

Chapter 2

Summary of issues

2.1 This chapter provides a broad summary of the evidence received by the committee. In particular, this chapter:

- explores definitions of regional capitals;
- provides a snapshot of regional capitals across Australia, and assesses current trends, challenges and opportunities;
- briefly considers funding arrangements for regional capitals at the federal level; and
- discusses some solutions available to the federal government to promote growth of regional capitals.

Australia's regional capitals

2.2 What is a regional capital? The committee received a range of answers to this question. Regional Capitals Australia (RCA) describes regional capitals by function and provided the following definition:

Regional capitals serve as hubs for larger regional areas. They provide their own communities and those in smaller surrounding communities access to education, jobs, personal and professional services, recreation and opportunities for cultural participation along with a host of other amenities that are essential to support strong and vibrant communities across entire regions.¹

2.3 A number of other witnesses and submitters offered a description of regional capitals focussing on the function of the city, with many using hub and spoke imagery. Mr Charles Jenkinson, Executive Officer, Regional Development Australia – South West explained the key role that Regional Capitals perform in their communities in the following way:

Regional development works like a hub-and-spoke system. Basically, if you have strong regional centres, you have strong regions...I think it is important to worry less about how many people there are in that centre and more about how strategically important it is to the area it serves.²

1 Regional Capitals Australia, *Submission 48*, p. 4. RCA's list of current members is available here: <http://www.regionalcapitalsaustralia.org/index.php/about-us/members> and eligible members are available here:

<http://www.regionalcapitalsaustralia.org/images/RCA%20Eligible%20Members%20-%20as%20of%20September%202015.pdf> (accessed 22 April 2016).

2 Mr Charles Jenkinson, Executive Officer, Regional Development Australia – South West, *Committee Hansard*, 28 October 2015, p. 10.

2.4 In this sense the function of the city is more important than the size of the city. For example, coastal Broome has a population of 15 000 people. In contrast, inland Bendigo has over 100 000 residents. Yet, according to RCA, both these cities are regional capitals because of the 'role they play in the wider region'.³

2.5 This is particularly the case in Western Australia (WA). For example, any regional centre with a population of 30 000 is considered significant in WA. However, regional capitals in the eastern states tend to be around 60 000 to 100 000.⁴ The WA Local Government Association defined a regional capital as a local government area with a population of more than 10 000, not located in or close to Perth, with strong economic and population growth prospects.⁵

2.6 Other witnesses agreed that size should not be a determinant of what is a regional capital, rather it is the relationships that the city has with neighbouring towns. For example, Dr Leonie Pearson, Regional Australia Institute, observed that the size of regional capital is not a determinant of productivity.⁶ Nevertheless, the Regional Australia Institute did acknowledge that population size is important, and that 'once you get to the 50 000 mark you start to have a real city development type pathway'.⁷

Classifications used by the Australian Bureau of Statistics

2.7 The Australian Bureau of Statistics (ABS) describes RCA's definition as a 'useful descriptor, noting that consistent criteria should be used to define the geographic boundaries'.⁸ The ABS has a number of classification tools that may be helpful in defining regional centres and capitals.

2.8 The ABS geographic classification Significant Urban Areas (SUA) is applied to concentrations of urban development with a population of 10 000 or more that contain at least one urban centre located in the same labour market. This classification captures regional centres that cross states. For example, the towns of Mildura (VIC) and Wentworth (NSW) share a labour market, access to services, flow of people and geographic proximity, and therefore could be considered a 'single regional centre'.⁹

2.9 The ABS also measures regional remoteness. This is a way of measuring access to services based on population proximity, by road, to towns and cities. The ABS contrasts the role of regional centre that is close to a capital city, such as

3 Regional Capitals Australia, *Submission 48*, p. 8.

4 Mr Ian William Carpenter, Board Member, Regional Capitals Australia, *Committee Hansard*, 28 October 2015, p. 33. See also Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 35.

5 Western Australia Local Government Association, *Submission 46*, p. 7.

6 Dr Leonie Pearson, Leader of Major Research Projects, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 3.

7 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 1.

8 Australian Bureau of Statistics, *Submission 5*, p. 2.

9 Australian Bureau of Statistics, *Submission 5*, p. 2.

Newcastle or Geelong, with regional centres that are some distance from the services offered by capital cities, such as Broken Hill, Mt Isa and Mildura. A person living in a remote regional centre will be much more reliant on that centre, due to their distance from other large cities.¹⁰

2.10 Population density can also be used to define regional centres, as generally services will be concentrated in locations with denser population.¹¹ The ABS has done work on internal migration across Australia and developing methods to analyse (and predict) population fluctuations.¹²

2.11 The ABS emphasised the importance of a consistent and sound evidence base upon which to define regional capitals and centres, acknowledging that a range of different factors may be considered, including: population, natural resources, economic activity, proximity and relationship with other regions.¹³

2.12 The Grattan Institute noted that the remoteness measure used by the ABS has both advantages and disadvantages.¹⁴ The advantage is that it provides a 'single objective measure for dividing Australian regions'. However, the measure can combine regions that have little common. For example:

- inner regional includes regional satellite cities near capitals; and
- most coastal and inland cities are classified as outer regional as they are further from a major city, yet this classification covers both fast growing coastal cities and slow growing inland cities.

