Growing Australia’s smaller cities to better manage population growth

From the AHURI Inquiry: Inquiry into population growth in Australia’s smaller cities

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Each AHURI Inquiry is supported by a panel of experts drawn from the research, policy and practice communities. The Inquiry Panel are to provide guidance on ways to maximise the policy relevance of the research and draw together the research findings to address the key policy implications of the research. Panel members for this Inquiry:

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- Ms Liz de Chastel, Australian Local Government Association
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<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
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<tr>
<td>ACT</td>
<td>Australian Capital Territory</td>
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<td>AHURI</td>
<td>Australian Housing and Urban Research Institute Limited</td>
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<td>COAG</td>
<td>Council of Australian Governments</td>
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<tr>
<td>DCE</td>
<td>Discrete choice experiment</td>
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<td>FER</td>
<td>Functional economic region</td>
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<td>LGA</td>
<td>Local government area</td>
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<td>NSW</td>
<td>New South Wales</td>
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<td>NT</td>
<td>Northern Territory</td>
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<td>PRIME</td>
<td>Provisional regional internal migration estimates</td>
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<td>RDA</td>
<td>Regional Development Australia</td>
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<td>RAI</td>
<td>Regional Australia Institute</td>
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<td>SA</td>
<td>South Australia</td>
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<td>SAP</td>
<td>Special activation precinct</td>
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<td>WA</td>
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Executive summary

Key points

This report examines the capacity of Australia’s smaller cities to accommodate a larger percentage of the nation’s population growth. It finds that:

- In the absence of purposeful action, a growing percentage of Australians will live in our largest cities in 20 years.

- Most immigrants move to the largest metropolitan areas, and a fundamental reshaping of our immigration system is needed if this pattern is to be reversed. Change, however, is possible.

- Many moving to smaller cities come from other parts of non-metropolitan regions, although the processes of sea change and tree change have reshaped this pattern over the past 20 years.

- Young people commonly leave smaller cities and regional areas for education and employment opportunities.

- There is a weak link between employment growth in smaller cities and population growth and the direction of the relationship varies from place to place. Much of the employment growth in these places has been in low paid employment, and there is a need to reverse this trend and increase the mix of industries growing in these places.

- Policies to attract more Australians to smaller cities need to focus on the Aspirational Changers segment of the population (21 per cent of the total) and the Lifestyle Maximisers (54 per cent).

- There are viable policy options for governments seeking to promote the growth of smaller cities, including place-based policy frameworks that concentrate investment and quality of life gains in a defined set of centres, further development of these localities as retirement destinations and their growth as education and research hubs.
Executive summary

Key findings

In broad terms the research found smaller cities experienced a range of processes shaping their populations over the period 2011–2016.

• Absolute population growth was highest amongst smaller cities located in coastal regions next to the two major cities in south-east Australia, indicating population concentration in regional Australian settlements.
  - By contrast, population decline was concentrated in inland and remote towns, particularly in centres associated with resource industries.

• The processes of population concentration in fewer and larger regional settlements evident in the 20th century appears continued (BITRE 2014). International migration was largely similar, with most relocating to larger regional urban centres.

• Smaller cities are the first destination of few international arrivals.

• Many internal migrants relocating to smaller cities come from other parts of non-metropolitan Australia.

• ‘Sunbelt’ cities have fared better than regional centres in southern Australia over recent decades, but this growth may be a product of population, rather than economic, processes.
  - There is a long standing pattern of accelerated growth amongst coastal cities on the eastern seaboard.
  - Growth is also more pronounced in smaller cities closer to a major metropolitan region.
  - In some regions, larger regional centres are growing as nearby smaller settlements decline.

• COVID-19 had a muted impact on the movement of population to smaller cities, with the greatest impact in Victoria. Importantly, fundamental change is possible but a definitive conclusion on likelihood cannot be reached at this stage.

The research categorised population change into three main groupings:

• Larger regional cities that are close to a major (state capital) cities grew more (by count) than other regional areas.

• Coastal urban centres gained more population than inland urban centres. Regional urban centres in northern coastal NSW and Queensland in particular continued to grow rapidly.

• Population losses tended to be concentrated in inland, smaller, remote and often resource reliant towns. These patterns may be associated with continuing weakness and employment declines in traditional regional industry sectors such as agriculture, or with transitions within resource extractive industries, following the mining infrastructure investment boom of the late-2000s and early-2010s.

• The patterns of Indigenous population change reflected overall population patterns but diverged also.
  - Indigenous population growth was greatest in some coastal localities, though these were not always the same places where the non-Indigenous population is increasing.
  - Some inland localities without large overall growth saw substantial growth in Indigenous residents.

• Economically smaller cities are a highly differentiated group, with the processes of growth and decline influenced by individual histories and geographies.
  - Broad patterns can be identified amongst groups of smaller cities.
  - The national economy and policy has had a significant impact on the growth of smaller cities. The liberalisation of the Australian economy post 1984 and the rise of service industries has not benefited smaller cities specialised in manufacturing and agriculture, but has assisted some mining centres.
  - National economic policy change has further reinforced the expansion of the major metropolitan centres.

• Australia’s smaller cities commonly have highly specialised and trade-exposed economies, resulting in periods of ‘boom’ and ‘bust’ as industries cycle through swings in global markets.
Executive summary

- There is clear evidence that endogenous growth processes are very weak in many parts of regional Australia, including amongst the economies of smaller cities.

- Much of the aggregate economic growth across regional Australia trails population growth, that is growing populations lead an expansion of employment.

- The research found that programs to encourage relocation to smaller cities are likely to gain traction with Australian residents if the appropriate population groups are targeted.

- State preference analysis found four distinct segments, or classes, across the Australian population, differentiated by their willingness to live in large and mid-sized cities. Critically the four classes provide a guide to the targeting of policy measures:

  - Classes 1 (the Urban Careerists) and 4 (the Small is Best), together comprising 25 per cent of the sample population, displayed distinct preferences for large and mid-sized cities, respectively, and were unlikely to change their preferences.
    - Individuals in Class 1 were young urban professionals who valued living in large cities.
    - Individuals belonging to Class 4 tended to be older individuals employed part-time or retired, valued quality-of-life benefits from living in smaller cities, and were equally reluctant to move to a large city.

  - Classes 2 (Aspirational Changers) and 3 (Lifestyle Maximisers) comprised the remaining 75 per cent and were more open to moving to a mid-sized city.
    - Individuals belonging to Class 2 were more likely to be a mix of young individuals living in single or shared households, and the middle-aged in households with children. They tended to be university educated and employed full-time in high-wage managerial or professional jobs. They prioritised employment and education opportunities and were likely to move to mid-sized cities if they could offer comparable opportunities.
    - Individuals in Class 3 were older, and employed part-time in lower paying jobs or retired. They placed high importance on quality of life, local healthcare, housing and other living costs. They viewed mid-sized cities as excellent places to retire, and would be encouraged to move there if they could get support for post retirement living.

  - A sense of community remains an important feature of life in smaller cities, helping retain population and building a sense of cohesion. This sense of community contributes to the pattern of movement between smaller cities and other regional centres as individuals seek comparable living environments.

  - The natural and other amenity of smaller cities is much valued by residents and it too remains a factor in the retention of residents in smaller cities, as well as the attraction of migrants from the capitals.

  - High quality, affordable housing remains an important attractant for smaller cities but it needs to be balanced out with significant employment opportunities in order to encourage the growth of these places.

- Residents in smaller cities were wary of growth for its own sake. While many see advantages, there are concerns these may be exceeded by the disadvantages.

  - Planning policies have had unequal outcomes across the Australian states. In NSW programs were developed that led to success, while the SA experience highlighted the limitations of approaching regional planning as an administrative exercise, distant from other programs of investment and development; and,

  - Evidence-informed approaches that concentrate resources in places with both a record of growth and the potential for further expansion will be more successful.
Executive summary

Policy development options

This research examined the ways in which the policy landscape in Australia could be adjusted to promote the growth of smaller cities in order to deliver better outcomes for all Australians. Critically, one dimensional or simple policy measures are unlikely to deliver growth to smaller cities, instead a more holistic approach is required that draws together a number of actions. All, however, are eminently achievable, with either a track record of success in Australia or internationally. The research drew on the findings to consider five policy options:

- **Option 1:** Maintain existing policy settings and do not introduce new programs or initiatives
- **Option 2:** Further develop and activate land use planning to support the development of smaller cities
- **Option 3:** Develop a portfolio of place-based policies that seek to concentrate investment in a limited number of smaller cities
- **Option 4:** Implement policies that encourage the growth of further education in smaller cities
- **Option 5:** Expedite the growth of smaller cities as preferred places of residence for older Australians, including retirees.

The research concluded that Option 1 was unlikely to deliver additional growth for Australia's smaller cities because while current policy settings resulted in long term national economic growth, smaller cities largely lagged the very largest cities. Moreover, the population outcomes evident under contemporary policy settings are a product of deeply entrenched patterns and processes, and change in the external environment is essential if the nation is to achieve better outcomes.

Option 2 was assessed to have real potential for delivering growth for smaller cities. However, this policy domain remains firmly the remit of the Australian states, which makes the achievement of positive outcomes in all parts of the nation more challenging as each jurisdiction has their own frameworks and settings. In addition, statutory planning systems are based in legislation and are therefore not adjusted easily or quickly.

Option 2 also calls for a strong level of co-ordination and integration across the portfolios of governments, with planning, service delivery and infrastructure investment brought together to deliver growth locally. While this has been achieved in NSW, other states have either not prioritised the growth of smaller cities or have failed to develop integrating mechanisms. The further development of the planning system to deliver the growth of smaller cities can be assessed as having considerable potential, but would struggle to deliver uniform outcomes at the national scale.

Option 3 draws on both national and international experience and seeks to both empower local decision makers to encourage growth, and provide a select number of smaller cities with a pathway to expedited growth. To a degree, Option 3 builds on established policy frameworks such as the City and Regional Deals, but more fundamentally it represents an approach that tailors growth investment to the opportunities evident in each locality. It is an approach that calls for both investment by the senior tiers of government and buy-in locally, and is likely to require a long-term investment of policy attention and capital. The available international evidence suggests strong prospects for success, with the OECD as strong advocates of place-based polices.

Option 4 specifically addresses two of the evident weaknesses in the economic and demographic structures of smaller cities. First, most regional centres experience the loss of young people to the metropolitan regions as they seek employment and education opportunities. Second, many of these places have lower incomes and few well paid jobs, and the evidence within this research suggests much of their employment growth has been in low-paying employment. Option 4 seeks to redirect policy attention and resourcing in higher education and research to smaller cities in order to attract and retain young people in these places, and more closely integrate smaller cities into the global knowledge economy. This option would not require additional funding, but would require a redirection of resources.
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Option 5 seeks to further enhance the attractiveness of smaller cities as places for retirement for older Australians. It acknowledges that these places are already attractive to a significant percentage of older Australians and that this could be further enhanced through additional investment in health care and other services targeted at this age group. Such investment would also generate employment for other age cohorts. This option has a strength in harnessing the growth potential embedded in already established patterns within the economy and the population, and would potentially come at modest cost to Australian governments. It may, however, further entrench the lower income structures evident in a number of smaller cities.

Finally, it is important to acknowledge the policy options discussed in this report are not mutually exclusive. Governments could potentially implement a portfolio of actions to maximise the prospects of smaller cities and associated regions. A portfolio approach would create opportunities for participation by all tiers of government and allow for a focus on the development of these places, rather than a simple focus on growth.

The study

The overarching aims of the Inquiry were addressed through three associated projects. Each of the projects focussed on Australia's non-capital cities including the larger satellites, such as Newcastle, Wollongong, Geelong and the Gold Coast. The Inquiry examined all Australian jurisdictions, effectively establishing a nation-wide evidence base.

The analysis focussed on urban centres with a population of 50,000 or more and in states with fewer than three urban centres reaching this threshold, it considered the three largest non-metropolitan centres in that jurisdiction. In addition, for technical reasons, Project B examined all urban centres with a population of 5,000 or more. The projects examined the movement of three migrant categories—domestic migrants, international migrants, and those who have settled in Australia as humanitarian or refugee arrivals—and their potential to contribute to the growth of smaller cities.

Project A was developed to provide answers to RQ1:

How can we differentiate Australia's smaller cities according to economic profile, population trajectory, industry structure and geography?

It also provided insights into RQ2:

What are the current mobility and settlement patterns of migrants, including those arriving from other parts of Australia and from other nations, across these smaller cities?

It identified the functional economic regions (FERs) for each smaller city. A functional economic region (FER) can be considered the economic footprint of an urban centre, and is identified using data on commuting patterns and other comparable metrics. This stage was followed by the analysis of the social, economic and geographical characteristics of each city. The project explored the economic composition, demography and cultural characteristics of each city, as well as housing costs and affordability. This was followed by spatial econometric analysis with the goal of identifying a range of explanatory variables that influence local employment growth. Finally, the cities were analysed with respect to their residential mobility, providing statistical analyses of migration.

Project B addressed RQ4:

What are the key drivers of mobility in Australia (to/from both metro and regional areas)?

It also focussed on RQ5:

Which factors support or motivate moves to smaller cities in regional Australia—what is the role of employment opportunities, infrastructure, facilities and other factors in encouraging settlement outside metropolitan centres?
Executive summary

It comprised three stages employing different quantitative methods of visualisation and analysis of data from the 2006, 2011 and 2016 Censuses.

- Stage 1 developed a high-level visual understanding of how migration flows have varied historically within Australia across different sub-populations;
- Stage 2 established macroeconomic models of migration flows between cities, as a function of their local economy, infrastructure and natural environment; and,
- Stage 3 used Discrete Choice Experiments (DCEs) to develop microeconomic models of how individual households decide where to settle. It examined whether these decisions reflect demographic characteristics, such as income and household structure, or place attributes, such as education and employment opportunities, housing costs, the natural environment and cultural amenities.

Project C addressed RQ5:

What are the place-based experiences of residents in regional centres?

And RQ6:

To what degree do residents of smaller cities benefit in terms of housing and employment outcomes, as well as incomes? How are these benefits perceived, and do they assist in retaining residents and employers?

Project C was made up of three methodological elements: focus groups, in-depth resident interviews and stakeholder interviews with fieldwork. This took place across five regional cities in four states with diverse economic, demographic and geographical characteristics—Cairns, Whyalla, Mildura, Wollongong and Albury-Wodonga. The cities had different economic drivers (tourism, resources, agriculture, anchor institutions) and included a number of resident cohorts, such as refugees and international students.

Finally, the Inquiry examined RQ7:

Which policy instruments and programs are likely to have the greatest impact in supporting the attraction and retention of residents in smaller cities?

The Inquiry used the discussions with policy makers to develop a better understanding of ‘what works’ with respect to smaller cities, documenting their understanding of best practice and the drivers of change.
1. Introduction: Australia’s smaller cities and their potential in managing population growth

This chapter provides the background for this Inquiry, including its context and positioning within a longstanding interest in the capacity of smaller cities and other urban centres to accommodate a larger share of the nation’s population.

The chapter documents the ways in which the research was undertaken using a method based on three supporting projects and a separate Inquiry that brought together the findings.

The chapter shows that:

• Interest in the capacity of smaller cities to accommodate a greater population can be traced to the late 1940s.

• Despite policy attention, Australia’s largest cities have continued to grow with respect to their absolute size and percentage of the nation’s population.

• Immigrants continue to settle disproportionately in the very largest cities—Sydney and Melbourne—through a range of processes that appear firmly entrenched.

• The restricting of the Australian economy from the mid-1980s has reinforced metropolitan primacy, though providing opportunities for growth for some smaller cities.
1. Introduction: Australia’s smaller cities and their potential in managing population growth

1.1 Policy context

This Inquiry was established to examine the capacity of Australia’s smaller cities to assist in managing population growth, including international and national migration; and provide advice on which policy instruments and programs are most likely to redirect population movements to these places. These are longstanding questions within both policy interest and academic inquiry (Logan 1978) that have remained unresolved because significant gaps remain in our understanding of the most appropriate mechanisms for leveraging growth outside the capitals.

The potential of Australia’s smaller cities in managing the growth and distribution of Australia’s population has been acknowledged by both governments (DoHE 1983) and academic researchers (Beer, Bolam et al. 1994) for more than four decades. Despite this recognition, Australians have continued to cluster in the capitals, where population grew by 10.5 per cent between 2011 and 2016, compared with 5.7 per cent for the regions. Much of this capital city growth has been driven by immigrant arrivals, and since the mid-1980s 85 per cent or more of all new arrivals have settled in the capitals, with some 60 per cent choosing Sydney and Melbourne (Hugo and Smailes 1985). This ongoing population growth is an important contributor to the $19 billion of congestion costs affecting Australia’s eight capitals (Infrastructure Australia 2019).

There is an established evidence base around the growth and potential of smaller cities to attract population and grow their economies. We know, for example, that new arrivals in regional centres tend to come from other parts of non-metropolitan Australia and move for employment and education opportunities; we also have a clear understanding of the sources of employment growth outside the capitals (Stimson, Flanagan et al. 2018), and the dynamics of recent population growth in attractive coastal areas.

However, there are critical areas about which too little is known. For example, there is an absence of detailed information on:

- the decision-making process undertaken by internal and international migrants as they consider migration destinations
- the ways in which shifts in Australia’s economy has been reflected in the functions performed by smaller cities, and what opportunities and challenges that may present into the future
- which infrastructure investments or services are most likely to deliver population growth and economic prosperity for these places
- what constitutes international best practice in promoting growth in second tier cities
- what are the employment and housing outcomes available to immigrants arriving into smaller cities, relative to settlement in one of the capitals, and
- how immigrants perceive small cities—as places to live and work, as an environment in which to raise their families and as a community with which to engage.

These critical knowledge gaps have hampered efforts to develop smaller cities and limited policy development efforts. This challenge has been made more acute by the absence of a consensus on whether and how to develop places outside the capital cities (Daley and Lancy 2011; Beer 2012). Australia has followed a number of economic growth paradigms over the past 40 years, including perspectives informed by growth pole theory, approaches based on market liberalisation and globalisation, endogenous growth perspectives and policy perspectives drawn from the OECD (2009) that have emphasised infrastructure investment and the development of human capital.

The absence of a coherent and consistent policy framework driving the growth of regional Australia has meant many parts of non-metropolitan Australia, have either not grown or have experienced population decline. This has been attributed to a mix of weak economies, diminished service provision and employment opportunities and ongoing out-migration, especially amongst the young (McKenzie 1996).
1. Introduction: Australia’s smaller cities and their potential in managing population growth

Australia’s experience resonates with that of other developed economies, as reflected in the burgeoning literature on places that have been ‘left behind’ (Rodrigues-Pose 2018; MacKinnon, Kempton et al. 2022). There has been a considerable focus on the ‘foundational economy’—those industries and businesses that support the local population independent of global economic drivers and which some have labelled the ‘mundane’ economy. Such perspectives highlight the capacity to stimulate local economies through a focus on the foundational economy; support for the incomes and livelihoods of residents; the provision of social infrastructure and the prioritisation of inclusive innovation (MacKinnon, Kempton et al. 2022: 49). These perspectives look to place-based policies to deliver long term growth by empowering local communities and actors (Martin, Gardiner et al. 2021; Beer, McKenzie et al. 2020). A second valuable perspective within the international literature emphasises the role of ‘anchor institutions’ in providing a focus for development (Goddard, Coombes et al. 2014). Such institutions include universities, major research institutes, and the major facilities of large corporations, each of which has the capacity to support the growth of associated small businesses and the workforce.

Not all parts of regional Australia have experienced population loss. Over the past two decades there has been ‘a clear pattern of growth in coastal areas, around major regional cities and in mining regions’ (Hugo, Tan et al. 2015: 8). Migration to amenity-rich locations—commonly referred to as sea change and tree change destinations—has been an important driver (Argent, Tonts et al. 2010), as has growth associated with the buoyant mining industry, with both Queensland and WA experiencing development, as well as some troughs. More broadly, smaller cities outside the capitals have expanded as populations have consolidated in these important service and employment centres, and as new industries have emerged (Hugo, Tan et al. 2015; Garnett and Lewis 2007).

Recently, a great deal of attention has focussed on attracting new workers to regional centres in order to fill skill gaps across a range of industries. The Regional Australia Institute (RAI) (2019) has argued it is possible for regional communities to attract migrants by:

- initiating a deliberate strategy
- organising and consulting with the community
- welcoming and hosting new migrants
- securing employment for arrivals
- finding housing for migrants
- fostering community cohesion
- being considerate of culture, customs and environment.

Feist, Tan et al. (2015) also highlighted the importance of government agencies—especially local government—working with the community to produce an environment welcoming of immigrants. McDonald-Wilmsen, Gifford et al. (2009) specifically examined the settlement of refugees in regional and rural Australia and concluded that the experience and outcomes for these new settler arrivals was mixed. However, they also found that ‘an appropriately resourced, well managed and well planned refugee resettlement program can potentially provide beneficial outcomes for refugees and host communities’ (p. 97).

More broadly, McKenzie (2016) found from surveys of professional workers living in Bendigo that two-thirds had been born in Bendigo and its region, or had been born in other parts of regional Victoria. Most had returned to live in regional Victoria for family reasons, including the desire to have a good environment in which to raise their children. On this basis she argued that the most effective regional population policies were those targeted to persons who had previously lived regionally, and which offered employment opportunities that matched those in the capitals.
1. Introduction: Australia’s smaller cities and their potential in managing population growth

However, in NSW the ‘Evocities’ initiative took a very different approach, developing a branding and marketing strategy that sought to attract Sydneysiders to relocate to one of seven regional centres. The strategy sought to step away from conventional approaches to encouraging relocation to smaller cities by emphasising the liveability, opportunity and dynamism of these places (Manley 2013).

