INQUIRY INTO REGIONAL AUSTRALIA

REGIONAL AUSTRALIA INSTITUTE (RAI) – QUESTIONS ON NOTICE

[RAI RESPONSE]

1. What are the main barriers to growth in regional Australia?

The barriers to growth in regional Australia are broad and wide-ranging. A number of these challenges are identified in a report by the Select Committee on Regional Development and Decentralisation. This report was presented to government, providing evidence and rationales for a new approach to investing in regional Australia.

In this Inquiry, the Committee continually heard that the most important issues are around making our regional cities, towns and communities more connected. Connectivity can be described as having better roads, better rail services, mobile phone coverage and access to quality broadband internet. Especially important is that those living in regional Australia have access to a reasonable base level of services such as health and education.

The final piece of the puzzle that influences people's decision to live in the regions is that of amenity. The amenity of a city, town or community can be in the visual aesthetics, the buildings, the parks, theatres, the access to shops, recreational facilities etc. While amenity is a broad and wide-reaching category, if we fail to invest in amenity, we will also fail to entice people to live in regional Australia.
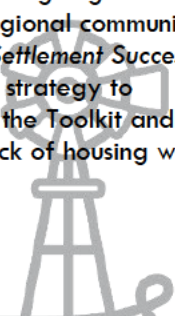
Further details on these challenges are included in the Select Committee on Regional Development and Decentralisation's report titled *Regions at the Ready: Investing in Australia's Future* (2018).

Employment in regional Australia is a specific challenge which has been identified in RAI's research over the past decade. The RAI's *Future of Regional Jobs* report summarises some of the major employment challenges regional Australia faces. The report started from concern across Australia about the big drivers of change to the future of work – drivers like automation and the surge in digital technologies, the dynamics of regional labour markets, questions of how to help match local skills with emerging local job opportunities, and competition between regions for the same sorts of workers.

RAI's research has found that the impacts of the next phase of digital automation will vary considerably across different regions in Australia. For instance, jobs in agricultural production in regional areas are expected to decrease in coming years, while jobs in healthcare and social assistance are projected to have the largest increase, and the impacts of these will vary considerably across different parts of regional Australia.

In the medium-term, the healthcare and social assistance industry is expected to require another 85,000 workers in regions through to 2023. In Education, this requirement is 28,019. With long lead times on professionals in these industries, action must start now to create the skills development pathways. Evidence from regions shows that it can be hard to fill available jobs due to perceptions of poor infrastructure, services and amenity – so, action on improving the stock and capability of these key assets is, in fact, vital to regions being able to attract and retain the people they need to grow.

Another specific challenge in regional Australia is the issue of housing to support incoming migrant workers. RAI's work on regional migration has identified some barriers to growing regional communities through migration. Based on extensive research, RAI developed the Toolkit *Steps to Settlement Success*, which aims to assist regional communities in designing their own locally-led migration strategy to attract, welcome and retain migrants into their region. While gathering evidence for the Toolkit and when taking it around Australia in a series of workshops and events, the issue of a lack of housing was

raised repeatedly. Several employers have indicated that expansion plans for their businesses are unable to be implemented due to the lack of housing. Towns which have developed attraction strategies need to halt them due to a lack of housing. These concerns have been raised in RAI's submission to the Standing Committee on Migration's Inquiry into Regional Migration as well as the submissions of many other agencies and organisations to that Inquiry.

2. What specific Commonwealth Government policy changes would make the most difference to regional communities?

The Commonwealth Government can make changes to investment policy and strategic policy to make the most difference to regional Australia. These actions need to cut across government portfolios, such as through policies which deliver place-based approaches, localised flexibility and devolved decision making.

For a new approach to investing in regional Australia, the 2018 Select Committee on Regional Development and Decentralisation Committee recommended focusing on four discernible categories:

1. investments that maintain the status quo; these projects are necessary as they assist in enabling regional towns and cities to provide that universal base level of service and amenity.
2. catalytic investment. These investments attract further investments, and they help create and build on a critical mass in a particular sector. These catalytic investments which lure other businesses into a colocation should be given greater priority within government decision making.
3. investment in capacity building of our rural communities, particularly education and training and leadership development.
4. investment in human capital. This includes the employment of people to design and deliver services in rural communities. It is this investment that provides the greatest opportunity for government decentralisation policy.