2.13 Professor Paul Burton described the ABS's categorisation of urban areas and settlements as outlined above as 'unhelpful'.¹⁵

2.14 During the hearing in Canberra the ABS suggested that it was not best placed to provide a definition of regional capital, as this was a policy decision.¹⁶ However, the ABS did provide further information about data sources that could be used to arrive at a definition:

There are a wide range of data sets that may be used to describe regional differences, covering population, economic and environmental characteristics. Such data sets exist within the ABS as well as with other agencies and data providers. In order to make objective and consistent comparisons it is recommended that nationally consistent data sets are used. There are a number of portals where regional data sets could be found, including the Australian Government's National Map interface which

10 Australian Bureau of Statistics, *Submission 5*, p. 2.

11 Australian Bureau of Statistics, *Submission 5*, p. 3.

12 Australian Bureau of Statistics, *Submission 5*, p. 4.

13 Australian Bureau of Statistics, *Submission 5*, p. 5.

14 Grattan Institute, *Submission 2*, Attachment 1, p. 17.

15 Professor Paul Burton, *Submission 84*, p. 1.

16 Dr Paul Jelfs, Australian Bureau of Statistics, *Committee Hansard*, 4 March 2016, p. 43.

provides a very good range of environmental and land based data, as well as some selected ABS population data. The regional data sets that can be sourced from the ABS are described in summary through the ABS Data By Region interface, which can be found on the ABS web site home page.

If required, the ABS can provide guidance about use of specific data sources for particular purposes, such as describing the population, economy or role of a regional centre.¹⁷

Classifications used by the Department of Infrastructure and Regional Development

2.15 The Commonwealth Department of Infrastructure and Regional Development (the department) submitted that the term 'regional capital' is used by major regional centres which have 'self-identified' as such to 'build a particular commercial identity to attract government funding and private investment'. However, the department submitted that there was no objective criteria for using the term, and the 'point at which a regional centre becomes a regional capital is unclear'.¹⁸

2.16 The federal government uses a range of classifications for regions for the purpose of making assessments under individual policies and programs. The department provided the following example:

[W]hen reporting funding arrangements and grants programmes, the Department will generally report based on Local Government Areas, since Australian Government funding for small-scale, local projects is principally directed to local governments. In terms of the Department's research findings, the statistical areas used by the Australian Bureau of Statistics (ABS) are used, as this is the basis on which data is collected and analysed. Both forms of demarcation of regional centre boundaries are used in this submission as required.¹⁹

2.17 Generally, the department refers to 'regional centres' rather than 'regional capitals'. This term does not distinguish between different regional centres and recognises that all centres 'have important, though varying, roles to play in their broader regions'.²⁰ The department describes regional centres in the following way:

A regional centre fulfils important functions as a service access centre and transport node for the towns and communities in the surrounding region. Our conceptualisation of a regional centre is a functional and dynamic one, which takes into account the diversity of their locations, populations, infrastructure and economies, as well as their context in the wider region.

Given this conceptualisation, regional centres can have extremely diverse characteristics. For example, some regional centres such as Geelong are located in close proximity to capital cities, with high populations and well

17 Australian Bureau of Statistics, *Response to question taken on notice*, 4 March 2016 (received 24 March 2016).

18 Department of Infrastructure and Regional Development, *Submission 76*, p. 1.

19 Department of Infrastructure and Regional Development, *Submission 76*, p. 1.

20 Department of Infrastructure and Regional Development, *Submission 76*, p. 1.

diversified economies providing access to higher order goods and services to a relatively dense network of surrounding towns. In comparison, other regional centres such as Port Hedland are situated in remote regions, with low populations and relatively less diverse service provision to a sparsely populated region...²¹

2.18 The department uses three methods to classify regions, and each is useful according to the particular purpose: administrative, statistical and functional.²²

2.19 Administrative regions are geographic areas connected to government functions and powers. Two examples include local government areas and service provider regions. Local government areas are defined geographic areas that fall within the responsibility of a local government council or indigenous government council. Service provider regions are also defined geographic areas within which particular services are delivered (for example Medicare Local delivery areas).²³

2.20 Statistical regions are geographic areas used for collecting statistical data. For example, the Australian Statistical Geography Standard (ASGS). Classifications of this kind include Significant Urban Area and Remoteness Classes.²⁴ Australia is divided into five remoteness classes, ranging from 'Major Cities' to 'Very Remote'. These classes cover a region rather than particular population centres and so are different to regional centres. The department notes that 'they are still a useful data source for analysing differences across regions'.²⁵

2.21 Functional regions consist of social and economic relationships rather than defined geographic areas. Functional regions are useful when considering labour markets, for example, which often include both a regional centre and surrounding hinterland.²⁶

Second cities

2.22 Although not mentioned in the terms of reference, the committee received evidence that large regional capitals might be better characterised as 'second cities' and government funding should be particularly targeted at promoting growth in these cities. For example, the Committee for Greater Geelong advocated for a second cities policy and the recognition of Geelong as a second city.²⁷ Professor Jan den Hollander, Vice-Chancellor, Deakin University cautioned that there may be some difficulties in

21 Department of Infrastructure and Regional Development, *Submission 76*, p. 2.

22 Department of Infrastructure and Regional Development, *Submission 76*, p. 3.

23 Department of Infrastructure and Regional Development, *Submission 76*, p. 3.

24 See also Australian Bureau of Statistics, *Submission 5*. And: <http://abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/2A1AAC5CF3FBE399CA257A9800139979?opendocument> (accessed 29 January 2016).