The theme of population dynamism within smaller cities was reflected in a report by the RAI (Beer, Vij et al. 2020) which noted that between the 2011 and 2016 Census some 1.2 million Australians either moved to regional Australia from a capital city or moved to a regional location from another regional centre. Moreover, between 2011 and 2016 some 65,204 people moved from a capital city to a regional location, and over the period 2006–11 this number was 70,493. Critically, the RAI emphasised that more persons aged 20–35 continued to move from the capital cities to the other direction, but that many moved to another centre in regional Australia.

There has been ongoing debate about the most appropriate mix of policies to encourage the growth of regions (Productivity Commission 2017), especially those regions lagging nationally. Many have argued there is a need to move away from conventional ‘top-down’ regional policies, to embrace place-based policies that are tailored to the needs of each locality (Pugalis and Gray 2016; Beer, Barnes et al. 2021). Such programs of government action emphasise the capacity to grow through the further development of a community’s existing resources—endogenous development—rather than by attracting external investment. Similarly, the OECD (2019) has argued for the adoption of place-based policies because they help all regions use their full economic potential. Place-based policies are an indispensable complement to structural economic policies because structural economic policies do not consider specific regional factors adequately (p. 15).

The RAI (2019) documented the education and skills gaps evident in many non-metropolitan regions and the ways in which they retarded growth. These regions, the RAI (2019) argued, would need a further 85,000 professional workers by 2023, with 28,000 needed in education alone. Skills shortages, and the perception of limited education opportunities, have been an impediment to the growth of smaller cities and the willingness of metropolitan residents to relocate.

Overall, the processes of internal migration evident in Australia in the 21st century continue to bring arrivals from other parts of the country to smaller cities, including from the capitals. Many arrivals, however, are relocations from other regional destinations, and younger persons from smaller cities and other regional centres continue to move to the capitals in search of employment and in order to secure their education. There is evidence of demographic change as a consequence of the COVID-19 pandemic, with larger numbers of residents moving from the capitals to non-metropolitan localities, especially in Victoria (Centre for Population 2021a). This change has been stimulated by the pandemic, but made possible in many instances by the growth of technologies that have enabled working from home/remote working (Centre for Population 2021b). Whether this transformation will be sustained in the longer term is an open question, and one that is of considerable policy significance.

The arrival of international migrants in smaller cities and other parts of non-metropolitan Australia has been a small-scale phenomenon for the past five decades. For more than half a century we have known approximately 85 per cent of all new migrants settle in Australia’s two largest cities (Hugo and Smailes 1985) with very few moving to smaller urban centres. This trend of international migrants favouring Australia’s largest cities has continued, placing increasing pressure on the infrastructure, environments and housing markets of Sydney and Melbourne in particular. Over the past three decades, the concentration of settler arrivals into Australia’s largest cities has appeared to be an inexorable process.

However, other nations have achieved a better balance in the accommodation of their immigrant populations (Rose 2019), and historically immigrants have immigrated to localities outside the capitals where they have played an important part in the development of these regions.
This Inquiry seeks to advance policy and programs in Australia directed at promoting the growth of smaller cities by identifying the policy levers that will enable governments to encourage settlement in these places. It addresses two overarching policy questions:

• First, what is the possible role that Australia’s smaller cities can play in managing national population growth, including international and national migration?

• Second, which policy instruments and programs are most likely to redirect population movements to these locations?

These two overarching policy questions lead to seven sub-questions that are central to providing a workable policy solution:

• RQ1: How can we differentiate Australia’s smaller cities according to economic profile, population trajectory, industry structure and geography?

• RQ2: What are the current mobility and settlement patterns of migrants, including those arriving from other parts of Australia and other nations, across these smaller cities?

• RQ3: What are the key drivers of mobility in Australia (to/from metro and regional areas)?

• RQ4: Which factors support or motivate moves to smaller cities—what is the role of employment opportunities, infrastructure, facilities and other factors in encouraging settlement outside the major metropolitan centres?

• RQ5: What are the place-based experiences of residents in regional centres?

• RQ6: To what degree do residents of smaller cities benefit in terms of housing and employment outcomes, as well as incomes? How are these benefits perceived, and do they assist in retaining residents and employers?

• RQ7: Which policy instruments and programs are likely to have the greatest impact in supporting the attraction and retention of residents in smaller cities?

The research that informs this final report took place during a period in which the impacts of the COVID-19 pandemic were being felt in every part of Australia’s economy and society, including its settlement system. It was necessary to examine the ways in which COVID-19 was reshaping the urban system in order to ensure the relevance and impact of this program of research. Critically, the pandemic gave rise to developments in population flows that have run counter to long-established trends, and we needed to evaluate whether these new movements represented a significant disjuncture—the move away from one long term trend to another—or a minor variation of no long-term significance.

1.2 Existing research

The nature and dynamics of Australia’s urban system—and the role of smaller cities within it—has been at the centre of research and policy development in Australia for more than half a century (Beer 2012). Beginning in the 1960s and 1970s Australian governments and researchers began to engage with issues around the apparent ‘over development’ of some metropolitan centres (Neutze 1977; 1978), and the potential to encourage the growth of ‘new cities’ (Logan 1978). From a policy perspective, this concern resulted in the introduction of a number of initiatives by state governments aimed at decentralising population and economic activity (Collits 2004) and at the national level, the introduction of the National Cities Commission by the McMahon Government (Scott 1975) and the Department of Urban and Regional Development (DURD) by the Whitlam Government.

In the early 1970s DURD identified a number of ‘new cities’—some of which were already well-established centres such as Geelong—to be developed across Australia. Their failure to emerge as major population hubs has been attributed to the tensions inherent in Australian federalism (Stretton 1970), as well as an over-estimation of the capacity of governments to establish major new urban centres.
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These initiatives were informed by growth pole theory, which emphasised the ability of governments to promote the growth of regions through concentrated investment in select locations. This commitment by government included the provision of subsidies to large employers—often the branch plants of multinational corporations. Growth pole theory, however, was flawed, with Higgins (1983: 5) arguing that

perhaps never in the history of economic thought has so much government activity taken place and so much money been invested on the foundation of so confused a concept as the growth pole theory had become in the late 1960s and early 1970s.

This confusion contributed to the failure of governments to develop both effective regional policies and new, decentralised, cities. Through this period, research was undertaken to better comprehend the size, nature, and structure of investment needed to launch and sustain economic growth locally and, potentially, in adjacent regions (Pred and Palm 1975; Higgins 1983).

By the mid-1980s new philosophies of regional development had emerged which represented a move away from a framework in which central government policies were implemented on a ‘problem’ region to one where governments worked in partnership with the community to facilitate ‘longer run social and economic growth’ (Taylor and Garlick 1989). This perspective on development came to be known as endogenous growth theory and prioritised development that was locally-constituted and enabled by the human capital and other resources within a region.

Research and policy development informed by this perspective considered the nature, causes, and direction of economic change at the scale of the locality, community, region, and city. For example, Connell and McManus (2011) considered the role of place marketing in the revival of regional centres in Australia. However, research noted the incongruity of placing the onus on small, poorly-resourced communities to take responsibility for the process of economic change (Sorensen and Epps 1996; Gray and Lawrence 2001).

Over the past 30 years our understanding of the policies likely to deliver growth to smaller cities has changed. Collits (2001) argued regional policy in Australia since the mid-1970s has been limited by the failure of governments to prioritise regional growth and regional issues. He noted that regional policy in Australia has been characterised by ‘pragmatic incrementalism’ with limited capacity to achieve significant change. Daley and Lancy (2011) made similar observations, noting that too often governments have presented conventional public sector expenditure in regional communities as investment in regional development and that government action to revitalise declining regions would require much greater public sector commitment than evident currently, or in the recent past. Beer (2000) suggested a ten-point strategy for encouraging the growth of regions that included both direct government pump priming and a reshaping of the relationship between regions, their communities, and governments. Pritchard and McManus (2000) adopted a more prescriptive approach, arguing there is a need to move away from market mechanisms and instead implement a National Urban and Regional Development Policy that would consider the survival needs of small towns, the pressures of rapid development on fragile locations and the spatial pressures of the continued expansion of our larger capital cities … Triple Bottom Line outcomes that are built upon, and cognisant of, spatial factors (Pritchard and McManus 2000: 257).

These authors believed such a policy would allow Australia to better address issues such as the integration of immigrants into cities and regions and the need to consider national priorities in directing development. There remain, however, substantial political and constitutional barriers to the introduction of a national regional or urban development policy (Beer, Maude et al. 2003).

There is a second key body of research and policy development that is related to the processes of migrant settlement patterns in Australia. It recognises that immigration remains an important driver of population dynamics, with some 30 per cent of Australians born overseas (ABS 2020a).
Over the past five decades demographers such as Martin Bell, Peter Newton, Ian Burnley and Graeme Hugo have examined the settlement patterns of immigrants to Australia. Other work has been undertaken by various government agencies, including the Bureau of Immigration and Population Research and the Department of Immigration (see Bell and Newton 1996; Hugo 1995; Burnley 2001). Some of the most important research in this area was published as the Atlas of the Australian People series for the 1986, 1991 and 1996 Censuses (Hugo 1993; Hugo and Maher 1998) and provided a detailed description of the distribution of each birth place group nationally, and at the state level, including those populations resident outside the capitals.

There are a number of important findings to emerge from this research, with the findings still relevant to understanding the settlement of immigrants today:

- Type of visa exerts a very important influence on the settlement patterns of immigrants to Australia. Persons with humanitarian visas have very different settlement experiences and outcomes compared with those whose visa is a product of family reunion, which in turn differs from both employer-sponsored immigration and independent immigration (Heuvel and Wooden 1999).
- Historically, specific government initiatives and programs have had a substantial impact on where immigrants live, at least in the short term. Immigrants, in common with Australians relocating from one part of the nation to another, seek employment opportunities and will not stay in places that do not have jobs to offer.
- There is variation between birthplace groups in the tendency to settle outside the capital cities, with those from English-speaking backgrounds including the UK, Ireland, New Zealand and the USA, as well as some long established European groups such as the Netherlands and German-born, more likely to live in rural or regional Australia (Hugo 1995).
- Chain migration remains a very important process. That is, immigrants frequently choose to settle initially where others they know—family or members of their community—or those with similar background because of place of birth or other factors, are already settled. These processes tend to concentrate migrants in the cities and, in particular, parts of the cities.
- Most immigrants since 1945 have tended to settle in the capital cities—especially Melbourne and Sydney—and Hugo (1995) estimated more than half the growth of metropolitan areas could be attributed to immigration. Importantly, economic growth in these urban centres has sustained immigration to these places. In large measure this pattern remains: the ABS (2020a) found the regions with the highest immigration levels through 2018–19 were all in inner Melbourne and Sydney, while the lowest migrant receiving regions were outside the capital cities.

1.3 Research methods

1.3.1 Methods used and data gathered

The methods used in this Inquiry were shaped by the seven research questions that inform this work, allied with a strong focus on providing the evidence-base needed to inform policy development. There is both a long tradition and a considerable volume of work examining the growth dynamics of Australia’s smaller cities (DoHE 1983; Beer, Bolam et al. 1994) and the drivers of both migration within Australia (Heuvel and Wooden 1999; Hugo and Smiales 1985) and the settlement patterns of immigrants (Hugo 1995; Bell and Newton 1996).

What we know about these topics is drawn from a range of different sources using varied research methods. First, there is a very large, and important, body of research that has examined these issues through the examination of large scale data sets, especially the five-yearly Census. The Census provides detailed information on population characteristics and economic activity at a level of detail and precision unavailable from other sources. Relevant key data available from the Census includes:

- place of birth
- current place of residence and work
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- place of residence at the previous Census
- employment status and industry
- housing tenure
- age and family structure, and
- skills and educational attainment.

The Census has the advantage of being available at a number of spatial scales, though not all data are available at all geographies. It is through this work that we know, for example, that the majority of persons moving to regional centres come from other regions, with the population cycling across regions and urban centres outside the capitals (Bourne, Houghton et al. 2020; Beer, Bolam et al. 1994). The analysis of Census data is critical to understanding current and future population movements to Australia’s smaller cities.

Second, the Inquiry made use of discrete choice experiments (DCEs) to measure migrant preferences for settlement in urban and regional centres. DCEs are commonly used analytical tools for the measurement of consumer preferences. They have been applied extensively in other disciplines, such as marketing and transportation, but their application to the study of migration patterns is innovative.

DCEs make use of surveys that present respondents with multiple scenarios where, for example, they are offered the choice to live between two or more competing urban centres that differ in terms of their education and employment opportunities, housing costs, climate and natural environment, and cultural amenities. By systematically manipulating alternative attributes across scenarios, and observing their impact on stated preferences, DCEs allow researchers to examine the value households place on each of these attributes, and what are their consequent impacts on settlement patterns. DCEs allow for the testing of hypothetical future scenarios that might differ considerably from present conditions. The methods deployed in both the DCE modelling and in the analysis of Census data are described in considerable detail in the reports for Projects A and B (Li, Denham et al. 2022; Vij, Ardeshiri et al. 2022).

There is a third body of work that examines the ‘lived experience’ and perceptions of life in Australia’s smaller centres. This work, based on qualitative research, is important because it provides insights into individual and community attitudes not available through the Census. Some examples of key insights include:

- Acknowledgement in research into the ‘sea change’ and ‘tree change’ phenomenon that some arrivals come to feel isolated and as being ‘outside’ the community, which may lead to a return to one of the major cities (Drozdzewski 2014; Gurran 2008).
- That commonly the decision to move to, or remain within, a smaller city is dependent upon the workforce opportunities for a spouse, as well as the quality of the education available to children (Parliament of the Commonwealth of Australia 2018a), and
- The high degree of variation across birthplace groups in their attitudes to non-metropolitan living and their propensity to take up residence in these places (Hugo 1995).

This Inquiry incorporates information from all three research methodologies to provide the most robust possible evidence on the growth of Australia’s smaller cities. Each of these approaches provides distinctive insights of value to the Inquiry, with the Inquiry Panel asked in turn to critically assess the findings from each source, thereby assisting the integration of materials. The Panel also had a central role in drawing out key policy insights of value to governments and the community (Figure 1).
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Figure 1: The Inquiry process: growing Australia’s smaller cities

1.4 Inquiry projects

The overarching aims of the Inquiry and the seven sub-questions were addressed through the three Inquiry projects and analysis associated with the overall Inquiry. Each of the projects (Figure 1) focussed on Australia’s non-capital cities and examined all Australian jurisdictions, effectively establishing a nation-wide evidence base.

The analysis focussed on urban centres with a population of 50,000 or more, and in states with fewer than three urban centres reaching this threshold, it considered the three largest non-metropolitan centres in that jurisdiction. In addition, for technical reasons, Project B examined all urban centres with a population of 5,000 or more.

The projects examined the movement of three migrant categories—domestic migrants, international migrants, and those who have settled in Australia as humanitarian or refugee arrivals—and their potential to contribute to the growth of smaller cities.

Project A began by identifying cities within the range described above, while also defining the functional economic regions (FERs) for each smaller city. A functional economic region (FER) represents the economic footprint of an urban centre, and is identified using data on commuting patterns and other metrics. This stage was followed by the analysis of the social, economic and geographical characteristics of each city. This component of the work explored factors such as economic composition, demography and cultural characteristics, as well as housing costs and affordability. It was followed by a spatial econometric analysis of the selected locations with the goal of identifying a range of explanatory variables that influence local employment growth. Finally, the cities were analysed with respect to their residential mobility, providing statistical analyses of migration inflows and outflows.

This project set out to answer RQ1:

How can we differentiate Australia’s smaller cities according to economic profile, population trajectory, industry structure and geography?

This project also provides insights of value to RQ2:

What are the current mobility and settlement patterns of migrants, including those arriving from other parts of Australia and from other nations, across these smaller cities?
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**Project B** had three states with Stages 1 and 2 examining how populations in urban and regional centres changed over the period 2006–2016, while Stage 3 used Discrete Choice Experiments (DCEs) to develop microeconomic models of migration decisions. It considered whether these decisions were a function of demographic characteristics, such as income and household structure, or place attributes, such as education and employment opportunities, housing costs and cultural amenities.

Project B addressed RQ4:

What are the key drivers of mobility in Australia (to/from both metro and regional areas)?

It also focussed on RQ5:

Which factors support or motivate moves to smaller cities in regional Australia—what is the role of employment opportunities, infrastructure, facilities and other factors in encouraging settlement outside metropolitan centres?

**Project C** was made up of three methodological elements, including focus groups, in-depth resident interviews and stakeholder interviews. Fieldwork was undertaken across a sub-set of smaller cities: Cairns, Whyalla, Mildura, Wollongong and Albury-Wodonga. The chosen cities had different economies and study participants included important resident cohorts, such as refugees and international students.

Project C addressed RQ5:

What are the place-based experiences of residents in regional centres?

It also shed light on RQ6:

To what degree do residents of smaller cities benefit in terms of housing and employment outcomes, as well as incomes? How are these benefits perceived, and do they assist in retaining residents and employers?

Finally, the Inquiry examined RQ7:

Which policy instruments and programs are likely to have the greatest impact in supporting the attraction and retention of residents in smaller cities?

The Inquiry used the discussions with and amongst the policy makers on the Inquiry to develop a better understanding of ‘what works’ with respect to the development of smaller cities, documenting their understanding of best practice and the drivers of change.
2. Understanding Australia’s smaller cities

- There is a relatively large body of work on the growth of smaller cities that has emerged over a number of decades.

- Prior research has noted the complexity of processes shaping the growth of smaller cities in Australia, and the part played in their development by factors such as natural resource endowments, proximity to major metropolitan centres, industry mix and the degree of specialisation or diversification in their economies.

- There is clear evidence that employment growth in smaller cities has been affected by wider processes of demographic change, including the growth of ‘sunbelt’ communities and associated retirement and leisure destinations.

- Regions and the urban centres within them are heterogeneous in terms of economic, social and geographic features—they respond differently to wider economic and demographic changes at the state, national and sometimes international scale, and detailed understanding of these processes is essential for better informed policy to be developed.

This evidence-based policy Inquiry seeks to address two overarching policy questions with respect to Australia’s smaller cities: what is the possible role that Australia’s smaller cities can play in managing national population growth, including international and national migration? And which policy instruments and programs are most likely to redirect population movements to these locations?

These large-scale objectives are answered by focussing on seven specific research foci, and this chapter seeks to answer the first of these, RQ1: How can we differentiate Australia’s smaller cities according to economic profile, population trajectory, industry structure and geography?

This chapter reviews previous research on this topic, and draws on Project A (Li, Denham et al. 2022) and other sources to better understand the complexity evident among Australia’s smaller cities, the history of debate and policy development surrounding their development and the broad-scale drivers of change shaping their futures.
2.1 Australia’s smaller cities: their contribution to employment and population growth

As Li, Denham et al. (2022) observed, the contribution of regional urban centres to Australia’s economic and population growth has been a topic of substantial policy interest in the past two decades. This interest has grown as the problems of accommodating further population into the five major cities become increasingly manifest, especially in Sydney and Melbourne.

Policy agencies such as the Productivity Commission (2017) and Infrastructure Australia (2018) have raised concerns about the capacity of the major cities to accommodate greater population, while sustaining productivity and liveability (Li, Denham et al. 2022). Policy debate has turned to the potential opportunities smaller cities offer for reducing urban congestion while better distributing economic activity (Correia and Denham 2016; Parliament of the Commonwealth of Australia 2018b). Australia has 20 cities of more than 50,000 population; some, such as Geelong, Wollongong and the Sunshine Coast, are close to a major metropolises while others, such as Mackay and Townsville, are regional and function as ‘capitals’ for their surrounding catchments.

Doubts have been raised about the economic resilience of smaller cities (Courvisanos, Jain et al. 2016; Productivity Commission 2017) and this is important in considering population increases (Li, Denham et al. 2022). Smaller cities and major regional centres are typically directly exposed to sectors that fluctuate because of global market conditions, and this includes industries such as mining or agriculture. The larger metropolitan areas are much less exposed to this risk. The economies of the smaller cities commonly lack the concentrations of high-skilled, well paid knowledge work frequently found in major metropolitan areas.

Importantly, smaller cities also have high differentiated economic profiles and performance (Beer and Clower 2009; Smailes, Griffin et al. 2019). Some benefit from focussed industries and support services that generate strong growth (Wilson, Hogan et al. 2015). Understanding the impact of these various demographic and economic profiles, and their implications for their future trajectories, is critical to better assessing their capacity for a greater role in accommodating population growth (Beer 2012).

Demographic factors are central to the performance and resilience of Australia’s smaller cities (Sorensen, Eversole et al. 2018). While it is commonly assumed that non-metropolitan regions are in demographic decline, well informed analysis has focussed on the growth of many regional centres across Australia, including smaller cities (Smailes, Griffin et al. 2019; RAI 2019). The much reported relocation of some metropolitan residents to smaller cities and other regions during 2020 has also highlighted the complex processes affecting growth outside the major metropolitan areas. There is, of course, a strong relationship between migration, immigration and economic change, as population movement both enables and can limit economic growth, while strong economies are needed to support the in-flow of new households.

