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Facilitating Decentralisation

This newsletter presents some highlights from a paper I delivered to the Australian Population Conference held recently at the Gold Coast. Its main premise is that jobs and economic activity in regional areas are essential if Australia's major cities are to realise the potential benefits of decentralisation.

To quote the former New South Wales (NSW) Government Architect, Chris Johnston, a city of 500,000 to one million people is *the ideal size for supporting enough cultural facilities and public infrastructure, without causing too many traffic problems* (source *Australian Financial Review Magazine* 12 October 2010). The concept of a *City of cities* is partly based on this idea and underlies much of our current planning for metropolitan areas.

Why Decentralise? – Wide Bay Burnett Case Study

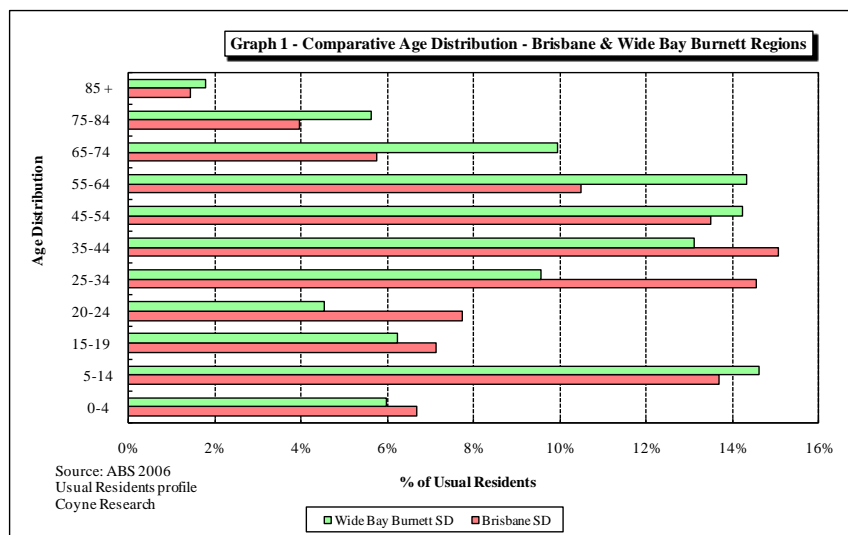
There are potential benefits to metropolitan areas if some of the future growth can be distributed to regional Australia. In the cities themselves, a potential easing of congestion and halting of the ongoing loss of biodiversity and lifestyle may be possible. Regional Australia aspires to a greater share of the wealth that accompanies economic activity.

This is illustrated by the Wide Bay Burnett (WBB) case study, an extensive Queensland region located north of the Sunshine Coast, south of Gladstone and north-east of the Surat Basin. It has a dispersed population (287,425 people in 2009, a 2008/09 growth rate of 8,529 persons or 3.1%). Its main centres are Hervey Bay, Bundaberg, Maryborough and Gympie, with key tourist attractions of Fraser Island, whale watching, an equable climate and the southern Great Barrier Reef. Its coastal areas, particularly Hervey Bay, have attracted high population growth levels for many years.

In 2006 the National Institute of Economic and Industry Research (NIEIR) examined WBB's high correlation between its poor economic performance and its high proportion of people aged 55 years plus. It concluded that **rapid ageing was a consequence of inferior economic performance, not the dominant driver**. Evidence of WBB's poor economic performance included a high unemployment rate, low wages and concentration of employment in agriculture, forestry and fishing, manufacturing and industries servicing the rapidly growing population (retail, construction, education and health care). Even today the unemployment rate in WBB at 5.9% in October 2010 is somewhat higher than the Brisbane region (4.6%).

Graph 1 highlights the age imbalance of WBB compared with the Brisbane region (30% aged 55 to 84 years in 2006 compared with 20% in the Brisbane region and 14% aged 20 to 34 years compared with 22% in the Brisbane region). In 2006 the aged dependency of 28% for WBB compared with 16% for the Brisbane region[#]. Based on the 2008 Queensland Government medium series projections, by 2031 the aged dependency of these regions will have increased to 45% and 31% respectively.

[#] aged dependency defined as those aged 65 years + as a % of those aged 15-64 years



Graph 2 shows WBB’s under-representation in 2006 of professionals (12% compared with 21% for the Brisbane region). Clerical and administrative workers, with 12% of the workforce, were also below the Brisbane region with 17%. However blue collar workers were well-represented in the WBB, with labourers a high 17% (compared with 10% for the Brisbane region).

The 2006 NIEIR study found that the main influencing factors on the WBB’s economic performance included:

- the region’s low paying jobs lead to the loss of younger people;
- the region’s low rents, prices and cost of living attract both retirees and low skilled working age groups; and
- over the past decade or so, rising costs in the Sunshine Coast have resulted in people moving further north to free up capital and reduce their cost of living.