25 Department of Infrastructure and Regional Development, *Submission 76*, p. 3.

26 Department of Infrastructure and Regional Development, *Submission 76*, p. 3.

27 See, for example, Mr Dan Simmonds, Chairperson, Committee for Geelong, *Official Committee Hansard*, 21 August 2015, p. 14.

defining what a second city is.²⁸ Professor Paul Burton considered that a second city designation might be most useful in providing a facility for similar cities to work together, although there would also be a degree of competition for finite government funds.²⁹

Conclusion

2.23 RCA's definition of 'regional capital' in relational terms – that a regional capital is a regional city that performs a capital city role for its residents and neighbouring communities – is a useful definition supported by many witnesses and submitters.³⁰ However, the critique provided by the ABS and the department has merit and demonstrates the importance of having a precise definition, particularly if the term is used to determine funding eligibility. This interim report uses the terms 'regional capital' and also 'regional centre' interchangeably, recognising that more work needs to be done in this area.

2.24 The committee has not yet formed a view on whether some large regional centres should be designated as second cities. However, it is clear that the challenges and opportunities experienced by large regional centres such as Geelong, Wollongong, Newcastle and the Gold Coast differ somewhat from many other regional centres.

Development of regional capitals in Australia

2.25 This section provides a snapshot of regional capitals across Australia by assessing demographic trends, challenges and opportunities, as well as the impact the changing environment will have on regional capitals. Consideration is also given to the strategic importance of regional capitals to their local communities and Australia more generally.

Trends in regional centres

2.26 Population in Australia has increased in cities and regional centres and declined in small rural inland towns.³¹ The department provided the following explanation for the following graph illustrating this trend:

The blue area, which represents the size and distribution of the 1911 regional population, shows that at the beginning of the century the Australian population living outside the capital cities was spread among a large number of relatively small towns. In 1911, some 40 percent of this regional population lived in towns of between 200 and 1000 people. The green area, which represents the size and distribution of the 2006

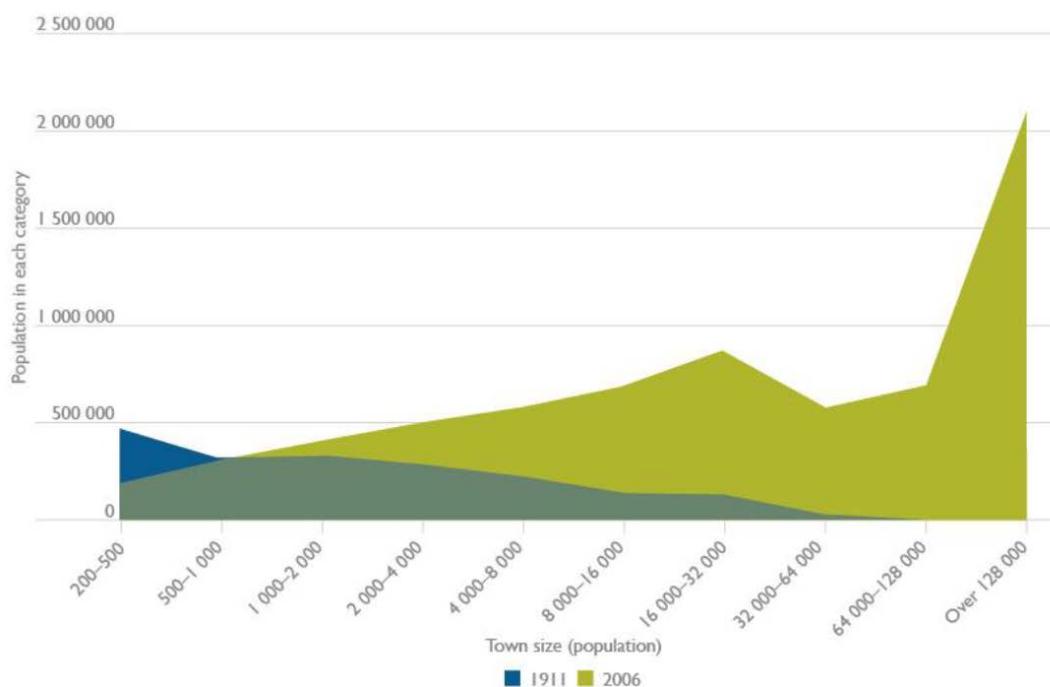
28 Professor Jan den Hollander, Vice-Chancellor, Deakin University, *Official Committee Hansard*, 21 August 2015, p. 24.

29 Professor Paul Burton, *Official Committee Hansard*, 16 February 2016, p. 40.

30 See, for example, Toowoomba Regional Council, *Submission 47*, p. 2; Regional Development Australia-Riverina NSW, *Submission 63*, p. 1. For an alternate view, see Local Government Association South Australia, *Submission 50*, p. 4.

31 See generally: Department of Infrastructure and Regional Development, *The evolution of Australian towns*, 2014.

population living outside the major capital cities, shows the reversal of this pattern, with a clear shift in the regional population to larger centres.³²



Note: Data does not include the mainland state capitals (Sydney, Melbourne, Brisbane, Adelaide and Perth).