Australia’s non-metropolitan regions and smaller cities have been the object of sustained research for more than 30 years, at the national, state and sub-national levels and across various dimensions of regional transformation (Beer and Maude 1995; Cheshire and Lawrence 2005; Collits 2004; Everingham, Cheshire et al. 2006; Gray and Lawrence 2001; Stimson 2001). There has been an enduring academic and policy focus on better understanding the trajectories of change within Australia’s regions. In the late 1990s and into the 2000s, effort was directed to assessing the impacts of economic restructuring on regions, following the transition from nationally based to globalised economic arrangements (Li, Denham et al. 2022). This restructuring was attributed to government efforts to encourage national market competition as a microeconomic objective, and from the effects of exposure to globalised markets through reduction in tariffs and other trade protection mechanisms (Li, Denham et al. 2022).
2. Understanding Australia’s smaller cities

As the impacts of national economic liberalisation and the associated restructuring of regions became less acute, researchers focussed greater attention on the internal (or endogenous) drivers of change, rather than those factors external (exogenous) to the region. A key focus was the drive to better understand which regional characteristics facilitate achieving growth, and especially elevated growth (Baum, O’Connor et al. 2010; Beer and Lester 2015; Plummer, Tonts et al. 2014). Collits (2004) questioned whether debates about regional decline in Australia were misplaced or even justified and he did so as part of his acknowledgement of an absence of consensus around the nature, direction and impact of change in smaller cities and other non-metropolitan regions. He accepted change had occurred, such as reduced dependence on agriculture, greater value-adding and diversity, decline in manufacturing, as well as population shifts, particularly in coastal locations (Li, Denham et al. 2022).

Beer (2012) examined Australia’s regions against the backdrop of a restructuring economy and the move away from agriculture as a dominant export and employment sector outside the capitals, alongside the decline of manufacturing in both metropolitan centres and smaller cities. For the major conurbations, the reduction in manufacturing employment was offset by the rise of the service and knowledge-based sectors. This in turn highlighted differentiated metropolitan and non-metropolitan trajectories of change. Beer (2012) also recognised the contemporary boom in regional mining activity as a key factor reshaping regions in the first decade of the 21st century (Li, Denham et al. 2022).

Beer and Clower (2009) examined the effects of national economic reform and economic specialisation on regional urban centres. Their research noted the importance of history and its capacity to generate industrial lock-in. Specialisation was acknowledged as important because:

specialisation in declining industries is likely to result in poorer growth (or further decline), while specialisation in rapidly growing industries may well produce far stronger economic development (Beer and Clower 2009: 385).

Cities such as Geelong, Wollongong and Newcastle grew as a result of industrial specialisation that began to emerge in the 19th century and then increased through the 20th century. However, they faced more difficult times as significant industries such as automotive manufacturing and steel production went into decline (Rich 1987). At the local level, industry specialisation can crowd out other forms of economic activity, heightening the difficulties when key sectors close down, as happened in Burnie with the closure of the paper mills (Burton and Nicholls 2019; Li, Denham et al. 2022).

More recent analysis of smaller growth in Australia found correlations between specialisation and population and labour force size, but noted growth in numbers came at the cost of lower average wages. Specialisation in manufacturing, transportation and/or education was linked to expanding labour markets, while diversifying into unrelated sectors offered the capacity to serve as a buffer against downturns in volatile sectors such as mining and agriculture (Beer, Vij et al. 2020).

The changing national economic regulatory environment enabled growth and economic strengthening for some cities (Beer and Clower 2009; Li, Denham et al. 2022) but raised the prospect of decline for smaller cities and regional centres unable to take advantage of new industries and opportunities. Smaller cities near a capital, with strong service industries, benefited from high growth rates when compared with those reliant dependent on manufacturing or mining. Urban centres that had become more specialised, also saw greater population and labour force change than less specialised urban centres (Li, Denham et al. 2022). It is important to note, however, that this was not necessarily correlated with stronger growth.

Baum, O’Connor et al. (2010) concluded smaller cities in Australia’s ‘sunbelt’ regions performed better economically than older more industrial regions, and this finding was in line with research undertaken in other nations (e.g. Glaeser and Tobio 2007). Critically, however, they noted that shifts in population were accompanied by shifts in economic activity as population growth increased the demand for labour in these places. Hence in Australia, of the top 12 economic regions in terms of population growth, eight were sunbelt regions, with only four in southern states, largely Victoria and NSW (Li, Denham et al. 2022).
2. Understanding Australia's smaller cities

The literature shows there is considerable diversity in Australian regions, with substantial implications for the growth of smaller cities in Australia, now and into the future. Some smaller cities expanded as national trends such as sunbelt migration served to accelerate local service demand (Li, Denham et al. 2022). Others have been challenged as global competitive pressures limited the scope for new economic activity. Beer and Clower (2009) argued that for many regional urban centres their historical performance served to exert an enduring influence on their economic and demographic performance, such that path dependency in regional trajectories may appear to be an intractable determinant of growth in smaller cities (Li, Denham et al. 2022). Change in development pathways, however, are possible, and it is important that we understand how that change takes place.

2.2 Patterns in economic growth amongst Australia's smaller cities

The differential economic performance of cities and regions has been an abiding interest of researchers and policy makers. Since the 1980s debates have attended to questions concerning whether economic growth arises from factors internal a region, referred to as endogenous factors, or whether growth arises from the combination of both (Li, Denham et al. 2022). For example, growth of the labour force and technological innovation were long considered as exogenous factors, as it typically applies broadly across regions or jurisdictions, and develop at a regular rate (Boltho and Holtham 1992).

Over the past 20 years regional development researchers in Australia have paid considerable attention to questions of endogenous growth (Plummer, Tonts et al. 2014; Stimson, Stough et al. 2011).

Stimson, Flanagan et al. (2018) investigated the economic performance of functional economic regions in Australia over the period 2001–2011 using an endogenous growth framework. They found that over the decade only 46 of 134 FERs (34 per cent) recorded a positive score on endogenous regional employment performance, and only seven had a strong positive performance. The remaining 88 recorded negative scores and of those, four were strongly negative (Li, Denham et al. 2022). Endogenous growth was a feature of proximity to one of the metropolitan areas, whereas endogenous decline was associated with regional and remote locations, particularly in the nation’s pastoral regions.

Some negative performance was present in the capital cities (Li, Denham et al. 2022). Stimson, Flanagan et al. (2018) challenged why regional economic policy had focused on supporting lagging regions, rather than enhancing successful ones. They found industry specialisation, information and finance jobs, and population growth were central to achieving economic development, but suggested few options were available to government seeking to boost regions with faltering economies. They concluded human capital was not associated with positive growth, which contradicted much of the literature.

Plummer, Tonts et al. (2014) found divergence within WA’s regional urban centres over the 2001–2011 period, in part due to the growth in minerals and petroleum industries being unevenly distributed (Li, Denham et al. 2022). Differences in population growth over the first decade of the 21st century had a major impact, with urban centres such as Albany and Broome growing 7.6 per cent and 13 per cent, while Port Hedland and Roebourne grew by a much more substantial 39 and 54.9 per cent (Plummer, Tonts et al. 2014: 5). This divergence flowed through into workforce growth, with the mining centres of Port Hedland and Roebourne each increasing their number of employees by 70 per cent, whereas the more conventional economies of Albany and Bunbury grew by 6.7 per cent and 6.3 per cent respectively (Li, Denham et al. 2022).

Regional centres, including smaller cities, in WA were marked by significant differences in terms of industry mix and local competitiveness. This was most marked for non-mining urban centres, which had little in common. They also noted that even fast-growing urban centres such as Port Hedland faced social and economic challenges with respect to the cost of living, the ability to gain accommodation, and the provision of infrastructure. Plummer, Tonts et al. (2014) concluded regional policy needs to be more sensitive to conditions in regional centres, and that there is a need for geographically differentiated policy application (Li, Denham et al. 2022).
2. Understanding Australia's smaller cities

Butt (2014) noted five main population growth processes occurring in Victoria, including exurbanisation; periurbanisation, including around regional urban centres; coastal town and rural growth; regional centres in strong agricultural regions; and population decline in rural areas in the western and eastern extremes of the state (see Li, Denham et al. 2022). From these patterns Butt (2014) nominated five determinants of regional change:

• rural gentrification in amenity areas proximate to Melbourne
• ageing population regions, particularly in the far east and north west of Victoria
• welfare-led migration clusters in smaller deindustrialising regional towns
• zones with moderate population growth but few counter-urbanisation indicators, and
• zones of manufacturing employment and metropolitan commuting in the immediate Melbourne fringe and nearby centres, such as Ballarat (Li, Denham et al. 2022).

Regional growth in Australia is complex and multi-dimensional. Regions and the urban centres within them are heterogeneous in terms of economic, social and geographic features. Commonly they respond differently to wider economic and demographic changes at the state, national and sometimes international scale, and detailed understanding of these processes is essential for better informed policy to be developed.

2.3 Policy development implications

The examination of recent trends in economic and population change in Australia's smaller cities shows substantial issues of policy to be acknowledged in shaping strategies that promote greater growth in these centres. Key policy implications are as follows:

• There is an ongoing need for future policy to be informed by the existing evidence base on the nature, pattern and distribution of growth amongst smaller cities:
  • few international arrivals chose smaller cities as their the first destination
  • many internal migrants relocating to smaller cities came from other parts of non-metropolitan Australia.
• Smaller cities are a highly differentiated group, with the processes of growth and decline influenced by individual histories and geographies:
  • broad patterns can be identified amongst groups of smaller cities
  • The national economy and policy has had a significant impact on the growth of smaller cities. The liberalisation of the Australian economy post-1984 and the rise of service industries has not benefited smaller cities specialised in manufacturing and agriculture, but has assisted some mining centres.
  • National economic policy change has further reinforced the expansion of the major metropolitan centres.
  • ‘Sunbelt’ cities appear to have fared better than regional centres in southern Australia over recent decades, but this growth may be a product of population rather than economic factors.
  • There is a long-standing pattern of accelerated growth among coastal cities on the eastern seaboard and growth is more pronounced in smaller cities closer to a major metropolitan region.
  • In some regions, larger regional centres are growing as nearby smaller settlements decline.
  • The discussion of economic processes amongst Australia's smaller cities has noted that their economies are often highly specialised and trade exposed, resulting in periods of 'boom' and 'bust' as industries cycle through swings in global markets.
  • There is clear evidence that endogenous growth processes are very weak in many parts of regional Australia, including amongst the economies of smaller cities.
  • Much of the aggregate economic growth across regional Australia trails population growth, that is, growing populations lead an expansion of employment.
3. Population dynamics in Australia’s smaller cities

The analysis has identified three significant trends:

- Larger and metropolitan-proximate regional urban centres are increasing population more rapidly than other regional urban centres.
- Coastal urban centres are increasing in population faster than inland urban centres.
- Population losses tend to be concentrated in inland, smaller, remote and often resource reliant towns.

These trends indicate population growth in regional Australia is concentrated in the commuter sheds of the state capitals, and Sydney, Melbourne and Brisbane in particular. This concentration arises as a result of two processes: out-migration of metropolitan residents in the peri-urban urban centres and towns, and the inwards flow of more remote residents.

This chapter focusses on, and documents, our stock of knowledge on the processes of population change among Australia’s smaller cities. Using findings from Project A and other published work, the chapter sheds light on the broad-scale understanding that has emerged over a number of years around how smaller cities grow, and in some instances, decline in Australia. The latter condition is important to acknowledge, because while declining population in smaller cities is uncommon, there is a history of falling populations in a number of major regional centres across Australia (Beer and Keane 2000; Beer, Barnes et al. 2021).

The chapter documents emerging, and important, trends in Australia’s demography, including significant patterns within internal migration between smaller cities, as well as between smaller cities and their closest metropolitan centre.

3.1 The drivers of population change in smaller cities

The population distribution patterns of Australia’s non-metropolitan settlements have long been of interest to researchers working across economics, demography and geography, as well as policy makers in portfolios focussed on land use planning, primary industries, economic development and inter-governmental relations. Businesses have also been active participants in these debates, especially with respect to questions of workforce adequacy and size. Where people live raises questions for those seeking to make new investments, or sustain those already made, as well as for policy makers aiming to deliver services. Moreover, ‘lumpiness’ in population distribution inevitably brings into question how to fund, and support, the provision of both publicly and privately provided services.
The location and density of population across Australia reflects both the legacy of history and contemporary patterns and economic, social and environmental change. The past is important, as Australia’s population has grown unevenly since European invasion, both over time and with respect to where populations have grown. Births and migration (internal and international) remain the fundamental drivers of population change, but there are complex interactions between demographic processes and economic processes, shifting societal attitudes and preferences, as well as a changing landscape of opportunities as technology enables new settlement patterns.

Australian cities and regions were established to support a process of colonisation that prioritised the delivery of exported commodities to global markets, especially the British Empire. In consequence, early industries focussed on agriculture and extractive industries, including timber, whale products, mining and sealing. While much settlement was concentrated close to colonial administrative centres and ports, regional settlement reflected the need for population to be close to activities such as farming and mining. Long-run and enduring change in primary production has resulted in a reconfiguration early post-invasion settlement patterns (Li, Denham et al. 2022), principally through the overlay of new forms of settlement on previous development.

As Collits (2008; 2015) has argued, the population of Australia’s smaller cities and other regional centres have been of considerable policy interest for some time, principally from the perspective of a desire to see regional populations grow in order to sustain their way of life and economies. This decentralisation debate has deep roots in Australia, and found formal expression in 1949 in the Curtin Labor Government’s Department of Decentralisation and Development. Some 20 years later this question of regional population growth found expression again at the national level, although it had a greater emphasis on the capacity to divert growth away from the fast-expanding capital cities. Non-metropolitan population dynamics have therefore been a subject of, at times, intense interest, with researchers and policy makers tracking population trends.

The late 1980s to the early 2000s was marked by a stabilisation of population beyond the state and territory capitals of around 36 per cent (Gurran 2008: 392), in part due to a distinctive pattern of ‘sunbelt’ and ‘sea change’ migration (Guhathakurta and Stimson 2007), accompanied by the attractions of lower-cost housing. Motivators for regional relocations included non-economic factors, with climate, lifestyle and family and friends being cited as the most important motivators. Such patterns of amenity-driven migration in turn complicated economic growth dynamics, as the migrants were weakly connected to the destination labour market, or may have been outside of the paid workforce in the case of retirees (Li, Denham et al. 2022). This resulted in local employment remaining low-skill and low-wage.

Li, Denham et al. (2022) noted Gurran’s (2008) observation that there was a risk that a gap could emerge between declining regional industries in sea change locations and the buoyant economies of major metropolitan areas (Costello 2007). This could potentially create a ‘two speed’ economy within Australia, one which would not work for the benefit of the residents of smaller cities and other regions.

International migration to, and within, Australian regions has been examined extensively (Li, Denham et al. 2022). Hugo (2008) investigated immigrant settlement outside Australia’s capital cities, noting that of the 8 million post-WWII migrants to Australia, the overwhelming majority settled in metropolitan areas.

Beginning in 1996 some categories of migrants, such as special category visa holders, were directed to reside in specific areas, particularly non-metropolitan centres. Thus, while the 1991–1996 period witnessed 86.3 per cent of immigrants settling in capital cities, during 2001–2006 this declined to 83.9 per cent, a 2.4 percentage point reduction (Li, Denham et al. 2022). By contrast ‘rest of state’ destinations increased their share of immigrants from 13.7 per cent in 1991–1996 to 16.1 per cent by 2001–2006 (Hugo 2008: 560). Sydney’s share of immigration dropped from 37.5 per cent of immigrants in 1991–1996 to 30.6 per cent by 2001–2006. Partly this reflected changing regional fortunes, including labour shortages and counterurbanisation trends (Hugo 2008).
There are concerns about population retention in smaller cities, given that these labour markets are smaller and thinner than their metropolitan equivalents. Wulff and Dharmalingam (2008) investigated factors behind long-term residence by migrants in regional locations, focusing on ‘social connectedness’. They found adults with children who resided regionally for over ten years, from English-speaking countries, and those in smaller towns, tended to have stronger social connectedness and a greater propensity to remain (Li, Denham et al. 2022). They noted the importance of policies to engender social connectedness within migration schemes, support programs for new migrants and targeting of migrant cohorts to countries with English as a main language.

In contrast Tan, Cebulla et al. (2019: 20) reported that for international migrants to SA, lifestyle and employment were notable motivations. However, some of Tan’s respondents indicated that they had ‘no alternative’ to accepting this place of initial settlement due to visa requirements. Among those surveyed, 37 per cent were intending to, or already had, migrated out of the state. This re-migration was due to the lack of employment opportunities in SA, and was tied to the absence of Australian experience, insufficient jobs and limited recognition of skills (Li, Denham et al. 2022).

The discussion above shows that population and economic dynamics are complex and that there has been a long-run trend of general decline within traditional rural industries such as agriculture, intersecting with newer trends such as sunbelt and sea change migration to localities with amenity. These later trends complicate economic development trajectories as they imply population growth but without employment growth. They are also complicated by the uneven distribution of coastal amenity within Australia’s settlement hierarchy.

3.2 Population analysis

This section analyses the distribution of population across regional urban centres in Australia and has used the ABS category of urban centres and localities (UCLs) as their basic unit of analysis. There is a longstanding history of population analysis using this unit of analysis (Beer, Bolam et al. 1994), although other research has used broader regional categories to equal effect (Stimson, Robson et al. 2009).

This section provides a descriptive analysis of population change in regional urban centres, including spatial mapping of population distribution and change. Better knowledge of population change and migration patterns is essential to support better policy for Australia’s regional urban centres. The analysis is focussed on migration as a key factor influencing economic and demographic change in regional urban centres, whether via intra-regional migration or international movement (Li, Denham et al. 2022). The capacity of smaller regional urban centres to absorb migration flows is in part dependent on local economic and demographic circumstances, as well as the labour force characteristics of migrants.

3.2.1 Population size

Some 198 regional urban centres with populations greater than 5,000 in Australia were home to 4,978,341 residents in 2016, representing 21.3 per cent of the national population (Li, Denham et al. 2022). This pattern has been heavily weighted towards Australia’s east, with most regional urban centres above 5,000 residents located along the east coast and the eastern edge of Australia’s south coast. There are only a few regional urban centres of more than 5,000 residents beyond this zone, near Adelaide, south of Perth, in northern Tasmania and in very isolated inland locations (Li, Denham et al. 2022). There is greater diversity in the settlement hierarchy in Victoria and NSW than in other states. Queensland has the greatest number of larger regional urban centres, reflecting the decentralised distribution of settlements.
3. Population dynamics in Australia’s smaller cities

3.2.2 Distribution and patterns of change

Diverse patterns of population change are evident across Australia’s regional settlement structure in the 21st century. Most regional urban centres grew in population between 2011 and 2016, though a minority lost residents (Li, Denham et al. 2022). Population growth by count was most pronounced within a set of urban centres close to the major state capitals, particularly Melbourne, Sydney and Brisbane and, to a more limited extent, Adelaide and Perth. Moderately growing urban populations were distributed principally from Melbourne through to Brisbane along the coast. By contrast, urban centres to lose population were more likely remote from a capital city, and included Mount Isa, Alice Springs and Kalgoorlie in remote Queensland (Li, Denham et al. 2022). Only two coastal towns, Karratha in WA and Ayr in Queensland, lost population between 2011 and 2016. Some regional towns near major cities, such as Morwell in Victoria and Singleton in NSW, lost population while immediately adjacent towns experienced population growth.

A small number of smaller cities experienced very large population growth over this period, with the seven largest growing regional cities of Sunshine Coast, Wollongong, Central Coast, Newcastle, Melton, Townsville and Cairns all witnessing population gains of 10,000 residents or more. The remaining three, Maitland, Geelong and Bendigo, all gained at least 8,000 residents during 2011–2016. Each of these regional centres are relatively large, and among them only Cairns and Townsville are not within 200 km of a major city.

Major net losses of population during 2011–2016 were concentrated among remote, typically resource-based, towns and smaller cities. The remote Queensland city of Mount Isa was heavily affected, losing 2,227 residents over the most recent intercensal period. Kalgoorlie-Boulder, Broken Hill and Karratha also experienced population losses of more than 650 people over the period 2011 to 2016 (Li, Denham et al. 2022). Other resource towns experiencing high losses of population included Whyalla and Moranbah. Among the top ten towns for population loss during the study period, Collie in WA, Burnie in Tasmania, and Alice Springs in the Northern Territory might be considered as principally rural or remote rather than resource dependent (Li, Denham et al. 2022). Overall, these data reinforce the ways in which fluctuations in resource-based economies exert large influence on the populations of the urban centres—including smaller cities—that support them.
3. Population dynamics in Australia’s smaller cities

3.2.3 Rates of population change

The rate of change in Australian regional cities and towns was uneven across Australia during 2011–2016. Many towns saw population declines of up to 11 per cent over this period. Positive growth rates were unevenly distributed across Australia. Regional cities with the highest population growth rates from 2011–2016 were principally near major cities, in particular the towns south of Perth, the Melbourne regional satellite cities of Bendigo, Ballarat and Geelong and the nearby Torquay and Barwon Heads, and the regional towns and cities in south east Queensland. While many smaller cities and other regional centres experiencing high population growth were located along the coast, some high growth rates were also observed inland, including Toowoomba in Queensland, Mudgee in NSW, and Chinchilla in Queensland. Nonetheless, the distribution of high growth rates across non-metropolitan Australia clearly shows that being located close to a major metropolitan area contributes greatly to the prospect of population growth (Li, Denham et al. 2022).

3.2.4 Indigenous populations

Aboriginal and Torres Strait Islanders comprise approximately 2.8 per cent of Australia’s population (ABS 2020b) with this group concentrated in several regional centres. For example, the regional cities of Shepparton and Dubbo have more than 1,500 Indigenous residents. Many regional cities, particularly in NSW and Queensland, accommodate Aboriginal and Torres Strait Islander populations three times greater than the national average.