Another critical finding of the NIEIR study was the WBB’s lack of global knowledge workers (4.5% in 2005, compared with an estimated 18.5% in Brisbane City).

The Hunter Valley Research Foundation (HVRF) has elsewhere emphasised the importance of the knowledge economy in creating economic prosperity. It says efforts to increase knowledge-based industries will pay dividends because

- the diversity of this sector will result in greater economic stability and sustainability;
- that these jobs are more suited to older workers and tend to be high-income jobs; and
- that these industries are the key to innovation, which is essential to an economy’s competitiveness.

(source: HVRF Newcastle and the Hunter Region 2008-2009)

In its 2006 study of the WBB region, the NIEIR identified solutions that included:

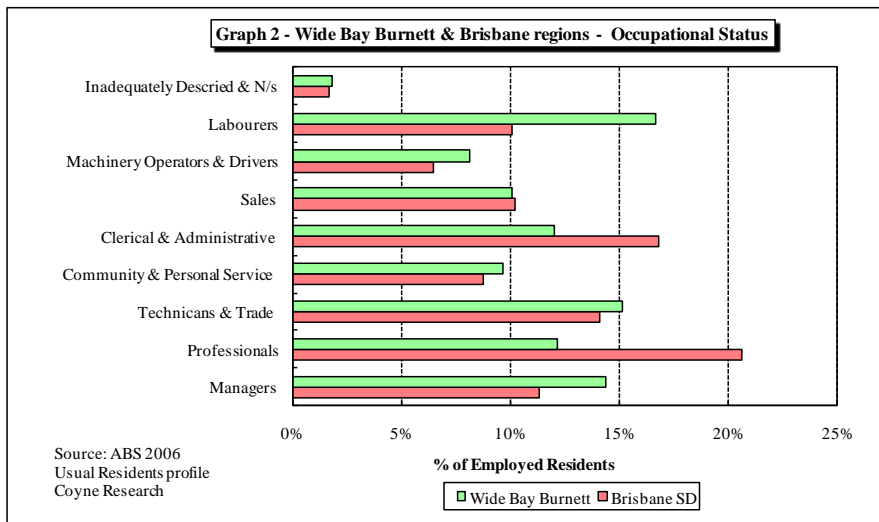
- increasing the intake of young and working age migrants;
- raising the standard of broadband infrastructure; and
- attracting University/Research units.

The WBB already has two university campuses, but the need was identified to build on the knowledge-based jobs that come with specialist research institutes. This approach has been successful elsewhere, for example at the Wollongong University’s Innovation Campus.

Since the 2006 WBB study, the Federal Labor Government has created Regional Development Australia (RDA), a national network of committees comprising local leaders who will form partnerships with all levels of Government to benefit their region. In the WBB, the RDA has just published its *Regional Roadmap 2010* and facilitated its first regional summit.

The RDA report continues to highlight many of the economic weaknesses in the WBB raised in the earlier study. However it also points to progress in raising awareness of the needs of the region. The Queensland Government has identified two Centres of Enterprise for the WBB: General Aviation and Unmanned Systems and the Transport Equipment Manufacturing Industry. These will build upon existing competitive strengths in the region.

The Draft WBB Regional Plan released by the Queensland Government in October 2010 mentions that a *WBB Regional Economic Development Strategy* is being prepared. This suggests that the time cannot be far away when planning, infrastructure provision and economic development form part of an overall approach to regional areas.





The Honeysuckle site looking towards the port, with Hunter Street and the heavy railway line in the foreground. Apart from close to 1,000 new dwellings, significant components developed to date include the 175-room Crown Plaza Hotel, the 180-berth marina and the Cottage Creek office precinct. (photo courtesy Hunter Development Corporation)

For decentralisation to deliver on its potential benefits, a focus on achieving job creation and economic activity in regional Australia is needed. Three measures that Government can undertake to achieve this include:

- targeted infrastructure spending;
- decentralisation of Government workers; and
- stimulus of selected industries in regional areas.

Targeted Infrastructure Spending

The Honeysuckle project in Newcastle in NSW provides an example of how targeted infrastructure spending can effect beneficial demographic and economic change. After twenty years of inner city decline, in 1992 NSW gained Building Better Cities (BBC) funding from the Federal Labor Government for the transformation of 50 hectares of land adjoining the port of Newcastle and the Central Business District (CBD). The waterfront land was characterised by abandoned timber wool stores, Throsby Creek was contaminated and the CBD population and employment were falling.