Source: BITRE (2014).

2.27 The department has identified four key trends occurring between 1911 and 2006 in Australia:

- the settlement of Northern Australia;
- the growth of coastal towns and cities;
- the emergence of larger centres; and
- the disappearance of many smaller towns.³³

2.28 The Regional Australia Institute observed that the urbanisation trend in Australia since the 1970s has not been people moving to capital cities; rather, it has been people moving to regional cities and towns. As a consequence of this trend:

There are now 4½ million people living in regional cities around Australia, which is a population of the same size as Sydney and Melbourne. If you include a broader suite of small places, which this inquiry does, then you go beyond that up towards five million people.³⁴

32 Department of Infrastructure and Regional Development, *Submission 76*, p. 4.

33 Department of Infrastructure and Regional Development, *Submission 76*, p. 5.

34 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 1.

2.29 Yet despite this reality, most urban policy discussions focus on capital cities. The Regional Australia Institute – and a number of other submitters – called for greater focus on regional cities.³⁵ Mr Jack Archer stated that these policies should 'shy away from big grand national sweeps' and instead seek to 'understand the development pathways for different pathways and support those and support locals to pursue them'.³⁶

2.30 The growth of regional capitals can be attributed to a range of factors, including the reduction of the cost of communications and transport and new technologies in agriculture. These developments have resulted in some people moving from rural areas to urban environments – both major cities and large country towns.³⁷

Strategic importance of regional capitals

2.31 Regional capitals perform an important strategic function in their local communities. RCA reports that regional capitals contribute 15 per cent of Australia's Gross Regional Product and hold a labour force of more than 2 million people. Further, 40 per cent of Australia's exports are produced in regional Australia, and much of this output passes through regional capitals.³⁸

2.32 Regional Capitals also offer a number of non-economic benefits. RCA submits that these benefits include:

- a good alternative to congested and sprawling urban capital cities;
- a substantial base infrastructure that can be developed, as required;
- faster freight access to south east Asian countries (in northern Australia, compared to east coast capital cities);
- affordable house prices at 20-30 per cent lower than state capital land prices;
- land available for business and residential development;
- a model for efficient and sustainable growth; and
- diversification of the national economy.³⁹

2.33 These claims were substantiated by a number of other submitters to the inquiry.⁴⁰

35 See, for example, Regional Australia Institute, *Submission 69*; Regional Capitals Australia, *Submission 48*; Planning Institute Australia, *Submission 59*.

36 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 1.

37 Regional Capitals Australia, *Submission 48*, p. 9.

38 Regional Capitals Australia, *Submission 48*, p. 10.

39 Regional Capitals Australia, *Submission 48*, p. 9.

Challenges facing regional capitals

2.34 Despite the many advantages that regional capitals enjoy, each has its own challenges. For example:

- some regional capitals, particularly those on the coast, have ageing populations (this leads to lower productivity, increased health costs, and less return on rates)⁴¹;
- higher unemployment⁴²;
- generally lower productivity rates compared to the national average⁴³;
- year 12 completion rates and tertiary entrance rates lower than the national average⁴⁴;
- the cost of dealing with the impact of drought and other extreme weather events⁴⁵;
- maintenance of infrastructure from a low rate base⁴⁶;
- challenges raising debt finance⁴⁷;
- urgent infrastructure needs⁴⁸; and
- freeze on indexing for federal financial assistance grants.⁴⁹

2.35 ABS research indicated that of the 55 Regional Development Australia Committee regions surveyed, all identified at least one threat to their economy. For

40 See, for example: Cairns Regional Council, *Submission 44*; Mackay Regional Council, *Submission 55*; Wagga Wagga City Council, *Submission 57*; Albury City Council and City of Wodonga, *Submission 65*; Tasmanian Government, *Submission 74*; Councillor Mathew Dickerson, Chairman, Evocities, *Official Committee Hansard*, 4 March 2016, pp 27–38.

41 Regional Capitals Australia, *Submission 48*, p. 14. Byron Shire Council, *Submission 43*, p. 1; City of Launceston, *Submission 80*, p. 18; City of Busselton, *Submission 32*, p. 2.

42 Regional Capitals Australia, *Submission 48*, p. 4; City of Launceston, *Submission 80*, p. 8.

43 Regional Capitals Australia, *Submission 48*, p. 17.

44 Regional Capitals Australia, *Submission 48*, p. 17. See also, for example, Greater Shepparton City Council, *Submission 8*.

45 Regional Capitals Australia, *Submission 48*, p. 39; Townsville City Council, *Submission 19*, pp 24-25.

46 See, for example, City of Launceston, *Submission 80*, p. 1; City of Ballarat, *Submission 27*, p. 9; Tamworth Regional Council, *Submission 60*, p. 13; Councillor Mathew Dickerson, Chairman, Evocities, *Official Committee Hansard*, 4 March 2016, p. 38.

47 See, for example, City of Ballarat, *Submission 27*, p. 10; Warrnambool City Council, *Submission 51*, p. 11.

48 Regional Capitals Australia, *Submission 48*, p. 5; Mr Graeme Bolton, Director, Planning and Development, Townsville City Council, *Official Committee Hansard*, pp 15–18.