Table 1: Indigenous population of regional towns and cities, 2011–2016

<table>
<thead>
<tr>
<th>Rank</th>
<th>Total Indigenous population in 2016</th>
<th>Proportion of local population are Indigenous residents, 2016</th>
<th>Growth in Indigenous population, 2011-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cairns 12,880</td>
<td>Katherine 31.3%</td>
<td>Dubbo 3,900</td>
</tr>
<tr>
<td>2</td>
<td>Newcastle 12,244</td>
<td>Moree 28.8%</td>
<td>Newcastle 3,608</td>
</tr>
<tr>
<td>3</td>
<td>Central Coast 11,888</td>
<td>Broome 24.2%</td>
<td>Central Coast 3,223</td>
</tr>
<tr>
<td>4</td>
<td>Dubbo 5,424</td>
<td>Kempsey 22.6%</td>
<td>Broome 2,875</td>
</tr>
<tr>
<td>5</td>
<td>Alice Springs 4,304</td>
<td>Port Augusta 20.8%</td>
<td>Geraldton 2,497</td>
</tr>
<tr>
<td>6</td>
<td>Toowoomba 4,278</td>
<td>Alice Springs 20.4%</td>
<td>Mount Isa 2,476</td>
</tr>
<tr>
<td>7</td>
<td>Mackay 4,263</td>
<td>Innisfail 19.4%</td>
<td>Coffs Harbour 1,898</td>
</tr>
<tr>
<td>8</td>
<td>Maitland 4,216</td>
<td>Mount Isa 18.7%</td>
<td>Maitland 1,781</td>
</tr>
<tr>
<td>9</td>
<td>Sunshine Coast 4,107</td>
<td>Port Hedland 18.3%</td>
<td>Moree 1,674</td>
</tr>
<tr>
<td>10</td>
<td>Geraldton 3,093</td>
<td>Mareeba 17.4%</td>
<td>Nowra 1,476</td>
</tr>
</tbody>
</table>

Source: Li, Denham et al. (2022).

The cities with the largest Indigenous populations by count are principally inland. While the locations where Indigenous populations are increasing at a high rate are principally inland centres, high rates of growth are also evident in some coastal regions. This includes the coast of NSW, particularly the northern coast, parts of coastal Queensland and the cities of the northern Spencer Gulf in SA. NSW and Queensland are particularly notable for their overall high Indigenous population growth rates. Under the current trajectory of growth, it is likely there will be a structural shift in the population distribution of Australia’s first peoples over the coming two decades, which in turn will shape the overall population of non-metropolitan Australia and its smaller cities (Li, Denham et al. 2022).
3.3 Migration patterns in regional Australia

Migration patterns are a primary focus of this report due to their policy relevance and considerable capacity to change population trajectories. This section analyses migration flows to, and within, regional Australia.

3.3.1 Internal migration flows

Within Australia the main intercensal migration flows are between capital cities and their metropolitan regions. To some extent these flows exhibit characteristics such that the greatest flows are between the largest metropolitan regions, such as the Melbourne–Sydney, Melbourne–Brisbane and Sydney–Brisbane pairs. Such flows largely reflect the overall distribution of employment and economic activity surrounding the capital cities, particularly those in Australia’s south-east (Li, Denham et al. 2022). Adelaide as the fifth largest capital city is relatively weak in internal migration flows: its principal migration relationship is with Melbourne and connections to other cities are modest. By contrast the most remote capital, Perth, exhibits strong flows to, and from, Sydney and Melbourne, and to a lesser extent Brisbane.

3.3.2 Regional urban centre to major city migration

The movement of population from smaller cities to other urban centres, metropolitan and non-metropolitan, provides an indication of the relative economic performance of these various settlements. Table 2 lists the major migration movements in Australia that include at least one regional urban centre. Many of the highest volume movements of population between 2011 and 2016 were from major cities to an adjacent regional urban centre, or from a regional urban centre to the adjacent major city.

The three largest movements were from Sydney to the central coast, Brisbane to the Sunshine Coast and Sydney to Wollongong. Some 11 flows had a capital city destination. Meanwhile the three highest regional-to-major city movements were from the Sunshine Coast to Brisbane, the Central Coast to Sydney, and from Newcastle to Sydney. None of the top 20 population movements occurred from a major city to a distant regional urban centre. The only origin–destination pair that did not include a capital is Newcastle to Maitland, a relocation of only 31 kilometres (Li, Denham et al. 2022).

The highest volume of population movement from a regional urban centre to approximate major city was from Townsville to Brisbane, ranking tenth in the overall list. This indicates the movement of population to and from major and regional cities is principally within metropolitan and metropolitan-adjacent zones, suggesting that such migration is a reflection of the expansion of major metropolitan areas and increasing functional relationships.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Origin</th>
<th>Destination</th>
<th>Moves</th>
<th>Rank</th>
<th>Origin</th>
<th>Destination</th>
<th>Moves</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sydney</td>
<td>Central Coast</td>
<td>21,606</td>
<td>11</td>
<td>Brisbane</td>
<td>Jimboomba</td>
<td>5,276</td>
</tr>
<tr>
<td>2</td>
<td>Brisbane</td>
<td>Sunshine Coast</td>
<td>12,429</td>
<td>12</td>
<td>Geelong</td>
<td>Melbourne</td>
<td>4,649</td>
</tr>
<tr>
<td>3</td>
<td>Sydney</td>
<td>Wollongong</td>
<td>10,115</td>
<td>13</td>
<td>Newcastle</td>
<td>Sydney</td>
<td>4,422</td>
</tr>
<tr>
<td>4</td>
<td>Sunshine Coast</td>
<td>Brisbane</td>
<td>8,641</td>
<td>14</td>
<td>Toowoomba</td>
<td>Brisbane</td>
<td>4,322</td>
</tr>
<tr>
<td>5</td>
<td>Melbourne</td>
<td>Melton</td>
<td>8,092</td>
<td>15</td>
<td>Newcastle</td>
<td>Maitland</td>
<td>4,255</td>
</tr>
<tr>
<td>6</td>
<td>Central Coast</td>
<td>Sydney</td>
<td>7,867</td>
<td>16</td>
<td>Bunbury</td>
<td>Perth</td>
<td>4,166</td>
</tr>
<tr>
<td>7</td>
<td>Sydney</td>
<td>Newcastle</td>
<td>6,581</td>
<td>17</td>
<td>Cairns</td>
<td>Brisbane</td>
<td>4,107</td>
</tr>
<tr>
<td>8</td>
<td>Melbourne</td>
<td>Geelong</td>
<td>5,888</td>
<td>18</td>
<td>Sydney</td>
<td>Blue Mountains</td>
<td>4,016</td>
</tr>
<tr>
<td>9</td>
<td>Wollongong</td>
<td>Sydney</td>
<td>5,633</td>
<td>19</td>
<td>Kalgoorlie</td>
<td>Perth</td>
<td>3,811</td>
</tr>
<tr>
<td>10</td>
<td>Townsville</td>
<td>Brisbane</td>
<td>5,278</td>
<td>20</td>
<td>Mackay</td>
<td>Brisbane</td>
<td>3,487</td>
</tr>
</tbody>
</table>

Source: Li, Denham et al. (2022).
3.3.3 Major city to regional urban centre migration

The analysis of data on migration flows to regional cities from capital cities during the intercensal period highlighted capital cities as a major source of migration to regional cities, especially the nearest capital city. For example, for Melbourne, migration was broadly radial to the nearby satellites of Geelong, Ballarat, Bendigo, Seymour and the Latrobe Valley. For Sydney, this movement is tri-lateral, to the south and north coast of NSW, and to inland cities, including Canberra. These largely intra-state migration patterns imply close relationships between the metropolitan area and the surrounding cities and towns, providing further indication such patterns are a form of metropolitan spillover and that mobility represents more than simple migration. This effect is especially apparent when the focus is on south-east Australia (Li, Denham et al. 2022).

Some long distance major-to-regional urban centre moves occurred over long distances. Perth, for example, experienced large migration flows to regional cities in WA, including the mining-based towns of Karratha, Port Hedland and Kalgoorlie, plus Geraldton and Albany (Li, Denham et al. 2022). These movements reinforced that Perth is a dominant population and higher-order economic centre within WA. Sunbelt or coastal migration is also apparent in the major city-to-regional urban centre migration flows depicted below, particularly from Sydney to the north coast of NSW, to areas south of Perth such as Bunbury, Busselton and Margaret River, and lesser flows to the coast south-east of Melbourne (Li, Denham et al. 2022). Some coastal migration is also apparent in south-east Queensland, as well as migration to regional centres such as Mackay, Townsville and Cairns. Adelaide also shows minor migration flows to the mining towns of Port Pirie, Port Augusta and Whyalla, and Port Lincoln.

The absence of significant migration to inland locations outside the immediate sphere of the major cities is a key feature of these patterns of movement. The only substantial inland major-to-regional urban centre flow was from Perth to Kalgoorlie. Minor flows were evident from Melbourne to Mildura, Sydney to Dubbo and Brisbane to Mount Isa, but each totalled fewer than 1,200 persons during the 2011-2016 period (Li, Denham et al. 2022). In summary, population movement away from metropolitan centres was overwhelmingly from one coastal location to another.

3.3.4 Migration between regional towns and cities

There are sizeable flows of migration between regional towns and cities (Figure 3). These patterns are observable at the national level and locally. In Victoria there is a clear network of inter-regional urban centre migration in the west of the state, between Portland, Warrnambool, Ballarat, Bendigo and Geelong. The border city of Albury-Wodonga is linked through migration to Wagga Wagga, which in turn is linked to the south coast of NSW. Newcastle and nearby towns have a very dense network of migration flows between them, including some flows that extend considerably inland, to cities such as Dubbo and Tamworth. A further intensive set of flows was evident along a corridor inland from Sydney, between Katoomba and Parkes/Forbes (Li, Denham et al. 2022).
3. Population dynamics in Australia’s smaller cities

3.3.5 Migration regions

Residential relocation within Australia exhibits strong self-containment at the regional scale. Populations in such broad migration regions are formed as a distinct regional community through their aggregate migration flows. A high proportion of residential relocations are within those local regions, most likely among a community they know about and wish to retain social or business networks with.

The spatial structure of migration shows movements occur in a cluster of regional cities that may have high levels of similarity in demography, wealth, employment, housing market, lifestyle, or history of growth. Importantly, containment tends to increase with remoteness. Where settlement structures comprise a dense set of centres, there are many opportunities for residents to relocate while maintaining economic and social ties. For more remote, dispersed and smaller settlements, relocation was more likely to involve increased distance from family and friends.

Three distinct geographical structures were identified:

1. A set of migration regions that are associated with the major metropolitan areas was evident, with Melbourne, Sydney and Brisbane all displaying small internal migration regions. Next there was a set of ex-urban migration regions, which were connected to their adjacent major centre: Melbourne, Sydney and Brisbane exhibited such patterns (Li, Denham et al. 2022).
2. Secondly, larger migration regions in the zones outside of the major metropolitan areas could be identified. Some of these exhibited a radial structure such as that seen in Victoria, however, this was varied and uneven. Others, particularly those associated with coastal cities from the NSW south coast to Hervey Bay were moderately scaled.

3. Other migration structures extended across long distances, such as the migration zone extending from Townsville and extending to the Queensland western and south-western borders. In the case of the Northern Territory, the entire territory served as a migration region. It needs to be noted however that these larger regions may encompass few moves (Li, Denham et al. 2022).

3.3.6 International migration

International migration has historically been a major component of Australia’s overall population growth. In 2018–2019 Australia received 537,800 international migrants and many international migrants settled in the capitals. However, a sizeable proportion were located in regional cities. Table 3 lists the top 10 smaller cities in Australia for international migration between 2011 and 2016. The regional cities that received the highest migrants were coastal satellite cities around Sydney and Melbourne, such as Newcastle and Geelong, as well as major coastal cities in Queensland such as the Sunshine Coast and Cairns (Li, Denham et al. 2022). Cities in the inland regions and along the western coast attracted many fewer international migrants. This was mainly because these remote cities remain small and geographically isolated from other economies.

Table 3: Top 10 regional cities for overseas migration, 2011–2016

<table>
<thead>
<tr>
<th>Rank</th>
<th>City name</th>
<th>Indicative city type</th>
<th>Overseas migration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sunshine Coast</td>
<td>Coastal, metro-proximate</td>
<td>10,890</td>
</tr>
<tr>
<td>2</td>
<td>Wollongong</td>
<td>Coastal, metro-proximate</td>
<td>9,316</td>
</tr>
<tr>
<td>3</td>
<td>Newcastle</td>
<td>Coastal, metro-proximate</td>
<td>8,910</td>
</tr>
<tr>
<td>4</td>
<td>Cairns</td>
<td>Coastal, remote</td>
<td>7,127</td>
</tr>
<tr>
<td>5</td>
<td>Geelong</td>
<td>Coastal, metro-proximate</td>
<td>5,890</td>
</tr>
<tr>
<td>6</td>
<td>Central Coast</td>
<td>Coastal, metro-proximate</td>
<td>5,766</td>
</tr>
<tr>
<td>7</td>
<td>Townsville</td>
<td>Coastal, remote</td>
<td>5,275</td>
</tr>
<tr>
<td>8</td>
<td>Toowoomba</td>
<td>Inland, metro-proximate</td>
<td>4,166</td>
</tr>
<tr>
<td>9</td>
<td>Bunbury</td>
<td>Coastal</td>
<td>2,986</td>
</tr>
<tr>
<td>10</td>
<td>Launceston</td>
<td>Riverside, remote</td>
<td>2,710</td>
</tr>
</tbody>
</table>

Source: Li, Denham et al. (2022).

3.4 Policy implications

Regional urban centres underwent divergent processes of population change during 2011–2016. Absolute population growth is highest among larger regional cities located in coastal regions proximate to major cities in south-east Australia, indicating population concentration in regional Australian settlements. In contrast, absolute population decline was concentrated in inland and remote towns, particularly in urban centres associated with resource industries. The processes of population concentration in fewer and larger regional settlements evident across the 20th century has continued (BITRE 2014). International migration trends were largely similar, with most relocating to the larger regional centres.
3. Population dynamics in Australia’s smaller cities

Population change in smaller cities can be categorised into three main patterns:

- **Larger regional cities** that are close to major (state capital) cities have been growing more than other regions. Policy questions that arise here are concerned with how increased population places pressure on housing markets.

- **Coastal urban centres** have added more population than inland urban centres. Regional urban centres in northern coastal NSW and Queensland continued to grow rapidly. These urban centres have posed policy questions regarding infrastructure and service delivery. There have also been environmental policy questions as population growth creates demand for urban land.

- Population losses tended to be concentrated in **inland, smaller, remote and often resource-reliant towns**. These patterns were associated with continuing employment declines in regional industries such as agriculture, and with transitions within the mining sector following the infrastructure investment boom of the late-2000s and early-2010s. These urban centres have posed policy issues in terms of maintaining service levels while demand declines.

These findings have two implications. First, the concentration of in-migration and population growth in regions close to a metropolitan region calls into question whether this is metropolitan expansion, and therefore an issue of extended commuting rather than migration. Second, if policy is considered from the perspective of regional Australia, rather than resolving metropolitan growth pressures, the focus needs to be on directing growth further afield, where population growth is markedly lower.

The patterns of Indigenous population change reflect the overall population patterns but in some ways diverge from these also. Indigenous population growth is greatest in some coastal localities, though these are not always the same places where the non-Indigenous population is increasing. This in turn has implications for policy oriented towards Indigenous people (Li, Denham et al. 2022).
4. Shaping migration decisions for smaller cities

- Three-quarters of Australians surveyed as part of this Inquiry were open to moving to a mid-sized city under the right circumstances.

- One in five survey respondents would be encouraged to move to a smaller city if they could offer comparable employment and education opportunities to large-sized cities.

- Half the survey respondents view mid-sized cities as excellent places to retire and would be encouraged to move there if they could get support for post-retirement living in terms of healthcare and home ownership.

- Canada has been more successful in settling immigrants in regional areas, largely because of a pro-active approach by local governments and communities in sourcing and supporting new arrivals. Similar measures in Australia are possible, should state governments be willing.

This chapter examines the drivers, and prospects, of migration to Australia’s smaller cities. Much of this focus is on population movements within Australia, as relatively few settler arrivals from other nations make a smaller city their place of first residence. As discussed above, a percentage settle in these cities, but the number is relatively modest, and immigrants are more likely to relocate to a regional centre after a period in one of the major metropolitan regions.

The chapter draws on Project B undertaken in support of the overarching Inquiry (Vij, Ardeshiri et al. 2022) and briefly reviews the existing literature on migration to Australia’s regional centres before considering the impact of COVID-19 on population shifts since March 2020. Chapter 4 examines international experience with immigrant settlement outside the capitals, focussing on Canada as a broadly comparable economy and system of government. The chapter develops microeconomic models of how individuals decide where to settle, focussing on their demographic characteristics, such as income, race and ethnicity, and household structure. It also considers place attributes, such as education and employment opportunities, housing costs, climate and natural environment, and cultural amenities. Data for this analysis was collected through an online survey of roughly 3,000 demographically and geographically representative Australian households, administered in February 2021.
4. Shaping migration decisions for smaller cities

4.1 Research on migration to smaller cities in Australia

Numerous studies over the past decades have examined migration flows and settlement patterns within Australia (Bourne, Houghton et al. 2020; Hugo, Tan et al. 2015; Burnley 2001; Hugo, Walmsley et al. 1998; Bell and Newton 1996). In large measure this body of work has relied on the retrospective examination of population movements to larger regional centres to draw conclusions about the nature, motivations and dynamics of this migration. A much-discussed phenomenon in the literature is the disconnect between the intention to move, with the reality of a move taking place.

Two recent studies are important for this research, and their findings provide an important starting point for this analysis. The first undertaken by Hugo, Tan et al. (2015) used data from the 2011 Census, while the second by Bourne, Houghton et al. (2020) and used the 2016 Census. Both reported greater numbers moving to mid-sized regional centres from larger capital cities than the other way. Bourne, Houghton et al. (2020) noted that:

Regional Australia had a net inflow of 65,204 people…in 2006–11 this number was 70,493 people … Between 2011 and 2016 more than 1.2 million people either moved to regional Australia or moved around regional Australia from one location to another. So, the policy questions are more about how we can understand and amplify the drivers of these movements towards regional Australia, rather than how to make people move (Bourne, Houghton et al. 2020: 2).

While Hugo, Tan et al. observed:

There is a clear pattern of growth in coastal areas, areas around major regional cities and in mining regions; conversely, areas that have seen population decline tend to be inland … there has been a gradual shift away from the south-eastern areas…Western Australia and Queensland have increased their share of the national population. In these states…coastal areas have seen dynamism and growth driven by factors such as the mining boom which has profoundly influenced population dynamics (Hugo, Tan et al. 2015: 8).

Regional cities have attracted high proportions of older adults as they have emerged as popular retirement destinations. Conversely, regional cities have continued to lose young adults. For example, between 2011 and 2016, Bourne, Houghton et al. (2020: 2, 26–27) found:

more millennials [20–35-year-olds] moved into capital cities from regions than vice versa—with a net outflow from regions to [capital] cities of 31,999…Our analysis reaffirmed a key experience with which regional communities are all too familiar; that is, the shifting of their younger demographics to larger metropolitan centres….Sydney was the only [capital] city to see a net outflow of millennials between 2011 and 2016…All other [capital] cities saw net inflows of millennials, with Brisbane and Melbourne seeing the largest net inflows.

4.2 COVID-19: impacts on smaller cities

COVID-19 has had a profound impact on Australia’s economy and housing market (Baker and Daniels 2020), which in turn has affected movements to smaller cities (Davies 2021). As noted earlier, there is the potential for COVID-19 and the associated uptake of remote working to prompt a significant shift in Australia’s settlement pattern, with metropolitan workers relocating to smaller cities and rural localities while continuing to participate in employment based in a capital city.

The nature and direction of these emerging population movements have been the subject of a number of studies by the Centre for Population within the Australian Government Treasury (Centre for Population 2021a, 2021b; Bernard, Charles-Edwards et al. 2020). Their analysis concluded that since February 2020 there has been a shift towards regional areas, especially in Victoria, which has also seen net migrant outflows to other states. Provisional Regional Internal Migration Estimates (PRIME) data from the ABS for September 2020 shows a net gain of 36,200
people in regional areas, mainly due to people in regions choosing to stay there. Melbourne, and the state of Victoria, were the two regions most affected, with a change a result of a sharp drop in arrivals and slight increase in departures. It is notable, however, that the number of departures from Melbourne to regional Victoria was approximately the same number as would normally move to regional Victoria.

The Center for Population (2021a) identified four key drivers of movement from capitals to regions:

1. Growth of working from home—pre-COVID-19 21.5 per cent reported working from home, in September 2020 some 40 per cent reported working from home at least one day per week.
2. Enhanced economic uncertainty
3. Restrictions on international labourers—the biggest impact in numbers in the big cities
4. Impacts on young adults, with young Australians in regional Australia staying in the parental home.

However, their analysis concluded with the observation that the majority of experts predict no major change in direction of labour flows, with Bernard, Charles-Edwards et al. (2020: 11) observing that

Several media reports suggest that work-from-home arrangements may lead to a resurgence in people moving away from metropolitan areas, altering the pattern of internal migration within Australia. There is, however, no systematic evidence of this at present.

Fundamentally, people move for the benefits they anticipate, rather than those experienced.

The Centre for Population (2021b) also reported on the outcomes of econometric modelling and noted that relative property prices appear to have a greater impact on migration than employment rates. A five per cent increase in property prices was likely to increase outmigration from that state by one per cent, whereas a five per cent increase in state’s relative unemployment rate increased outmigration by 0.4 per cent and reduced in migration by 0.4 per cent.

4.3 International arrivals and smaller cities in Australia

4.3.1 Lessons from Canada

Immigration has been the major driver of population growth in Australia for the majority of Australia’s post colonisation history, but few immigrants settled directly in Australia’s smaller cities (Burnley 2001). The concentration in the capital cities has been shaped by the limited knowledge of settler arrivals on Australia; the processes of chain migration—as immigrants seek to live in places where relatives or other members of their community already reside; access to services; and opportunities within the labour market. Other nations that receive large numbers of immigrants—e.g. the USA and Canada—also report a concentration of arrivals in the largest cities. Canada, however, has had more success in encouraging settlement outside the conurbations and as a nation with an open, resource-based economy and a federal system of government, there is the potential to draw insights of value to Australia from its experience.