Further details on this recommended approach to investment are included in the Select Committee on Regional Development and Decentralisation's report titled *Regions at the Ready: Investing in Australia's Future* (2018).

For changes to the Commonwealth Government's strategic policy approach in regional Australia, policies which reflect the region's characteristics and unique features is key to regional growth. For example, in some regions, an industry-specific approach to regional development is beneficial. In the RAI's *Regional Growth Prospects* (2019) report, regions which would benefit from an industry based approach are identified. This is done for four key sectors: Food Processing, Tourism, Creative Industries and Advanced Manufacturing. The report details where these industries are most critical to the local economy and play a fundamental role in job generation. OECD experience shows that business-led specialisation approaches are effective in supporting regions to maintain their competitiveness in national and global contexts, and be an avenue to encourage places with these specialisations to grow.

For changes to the Commonwealth Government's strategic policy approach in regional Australia, the RAI has gathered feedback from more than 250 of regional Australia's best and brightest in regional development at the Regions Rising National Summit on 4-5 April 2019. In the Policy Hack sessions at the Summit, RAI asked participants to consider four key challenges facing regional Australia, relating to jobs, population, health and regional policy. While the topics were diverse, the message was strong and consistent. People want a new approach to regional development, and this top-down, one-size-fits-all, big infrastructure only approach has to change.

From the policy hacks, several themes emerged for change to government strategic policy. These themes came directly from regional leaders and community members themselves:

1) Investing in 'soft' infrastructure – human capital and liveability;
2) Governments and regions working together;
3) Empowering regions through flexibility and place-based policy; and
4) Shift the narrative about regional Australia.

These themes are expanded on below.

Investing in 'soft' infrastructure – human capital and liveability

Regional leaders are calling for regional policy development to be more than the implementation of large infrastructure projects such as road and rail. Instead, leaders want education and skills development of regional residents to be a priority. Regional Australia has jobs, and the challenge ahead is filling these with trained, skilled workers.

While people choose regional areas for economic and employment-related reasons, other factors also influence these mobility decisions such as the 'liveability' of the location. Quality child-care, employment opportunities for spouses, and education for children were all noted as central to ensuring those with the right skills to stay in or move to the regions.

Governments and regions working together

Regions want to 'work with' governments; they do not want things 'done to' them. Local knowledge and expertise should be integrated into the policy-making cycle, and locally-led solutions should be supported, especially in regards to employment, population programs and the delivery of healthcare.

Forging such a connection would mean that government would better understand how regions work, what their issues are, and why they need different policy approaches to our capital cities. Regional policy is starting to experiment with regional city and regional deals, which recognise and validate the priorities of regional leaders.

Empowering regions through flexibility and place-based policy

Allowing flexibility in the way that policies are delivered would bring about better results across diverse regional and remote areas of the country. This requires a rebalancing away from the current emphasis on programs that seek to maximise economies of scale, towards recognising the importance in smaller regional communities of the value of economies of scope – where different services can be bundled together for more effective local impact. This reflects a shift in focus away from the blanket polices that often seek to ease the burden of administrative functions, towards the place itself, and towards the intended outcomes of the intervention.

Some specific ways to help shift this focus include establishing cross-border commissioners and extending regional deals. Regions need different approaches, especially where policies are designed to work in areas with large populations, while effective delivery is difficult to achieve where populations are small and dispersed.

Shifting the narrative

When Australia's regions are strong and thriving, our nation is strong and thriving. Regional thought and community leaders are optimistic about life in regions, and about their future. The tired 'country/city' binary simply does not reflect reality. Australia's regions are diverse, innovative and closely linked to urban and global marketplaces.

Regional leaders have called for a shift in the narrative of regional Australia in mainstream media and in places of centralised decision making. The successful development of regional Australia is tied to its story, and that is one where our towns and regional cities represent places where new innovations, healthy families and successful careers are built.