49 See, for example, WA Local Government Association, *Submission 46*, p. 4.

the majority, this was the region's reliance on a smaller number of industries and the impact that failure of these industries would have on the community if the economy of the regional centre was not diversified.⁵⁰

2.36 The Planning Institute of Australia cautioned that the 'most significant weakness' for regional cities is 'the lack of a national plan to co-ordinate and identify the relationships between regional capitals and Australian state capitals'.⁵¹

Funding

2.37 A large number of submitters identified funding as a key issue facing regional capitals.⁵² The committee heard that it is impossible to determine whether funding is adequate or, indeed, how much funding is reaching regional areas.⁵³

2.38 RCA conducted an infrastructure assessment of federal program funding in regional capitals. The RCA concluded that the only predictable funding programs were Roads to Recovery and the Black Spot programs. These programs were targeted at addressing the need for 'urgent repairs to decaying or dangerous infrastructure *not* to generate economic activity and growth'.⁵⁴

2.39 The Grattan Institute investigated the effectiveness of government investment in regional Australia and concluded that 'growth is primarily driven by economic factors governments don't control'.⁵⁵ The Grattan Institute criticised the regional equity approach to funding and recommended that government funding be allocated on the basis of the number of *new* residents in a regional centre (and not on the current population). This is because regional growth is not being achieved through investment.⁵⁶ The Grattan Instituted observed that:

Local job attraction schemes, regional universities, small scale roads and major infrastructure are all expensive, but they do not appear to materially accelerate slow-growing regions. But not investing in regions where we can get the best return for our tax payer dollars, we sacrifice higher overall productivity and economic growth.⁵⁷

2.40 As a consequence of the regional equity approach, based on population, residents of high growth areas are treated unfairly, because funding is not directed to

50 Australian Bureau of Statistics, *Submission 5*, p. 5.

51 Planning Institute Australia, *Submission 59*, p. 4.

52 See, for example, Rockhampton Regional Council, *Submission 6*, p. 2.

53 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 4.

54 Regional Capitals Australia, *Submission 48*, p. 22. Emphasis in original.

55 Grattan Institute, *Submission 2*, Attachment 1, John Daley and Annette Lancy, *Investing in regions: making a difference*, Grattan Institute, Melbourne, 2011, p. 20.

56 Grattan Institute, *Submission 2*. See also, John Daley and Annette Lancy, *Investing in regions: making a difference*, Grattan Institute, Melbourne, 2011.

57 Grattan Institute, *Submission 2*, pp 1–2.

rapid-growth centres near capital cities and on the east coast.⁵⁸ The Grattan Institute was careful to make clear that it was not suggesting that funds should be stripped from smaller and slower growing parts of rural and regional Australia, noting that these regions are 'great places to live' and should be provided with services 'that increase wellbeing' (such as schools, hospitals, transport etc.). However, governments need to recognise that this support is provided for equity reasons and not because the support will promote 'self-sustaining economic growth'.⁵⁹

2.41 The Grattan Institute identified 'bolting' and 'lagging' regions by state on the following table.

Table 2: Bolting and lagging regions by state

State	Bolting Region (high pop. growth)	Lagging Region (low pop. growth)
NSW	Western Sydney, Coffs Harbour, Tweed Heads	Newcastle, Wollongong, Tamworth, Bathurst, Orange, Albury-Wodonga, Port Macquarie
Vic	Melbourne, Geelong region, Ballarat, Bendigo	Warrnambool, Shepparton, Mildura
Qld	Brisbane, Gold Coast, Sunshine Coast, Toowoomba, Hervey Bay, Townsville, Cairns, Gladstone, Mackay	Mt Isa, Longreach
WA	Perth, Mandurah, Busselton region, Port Hedland	Albany, Kalgoorlie/Boulder
SA	n/a	Adelaide, Whyalla, Mt. Gambier
Tas	n/a	Hobart, Launceston, Burnie-Devonport
ACT & NT	Darwin	

2.42 This evidence received a varied response from other witnesses. Not surprisingly, a number of witnesses rejected the conclusions of the Grattan Institute, particularly those from the regions that had been characterised as 'lagers'.⁶⁰

58 Grattan Institute, *Submission 2*, p. 2.

59 Grattan Institute, *Submission 2*, p. 2. Note: A full list of recommendations contained in the report is available at p. 7 of Attachment 1. Chapter 1 provides a useful history of regional cities.

60 See, for example, Mr Robert Dobrzynski, General Manager, City of Launceston, *Official Committee Hansard*, 25 September 2015, p. 30; Mr Bruce Anson, Chief Executive, Warrnambool City Council, *Official Committee Hansard*, 21 August 2015, p. 37.

2.43 The RCA suggested that funding should be much more targeted – proactive rather than responsive – and cited an OECD recommendation that described what regional funding should look like:

- a shift from subsidy approach to one based on strategic investments to develop the area's most productive activities;
- a focus on local factors as a means of generating new competitive advantages, such as amenities (environmental or cultural) or local products (traditional or labelled);
- a shift from a sectoral to a territorial policy approach, including attempts to integrate the various sectoral policies at regional and local levels and improve co-ordination at the national government level;
- decentralisation of policy administration and, within limits, policy design to those levels; and
- increased use of partnerships between public, private and voluntary sectors in the development and implementation of local and regional policies.⁶¹

2.44 These proposals are worthy of closer consideration, particularly in Australia's federal context.

Local infrastructure investment

2.45 RCA provided three case studies where infrastructure spending for particular regional capitals would provide benefits to the city and the surrounding area based on population, economic structure, demand for services and strategic importance to the region.⁶² The committee also received submissions that contained business cases for infrastructure development from local councils. There is no doubt that most, if not all, regional capitals would benefit from further investment. The difficulty is how to do this within existing funds. Which programs are ineffective? How can the money be spent better?