Canada has a significant immigration program and, in the past, a very substantial majority of arrivals moved to the largest urban centres such as Toronto and Vancouver (Nguyen 2020). Canadian governments have introduced a number of initiatives to encourage more immigrants to move to, and stay, in smaller cities. One key part of this platform has been the Provincial Nominee, which is a distinctive feature of the national immigration program and part of the Canadian constitution. As Paquet and Xhardez (2020: 1) observed:

Canada is a settler federation in which immigration is a central concern of all levels of governments. Section 95 of the Constitution designates immigration as a concurrent jurisdiction: provinces can engage in immigration policy making, but there is a federal paramountcy in case of conflict ... provinces are free to develop their own integration policies for immigrants living on their territory.
4. Shaping migration decisions for smaller cities

Provinces have the right to develop and implement settlement policies and programs, though Federal interests take pre-eminence if there is a conflict. In practice, as several authors have observed (Okoye 2020; Rose 2019), provinces have been given a high degree of freedom in both selecting immigrants and taking steps to assist their integration into local economies. The overwhelming majority of households recommended for immigration by the provinces are accepted by the Canadian Government. Paquet and Xhardez (2020) noted up to 91 per cent of immigrants entering a province identified by that tier of government for immigration.

The provincial tier of government plays a critical role in Canada’s immigration program, with local authorities taking a number of actions to identify ensure long-term settlement in both their province and selected smaller cities. Some of these actions include:

- a clear focus on migrants that meet the needs of the local economy with respect to labour or skills shortages
- efforts to place new arrivals in employment as part of the preparation for arrival
- an acknowledgement that the lived experiences of immigrants determine their willingness to remain in a smaller city, and therefore the provision of appropriate supports and services is critical
- actions to place new arrivals into vibrant smaller communities where employment opportunities are evident
- the need to pay attention to the affordability of housing (Teixeira and Drolet 2018; Walton-Roberts 2012).

Finally it is worth noting the work of Wulff, Carter et al. (2008: 123) comparing settler arrival experiences in New Zealand, Australia and Canada. They concluded:

Programs must also be flexible enough to attract immigrants with varied characteristics and skills and must effectively target specific need sectors in the economy. A good match between labour force needs and the skills of new arrivals is the key to success. This requires a good working partnership with employers in these centres to identify both short and long-term labour demands. It also seems that the most effective attraction and retention strategies are those developed through a partnership approach including government, employers, community organizations and service agencies.

4.4 Preferences and movement to smaller cities

Traditionally individual preferences for settlement in urban and regional centres have been analysed using observed patterns of migration and settlement. Similar to our analysis in the preceding chapter, some studies have examined how migration rates vary across different urban centres, as a function of the local economy, quality of life, physical and natural environment, etc., stratified by demographic characteristics (e.g. Chen and Rosenthal 2008; Rodriguez-Pose and Ketterer 2012; Buch, Hamman et al. 2014). Some studies have employed hedonic regressions (Rosen 1974; 1986) where average housing costs or wage rates across different individuals residing in different urban centres may be regressed against a number of individual-specific and place-specific factors to estimate compensating differentials for each factor of interest (e.g. Berger, Blomquist et al. 2008; Zheng, Fu et al. 2009). Other research has used discrete choice models to examine when, and why, particular individuals choose to migrate, as a function of both their personal circumstances and the broader environment in which they live (Clark, Herrin et al. 2003; Xing and Zhang 2017).

Observational datasets frequently suffer from missing variables or measurement errors. For example, the Census records mortgage and rent data for participating individuals, as well as relevant individual-specific factors that are likely to influence migration decisions. However, information relating to place-specific determinants of settlement choice, such as access to public infrastructure, local amenities and the natural environment, must be obtained elsewhere. As Vij, Ardestiri et al. (2022) observed, in the absence of such information, estimates of household preferences using observational data are subject to multiple sources of bias (Earnhart 2001).
As an alternative, Vij, Ardeshiri et al. (2022) deployed stated preference (SP) experiments to collect data from participating individuals to measure their preferences for settlement in urban and regional centres. Study participants were presented with multiple scenarios where they were offered the choice to live between two or more competing urban centres that differ in terms of their education and employment opportunities, housing costs, climate and natural environment, cultural amenities, threat of natural disasters, etc. For each scenario, participants were asked to indicate the option that they most prefer. Alternative attributes were systematically manipulated across scenarios, to understand how different individuals value each of these attributes differently.

SP experiments are not subject to the same sources of bias as real-world market data. They are a commonly used technique for the measurement of consumer preferences across a wide variety of contexts, such as transportation, environment and marketing. This would appear to be one of the first application of SP experiments to the study of individual preferences for regional settlement and migration (Baláž and Williams 2017; 2018).

4.4.1 Survey instrument

A survey was developed to measure individual preference for settlement in urban and regional centres. The survey comprised six sections:

1. **Current hometown and city:** Respondents were asked about their city of residence, other Australian cities they have lived in for more than one year, their duration of residence in each city, and their purpose for moving to that city.

2. **Knowledge about key attributes of their current city of residence:** Respondents were tested about their knowledge of different social, economic and environmental indicators of the city in which they live.

3. **Stated preference experiment:** Participants were presented eight scenarios where they were offered a choice between living in a large city (population above 100,000) versus living in a mid-sized city (population less than 100,000).

4. **Attitudes and perceptions:** Subjects were asked about the importance of various factors to them when selecting and/or avoiding a city in which to live, such as economic and education opportunities, quality of life, access to urban and natural amenities, and incidence of natural disasters.

5. **General satisfaction:** Respondents were asked about their satisfaction with different aspects of their life.

6. **Socio-demographics:** Finally, participants were asked about their age, gender, indigeneity, country of birth, education, employment, place of residence, household size and structure, and income (Vij, Ardeshiri et al. 2022).

4.4.2 Data collection

The survey was administered from 2–15 February 2021 through a web-based interface to a sample of 3,012 respondents 18 years and over from across Australia. Respondents were recruited to represent the Australian population demographically (age, gender and income) and as well as geographically (i.e. proportion of the population by state and proportion residing in a large or mid-sized city). Overall, the sample used in this analysis was demographically and geographically representative of the Australian population.

4.4.3 Initial analysis

Fully 83.4 per cent of our respondents indicated they currently live in a large city (i.e. population greater than 100,000), and only 16.6 per cent resided in a mid-sized city (i.e. populations between 5,000 and 99,999). Respondents were asked to provide the names of other Australian cities they have lived in previously for more than 12 months, the main purpose for residing in that city, and the length of their stay. Based on their answers, we identified different patterns with respect to settlement and migration patterns, and their relationship with city size. Roughly 71 per cent of our respondents had always lived in a large city, whereas only 8 per cent had always lived in a mid-sized city. Just 9 per cent had migrated from a mid-sized city to a large city, while 6 per cent migrated from a large city to a mid-sized city. In general, the majority of mid-sized city residents lived in a large city at some point in their past, but the majority of large city residents resided in large cities their entire lives. Across the sample, approximately 29 per cent had lived in a mid-sized city at some point in their lives (Vij, Ardeshiri et al. 2022).
4. Shaping migration decisions for smaller cities

Figure 4: Likelihood of staying in or moving to a mid-sized city

Source: Vij, Ardeshiri et al. (2022).

Figure 4 plots respondents’ willingness to continue living in a mid-sized city if they live in one already, or their willingness to move to one if they presently reside in a large city. Of those currently living in a mid-sized city, 82 per cent indicated they are willing to remain living in a mid-sized city and only 7 per cent indicated they are unlikely to remain. On the other hand, of those who are currently living in a large city, 53 per cent indicated a willingness to move to a mid-sized city, and only 22 per cent indicated that such a move would be unlikely. In summary, these statistics suggest that a majority of Australian residents are open to the prospect of life in a mid-sized city.

On average, across all city sizes, respondents indicated that on average they move cities every 18.9 years. However, numbers vary quite significantly between large and mid-sized cities. Large city residents have an average length of stay of 20.9 years, compared to 12.9 years for mid-sized city residents. Based on these responses, it appears that larger cities offer more stable living conditions that afford the opportunity for households to settle for longer periods. In contrast, mid-sized cities appear to be less stable, resulting in greater attrition of local residents.

Employment and proximity to family were the two most common reasons why individuals choose to live in a particular city. However, it became clear that individuals who have always lived in either a mid-sized city or a large city have most frequently done so to be close to family. Reasons for moving to a mid-sized city tend to include better quality of life, more affordable housing, and better prospects to raise children. In contrast, reasons for moving to a large city focussed on employment and education.

Respondents were asked about the importance of different factors when deciding on a city in which to live (Vij, Ardeshiri et al. 2022). Quality of life, quality of healthcare, crime rate, cost of living, and housing costs were rated as the five most important factors, and proximity to family and employment are only the sixth and seventh most important. In combination with responses to previous questions, it appeared factors relating to quality of life were important determinants of where individuals choose to live, but they were not always the precipitating factor for moves to another city (Vij, Ardeshiri et al. 2022).

A factor analysis was conducted to determine which factors most influence migration decisions, with four distinct factors identified: quality of life and employment and education opportunities were the most important, while characteristics relating to urban amenities, culture and heritage are the least important. These four factors were used in the econometric analysis to explain differences in individual preferences for settlement patterns (Vij, Ardeshiri et al. 2022).
4. Shaping migration decisions for smaller cities

Figure 5: Importance of different characteristics when deciding on a city in which to live

Respondents were asked about reasons that prevent them from moving from their present city of residence. Comfort and familiarity, access to locational benefits and proximity to family and friends were the three most important considerations. A factor analysis was used to identify two main factors that acted as barriers to potential relocation. The first factor related to sense of belonging, while the second factor captured dependencies—unwillingness to terminate their current employment; the need to maintain children in school; the cost of relocation and language or cultural reasons for staying in place. As before, Vij, Ardeshiri et al. (2022) used these factors as explanatory variables in the formal econometric analysis.

Respondents were asked to select the characteristics they thought best described a mid-sized city and a large city. In total, eighteen characteristics were presented to respondents. Respondents perceived mid-sized cities to offer better quality of life, and large cities to offer better access to urban amenities (Vij, Ardeshiri et al. 2022). Respondents were presented with eight different types of policies that governments may use to encourage settlement in mid-sized cities, and asked to indicate which of these policies would encourage them to move to a mid-sized city (Figure 6).

Figure 6: Proportion of respondents that agreed that a particular policy would encourage them to relocate to a mid-sized city

Source: Vij, Ardeshiri et al. (2022)
4. Shaping migration decisions for smaller cities

The policies perceived to be most influential were those focussed on the provision of high-quality health care and support for post-retirement living (Vij, Ardeshiri et al. 2022). This suggests the majority of respondents viewed mid-sized cities as potential places of residence for when they are older and retired from the workforce.

Finally, given the Australian bushfires in 2019–20 and the ongoing COVID-19 pandemic, respondents were asked to rate the significance of potential threats from various natural disasters when deciding where to live. A majority of respondents rated potential threats from most natural disasters to be an important factor. In terms of relative importance, threats from the following four natural disasters are perceived to be the greatest, in descending order: (1) extreme heat and bush fires; (2) floods and flash floods; (3) drought and water shortage; and (4) pandemic. Later analysis considers how these attitudes have an impact on preferences for settlement and migration.

4.4.4 Econometric framework

An econometric model of individual preferences for settlement in urban and regional centres was developed using the data collected by our survey, using the respondents as the unit of analysis. In this model each respondent was presented with eight stated preference scenarios, where they were offered a choice between living in two different urban areas, and asked to indicate their preference. A four-class model offered the best fit with respect to error metrics and therefore performed the best.

Uncovering the number of classes and the underlying behaviour of each class is based on a comprehensive exploratory process, where the analysis varied the explanatory variables, the functional form of the utilities, and the number of classes. To make the description of classes easy to follow, results have been ordered in terms of decreasing preferences for living in large metropolitan cities, and increasing preferences for living in regional mid-sized cities. Table 4 (p. 50) summarises these key differences.

Class 1: the Urban Careerists: Comprising 16 per cent of the sample population, individuals belonging to this class displayed a distinct preference for living in large cities. These individuals were highly sensitive to average wages in a city when deciding where to live. Other characteristics were not found to be statistically significant. Individuals belonging to this class tended to be young higher-income professionals living alone or with their partners without children. These individuals had lived in large cities for most of their lives and expressed reluctance to move to a mid-sized city.

Class 2: the Aspirational Changers: Comprising 21 per cent of the sample population, individuals belonging to this class displayed a preference for living in smaller cities. These individuals were sensitive to unemployment rates, but the size of the marginal effect was small, and no other characteristics were statistically significant. Individuals belonging to this class tended to be a mix of young individuals living by themselves or in shared households, and middle-aged individuals living in households with children. They were frequently university-educated, employed in full-time managerial or professional jobs in white-collar sectors such as information, media and telecommunications. These individuals had lived in large cities for most of their lives but were open to moving to a mid-sized city. They placed the greatest importance on employment and education, as well as physical attractiveness, the presence of iconic places and landmarks, and multicultural mix. They reported policies encouraging relocation to mid-sized cities were most appealing when they supported home ownership, ensured high quality education, and offered employment security.
4. Shaping migration decisions for smaller cities

Class 3: the Lifestyle Maximisers: Comprising 54 per cent of the sample population, individuals belonging to this class did not display a distinct preference for living in either mid-sized or large cities. Rather, their preferences were based on trade-offs across other factors. Average wages and cost of living were the two most important attributes, followed by housing costs, commute times, unemployment rates, and distance to coast. Individuals belonging to this class disliked living in industrial or agricultural centres and showed a preference for mild climates. They tended to be older lower-income individuals without a university degree employed part-time or retired. These individuals were open to the prospect of living in a mid-sized city under the right circumstances. One in three individuals belonging to the class had lived previously in a mid-sized city. They placed a high importance on quality of life, quality of local healthcare, housing and other living costs. They reported policies encouraging relocation to mid-sized cities were most appealing when they provide access to high quality healthcare, and support post retirement life and home ownership.

Class 4: the Small is Best: Comprising nine per cent of the sample population, individuals belonging to this class displayed a very strong preference for living in smaller cities, to the point where their preferences were seemingly insensitive to other city characteristics. These individuals were most likely to be living in a mid-sized city, and/or to have lived in one in the past. In terms of their demographic characteristics, they shared a number of similarities with Class 3 in that individuals tended to be older, lower-income, without a university degree, and/or employed part-time or retired (Vij, Ardeshiri et al. 2022).

Finally, it is important to acknowledge that respondents were asked about the importance of the frequency of various natural disasters when assessing where to live. As reported in above, a majority of respondents rated potential threats from most natural disasters as significant. However, the level of importance placed by different respondents was not correlated to a statistically significantly degree with differing preferences for settlement in large or mid-sized urban areas. These considerations were therefore not included in the discussion of the classes (Vij, Ardeshiri et al. 2022).

Table 4: Narrative summary of different segments in the sample population

<table>
<thead>
<tr>
<th>Share of sample population</th>
<th>Preferences for city size</th>
<th>Sensitivity to other city characteristics</th>
<th>Settlement and migration history</th>
<th>Demographic characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1 Metropolitan enthusiasts</td>
<td>Prefer larger cities</td>
<td>Care about wages, distance to coast, and access to urban amenities, insensitive to other attributes</td>
<td>Highly likely to have always lived in large cities, and reluctant to leave large cities</td>
<td>More likely to be younger, higher-income professionals that are single or part of a couple, and with no children</td>
</tr>
<tr>
<td>Class 2 Regional enthusiasts</td>
<td>Preference for smaller cities, all things being equal</td>
<td>Care about unemployment rates, insensitive to other attributes</td>
<td>Highly likely to have always lived in large cities, but open to moving</td>
<td>A mix of young individuals living in single or shared households, and middle-aged households with children. University educated and employed full-time in high-wage managerial or professional jobs in white-collar sectors.</td>
</tr>
<tr>
<td>16 per cent</td>
<td>Neutral</td>
<td>In descending order of importance, sensitive to wages, living costs, housing costs, commute times, unemployment, and distance to coast</td>
<td>Proportionally split between large and mid-sized city residents</td>
<td>More likely to be older, lower-income individuals without a college degree that are employed part-time or retired</td>
</tr>
<tr>
<td>21 per cent</td>
<td>Very strong preference for smaller cities</td>
<td>Insensitive to any other city characteristics</td>
<td>Most likely to be currently living in a mid-sized city, or have lived in one in the past</td>
<td></td>
</tr>
<tr>
<td>54 per cent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 per cent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Vij, Ardeshiri et al. (2022)
4.5 Policy development implications

This chapter has shown that COVID-19 had a muted impact on movements to smaller cities, with the largest impact in Victoria. It is important to acknowledge, however, that fundamental change is possible but a definitive conclusion on that probability is not yet possible.

The chapter considered the movement of immigrants to smaller cities, noting that relatively few settle outside the capitals, and especially Melbourne and Sydney. It examined Canada’s success in the settlement of new arrivals in smaller urban centres and how this has been enabled by provincial government involvement in selecting and supporting immigrants. This is made possible by explicit provisions in the Canadian Constitution not present in the Australian Constitution. Overall, non-metropolitan migration in Canada is marked by a much more pro-active approach by local governments and communities in sourcing and supporting new arrivals. Similar measures in Australia are possible, should state governments be willing.

The chapter reported on the outcomes of a stated preference analysis based on a sample of the Australian adult population. It identified four distinct segments, or classes, differentiated by their willingness to live in large and mid-sized cities. The four provide a guide for policy measures:

- **Classes 1 (the Urban Careerists) and 4 (the Small is Best),** together comprising 25 per cent of the sample population, displayed distinct preferences for large and mid-sized cities, respectively, and were unlikely to change their preferences.
  - Individuals belonging to Class 1 tend to be young urban professionals that value locational benefits from living in large cities and are reluctant to give them up to move to a smaller city.
  - Individuals belonging to Class 4 tended to be older individuals employed part-time or retired, valued quality-of-life benefits from living in smaller cities, such as lower housing costs and less traffic congestion, and were equally reluctant to give them up to move to a large city.

- **Classes 2 (the Aspirational Changers) and 3 (Lifestyle Maximisers)** comprised the remaining 75 per cent of our sample population and appeared more open to moving to a mid-sized city under the right circumstances.
  - Individuals belonging to Class 2 were more likely to be a mix of young individuals living in single or shared households, and middle-aged individuals living in households with children. They tend to be university educated and employed full-time in high-wage managerial or professional jobs in white-collar sectors. They placed the greatest importance on employment and education opportunities and were likely to move to mid-sized cities if they could offer comparable opportunities.
  - Individuals belonging to Class 3 are more likely to be older, and employed part-time in lower paying jobs, or retired from the workforce. They place a high importance on quality of life, quality of local healthcare, and housing and other living costs. They view mid-sized cities as excellent places to retire and would be encouraged to move there if they could get support for post-retirement living in terms of healthcare and home ownership.

The policy implications are clear, the majority of the Australian population are willing to move to a smaller city under the right circumstances. Policy efforts should not be directed to individuals and households in Class 1 and differentiated strategies should be deployed in Classes 2 through 4.
5. The lived experience of residents of smaller cities

Five case studies were examined with reference to the place-based experiences of regional city residents, regional housing and employment outcomes, and local views on growth. Attention was given to the lived experience of residents in these centres.

The key points are:

- Amenity was an important aspect of lived experiences in smaller cities, including larger housing; lower commuting times and ease of getting around; leisure activities and nature; and the ‘small town feel’ of their communities.

- Lower housing costs in smaller cities were attractive, although offset by lower incomes, fewer career opportunities and higher non-housing living costs.

- Population growth was not always seen as a positive by regional city residents. Their concerns included the loss of a sense of community, and that growth would place stress on services. The exception was Whyalla, where long-term population decline led to concerns for the city’s viability.

- While the long-term impacts of COVID-19 on smaller cities are not clear, there have been significant consequences: increasing regional housing costs, and border closures for cross-border communities.
5. The lived experience of residents of smaller cities

This chapter seeks to extend the insights generated by the quantitative analysis of secondary and primary data through the application of qualitative methods to the analysis of smaller cities and their dynamics. The research presented here is drawn from Project C (Crommelin, Denham et al. 2022) within the overarching Inquiry, and specifically sought to answer RQs 5 and 6: What are the place-based experiences of residents in regional centres? And, to what degree do residents of smaller cities benefit in terms of housing and employment outcomes, as well as incomes? How are these benefits perceived, and do they assist in retaining residents and employers?

The findings are drawn from interviews and other data collection in five smaller cities distributed across Australia: Albury-Wodonga, Whyalla, Cairns, Wollongong, and Mildura. These case studies were selected in order to capture the diversity evident among regional cities with respect to their growth trajectories, economic bases, proximity to major metropolitan areas and population size.

5.1 Lived experience within smaller cities: insights from the literature

Research into rural and regional Australia has emphasised the importance of lifestyle in driving population to regional centres. For many long-term residents of non-metropolitan Australia, smaller cities offer a necessary balance between the economies of scale needed to support a career, and the more intimate interpersonal relations found in smaller settlements (RAI 2019). Other research has considered the movement of urban populations to smaller cities and other ‘regional’ locations, noting both ‘sea change’ and ‘tree change’ movements are fuelled by the perceived advantages of life in a smaller urban centre (Connell and McManus 2011).

It is argued that life in smaller cities offers a range of benefits including reduced commuting times and greater leisure opportunities; more affordable housing; a greater sense of community belonging; and a more attractive environment (Crommelin, Denham et al. 2022). These advantages may be offset by disadvantages that may materially affect any one individual or household. These include reduced employment opportunities and lower incomes; fewer opportunities for professional development; poor access to services; and extended travel times when accessing goods and services only available in the capitals.