3. What type of land use policies would encourage people to settle in regional Australia?

Long-term planning processes for Australia's largest cities have followed a similar pattern which is being repeated as part of the current debate on future population. Long-term population and employment projections are used to determine corresponding policy interventions, including location-specific targets for new housing and upgraded infrastructure

The consequences of urban planning decisions are substantial. In each of the regions explored in RAI's *Regional Population Growth – Are We Ready?* report, the various planning instruments create an existing patchwork of various growth targets, priorities and timelines for areas of land which are guiding us towards the status quo outcomes modelled in this study. Planning and land use policy is the primary tool for facilitating alternative settlement patterns. The foundation of any decentralisation policy will be a decision to modify these current settings.

One pathway for changing Australia's settlement patterns towards a more geographically distributed future is further freeing up greenfield and brownfield development in regional centres, and availability of employment lands in regional cities, alongside more effective constraints on urban fringe sprawl. A more comprehensive and coordinated planning approach and supporting policies are the way to lead in creating positive change.

Unlike urban densification strategies, which mostly seek to displace traditional housing supply with denser forms of settlement, constraining urban fringe development in the major cities and increasing supply of land in regional centres is better placed to maintain a mix of housing for people who are not looking to live in densely populated outer or inner suburban neighbourhoods.

Critical to strategic and land use planning is the employment lands and land use policies that help enable job provision. Population growth without effective job creation leads to dormitory suburbs and creates commuting challenges. Employment opportunities and job creation are a vital driver of population attraction and retention, and significant job creation initiatives would be needed to support population growth under the dispersed scenarios.
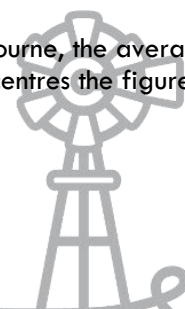
The benefits of a changed settlement pattern are outlined in RAI research. Specifically, the RAI's Regional Population Growth report looks at the economics of alternate population settlement patterns, rather than the business-as-usual approach which will likely continue to see populations grow in our major capital cities.

The scenario modelling found that under the business-as-usual base case, commute distances in outer Sydney and Melbourne will increase by around 60 per cent and close to 25 per cent in outer Brisbane and Perth. Under the alternative distributed population scenario, commute distances for outer suburban Sydney would rise by 15 per cent, and Melbourne by 40 per cent. Brisbane's outer suburban commute distances rise by 2 per cent, and Perth's by 11per cent.

Importantly, the analysis shows limited trade-offs in terms of future incomes or employment across alternative scenarios. With supporting policies to maximise education and employment opportunities, as well as job creation initiatives in regional areas alongside increased population growth, a more widely distributed population growth outcome may achieve superior levels on these key economic indicators.

In examining alternative settlement patterns, the comparisons between current residents of outer suburbs and regional cities are worth noting. When examining average incomes, the difference is small at 10 per cent. For example, the average outer suburban Sydney worker earned $80,808 in 2016, whereas their NSW regional city counterpart earned $71,281.

However, a stark contrast emerges when comparing average house prices. In Melbourne, the average home in the suburbs was valued at $776,276 in 2016, while in Victoria's regional centres the figure was less than half, at $344,365.

The modelling suggests that dispersing population growth increases incomes in regional cities while having a limited impact on outer suburban areas. In Queensland, the modelling shows that regional city workers could see higher average income growth than their outer suburban Brisbane counterparts, under a highly dispersed population scenario which would see 20-40 per cent of future population growth diverted to regional areas.

Employment data also shows that workers in regional centres are just as likely to be employed as those in outer suburbs. A similar pattern also emerges concerning productivity. In the case of Brisbane and Melbourne, regional productivity is higher than in outer suburban areas. Housing affordability in our outer suburbs will also improve if population growth is dispersed to our regional cities.