2.46 Many witnesses and submitters considered that the answer was not to simply increase funding to regional capitals. Reviews of existing funding arrangements are necessary to first identify what funding is available to regional cities, and whether it is achieving intended outcomes. This is no easy task. As discussed earlier, the Regional Australia Institute, an independent not-for-profit organisation told the committee that it was 'factually impossible to make a decent assessment' of whether regional capitals are underfunded.⁶³

61 OECD Regional Outlook 2014, *Regions and Cities: Where Policies and People Meet*, October 2014 cited in Regional Capitals Australia, *Submission 48*, p. 22.

62 Regional Capitals Australia, *Submission 48*, pp 26–28.

63 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 4.

Investment in 'soft' infrastructure

2.47 Submissions and evidence given during hearings reminded the committee that development and investment for regional capitals should be much more than just investment in transport and other 'hard' infrastructure. For example, soft infrastructure including investments in health, social, education infrastructure are also very important for regional centres.⁶⁴ Investment in these types of infrastructure will require co-operation with states. Reflecting on this reality, Mr Kim Houghton described this as 'critical enabling infrastructure' – things that promote the 'liveability' of a city:

Liveability brings the employers, employers bring the wages, the wages go up and you get into that virtuous cycle. So we keep coming back to those core things which the Commonwealth has a limited role in. That is why Jack is saying that if we look at an inducement to get those multi-tiers together and the silos across the individual state governments in order to set up the right pathway for that particular city at that particular time, that is where the biggest gain is going to be made.⁶⁵

2.48 The committee heard that policy makers must make an effort to consult with local communities prior to announcing funding initiatives. There is a perception – accurate or otherwise – in many regional centres that policy makers in cities are not in tune with the needs and desires of regional centres. Sister Mary Ryan, Centacare Geraldton noted that:

Geraldton is not the same as Sydney. It is not even the same as Perth—and even a lot of the places in Perth do not understand rural areas. It is about consultation. It is not just about us consulting with the community about what the real needs are and the way to solve these problems; it is also about governments consulting with people generally and not saying, 'If you do, people give you the big wish list.' There is a need for proper forums.⁶⁶

2.49 The committee was also reminded that the statistics reporting growth in a particular regional capital are not always indicative of the social outcomes in that city.⁶⁷

64 See, for example, Sister Mary Ryan, Director, Centacare Family Services, Geraldton, *Committee Hansard*, 28 October 2015, p. 56; Mr John Dennehy, Board Member, National Rural Health Alliance, *Official Committee Hansard*, 16 February, pp 65–69.

65 Mr Kim Houghton, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 5.

66 Sister Mary Ryan, Director, Centacare Family Services, Geraldton, *Committee Hansard*, 28 October 2015, p. 56. See also, Regional Development Australia-Hunter, *Submission 39*, p. 4.

67 Sister Mary Ryan, Director, Centacare Family Services, Geraldton, *Committee Hansard*, 28 October 2015, p. 56. See also, Catholic Social Services, *Submission 39*.

Other issues

Lack of data

2.50 A number of submitters expressed concern about the poor quality of data available to decision makers pertaining to regional capitals.⁶⁸ Professor Fiona Haslam-McKenzie, Co-Director of the Centre for Regional Development, University of Western Australia, reported that generally there is poor collection of data, huge variability between regions and lack of consistent population data. Particularly, in relation to Western Australia, it is often 'very difficult to know exactly how many people are using resources infrastructure in regional capitals'.⁶⁹ Furthermore, it is often difficult to work out *who* is responsible for collecting the data. As discussed earlier, the Regional Australia Institute advised the committee that it is impossible to work out how much funding regional capitals are receiving. Mr Archer told the committee:

It is factually impossible to make a decent assessment of that situation. The information about how money from different levels of government is flowing into these places is impossible. I suspect that none of the governments know. Individual programs are doing their thing as best they can. It is not like it is wilful neglect but, across the broad complexity of government, one of the biggest challenges to the institute's work is there is no information base around that. One of the challenges we have—and we did not respond to that part of the inquiry's terms of reference, purely because we did not feel we could put the evidence on the table.⁷⁰

2.51 A number of submitters also discussed the central importance of a five yearly census, describing this work as a key source of data to assist future planning.⁷¹

The importance of universities to regional capitals

2.52 Universities are present in many regional capitals and make a key contribution to the educational, community and social life in those cities. The committee received submissions from a number of regional universities and also heard evidence of their importance during hearings.⁷²

2.53 A key point of contention arose from the Grattan Institute's suggestion that the government should reduce investment regional universities as such investment was not providing a good return. The Grattan Institute concluded that regional universities in Australia do not:

68 See, for example, Australian Sustainable Built Environment Council, *Submission 45*, p. 3.

69 Professor Fiona Haslam-McKenzie, *Committee Hansard*, 28 October 2015, p. 1.

70 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 4.