Smaller cities offer greater economic opportunities to residents than mid-sized or smaller towns. They may also offer more affordable housing, though house prices relative to the lower wages available means that they are no more affordable than the capitals. There is, however, a perception they are affordable for home owners leaving one of the major metropolitan areas. Smaller cities have lower incomes—and importantly, fewer well-paid jobs—than metropolitan areas. Their employment structures are also dissimilar to the capitals and this may make movement to a smaller city attractive to individuals and households working in lower paid industries.

5.2 Place-based experiences

This section draws together the insights from the five case studies to highlight key elements of the lived experience of life in Australia’s smaller cities. This section identifies key themes that emerged from discussions in the case studies, with more detailed analysis of these issues and their expression in individual centres provided in the Project C report (Crommelin, Denham et al. 2022).

5.2.1 Amenity

The five case studies showed that amenity plays an important role in attracting new residents to regional centres, and also in supporting ongoing resident retention. Of particular importance to residents were those elements of amenity that reflect the affordability of larger housing units, reduced commuting times, and access to natural areas and leisure activities. A sense of community connection was also seen as a benefit of living in regional cities, which was linked to participants’ perceptions that they were living in large towns more than small cities (Crommelin, Denham et al. 2022).
5. The lived experience of residents of smaller cities

While people’s decision-making processes about where to live involves a complex process of balancing competing objectives, it was clear from the analysis that amenity was a significant factor and needs to be central to policymakers’ thinking about how to plan for future growth. In many respects amenity was the drawcard which prompted people to consider relocation away from a major metropolitan area (Crommelin, Denham et al. 2022). Amenity was perceived to be the primary point of difference between regional cities and metropolitan centres. This observation needs to be at the forefront of thinking by policymakers when making decisions around growth in regional areas. Poorly managed growth may undermine the amenity that is central to life in a smaller city.

It is also important to acknowledge that community strength or connectedness was perceived to be a benefit to residents in cities ranging from Whyalla with 22,000 residents and a declining population, to burgeoning Wollongong with more than 260,000 citizens, suggesting population growth does not necessarily diminish a sense of community (Crommelin, Denham et al. 2022).

The focus on amenity and a cohesive community reflects the views of long-term regional residents as well as more recent arrivals. It may not reflect the perspectives of persons who left a smaller city to live in a metropolitan area. Ex-metropolitan residents of Mildura reported the lack of access to international events and professional sports was a concern in deciding to relocate (Crommelin, Denham et al. 2022).

Subsequent research on why people left regional cities, or are reluctant to relocate, would extend the understanding of the role of amenity in regional city population growth. COVID-19 will exert an impact on Australia’s cities and regions for some time, but it is likely the inner regions of major cities will continue to serve as hubs for social and entertainment activities. There are also well developed arguments internationally that large cities have grown through their concentration of facilities and leisure-related amenities (Clark, Herrin et al. 2003; Glaeser, Kolko et al. 2001).

The discussion of amenity with the residents of smaller cities brought forward the question: regional growth for whom? The interviews and workshops demonstrated many residents were content with life in a smaller city and that economic and population growth brings with it a risk of destroying the amenity important to residents.

5.2.2 Community

For many persons considering relocation to a smaller city, amenity alone was not sufficient to prompt relocation to regional living. For the majority of participants in this research improved amenity underpinned the desire to move to, or stay in, a regional centre, but other considerations also needed to be aligned (Crommelin, Denham et al. 2022). Of particular importance was the availability of suitable employment opportunities. A second significant pre-condition, and a factor under-emphasised in current policies, was the role of personal connection in shaping decisions to migrate away from a metropolitan centre or remain there in the longer term. This focus on personal connection took a number of forms:

- Those with pre-existing connections to an area cited these links as a significant factor in their decision to move, and
- Those who moved without these links described the importance of building close networks in their decision to stay longer term.

Having family currently living in the area was an important driver for migration to a smaller city (Crommelin, Denham et al. 2022). The role of family connections went beyond this, however, with participants who grew up in regional areas expressing a sense of familiarity with regional living that made the decision to move easier, even if family was no longer nearby. One participant referred to ‘a little GPS’ that sent people back to Wollongong, while Mildura was seen as a place to return with family as it was a good place to grow up in (Crommelin, Denham et al. 2022). This reaffirms previous research that identified family connections as a factor in regional relocations (McKenzie, Brereton et al. 2008).
5. The lived experience of residents of smaller cities

Tourism and other visitation served as an additional connection between households and non-metropolitan regions that commonly preceded relocation. One Mildura workshop participant had holidayed in the region, and when they decided to leave Melbourne to live outside the capital, their earlier positive experience of Mildura was an important factor shaping their selection of destination (Crommelin, Denham et al. 2022).

For those without some existing connection to a regional city, the importance of developing personal connections was also apparent. In Whyalla, for example, one participant described how sport provided an ‘in’ to meet local residents and this in turn led to friendships that were key to decisions to stay long-term (Crommelin, Denham et al. 2022). This discussion also led to a questioning of how connections would be made in the absence of involvement in sport. An interviewee from Mildura noted that when new young professionals came to town, there was a concerted effort to find partners for them in order to ‘lock them down’ to the area and increase the likelihood of retention (Crommelin, Denham et al. 2022).

Respondents felt that while current policy settings focus on encouraging new migrants to smaller cities made use of visa schemes and employment relocation grants, there should be a greater effort to encourage those with existing connections in the regions to return there. It was felt that this would yield greater success, particularly with respect to longer-term retention (Crommelin, Denham et al. 2022).

This, in turn, should be complemented by a greater focus by local governments on providing support for new arrivals to help them integrate successfully. Interviews in Whyalla suggested that BHP, as the largest employer, played this role in the past. It provided comprehensive support for new arrivals in finding housing, making social connections, and navigating bureaucratic hurdles. While the resources currently available to local government differ from those previously available to BHP, there may be opportunities for greater local government involvement.

A comparable approach was also evident in Mildura, where a network of regional CEOs had been established to help identify jobs for partners of people who had moved there for work and was seen as an important initiative for retaining skilled workers in the city (Crommelin, Denham et al. 2022). These examples reinforce the importance of considering whole households when planning for regional relocation and population retention.

5.2.3 Services

The three services that were most discussed across the five case studies were health, education and transport. Health and education are important not only for the essential community services they provide but are also prominent sources of employment in each of the five cities (Crommelin, Denham et al. 2022).

Health services were generally viewed as reasonable across the case studies. However two main issues were addressed. First, the lack of specialist services within the cities was seen as problematic—a notable example was the absence of radiologists in Whyalla. Health services were seen as a considerable problem in Mildura, due to its remoteness from major cities and therefore limited access to specialised services. Wollongong, by contrast, had ready access to the Sydney health system (Crommelin, Denham et al. 2022). This absence of specialist services and facilities is likely a result of increasingly specialised equipment and procedures in the health care sector.

The second issue of concern to the informants was access to general practitioners (GPs), and this concern found expression as an issue of long waiting times for an appointment, as well as difficulty in obtaining appointments at appropriate times, or as a shortage of GPs (Crommelin, Denham et al. 2022). This has been a recognised issue across regional Australia, with Australian Government strategies to address the shortage of GPs in place for some time. In Mildura, the absence of opportunities for doctors to progress their training in the city was perceived to be a major issue for retention. Participants from Albury-Wodonga noted that the immigration program that requires GPs to work in regional areas had provided doctors to the region.
The five case studies had a range of different post-secondary education providers. The University of Wollongong was seen as a major asset for that city, but the cities with regional campuses saw them as providing a useful service that was in some instances hampered by the limited range of programs on offer. It was believed a more substantial range of teaching offerings and activities would support population retention (Crommelin, Denham et al. 2022), as well as the development of the regional economy. Some of the perceived advantages of local tertiary education delivery included the fact that it allowed people to remain in regional cities to study, and thereby reduced the outflow of younger residents to the capitals. It was also seen to provide lower-cost tertiary education, as students would not need to relocate. While the campuses at Mildura and Albury-Wodonga were seen as limited in their range of disciplines, they provided access to tertiary education for students who could otherwise not afford to study (Crommelin, Denham et al. 2022).

Participants from Wollongong and Mildura noted the high proportion of students in their programs who were the first in their family to enter higher education, indicating the social benefit of regional tertiary education delivery (Crommelin, Denham et al. 2022). Similarly, TAFE was seen as an important conduit into local employment and had a positive influence on population retention in regional cities, particularly in health care as a growth sector in regional Australia (Toner, Denham et al. 2019; RAI 2019).

The ease of travel within regional cities was identified as a positive. In particular, the significantly shorter commuting times in comparison to major cities was cited by ex-metropolitan residents (Crommelin, Denham et al. 2022). Discussions were predominantly about car-based travel around regional cities, especially the reduced time taken driving to work. When mentioned in Wollongong, public transport was seen as a less convenient and more costly than car travel, but there was a sense that if the city continues its rapid rate of population growth, congestion will increasingly become an issue unless there is adequate investment in public transport.

For the more remote cities of Whyalla and Mildura, access to state capitals was a major topic of discussion. For both cities, the nearest state capital of Adelaide was more than four hours’ drive and longer by bus. This was a critical issue for those needing to access the city for essential services. One Mildura stakeholder saw the ease of flying to and from Melbourne in a day of meetings as an advantage, while those travelling for specialist medical services or personal reasons were more concerned with the high costs of flights (Crommelin, Denham et al. 2022).

Wollongong provided the opposite experience, where proximity to Sydney and the ease of train travel to access services while still retaining regional city amenity was seen as a benefit of living there (Crommelin, Denham et al. 2022). The differences indicate a trade-off between distance and services: more remote communities may provide more services than their population would indicate, but when specialised, metropolitan-based services are needed the costs are higher. The social and entertainment attractions of metropolitan areas were another issue raised in respect to transport services from regional cities, indicating that regional city amenities need to take into account the amenities foregone when relocating from a major city.

5.3 Housing and employment in regional cities

While amenity benefits and a sense of personal connection are some of the important perceived benefits of life in a smaller city, they are inevitably balanced against a number of factors in decisions to move away or to stay. Two of the most significant questions to emerge were the availability and affordability of housing, and the ability to find suitable employment. These two aspects of regional cities are considered together due to the connection between income and housing affordability.
5. The lived experience of residents of smaller cities

5.3.1 Housing

More affordable housing was a drawcard for many considering a move to a regional area, and most felt that housing remained more affordable now, despite rising prices. There was significant concern that this benefit would not remain, however, and that COVID had exacerbated declining affordability in these places (Crommelin, Denham et al. 2022). The tightness of the rental market in regional centres was of particular concern, and there was evidence of this presenting a barrier to new arrivals who could not (or did not want to) purchase a property immediately. There was also some discussion of higher living expenses and council rates in Mildura, which further reduced the benefits of lower housing costs.

There was concern amongst interviewees and focus group participants that in some regions housing pressures were driving a trend towards smaller subdivisions and higher density development, and that these housing options were not well-matched with what regional residents wanted (space, privacy etc.). These views were strongly connected to stage-of-life motivations for regional relocation, such as space for younger children to play in back yards. This preference presents a challenge for policy makers as:

• Large allotments become problematic as cities grow, requiring more resources to service and also leading to greater car dependency and the conversion of productive landscapes to residential use, an issue debated in the Mildura workshop.

• There is community resistance to higher density development. However, in Wollongong there is demand for smaller housing units from segments of the community, such as retirees. There were participants in the research who had relocated to regional cities by themselves, suggesting a need for variety in housing supply.

• Housing affordability is an emerging issue in four of the five cities covered by this research, with reports of rising costs for both buyers and renters. While still cheaper than metropolitan markets, as the gap closes so does this aspect of the appeal of regional cities. There were also reports of housing affordability challenges for existing residents. Whether reduced lot and housing sizes have the capacity to influence affordability in the short term and for all participants in regional housing markets remains an open question. There is, however, a need to develop a greater understanding of housing supply and demand, and its interactions with residential attraction and meeting the needs of changing demographics in regional cities (Crommelin, Denham et al. 2022).

Whyalla presented a different set of issues with housing supply. The decline in population since the mid-1970s peak, alongside ongoing uncertainty regarding its primary industry, has had an impact on the willingness of the banks to finance housing in the city, both for purchase and renovation—the city is seen as a ‘high risk’ housing market. This has translated to more rental housing on offer as people are unable to sell their homes. There is also a suggestion that the housing built for workers in the 1970s, on large blocks and with 3 or 4 bedrooms, is no longer suited to the Whyalla population and is costly to maintain.

A counterintuitive outcome was the negative impact on housing affordability, due to the demand from banks for high deposits to purchase houses in Whyalla. It is likely that other regional cities with declining populations have similar issues in their housing markets, with an impasse between unsuitable or poor condition housing stock and difficulty in accessing finance to address these issues.

Despite these concerns, it is clear that for households relocating to a smaller city from a major metropolitan centre, housing affordability remained a drawcard despite rapidly rising prices in many areas (Crommelin, Denham et al. 2022). The case studies demonstrated the greater challenge lies in finding suitable employment, and some respondents argued housing affordability benefits were diminished by lower wages in regional cities. In this regard, there was clear evidence that many who had moved from major metropolitan areas had made what they perceived as a trade-off with respect to their employment in order to take advantage of the amenity benefits of their new place of residence.
5.3.2 Employment

One of the key observations to arise from the research was the difference between regional and metropolitan labour markets. The perception from ex-metropolitan workers is that moving to a regional centre required a trade-off in employment opportunities, and this was most pronounced amongst professionals (Crommelin, Denham et al. 2022). These trade-offs took a range of forms, including:

- lower income for similar work
- less challenging or rewarding work
- opportunities for future development would be reduced
- some career pathways would simply not be available
- one spouse having to accept a less suitable role in order to both find jobs in the same location (Crommelin, Denham et al. 2022).

There were reports from several cities that new arrivals had to adjust their expectations of what was on offer in regional employment markets. As migrants to Albury-Wodonga and Wollongong explained, many individuals were forced to acknowledge the need to change their career focus if they were to live in a smaller city (Crommelin, Denham et al. 2022).

Some interviewees described these issues as partly a matter of perception; for example, one Mildura interviewee explained that his career path had looked very different from what he might have hoped it would be when he was younger. However, after adjusting his expectations his career had proven satisfying overall. There was some indication that regional workplaces could offer more diverse experiences than those available in a larger metropolitan firm (Crommelin, Denham et al. 2022). Alternatively, one stakeholder had observed people moving to Mildura for short periods due to the wider range of experiences on offer, which advanced their careers prior returning to metropolitan employment.

For others, however, the lost employment opportunities were more significant, and were a central factor in participants contemplating returning to a major city. One IT worker from Albury-Wodonga described the career opportunities presented to him by his regional employer as limited, and further advancement in their career would only happen by transferring to different areas of work (Crommelin, Denham et al. 2022). In this instance, the interviewee reported that within his region there may be one job offered every three months, compared with 400 per week in Canberra. While the general impression of participants in the case studies was there was work available in regional centres, these experiences highlight that there may often be a mismatch between the type of work on offer and the metro-migrant workforce (Crommelin, Denham et al. 2022).

The interviews with regional stakeholders, largely senior employees within public sector or non-government organisations, provided a contrasting view of regional careers. In Mildura, these stakeholders had built regional careers and gained wider experiences than would have been on offer in metropolitan areas (Crommelin, Denham et al. 2022). Councils, government departments, hospitals and education facilities represent larger workplaces in many regional cities, and therefore have a significant demand for specialists in areas such as IT and HR, as well as senior management roles (Crommelin, Denham et al. 2022).

While housing and employment markets in the regional cities were largely discussed as separate issues, some participants were able to reflect on how they interact in smaller cities. These conversations provide additional insights into the experience of living in these places. In general, the benefits of lower housing costs needed to be considered against the lower wages on offer in regional cities. A key observation was that one participant from Mildura had not understood the depth of difference between metropolitan and regional labour markets prior to moving and had struggled to obtain suitable employment (Crommelin, Denham et al. 2022).
In Wollongong increasing housing costs resulted from the proximity to Sydney and the commuting workforce was seen to create housing affordability problems for lower-paid residents. A third example of the interaction between housing and employment markets was found in Whyalla, where the decline in jobs and the perception of a city in decline had made access to housing finance difficult. The interplay between regional growth, housing and employment markets was context specific, and smaller cities seeking to attract residents need to promote their advantages across the three key dimensions of economic participation and opportunity in both absolute terms, and relative to metropolitan equivalents.

The perspectives of participants who had relocated from metropolitan areas provided important knowledge on their perceptions. They highlighted that in their eyes housing is not necessarily more affordable in weaker labour markets, particularly when long-term career paths form part of the decision-making process for relocation, not just the current employment on offer (Crommelin, Denham et al. 2022).

5.4 Perspectives on growth

There was far from unanimous support for population growth across the five smaller cities included in this study. Participants regularly referred to their places of residence being small towns and having a ‘village feel’, and that this was central to their experience of living in regional cities (Crommelin, Denham et al. 2022). A notable difference in perspectives on growth was evident between the residents who participated in the workshops and representatives from local government. In Albury-Wodonga for example, the local government saw population growth as positive and inevitable, while residents were against further expansion of the city's population. Similar dichotomies were evident in Mildura, where regional stakeholders saw population growth as an avenue to wealth creation, while residents were concerned with maintaining the current amenity.

Of the case studies, the city with the most unequivocal support for population growth was Whyalla (Crommelin, Denham et al. 2022). This support was in direct response to the declining and ageing population of the city, which has fallen by approximately a third since its peak in the 1970s. The participants saw the current population of 22,000 people as a threshold for viability, and that the ageing population had deterred investment in the city. It was notable that even in Whyalla there was a widely held opinion that there was a limit to the benefits of growth, and that if the population reached over 40,000 there would be impacts on community cohesion and the ‘village feel’. Similar views were expressed in Mildura, which is growing with a current population of more than 33,000, but there were concerns about how continued expansion would affect the community. Other respondents felt that Wollongong had reached a ‘tipping point’ which could adversely impact on the city’s amenity.

While acknowledging these concerns about growth, there was a recognition that substantial benefits may be attached to increased population with respect to public-sector service provision, investment attraction and the range of retail and activities on offer within the city. In this regard, it is illuminating to compare Whyalla and Wollongong as post-industrial cities. Population growth in Wollongong, to some extent as a result of its proximity to Sydney, was seen as ameliorating the impacts of the decline in the city’s steel sector (Crommelin, Denham et al. 2022). Whyalla’s steel industry has also declined but it has not transitioned into new economic foundations to sustain peak population or provide growth in the city (Beer, Barnes et al. 2021). The connection between higher population and better services was also questioned, with some residents concerned it would result in poorer access to existing services rather than increased government investment in their city (Crommelin, Denham et al. 2022).

While there were concerns regarding some aspects of Wollongong’s transition to a satellite of Sydney, the connection between population growth and increased services, hospitality and retail was seen as a positive. The growth of Wollongong was also seen to have happened naturally, through individual and household choices, rather than as a result of government interventions.
5. The lived experience of residents of smaller cities

The physical and environmental limits of growth in smaller cities was also raised in Cairns, Mildura and Wollongong, albeit with different issues. Wollongong is wedged between the Pacific Ocean and the Illawarra Escarpment, limiting the available land for additional residential development and outward expansion. The debate in Mildura was whether additional residential development would impinge on the irrigated farmlands surrounding the city—whether this was an issue of concern was questioned due to the extensive amount of land under irrigation (Crommelin, Denham et al. 2022).

This summary of growth perspectives that arose during the interviews and workshops for this project provides the following policy insights:

• There was a negative, albeit loose, correlation between the positive attitude towards growth and current population trajectories—Whyalla wanted to grow, while the faster growing cities were more circumspect.

• Population growth was not seen as a benefit in and of itself. Where there was support for additional population in regional cities it was due to associated benefits—better services and prosperity in particular.

• The primary concern from residents was that population growth would reduce the appeal of regional city living and exert a negative impact on community connections and the ‘village feel’.

• If population growth was to be positive for regional cities, it needed to be well-planned and appropriately serviced, indicating the need for government investment to support regional cities (Crommelin, Denham et al. 2022).

The overarching conclusion from the discussion of growth and its outcomes with regional residents is that there needs to be a defined, and well-communicated, purpose underpinning the case for population growth in smaller cities. This purpose needs to be well articulated and should support long-term development goals, and also needs to be underpinned by strategic planning and investment in services.

The perspectives presented in this chapter indicate that regional development policy needs to be place-specific, responding to the differing circumstances and trajectories across regional Australia. Further, the results suggest that rather than population policy based on moving people out of metropolitan areas, the focus should be on distributing population to places where it is most needed to support regional development goals.

5.5 Regional cities and COVID-19

There have been widespread reports of metropolitan residents relocating to regional Australia during the pandemic, which can be seen as a response to the effects of lockdowns in the metropolitan areas. While regional migration data indicate the net outflows from metropolitan areas have been marginal, with a total capital city net outflow of between 10,142 and 11,247 per quarter in 2020 (ABS 2021), the view from participants was that regional housing markets had tightened during 2020 and affordability and availability declined.

As reported in Wollongong, working from home meant people moved into the area, pushing up prices (Crommelin, Denham et al. 2022). The flow-on effect was that low-income workers were displaced and forced to move further south. This dimension of regional property market displacement and inflation during COVID has also been observed elsewhere (Borrello 2021; Chvastek 2021).

The second impact was the border closures between NSW and Victoria on Mildura and Albury-Wodonga. Normally, border crossings are of minimal inconvenience to residents as many cross the Murray River for work, social reasons and to access services such as health and education. Mildura participants frequently accessed services in Adelaide, which created additional problems for those who live in NSW and needed to travel through Victoria to get to Adelaide (Crommelin, Denham et al. 2022). As intermittent lockdowns continued, restrictions on cross-border communities travelling between states have been reduced in response to the severe negative impacts of the closures (Coronavirus Victoria 2021).
Public health responses to COVID-19 such as lockdowns and border closures have continued. While cross-border issues are likely to be temporary, it is unclear whether the housing impacts in regional communities represent an ongoing change to their circumstances or a temporary shift (Crommelin, Denham et al. 2022). While some residents of regional cities will benefit from the impact on housing markets, particularly real estate owners and the property industry, the differential between metropolitan and regional housing costs that is seen as an attractor to regional cities has been reduced.

