it has also provided resources for research into local issues. Regional areas each have their unique set of circumstances and issues, and the RISER initiative ensures that research reflects this local perspective as the students live and work in the region while undertaking research. In this way, the initiative has leveraged relationships between the university, business and government sectors to build capacity and support development in the regional area.

5. Conclusion

This submission has argued that regional areas are well placed to absorb and manage decentralisation, efforts. Devolution to regional areas is a more complex issue, and requires further analysis.

RDA Grampians believes that functional decentralisation can produce positive net national economic and social benefits and that decentralisation can also be used as part of a broader suite of tools that can address national issues surrounding the liveability of cities and housing affordability.

Decentralisation leverages existing infrastructures in regional areas and can be the catalyst for ongoing and further economic and social development providing the comprehensive and considered decentralisation strategy is developed and implemented and the right set of policies are in place to support and leverage from the process.