Furthermore, in RAI's Population Growth report, recommendation 2 is '*the development of regional settlement strategies for each major city and surrounding regions*'. This encompasses the following elements:

- State Governments to model new high-growth scenarios for regional cities to find the best development pathway, with communities to be engaged on the trade-offs and benefits of faster growth;
- Development and analysis of the range of infrastructure investment options available to better connect each regional city to its nearby metropolitan centre in the coming decades;
- A substantial study into location decision making by individuals, families and firms to understand what drives people to live in different areas, and the groups within the population who have ambitions or are open to living in small cities connected to larger metro areas; and
- Detailed examination of planning, taxation, and economic development policy options that can be put in place by governments alongside infrastructure investment to moderate growth in outer suburban areas while enabling increased regional growth.

4. What can be done to encourage people to move from outer suburban areas to regional areas?

The RAI is developing a national campaign to encourage people to move from outer suburbs to regional Australia. This campaign is outlined in the response to question six.
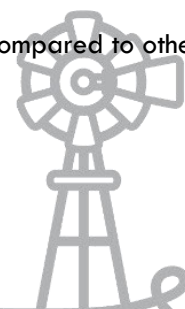
The experience of COVID-19 has fast-tracked flexible and remote work, and we are seeing a new vision for the future of work. The RAI has formed the Regional Australia Council 2031 where we are working with corporate Australia to support and underpin the RAI's national campaign to encourage people to move to regional Australia.

In 2019, RAI worked with RMIT on the liveability of mid-sized towns; that is, towns with a population between 50,000 to 5,000 people. In this research partnership, social modelling and choice survey work was conducted to investigate how people make choices about whether they want to live in a given regional community.

Choice modelling extrapolates the community survey results to the total population and allows 'what if' scenarios to be tested in terms of the choices residents would face when deciding whether they would like to live in the town and what some of the key tipping points are. The choice model provided an interactive decision-support tool which RAI stakeholders can access and use to examine how differing policy-settings may enhance the liveability of mid-sized towns. Three distinct communities were studied: Traralgon/Morwell/Moe/Churchill in Victoria, Gympie/Mackay/Kingaroy in Queensland and Collie/Busselton/Manjimup/Albany in Western Australia.

The choice modelling showed that the mid-sized towns were most attractive when, compared to other towns and cities, they offered:

- cheaper housing;

- a lower cost of living;
- better access to health services; and
- better employment opportunities.

Analysis of the survey found that the enjoyment of living in mid-sized communities was readily attributed to:

- the quality of life that is experienced living in these communities;
- access to the support that comes from communities being able to pull together when needed;
- a local concern for cultural diversity; and
- age.

Moreover, the analysis suggested that the availability of local amenities is a 'cost of entry' for mid-sized towns in terms of what people expect from where they live.

This research showed that these are some of the attributes people consider when deciding whether to move to regional areas. While they may not be true for all people and all regions, it is a good indicator of major factors to consider when encouraging people to move from outer suburban areas to regional Australia.

Another aspect to consider for encouraging outer suburban populations to move to regional areas is affordability. The RAI has created the MOVE Tool, which shares market intelligence on every council area in Australia to provide the average salary, median house price and average number of years to pay it off. It demonstrates to people to scale the time required for mortgage repayments in the cities and regional locations.
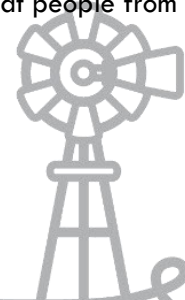
5. Can you tell the Committee what the role of cross-border commissioners would be (p. 7)?

A cross-border commissioner can be as wide-ranging as the geography they work in. A major benefit of these roles is their ability to test whether government policy and programs "will work in a region". This role cuts across portfolios and focuses on the localised needs of the geography, ensuring a place-based approach that is appropriate to the context. The role also encourages greater regional collaboration on shared issues and opportunities.

Some existing cross-border commissioner roles include "*tackling regional economic development, such as integrated planning of policies and processes, infrastructure development, and freight; improving service delivery across areas such as child protection, policing, education, health, and waste management, which will require better information sharing between agencies; and simplifying regulation, including improved cross-border labour mobility and the expansion of automatic mutual recognition arrangements for a greater range of occupations*" (Victorian Cross Border Commissioner duty statement).

The role may include cross-border skill certification; for example, people working in construction trades, education and hospitality currently need dual accreditation and licenses to work across states. At the same time, there are people who travel hours to access further education in their own state when the same course was offered close to home, but just across the border'.