In summary, regarding RQs 5 and 6: What are the place-based experiences of residents in regional centres? And, to what degree do residents of smaller cities benefit in terms of housing and employment outcomes, as well as incomes? How are these benefits perceived, and do they assist in retaining residents and employers? This chapter has found:

- A sense of community remains an important feature of life in smaller cities, helping retain population and building a sense of cohesion. This sense of community contributes to the pattern of movement between smaller cities and other regional centres as individuals seek comparable living environments.

- The natural and other amenities of smaller cities is much valued by residents and it too remains a factor in the retention of residents in smaller cities, as well as the attraction of migrants from the capitals.

- High quality, affordable housing remains an important attractant for smaller cities but it needs to be balanced with significant employment opportunities in order to encourage the growth of these places.

- Perhaps most fundamentally, residents in smaller cities are wary of growth for its own sake. While many can see advantages, there are concerns also that these may be exceeded by the dis-benefits:
  - Policies and programs for the growth smaller cities need to clearly articulate a case for growth, outlining the advantages for these places.
  - Growth programs will need to be accompanied by significant urban and regional planning, as well as concrete steps to maintain the positive attributes associated with these places.
6. Population policy and encouraging the growth of smaller cities

- There are grounds to expect that land use planning would be an important tool for encouraging population growth in smaller cities. However, the evidence shows such planning has had very uneven outcomes.

- Planning is primarily a state government function in Australia, with local governments largely implementing state-wide policies and priorities.

- State governments have had variable success in encouraging the growth of smaller cities, with recent successes in some jurisdictions a consequence of better co-ordination across portfolios, renewed state government commitment and focus, and the targeting of infrastructure expenditure.

- Policy innovations in some states could be applied in other parts of Australia, however the processes for amending planning systems can be time consuming.

This chapter addresses RQ7: Which policy instruments and programs are likely to have the greatest impact in supporting the attraction and retention of residents in smaller cities? It provides a background to previous policy initiatives aimed at the decentralisation of Australia’s population and the strengths and weaknesses of these approaches. It reviews these earlier policy instruments in order to provide the context within which new measures focussing on the growth of smaller cities need to be considered. The chapter specifically directs attention to the capacity of land use planning to shape Australia’s urban settlement pattern as, prima facie, there is a reasonable expectation statutory planning could be a key policy instrument in supporting population growth in smaller cities.

Chapter 6 draws on a working paper (Dühr and Pinnegar 2021) produced to support the Inquiry, effectively providing a discrete and expert lens into the standing of regional planning processes in Australia generally, and NSW and SA particularly.

The chapter considers the impact of federalism on policies aimed at shaping where Australians live. It then moves to consider the influence of planning systems in two jurisdictions—SA and NSW—as examples of the broader influence of state planning frameworks on settlement.
6.1 Urban planning in Australia’s

In Australia’s federal system, the six states (NSW, Victoria, Queensland, Tasmania, WA and SA) and two territories (NT, ACT) have their own urban planning laws and procedures. The different states and territories have also enacted their own legislation to establish a devolved tier of local governments, and define the powers of local governments in Australia, including in relation to their responsibilities for urban and regional planning. Aside from providing the legislative and policy frameworks for planning, state governments have a direct role in local land use planning, notably through the design and implementation of major infrastructure projects and the designation of areas for urban expansion and (more recently) urban renewal (Dühr and Pinnegar 2021).

Critically, there is limited evidence of collaboration across Australia’s tiers of government with respect to planning for the growth of the nation’s smaller cities. There is also a clear absence of engagement with local stakeholders within the community or private sector with respect to encouraging their growth. This is a notable absence as spatial planning in developed nations has over the past decades been characterised by a shift from government to governance, with an increasing number of actors now involved in the implementation of public policies and decisions about how land should be used (OECD 2017). Koresawa and Konvitz (2001: 28) noted that strategic spatial planning in complex and fragmented multi-level governance arenas must rely on the mobilisation of others rather than the ability to command outcomes. Such joined-up approaches are absent in Australia’s regional planning landscape, with policy solutions largely focussed on the actions of individual tiers of government (Dühr and Pinnegar 2021).

6.1.1 The role of the states

From the mid-1970s regional decentralisation policies were left to the states and territories, which pursued regional development goals in different ways. The focus of these activities ‘tended to be on attracting investment to regional areas, often by subsidising loans or making development sites available’ (Gurran 2011: 82) but because funding was spread unselectively over wide geographical areas it had arguably limited effect. Collits (2011; 2015) observed decentralisation strategies reflected the broader ethos of ‘agrarian socialism’ evident in post-war Australia, which only ended with the economic reforms of the 1980s. More fundamentally, however, Beer (2018) has argued government engagement with regional issues has reached historic highs, with all state and territory jurisdictions, as well as the Australian Government, appointing a minister for regional issues.

Importantly, while the development of non-metropolitan regions, including smaller cities, has largely remained a state responsibility, the implementation of policy initiatives has been uneven across Australia. The movement away from formal decentralisation policies was not accompanied by the introduction of new, more effective policies or programs at the state or territory level (Dühr and Pinnegar 2021). Many jurisdictions have relied on their formal land use planning systems to forecast and make provision for growth, and as discussed later in the chapter, this has had very uneven outcomes.

6.1.2 The contribution of local governments

In comparable nations much of the work of developing smaller cities, their population and economies would be undertaken by local government. Australian local governments are smaller and less powerful than municipalities in other countries, and the lack of intergovernmental coordination is frequently noted as a challenge to achieving coherent policy responses across government tiers in Australia (Howe 1995; Beer 2006). Moreover, unlike other developed nations, the urban system of Australia lacks medium-sized cities, and the nation’s urban regions are characterised by continuous urban sprawl rather than a system of urban centres (Self 1995). These geographical and institutional factors suggest that concerted efforts will be needed if population changes and their distribution are to be managed more efficiently than in the past (Dühr and Pinnegar 2021).
6. Population policy and encouraging the growth of smaller cities

6.1.3 National action and policies

Turning to the national sphere, currently the Australian Government’s direct involvement in urban and regional planning is limited, although based on the Constitution it is able to use existing powers to pursue environmental objectives and to exert significant influence through its expenditure decisions. The Australian Government has also been subject to significant public pressure to take action on both rising congestion costs in the largest cities, and the slow growth of many non-metropolitan regions.

The growth of metropolitan regions and concerns about infrastructure shortfalls and housing affordability have been especially instrumental in leading to advocacy for national policies to address population issues in Australia, including widespread support for a national settlement strategy (see Parliament of the Commonwealth of Australia 2018b). For example, the Planning Institute of Australia (PIA 2018: 7) has criticized federal government policy as ‘spatially blind’ and argued that through a lack of coordination of spatially relevant policies ‘the Commonwealth is influencing the shape of our cities and regions unintentionally’. An Inquiry into the Australian Government’s role in the development of cities (Parliament of the Commonwealth of Australia 2018b) recommended the development of a national plan of settlement. The Inquiry report, Building Up and Moving Out, further argued for a stronger role for urban and regional planning to prepare Australia’s cities and regions for the future (Dühr and Pinnegar 2021).

In 2019 the Australian Government published Planning for Australia’s Future Population which emphasised the need to provide infrastructure to both reduce congestion in the major cities and also ‘to provide the infrastructure, connectivity and access to essential services to make regional Australia an attractive place to live and work’ (Australian Government 2019: 36). This report adopted a facilitative approach rather than direct statements, and targets regarding population growth and distribution. It proposed a suite of measures to reduce population pressures in the major cities (putting an annual ceiling on the number of permanent migrants) and stimulating growth in the regions (offering regional skilled visas to those who to live and work outside the big cities for three years before being eligible for permanent residency).

Specific consideration was not given to land use planning, except in relation to infrastructure investments, such as the construction of fast(er) rail connections between the state capitals and their respective regional centres (Dühr and Pinnegar 2021).

Planning for Australia’s Future Population suggested that better coordination of population and settlement planning between the national, state and local governments will be achieved through City Deals and a National Population and Planning Framework.

City Deals are inspired by a UK governance model and were first introduced through the government’s Smart Cities Plan (Australian Government 2016). They are long-term agreements between national, state and local governments and private sector stakeholders and focused on major investments (Dühr and Pinnegar 2021). Assessments of their promise and achievements have been mixed (compare Pill, Gurran et al. 2020; Snape 2021). Nevertheless, more recently the Australian Government announced pilots for Regional Deals to support investment in smaller towns.

The National Population and Planning Framework (COAG 2020) is based on agreement by the (since-disbanded) Council of Australian Governments (COAG) to work collaboratively across tiers of government to better understand and manage the effects of population change across Australia. It has prompted the formation of a ‘Centre for Population’, tasked with improving data on demographic matters and ensuring coordination across government levels and agencies.

These proposed measures have been criticised as a ‘patchwork’ of measures (Burton and Nicholls 2019) that significantly fall short of providing a national spatial development framework that would allow coordinated planning for population growth, infrastructure and economic development beyond political and budgetary cycles and across levels of government. Moreover, there is a concern that the Australian Government’s approach continues to focus on ‘big city’ problems, instead of offering policy responses for Australia’s regions (PIA 2018). Some Australian states, including NSW and Victoria, however, have made progress towards coordinating regional economic development and infrastructure policies (Dühr and Pinnegar 2021) and have developed more comprehensive planning policy frameworks over the past years.
6.2 Planning for development in NSW and SA

This section considers NSW and SA as case studies demonstrating how the land use planning system has been used for the development of smaller cities. NSW and SA provide contrasting insights, with the former a large population state, with high growth, and emerging centres outside the metropolitan centre, while the latter is distinguished by much lower rates of growth, a very high level of metropolitan primacy and a small population.

6.2.1 Planning for regional growth in NSW

In NSW, the overarching spatial framework guiding regional development objectives is established through strategies for infrastructure and transport. The State Infrastructure Strategy (2018–2038) (SIS) (Infrastructure NSW 2018: 93) aims at providing a ‘geographic (or spatial) planning approach’ for infrastructure investment based on the recognition that ‘the right infrastructure, in the right places’ (p. 6) will drive industry competitiveness. The strategy aligns closely with regional planning and transport strategies, emphasising the importance of connectivity at a regional and state-wide scale.

The SIS was published in tandem with Future Transport 2056 (Transport for NSW 2018) and both propose a conceptualisation of NSW as a network of interconnected ‘hubs and spokes’. This spatial concept seeks to overcome the traditional core–periphery relationships and the dominance of Greater Sydney within the state, and also emphasises connections to centres in neighbouring states. Strengthening key regional centres through infrastructure development and attracting investment is a central part of the hubs and spokes concept (Dühr and Pinnegar 2021).

Regional cities with prospects for ongoing growth, such as Albury–Wodonga, Wagga Wagga and Tamworth, are identified as hubs, while smaller-tier towns are connected along spokes to these centres (Infrastructure NSW 2018). The policy documents express the expectation that those centres with strong economic potential (e.g. in the case of Wagga Wagga, a nascent health and education precinct that aligns with the narratives of the Greater Sydney metropolitan strategy) will attract further economic and population growth.

An important aspect in the urban network model expressed through the ‘hubs and spokes’ concept is connectivity — both in terms of physical infrastructure between places and in terms of digital connectivity. This approach to physical connectivity is central to the priorities of Future Transport 2056 and also informs more locally specific strategic and land use planning considerations in each of the regional plans, as discussed below.

A more decentralised spatial structure, supported by better regional connectivity, is also promoted through both Australian and NSW governments in their policy emphasis on fast(er) rail, arguing that transport, particularly rail connectivity, will be an important factor in further integrating regional and metropolitan economies for their mutual benefit (DITRDC 2018: 3; NSW Government 2018).

In NSW, there is an interest in bringing current ‘satellite’ cities (Wollongong, Central Coast) within more manageable commute times to Greater Sydney, and to connect more distant regional hubs up to Port Macquarie on the Pacific Coast, down to Nowra in the south, Canberra to the southwest, or west to Orange (and indeed further out to Parkes to connect with Inland Rail and the Special Activation Precinct).

The policy narrative on urban networks, connected by efficient rail connections, has also prompted debate about larger regional groupings that show parallels to the European debate on ‘economic integration zones’ (Dühr and Pinnegar 2021). The Committee for Sydney’s ‘sandstone mega-region’ proposals (Committee for Sydney 2018) argue that significant infrastructure investment would both alleviate metropolitan core growth pressures and encourage regional economic and population growth.
6. Population policy and encouraging the growth of smaller cities

The potential downside, namely that rather than encouraging a complementary growth region to Greater Sydney, shorter travel times through better rail connections might effectively result in an expansion of Sydney’s commuter belt and ‘open up’ more affordable housing markets to Sydney workers (and likely result in increasing regional house prices), is not currently given much consideration.

Within the suite of aligned state strategies and plans, the NSW Government’s 20-year economic vision for Regional NSW (NSW Government 2021) provides the policy framework for regional development. It provides an important contribution to the wider strategic spatial direction for economic development in NSW expressed as hubs and spokes (Dühr and Pinnegar 2021). A typology of ‘functional economic regions’ (FERs), called ‘metro satellite’, ‘growth centres’, ‘Inland’, ‘Coastal’, and ‘remote’ FERs, is presented (NSW Government 2021). This framework intends to provide a basis for strengthening a region’s specific potentials by linking in smaller towns and rural districts in the functional ‘reach’ of the urban centres (NSW Government 2021).

NSW’s economic vision is pitched as a ‘roadmap to unlock significant economic potential in regional NSW’ (NSW Government 2021: 6). It is presented as a ‘growth strategy’, based on the assessment that 78 per cent of the FERs have experienced population increases and the expectation that this trend will continue if ‘appropriate investments’ are made. Planning—and policy and regulatory reform—is identified as an important component for providing better coordination and increasing investor confidence. Funding underpinning commitment to the regions comes through hypothecation of $1 billion on the Snowy Hydro Legacy Fund, establishment of the Regional Growth NSW Development Corporation and more explicit economic development facilitation tied to five identified special activation precincts (SAPs). The economic development settings established in the 20-year economic vision for Regional NSW are supported at the LGA level through preparation of Regional Economic Development Strategies (REDS) (Dühr and Pinnegar 2021).

The NSW Government’s five special activation precincts (SAPs)—Moree, Williamtown, Wagga Wagga, Parkes and Snowy Mountains—were enabled through legislation for a new State Environmental Planning Policy in 2020. The SAPs are characterised by a streamlined, fast-tracked planning process offering certainty for targeted ‘engine’ industries and businesses in master planned precincts. This is intended to stimulate up to 18,000 jobs in these regional hubs, building on existing strengths and supported by improved connectivity to metropolitan Sydney and interstate centres.

In terms of regional (spatial) plans, the current suite of documents, completed in 2017, represent the first time all parts of NSW have been the subject of strategic land use plans. The regional plans respond to national priorities and state-wide policy frameworks and are intended to guide local development planning. The regional plans complement the metropolitan strategy for Greater Sydney and aim to provide a vision and direction for strategic and land use planning decisions, including housing, jobs and necessary infrastructure.

Plans for Illawarra/Shoalhaven, Central Coast and the Hunter reflect their ‘near metropolitan’ locations, with a stronger emphasis on connectivity with Greater Sydney and growth management strategies. They share much of the same language in terms of sectors expected to lead economic and employment growth, e.g. through the identification of renewal corridors, or health and education ‘precincts’ (Dühr and Pinnegar 2021). Regional plans for areas more distant from Greater Sydney offer a more self-contained focus in terms of fostering economic growth. The regional plans further echo other strategies’ emphasis on connectivity, both intra- and inter-regionally.

Within each of the regional plans, the region’s strategic directions are articulated through a number of goals, one of which is typically focused on promoting and strengthening regional centres and communities. For example, in the Riverina Murray Regional Plan, Goal 4: Strong, connected and healthy communities (DPE 2017: 49), the three ‘growth’ hubs of Wagga Wagga, Albury and Griffith are forecast to experience the highest levels of growth, translating into policies for concentrating infrastructure investment in these centres to support job growth. Outside of these primary centres, smaller centres and communities are expected to see stable, declining and/or fluctuating population and economic growth.
The large majority of planned new housing supply will focus on regional centres, with the plans identifying key release areas in those centres (Dühr and Pinnegar 2021). In terms of wider governance, the regional plans typically encompass a number of LGAs, and in some cases, such as Riverina-Murray, there are cross-border matters to be taken into account. To assist in coordination across constituent LGAs in each regional plan area, region-wide Delivery, Coordination and Monitoring Committees, comprising representatives from regional organisations of councils and relevant state agencies, have been established to work with stakeholders to deliver and be accountable for the plan’s goals and vision.

The analysis of current strategic policy frameworks in NSW confirms that both the coverage of, and coordination between, strategies and plans has been considerably strengthened over the past 10 years. For the first time since 2017, regions of NSW have a strategic spatial plan, suggesting the traditional focus on metropolitan Sydney is increasingly complemented by a focus on the regions (Dühr and Pinnegar 2021).

The attention to coordinating strategic policy frameworks in NSW, facilitated through amendments to the state’s Environment Planning and Assessment Act in 2017, is evident also in a ‘geographic planning approach’ underpinning sector strategies (called ‘portfolio policies’) for transport, infrastructure and economic development, and a shared language of spatial framing through concepts such as the hubs and spokes model, the concept of urban networks supported by efficient connections. As a result, a coherent, coordinated approach is common throughout the State Infrastructure Strategy 2018–2038, Future Transport 2056, the 20-year Economic Vision for Regional NSW and the regional plans.

The wider state and regional level plans set out the principal building blocks guiding local level planning and investment, and local governments are required to demonstrate continuation of a strategic ‘line of sight’ with broader spatial strategies and the updating of their Local Environmental Plans and Development Control Plans. These local level plans provide a more detailed framework for land use planning decisions. Locations where SAPs are being established are subject to streamlined strategic and regulatory frameworks via the Regional Growth NSW Development Corporation, intended to fast track developments.

6.2.2 Planning for regional growth in SA

The SA Government has traditionally been dominant in planning matters. Recently, the state underwent a major reform of the planning system, which is currently being implemented following the adoption in 2016 of the Planning, Development and Infrastructure Act (PDI Act) (Government of SA 2016). The rollout of the new planning system reflects the principles that guided the policy reform and the intention to facilitate economic investment by removing planning barriers (Dühr and Pinnegar 2021).

In terms of regional (spatial) planning, eight planning regions have been defined, and the PDI Act requires that regional plans will be prepared for each in the coming years. The regions are: the Eyre and Western region, Far North region, Kangaroo Island, Limestone Coast, Murray Mallee, and Yorke Peninsula, the Mid North, and Greater Adelaide (the main agglomeration that is home to 77 per cent of the state’s 1.75 million inhabitants) (Infrastructure SA 2020).

The boundaries of the planning regions align with administrative boundaries, but their geographical reach was adjusted in 2020 based on a requirement of the PDI Act. This has not been based on functional geographies, however. The redrawing of regional planning boundaries resulted in an expansion of the Greater Adelaide planning region, effectively weakening the longstanding urban growth boundary (Dühr and Pinnegar 2021). The planning regions are also different to those defined for regional economic development, which presents challenges for cross-sector coordination and regional governance arrangements.
6. Population policy and encouraging the growth of smaller cities

The regional plans that are currently in place were prepared under the previous Development Act 1993. They are official volumes of the Planning Strategy for South Australia, which presents the SA Government’s strategic policy directions for the physical development of the state over a period of 10–15 years. There were three volumes of the planning strategy, based on different geographical areas: one for metropolitan Adelaide (with the most recent one published in 2010 and its update in 2017 (Government of SA 2010; 2017)); one for the arc surrounding metropolitan Adelaide; and one for regional SA (covering the seven rural planning regions). It was a requirement for local councils under the Development Act 1993 that they aligned their local development plans with the planning strategy.

The regional plans were based on three objectives, namely, to maintain and improve liveability, to increase competitiveness, and to drive sustainability and increase resilience to climate change. There was little indication of how such general objectives were to be achieved, and the regional plans were largely devoid of spatial concepts that could convey a strategic vision for population and economic growth in the state (Government of SA 2012). Only in the 30-Year Plan for Greater Adelaide (Government of SA 2010) are concepts such as activity centres and transit corridors developed, although these are clearly only relevant to the urbanised (metropolitan) area (Dühr and Pinnegar 2021).

All regional plans maintain a strong focus on population growth, as a prerequisite of economic growth, in spite of trends in regional SA of an at best stagnating population. For example, the Regional Land Use Planning Framework for the Yorke Peninsula (Government of SA 2007: 3) states the expectation that ‘increasing economic investment in regions—including the expansion and diversification of primary industries and mining activity, and the service sectors supporting the tourism industry and older populations’ will attract younger people and people from overseas to regional locations across the state. Although the document includes an analysis of the population trends and discusses the expected challenges for the Yorke Peninsula in maintaining its population, the ‘vision’ of the land use framework focuses on population and industry growth along the coast, alongside strengthened inland towns. It is acknowledged other policies will matter for economic development and infrastructure investment, yet the coordination of policy and the influence of other strategies on population development are only discussed in general terms (Dühr and Pinnegar 2021).