71 For example, Professor Fiona Haslam-McKenzie, *Committee Hansard*, 28 October 2015, p. 1; Councillor Shane Van Styn, Board Member, Western Australia Regional Capitals Alliance, *Committee Hansard*, 28 October 2015, p. 36.

72 See, for example, Regional Universities Network, *Submission 11*; Deakin University, *Submission 34*; Charles Sturt University, *Submission 36*. Appendix 2 lists witnesses who appeared before the committee to give evidence.

- encourage additional productivity-enhancing innovation by local firms;
- promote higher rates of tertiary education participation and attainment; or
- help retain more skilled young people in the region.⁷³

2.54 The Grattan Institute's analysis focused on the economic contribution made by regional universities to their regions and did not consider the contribution that regional universities may make to the cultural and community life of the region.⁷⁴

2.55 In hearings and submissions, universities stridently rejected these conclusions, and suggested that the Grattan Institute had misinterpreted the data and in some cases relied on incomplete data.⁷⁵ The universities that appeared before the committee made a persuasive case that they are a crucial part of their regional capitals and provide multiple returns on investment. For example:

- regional universities limit 'brain drain' from regional areas⁷⁶;
- students who study at regional universities are much more likely to continue to work in rural and regional areas⁷⁷;
- regional universities encourage participation rates in education in regional and rural areas⁷⁸;
- the cost of sending a student to a capital city is upward of \$20,000 per a year per a student, and this takes both the student and these funds out of the local community, further this cost is out of reach for many regional students⁷⁹;

73 Grattan Institute, *Submission 2*, Attachment 1, J. Daley and A. Lancy, *Investing in our regions: making a difference*, Melbourne, Grattan Institute, p. 30.

74 Grattan Institute, *Submission 2*, Attachment 1, J. Daley and A. Lancy, *Investing in our regions: making a difference*, Melbourne, Grattan Institute, p. 30.

75 For two detailed discussions of the Grattan Institute's report see James Cook University, *additional information from Professor Sandra Harding*, received 22 February 2016 and Regional Universities Network, *additional information following hearing in Townsville on 16 February 2016*, received 19 February 2016.

76 Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Official Committee Hansard*, 16 February 2016, p. 52.

77 For example, Charles Sturt University, *Submission 36*, p. ; Professor Sandra Harding, *Committee Hansard*, 16 February 2016, pp 23–24 (up to 81.4 per cent of students are retained).

78 For example, 65% of domestic students enrolled at the University of Central Queensland are rural and regional students: Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Official Committee Hansard*, 16 February 2016, p. 51.

79 Mr Charles Jenkinson, Executive Officer, Regional Development Australia – South West, *Committee Hansard*, 28 October 2016, p. 14. See also, Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Official Committee Hansard*, 16 February 2016, p. 52.

- Regional universities provide areas of specialisation relevant to their local communities and work closely with local businesses to enable local communities to grow⁸⁰;
- Many regional universities in large cities have study hubs and campuses in smaller cities and towns, thus providing educational opportunities to the wider community⁸¹;
- Regional universities are significant employers in their cities⁸²;
- Regional universities are important for mature age students who wish to upskill but because of family, employment and other constraints are unable to relocate to cities to study⁸³; and
- Regional universities provide other non-educational benefits.⁸⁴

2.56 Indubitably, universities perform a critical function in regional capitals and their surrounding communities. The committee was also impressed by the role performed by study hubs such as the Geraldton Universities Centre (GUC). The GUC is not a university or a registered training organisation. It is a not-for-profit organisation based in Geraldton that supports local students who are enrolled in distance education.⁸⁵ With the support of the local community, the GUC provides support for nine different university programs, including: nursing, social work, engineering and teaching.⁸⁶ Through its work the GUC has boosted university participation in Geraldton and assisted in addressing skills shortages.

The need for national leadership

2.57 A primary concern of many was that Australian government policy did not reflect a particular focus on supporting regional capitals to grow and achieve their

80 For example, James Cook University offers specialisation in the tropics, Professor Sandra Harding, *Committee Hansard*, 16 February 2016, p. 21. Deakin University has developed a centre of excellence in insurance and disability: Professor Jan den Hollander, Vice-Chancellor, Deakin University, *Official Committee Hansard*, 21 August 2015, p. 19. See also, Deakin University, *Submission 34*, pp 3-4.

81 For example, Charles Sturt University has campuses in Albury-Wodonga, Bathurst, Canberra, Dubbo, Goulburn, Orange, Port Macquarie and Wagga Wagga: *Submission 36*; James Cook University has campuses in Cairns, Singapore and Townsville and has smaller study centres in Mount Isa, Thursday Island and Mackay. Central Queensland has more than 20 campuses locations, Ms Karen Arbouin, Associate Vice-Chancellor, Townsville and North West Region, Central Queensland University, *Official Committee Hansard*, 16 February 2016, p. 51.

82 For example, Deakin University, *Submission 34*.

83 Charles Sturt University, *Submission 36*, p. 9

84 These include social, cultural and environmental benefits: Regional Universities Network, *Submission 11*, p. 2; Charles Sturt University, *Submission 36*, p. 7.