The application of consistent Government policy, upfront infrastructure spending and persistent pursuit of the initial strategy has delivered significant gains. These include:

- population growth – Newcastle Inner* increased by 28% from 2001 to 2006 to 5,500 residents;

- gentrification, with increases in those aged 45-64 years (+ 45%), those aged 25-44 years (+ 30%), and in University qualified residents (+ 49%);
- in 2006, managers and professionals represented 52% of employed residents in Newcastle Inner*;
- provision of 170 affordable dwellings;
- addition of 350 hotel rooms, enhancement of the foreshore (a total of 17 hectares of foreshore parks and promenades on completion), and introduction of attractions such as the 180-berth private marina and the Maritime and Regional Museums resulting in a new tourism industry in Newcastle CBD; and
- development of 45,900 m² of office space (61% of prime CBD supply) housing 2,500 workers, a preferred location offering green credential buildings, large floor plates, lower occupancy costs and harbour views.

*Newcastle Inner definition based on the Australian Bureau of Statistics 2001 boundaries, which exclude parts of the Honeysuckle site north of the Cowper Street bridge

Analysis by the HVRF found that from 1992/93 to 2007/08, there were 4,844 jobs created as a result of direct and indirect public and private investment on the Honeysuckle site. An initial \$100 million in BBC funds was spent over the four years to 1996/97 on remediation, site works, sea walls and a new transport interchange in Newcastle CBD. From 1997 the project was self-funding.

The HVRF found that with the total Government investment of \$224 million over 16 years, the Honeysuckle project generated an economic impact of approximately \$1.3 billion (source: Hunter Development Corporation *Building Better Cities/Newcastle a Case Study in Renewal* Dec 2009).

Approximately two-thirds of the Honeysuckle development has been completed. Although Newcastle has recently suffered a major disappointment with GPT abandoning its plan to redevelop the retail heart of the CBD and David Jones to close, the Justice precinct planned for the Honeysuckle site is to proceed. The GPT decision was based at least partly on the NSW Government's failure to terminate the heavy rail service outside of the Newcastle CBD and the Honeysuckle site. A result of this has been difficulty in integrating the Honeysuckle area with the established Newcastle CBD.

In terms of decentralisation, another strategy that has failed to occur is the attraction of office occupants from Sydney or the Central Coast. In its review of the Honeysuckle project, the Hunter Development Corporation concluded there was a need to stimulate demand as well as supply.

Relocation of Government Workers

The need for Government intervention through the relocation of Government departments to regional centres has a direct bearing on the likely success of decentralisation. A study by Griffith University's Urban Research Program has concluded that decentralisation of Government departments to inner and middle ring suburban centres would do little to create reverse commuting or reduction of traffic congestion in Brisbane[^]. The plan by the Queensland Government to provide 15,000 m² (of a total of 85,000 m² to be decentralised) in Ipswich is considered more likely to deliver potential urban structure and improved transport outcomes.

However the Griffith University study also found that decentralisation of Government workers within the metropolitan area does not always result in workers relocating to live closer to their relocated workplace. For a variety of reasons, workers may continue to commute, often travelling longer distances than before.

Both the private and public sector when relocating now need to undertake significant consultation with staff. Not only does a sound business case for the move need to be made, but staff need to be engaged with the design, understand potential benefits such as improved working environment and integration with related departments. Payment of bonuses, removal costs and travel costs may also be needed.

Stimulus of Selected Industries

Two examples of Government undertaking direct stimulus of selected industries are found in the Illawarra region of NSW. From 2007/08, the import of motor vehicles was transferred to Port Kembla from Glebe Island in Sydney. The expansion of trade has resulted in plans for the Outer Harbour development to be progressed. In 2009/10, Port Kembla achieved record throughput of 31 million tonnes, and 3.92 million revenue tonnes in terms of car imports. Of the 1,000 visits by commercial vessels, one-third were car carriers.

Wollongong University has become an important knowledge hub, through the development of the Innovation Campus, which was established with seed funding from the NSW Government. It has ongoing support from three levels of Government.

Innovation Campus is proposed as a staged development of 135,000 m² over 10-15 years, including research, office, retail, hotel and residential components, with potential for employment of 5,000 people. Four buildings have been completed since 2008, with a further 9,700 m² under construction. Like the Honeysuckle office buildings, the office space has green credentials and large floor plates.

Major occupants at Wollongong's Innovation Campus include the Australian Centre of Excellence for Electromaterials Science, the Centre for Transnational Crime Prevention, Intelligent Polymer Research Institute and the Sydney Business School.

[^] Refer to Burke, Matthew, Dodson, Jago & Gleeson, Brendon *Employment decentralisation in SEQ Scoping the transport impacts* Griffith University Urban Research Program Research Paper 29 April 2010.