The role of cross-border commissioners can also help mitigate challenges where services do not typically reach across state boundaries. This may include ensuring appropriate formal arrangements are in place for police to work in the neighbouring jurisdiction or for hospitals to treat people from interstate and not be footed the bill.

6. Can you tell the Committee about how your Promoting Regional Australia campaign is progressing?

There is an established need for a campaign of this nature. For example, the RAI's Regional Population Growth report looks at the economics of alternate population settlement patterns, rather than the business-as-usual approach, which will likely continue to see populations grow in our major capital cities.

The first recommendation of the report is '*the establishment of a national awareness campaign to promote regional population opportunities.*' This is in recognition that the narrative shift for regional Australia has long been an issue, and collective action to increase awareness and education regarding the opportunities available in the regions is necessary. A joint national campaign utilising key stakeholders from government, industry and the community sector would ensure the greatest opportunity for societal shift and better outcomes for regional Australia.

Furthermore, in the RAI's *Regional Population Growth – Are we Ready?* Report's the first recommendation called for a national campaign to raise awareness and to educate all Australians of the benefits that exist. Whether it be employment opportunities, lifestyle or affordability, this report assessed the difference between average metropolitan salaries to regional salaries and the gap was no more than 10%, providing a large incentive for individuals and families to get ahead whilst owning their home.

To fill this established need, the RAI is building towards the launch of a national campaign using the evidence-based research to underpin the narrative. The campaign is still in the planning phase, and the RAI are seeking both Commonwealth and Industry funding for the campaign which is set for a soft launch in October 2020 (noting that COVID-19 may cause disruptions to this timeline).

The RAI is well placed to deliver this campaign, as evidenced by the surge of public interest generated by RAI activities on the topic in recent weeks. In direct response to this media and RAC2031, we are creating the Regional Activators Alliance to sit alongside the Council to also help co-create and design the campaign. This includes everything from local councils, regional businesses and community groups.

Ultimately, the campaign will deliver information to city dwellers to support a more informed decision about where they want to live and work. This will help Australia, as a nation, be better placed to create a settlement pattern which does not strain city resources and can supercharge the regions.

Further action on this campaign is contingent on Commonwealth Government support, and the RAI is currently working closely with relevant Ministers and the Department to bring this to life.

7. What are the most significant challenges facing regional Australia in the current COVID-19/post-bushfire environment?

The impacts of the recent bushfires and COVID-19 have been patchy across regions, where different regions are experiencing the impacts to a greater or lesser degree depending on the nature of the community and the potential compounding effects of drought, bushfire and COVID-19.

For COVID-19, there are numerous and wide-ranging implications of the jurisdictional and international border closures on regional Australia. The implications of this are in the early stages and are some time away from being fully realised. Initial feedback suggests that major disruptions have been felt particularly across the national and international supply chain, throughout the aviation, tourism and creative industries and across the regional workforce.

A significant workforce implication is the inability of workers to cross borders for seasonal or temporary work. The effects of this are particularly pronounced in the agricultural industry, which is highly reliant on overseas labour for picking fruit and other tasks.

Business recovery goes hand-in-hand with community recovery as outlined in the RAI's report on Recovery to Renewal Paper (2013). The paper outlines a negative adaptation spiral whereby a business adapts to a shrinking population and, in so doing, exacerbates the problem. Beneath the surface issue of population loss, lies a marked change in the demographic composition of the remaining population. As economic opportunities decrease, working-age residents leave the region, meaning that the remaining population becomes older, generally with lower disposable incomes, thereby simultaneously decreasing the economic productivity and increasing the vulnerability of the region. These are particularly challenging in instances, like bushfires, where physical damage to housing has been done. However, some implications could carry through for COVID-19.

Regional Australia, like metropolitan Australia, will be experiencing wide-ranging mental health implications from bushfires, COVID-19, drought or the compounding of these factors. Feelings of anxiety, post-traumatic stress and feelings of helplessness are just some of the things weighing on individuals. In regional areas, the individuals experiencing personal loss can often be the same members of the community that are required to rebuild and reimagine the future of the town.