85 Geraldton Universities Centre, *Submission 81*.

86 Ms Natalie Nemes, Director Geraldton Universities Centre, *Committee Hansard*, 28 October 2015, p. 25.

potential. Indeed, the need for a national integrated policy for regional capitals at both the state and federal level was identified as a key starting point to develop regional capitals. The recent Infrastructure Australia report *Australian Infrastructure Plan* is indicative of the focus on capital cities.⁸⁷ Mr Houghton, Regional Australia Institute, described the focus on large roads and urban congestion as a sign that regional cities are not even 'on that radar'.⁸⁸

2.58 Mr Archer, Regional Australia Institute, told the committee that:

Our view is that regional capitals are an issue that requires national leadership. They occur in every state and territory, but their development relies on local, state and federal government working effectively together, because local governments are leading local planning and doing a lot in the local community, the states are investing in health, hospitals and roads and so is the Commonwealth. I think there is an opportunity for national leadership to assist these places to get the focus they deserve, the resources that can support their development and coordination between the activities of those three levels of government, because we have not had a level of focus on these places, at the moment, and I think we are missing significant growth opportunities as a result.⁸⁹

2.59 RCA called for a regional development policy that recognises the distinct role that regional capitals play.⁹⁰

2.60 Professor Paul Burton called for national urban policy/settlements strategy, and urged that this strategy must reflect and influence state and territory plans. Professor Burton warned that if a national strategy is not developed then:

...regional towns and cities will continue to make their individual cases for more growth (or in some cases limits to growth) in isolation and without reference to any sense of a bigger picture. While some regional towns and cities might succeed in their ambitions, most will not and are likely to devote scarce resources in pursuit of unfeasible and implausible ambitions.⁹¹

2.61 This perspective was supported by many witnesses and submitters.⁹²

87 Infrastructure Australia, *Australian Infrastructure Plan: priorities and reforms for our nation's future*, report, February 2016.

88 Mr Kim Houghton, Regional Australian Institute, *Committee Hansard*, 4 March 2016, p. 5. The focus of infrastructure on easing congestion in major capital cities was also noted by Regional Capitals Australia, *Submission 48*, p. 19.

89 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 2.

90 Regional Capitals Australia, *Submission 48*, p. 5.

91 Professor Burton, *Submission 84*, p. 3.

92 See, for example, Regional Australia Institute, *Submission 69* and Australian Sustainable Built Environment Council, *Submission 45*.

2.62 The committee heard that a policy response to support growth in regional capitals would have flow on effects not just for that regional capital and its region, but also for the capital city in that state. For example, for every 100 000 people who find a job in a regional capital, around \$300 million a year in lost productivity through congestion is saved. Further, because house prices in regional capitals are lower, mortgages tend to be smaller, and so residents tend to spend that money in the local economy.⁹³

2.63 Regional Australia Institute suggested that the government follow the successful incentive program used in the United Kingdom, City Deals. This would require the government to look for opportunities in regional capitals and assist those regional capitals through incentive funding to address gaps in particular projects to ensure they are achieved.⁹⁴ The committee hopes to explore this innovative policy suggestion further if its inquiry is continued in the new parliament.

Conclusion

2.64 The absence of a definition of regional capitals illustrates, in part, the failure of Australian governments to develop a nationally co-ordinated response to developing regional capitals and second cities. It also reveals the eagerness of those regional centres which identify themselves as regional capitals to achieve policy recognition from all levels of government.

2.65 Strong regional centres are crucial to developing and maintaining strong regions across Australia. While each regional centre has its own strengths and weaknesses, some aspects are typical. Regional capitals act as service hubs to the wider community providing access to health care services, education opportunities, employment, and social and community infrastructure. Regional capitals also offer lifestyle benefits that are harder to achieve in Australia's capital cities, such as affordable housing and absence of congestion, while also offering access to universities, jobs and healthcare. Many regional capitals are also experiencing growth at a rate faster than the national average.

2.66 Despite these advantages, regional capitals face a range of challenges – and the evidence demonstrates that this varies between centres. Again, however, some consistent themes have emerged. Regional capitals struggle to attract investment, often compete against each other for government funding, some pay much higher insurance premiums and many have demographic challenges such as an ageing population, low education attainment or high unemployment. A number of regional

93 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 1.

94 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, 4 March 2016, p. 5. See also, *Introducing City Deals: a smart approach to supercharging economic growth and productivity*, KPMG, 2014. Available online: <https://www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Documents/uk-city-deal-economic-growth-productivity.pdf> (accessed 8 March 2016).

capitals have pressing infrastructure needs and struggle to work within an inflexible government grant system.

2.67 The committee has been delighted to receive a range of recommendations from submitters to address these challenges. Unfortunately, the committee has not had adequate time to fully consider the merits of all these alternatives. Given the importance of regional capitals and second cities to Australia's future, the committee requires more time to discover, explore and assess all relevant perspectives as they impact on the terms of reference. Given the time constraints on this inquiry, such an analysis will only be possible if the committee is given the opportunity to continue this inquiry in the 45th Parliament.

2.68 For these reasons, the committee makes no recommendations at this stage, but notes the potential for the committee to recommend to the Senate the re-adoption of this inquiry early in the next Parliament.

Senator Glenn Sterle
Chair