The existing planning strategy volumes offer little in terms of a strategic spatial development perspective. The documents are prescriptive and administrative in their focus, not tools that would invite wider engagement with questions about spatial development for SA. There are strong parallels between the regional plans, which assumed that local government, the state planning agency, other state government agencies, and other stakeholders would work together to implement the plan. Together, councils and agencies were to determine long-term land use and infrastructure priorities and how best to focus their efforts on implementing these priorities. Although the plans include a reminder that the relationships and links with and between adjoining regions are also considered in planning decisions (Government of SA 2012: 6), no specific actions were listed that would indicate more attention was needed on how the strategy might be implemented.

Eight new regional plans, under the PDI Act, are expected to come into force by 2023, and will together cover the entire state. The regional plans will be prepared by joint planning boards (partnerships of local councils in the planning region) or else by the state government. The PDI Act requires regional plans to be consistent with relevant state planning policies and include a long-term vision (over a 15 to 30 year period) for the region, including provisions for the integration of land use, transport infrastructure and the public realm; and recommendations about the application and operation of the Planning and Design Code. The SA Government played a strong role in the preparation of the current regional plans and given the general trends in centralising planning to the state level (Goodman, Maginn et al. 2013), considerable state involvement can be expected with the new regional plans.

While the preparation of regional (spatial) plans has been delayed, state-wide strategies for regional development and for infrastructure have recently been adopted. The Regional Development Strategy 2021 (Government of SA 2021) provides the overarching framework for a ‘regional blueprint’ of economic strategies that will be prepared by the eight SA Regional Development Australia representative entities (Regional Development SA 2020).
6. Population policy and encouraging the growth of smaller cities

Their focus is on building the region’s growth potential in priority sectors such as defence, food, wine and agribusiness, international education, tourism, and energy and mining, and to identify investment opportunities to support economic growth in the state (Dühr and Pinnegar 2021). The Regional Development Strategy does not offer a spatial framework and there is limited evidence of coordination with other policy sectors.

The analysis of SA’s planning system highlights the influence and impact of the state government, which has approached urban and regional planning as a mostly administrative/political, rather than communicative or collaborative, exercise. In terms of governance arrangements, ensuring community ownership of the future regional economic and spatial plans will require greater attention.

6.2.3 Lessons from two states

The discussion in the previous sections has shown that different trajectories are being followed in NSW and SA for urban and regional planning, notably in understanding the value of strategic policy frameworks to influence the distribution of population growth, stimulate economic development and decide on infrastructure needs and their location.

Some states, such as NSW and Victoria, have recently rediscovered strategic spatial planning, using proven policy concepts and informed by a functional understanding of spatial relations. These place emphasis on efficient policy coordination between spatially relevant sector policies. In comparison, SA has firmly embraced a paradigm that relies on project-based approaches, with current government strategies only offering general (and predominantly non-spatial) objectives and a strong emphasis on facilitating investment and stimulating economic growth.

In NSW, coordinated policy responses have been used to direct population growth to desired locations. With respect to impact, much will depend on how the current strategic policy frameworks will be implemented over the coming years (and by successive governments), but the currently proposed vision and government support is promising.

The regionalisation of spatial planning and tight coordination in NSW suggests a more determined approach to fostering regional growth (Dühr and Pinnegar 2021). Although this spatialization of wider state policy portfolios indicates the imposition of a ‘top down’ framework, the regional plans perform a more communicative rather than programmatic role. They seek to enable inherent local strengths to be stewarded, to help regions succeed, and to offer a wider strategic overlay linking the local to state to national (and vice versa) through discourses of (and dominant investment in) improving connectivity between hubs and spokes—between metropolitan cores and satellites—and to new markets.

In comparison, the response in SA to projected population growth in Greater Adelaide has primarily comprised expanding the urban growth boundary and the potential for future release of greenfield sites for development on the urban fringe (Hamnett and Kellet 2018). Overall, planning in SA has had little impact on the development of the state’s second-tier cities, and current policy frameworks appear unlikely to exert a greater influence in the future (Dühr and Pinnegar 2021).

6.3 Policy development options

This chapter addressed Research Question 7: Which policy instruments and programs are likely to have the greatest impact in supporting the attraction and retention of residents in smaller cities? It provided a background to previous policy initiatives aimed at the decentralisation of Australia’s population (Collits 2015) and the strengths and weaknesses of these approaches. It examined these earlier policy instruments in order to provide the context within which new measures focussing on the growth of smaller cities need to be considered. The chapter discussed the capacity of land use planning to shape Australia’s urban settlement pattern as, prima facie, there is a reasonable expectation statutory planning could be a key policy instrument.
The chapter has shown that:

- While there have been a significant number of policy innovations unveiled for the growth of Australia’s non-metropolitan regions, including its smaller cities, over the past 60 years, problems of poor execution and the failure to work across the tiers of government has hampered efforts.

- Other nations more successful in their development of second tier cities have made use of governance frameworks to better co-ordinate efforts and deliver success.

- Planning policies have had unequal outcomes when developed and applied by the Australian states. The review of the NSW experience highlighted that strategies and actions can be developed that have a greater chance of success, while the SA case showed the limitations of approaching regional planning as an administrative exercise, distant from other programs of investment and development.

- Evidence-informed approaches that concentrate resources in places with both a record of growth and the potential for further expansion appear to be more successful.

- There is a need to acknowledge that advocacy for the development of smaller cities is a product of both ‘push’ and ‘pull’ factors, with the former reflecting the desire to lower congestion costs in the largest centres, and the latter a desire for economic and population growth amongst the residents of smaller centres.
7. Policy options for Australia’s smaller cities

This Inquiry was established to examine the capacity of Australia’s smaller cities to help manage population growth, including international and national migration; and provide advice on which policy instruments and programs are most likely to redirect population movements to these places. These are longstanding questions for both policy makers and academic inquiry that have remained unresolved because of significant gaps in our understanding of the most appropriate mechanisms for leveraging growth outside the capital cities.

The potential of Australia’s smaller cities in managing the growth and distribution of Australia’s population has been acknowledged by both governments (DoHE 1983) and academic researchers (Beer, Bolam et al. 1994) for over 40 years. Despite this recognition, Australians have continued to cluster in the capitals, where population grew by 10.5 per cent between 2011 and 2016, compared with 5.7 per cent for the regions.

Much of this capital city growth has been driven by immigrant arrivals, and since the mid-1980s 85 per cent or more of all new arrivals have settled in the capitals, with some 60 per cent choosing Sydney and Melbourne (Hugo and Smailes 1985). This ongoing population growth is an important contributor to the $16.5 billion of congestion costs affecting Australia’s eight capitals.

7.1 Answering the key questions on the growth of smaller cities

This Inquiry set out to shed light on the role smaller cities could play in accommodating Australia’s population growth and the policy settings need to achieve this aim. It addressed two overarching policy questions:

• First, what role could Australia’s smaller cities can play in managing national population growth, including international and national migration?
• Second, which policy instruments and programs are most likely to redirect population movements to these locations?

These two overarching policy questions were then further broken down into seven sub-questions:

• How can we differentiate Australia’s smaller cities according to economic profile, population trajectory, industry structure and geography?
• What are the current mobility and settlement patterns of migrants, including those arriving from other parts of Australia and other nations, across these smaller cities?
• What are the key drivers of mobility in Australia (to/from metro and regional areas)?
• Which factors support or motivate moves to smaller cities—what is the role of employment opportunities, infrastructure, facilities and other factors in encouraging settlement outside the major metropolitan centres?
• What are the place-based experiences of residents in regional centres?
• To what degree do residents of smaller cities benefit in terms of housing and employment outcomes, as well as incomes? How are these benefits perceived, and do they assist in retaining residents and employers?
• Which policy instruments and programs are likely to have the greatest impact in supporting the attraction and retention of residents in smaller cities?
This chapter will not reproduce the answers to each of these seven questions as they are set out previously in this report and in the supporting project reports. Instead, this chapter focuses in some detail on RQ7: Which policy instruments and programs are likely to have the greatest impact in supporting the attraction and retention of residents in smaller cities?

As identified in Chapter 6, policies and programs for the development of smaller cities in Australia remain under-developed, with relatively little evidence of long-term success at the national scale and a patchwork of policy settings across the states and territories. There is also little evidence of the collaboration across the tiers of government, and with external parties such as the community and the private sector, that the international literature has identified as critical for success.

This chapter draws on the key findings to examine policy options, including strategies to:

- maintain existing policy options and not introduce new programs or initiatives
- further develop and activate land use planning tools to support the development of smaller cities
- develop a portfolio of place-based policies that seek to concentrate investment in a limited number of smaller cities
- implement policies that encourage the growth of further education in smaller cities
- expedite the growth of smaller cities as preferred places of residence for older Australians, including retirees.

The advantages and disadvantages of each of these will be discussed in turn, and the potential to apply a number of measures in parallel is considered.

### 7.2 Maintain existing policy settings

It is important to consider the likely impacts of maintaining current policy settings and their consequences for Australia’s smaller cities. As Table 5 shows, keeping the current policy settings will most likely maintain the status quo of population growth in our smaller cities. Under this scenario, smaller cities will not increase their share of the national population and regional inequalities will increase with respect to both productive capacity and quality of life.

Australia’s existing economic and population processes delivered long term economic growth for the nation, but they also resulted in greater disparities between metropolitan and regional areas. As the detailed analysis documented in this report, and considered in greater depth in the supporting projects makes clear, our contemporary patterns of population distribution and growth are an outcome of longstanding, deeply entrenched, processes and they are most unlikely to change without significant policy change.

While some change in population movements has been observed since the onset of the COVID-19 pandemic, the doubts expressed by many commentators about its continuation and impact indicates the strengths of these drivers of metropolitan concentration.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>No new investment required</td>
<td>Unlikely to shift current population processes and their outcomes</td>
</tr>
<tr>
<td>Well-developed policy measures that have delivered long term economic growth</td>
<td>Increasing regional disparities between metropolitan and non-metropolitan regions</td>
</tr>
<tr>
<td>A history of delivering national economic growth</td>
<td>High congestion costs in the largest cities</td>
</tr>
<tr>
<td></td>
<td>Unaffordable house prices</td>
</tr>
</tbody>
</table>

Source: Authors.
7. Policy options for Australia’s smaller cities

7.3 Develop and activate land use planning tools

Across Australia, the past decade has seen a reassertion of regional economic development policy within strategic planning frameworks, particularly through the development of regional growth plans. These plans offer a regional framing to wider state government policy—most notably connectivity-focused infrastructure investment—and transplant key elements of metropolitan planning toolkits onto regional and rural areas (Table 6, p. 80). They align with the resurgence of a broader narrative about the importance of driving regional growth in the national interest, which underpins Australian Government strategies such as the City and Regional Deals programs and the revived interest in faster regional rail links.

Regional planning policies have the potential to drive sustainable growth in regional cities, but it is not clear which planning approaches will be most effective. The research undertaken for this Inquiry indicates that ensuring local planning systems and capabilities are strategically robust, agile and adequately resourced is key.

While the return of state and national interest in regional planning is new, it is important to note that the economic approach underpinning these regional plans is not. Instead, they reflect longstanding elements of economic policy, which positions economic development building on existing assets in key locations in order to enhance the productivity of all regions, rather than being driven by an ambition to address longstanding imbalances between cities and regions.

In practice, however, this inevitably means there will be winners and losers. Typically, larger regional centres consolidate their strategic role, while their hinterlands and more distant, smaller-sized service centres may languish. The result may be a consolidation of regional development in larger centres, rather than a significant increase in regional population overall. It calls for a pragmatic approach to planning’s potential to substantively recast population and economic growth trends.

Current settings provide the framework for guiding more coherent strategic decision making and underpin more evidence-based, better integrated land use planning in regional cities. It is at this local level where an effective planning system makes a fundamental difference, as it is at this scale that many decisions shaping the quality of regional living are made and actioned.

As the third report in this Inquiry demonstrates (Crommelin, Denham et al. 2022), a key attractor to regional cities is the quality of life on offer: the short commutes, the ease of accessing natural amenities, the relative affordability of housing. If roads snarl up, access to facilities and services declines, and new subdivisions proliferate on the fringe of regional cities, this liveability dividend risks being undermined.

To be effective, land use decision making capacity needs to flow to the places where the aims of regional development and strategic planning materialise: if jobs are to be created and inward population movement encouraged, the capacity to respond locally is vital. Resilience is a longstanding characteristic of regional Australia, and regional cities and communities have demonstrated capacity to weather change and respond to new opportunities. Giving them the power to do so more effectively in response to regional growth strategies is essential if this growth is to be sustainable and not self-defeating.

There is therefore a pressing need to ensure that local planning systems and capabilities are strategically robust, sufficiently agile, and adequately resourced to provide the required physical and social infrastructure to respond to population-change pressures in a locally sensitive way. Currently, the tight coordination evident in the shared language and coherent geographical frameworks that shape the new regional plans indicate a preference for a centralised approach to stewarding regional growth.

This top-down framework is also apparent in the creation of regional typologies and the designation of special activation precincts. What is missing is a focus on giving local planning agencies the capacity to respond to population demands, both in terms of facilitating additional supply but also enabling more strategic responses to provide more affordable and diverse housing.
7. Policy options for Australia’s smaller cities

For example, as regional LGAs amend their planning frameworks, opportunities should be taken to reflect changing housing demand and put in place mechanisms which enable greater diversity. This will involve looking to policy measures which have had variable degrees of traction in larger cities, but also tailor appropriate solutions for smaller cities. Where significant regional economic development activity is being promoted by state governments—for example through special activation precincts—commensurate, integrated support should also be put in place.

In both strategic and land use planning considerations, it can be argued that urban planning has been brought back into the fold—at least in the realms of regional plan making. It provides the geographical frame for improving place-based strategies, but this revived regional framing and narrative needs to be accompanied by governance and funding structures to deliver effective planning outcomes for smaller regional cities in practice. The diversity of regional cities needs to be clearly acknowledged, as does the desire for greater local input in planning (Crommelin, Denham et al. 2022). Translating this into greater localised land use planning capacity will provide the best chance of ensuring growth happens for regional cities, not just to them.

Table 6: Strengths and weakness of planning measures to grow smaller cities

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Established policy model with clearly defined roles</td>
<td>• Dependent on high degree of co-ordination within governments</td>
</tr>
<tr>
<td>• International examples to inform further development</td>
<td>• Dependent on high degree of collaboration across the tiers of government and with external stakeholders</td>
</tr>
<tr>
<td>• Clearly articulated lines of responsibility</td>
<td>• Inevitably generates losers as well as winners</td>
</tr>
<tr>
<td>• Provides a framework for concentrating efforts for maximum impact</td>
<td>• Vulnerable to political pressures and cycles</td>
</tr>
<tr>
<td>• Proven track record internationally</td>
<td>• The risk of the unknown, may appear nebulous</td>
</tr>
<tr>
<td></td>
<td>• Limited history of success nationally</td>
</tr>
<tr>
<td></td>
<td>• Established policy frameworks in some jurisdictions may be difficult to change</td>
</tr>
</tbody>
</table>

Source: Authors.

7.4 Implement place-based policies nationally

As the term implies, place-based policies have a focus on specific cities, localities or regions, but they represent far more than just a label for already established programs of government activity, or the concentration of public sector resources in specific locations. Place-based policies embody an ethos about, and an approach to, the development of economies and society that acknowledges that the context of each and every city, region, and rural district offers opportunities for advancing wellbeing (Beer, McKenzie et al. 2020). They advocate for a development approach that is tailored to the needs of each city, township or smaller urban centre. Importantly, place-based policy explicitly seeks the development of all parts of the landscape, with no settlement too small or too remote to plan for progress.

Over the past decade increased attention has been paid to place-based policy making. This focus has been evident in the EU and a number of other nations and has been applied to a wide range of policy domains, including the emergence of place-based leadership, industry policy, innovation and in managing the impacts of economic shocks and economic transition. There is a growing movement towards place focussed industry policies. Other areas of convergence include the development of industry clusters, the creation of entrepreneurial ecosystems, the implementation of smart specialisation and the development of spatially bound infrastructure programs—all of these initiatives can be identified as examples of place-based policy.

Importantly, place-based policies are not limited to a single industry, sector, tier of government or component of the community. They represent a portfolio approach, where solutions are shaped to meet the needs of each and every place the policies are developed for. With respect to Australia’s smaller cities, depending on the circumstances in each place, key elements could include:

• the development of strategies for attracting, welcoming and assisting in the settlement of immigrants
7. Policy options for Australia's smaller cities

- the provision of health, education and other services to enhance the city's capacity to both attract and retain population
- supporting the development of industries and enterprises with the potential for growth
- investment in housing, including actions to enhance and upgrade local planning systems, ensure the adequate provision of sites for urban development and expedite investment in affordable housing options
- investment in critical economic infrastructure, including high-quality internet connection, road, rail and air transport, as well as adequate water supply and facilities to manage waste
- investment in the 'soft' infrastructure to further enhance and co-ordinate the development of the smaller city. Coordination, community engagement and oversight mechanisms are critical to long term success (Beer, McKenzie et al. 2020).

Critically, effective governance lies at the core of successful place-based policies. Place-based perspective acknowledge actions taken by a single tier of government or by one industry are unlikely to be successful, especially in the long term (Table 7). For Australia's smaller cities this means programs need to engage with all three tiers of government, the private sector, community groups and those who serve as informal leaders in the community. Development needs to be managed locally, with decision making focussed on long term outcomes, rather than short term opportunities.

Table 7: Strengths and weaknesses of place-based policies for smaller cities

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity to bring together multiple actors for positive change</td>
<td>High transaction and coordination costs</td>
</tr>
<tr>
<td>Long term perspective able to shape a sustainable future</td>
<td>Limited impact in the short term, eroding community and political support</td>
</tr>
<tr>
<td>A focus on the specific needs of the place</td>
<td>Inability to roll out a standardised program at the national scale</td>
</tr>
<tr>
<td>Community support and engagement</td>
<td>Vulnerability to political pressures and cycles</td>
</tr>
<tr>
<td>Innovative</td>
<td>The risk of the unknown, may appear nebulous</td>
</tr>
<tr>
<td>Mobilising resources from multiple parts of the economy</td>
<td>Dependent on high degree of trust between parties</td>
</tr>
<tr>
<td>Cost sharing to maximise impact</td>
<td>Cut backs in one sector may result in cascading negative impacts</td>
</tr>
</tbody>
</table>

Source: Authors.

Importantly, place-based policies have precedent in Australia: the City and Regional Deals announced by the Australian Government over the past decade can be seen as one form of place-based policy, with some states having equivalent programs (for example, Royalties for Regions in WA and Queensland). To grow and assist in the management of Australia's population, smaller cities need an equivalent program that is:

- both more substantial and more inclusive of a range of different types of investment
- engaged with all parts of the target community and its population
- evidence based, with the places for investment identified through a systematic process
- implemented in the longer term—including time horizons in excess of a decade.
7.5 Grow smaller cities as research and education hubs

Research undertaken in support of this Inquiry (Li, Denham et al. 2022) demonstrated that despite strong growth in some regional cities there remain structural weaknesses that need to be addressed. The research noted a moderate negative relationship between growth in jobs and wages in some centres. This arose from the tendency for high growth locations to attract lower skilled, lower paid, often part-time service work, rather than higher-skill higher wage, knowledge-based work. This potentially presents longer-term problems in terms of economic resilience to shocks and ongoing opportunities for populations, particularly younger cohorts. This broad issue has long been recognised in the literature. For example, Mullins (1992) noted cities such as the Gold Coast and Sunshine Coast exhibited higher rates of unemployment during periods of industrial restructuring than larger, more industrially dependent, cities.

The reliance of high-growth centres on low-skill low-wage service employment calls for the consideration of alternative economic pathways. There is substantial international literature on the importance of knowledge-based employment as a basis for strengthened economic performance, including the role of universities in both providing local knowledge employment and contributing to knowledge spillovers (Drucker and Goldstein 2007; Harrison and Turok 2017). While it was not anticipated from the outset of this Inquiry, the question of how knowledge-based employment might be fostered in high population growth regions deserves investigation.

Analysis was undertaken of employment in the education sector in regional cities in Australia and found significant concentrations in Newcastle, Wollongong, Central Coast, Geelong, the Sunshine Coast, Townsville, Toowoomba, Cairns, Launceston, Bendigo, Rockhampton, Wagga Wagga, Bunbury and Armidale. In total there were just under 83,000 education jobs in these centres in 2011 and 98,000 in 2016, a growth of 15,000 new employment opportunities and a rate of increase of 20 per cent. Most of this employment is likely to be in the school system, such that there is a scale effect in terms of total education employment relative to city size. However, each of these centres hosts a main or secondary university campus.

Professional services and financial and business services sectors also offer higher-wage higher-skill employment. Regional centres with disproportionate employment in professional services and in financial and business services sectors include a number of coastal centres, such as Lennox Head, Byron Bay or Kiama, and peri-metropolitan centres, such as Bowral-Mittagong, Torquay and the Blue Mountains. Places like Ocean Grove and Torquay are functionally part of Geelong, but these data clearly show the clustering of professional service employment. For financial and business employment there are clear patterns: a group of centres combine scale with coastal or peri-metropolitan location to offer a disproportionate share of this sector.

There are a number of potential funding streams that could be used to support the growth of education and knowledge-intensive business services in smaller cities. One potential source is research block funding. Research performance amounts to approximately $1 billion annually and is in addition to competitive funding in medical and general research of $1.6 billion. Much of this funding is directed to metropolitan institutions, because of the ways in which performance formula are constructed. Some of this funding could be tied to university campuses in the regions, which may well drive universities to move staff and facilities to these places, with the change taking place over a period to remove the prospect of a policy-induced shock. This may offer the further advantage of freeing up valuable inner urban land for redevelopment. Secondly, the Australian Government could further drive the development of smaller cities as places of higher education by making funds available for the development of new facilities outside the capitals, and/or fund the development of new models of education provision in regional Australia.

A regional fiscal policy aimed at improving regional economic performance through spatially targeted support for knowledge sectors would require coordination (Table 8). Evidence suggests the Australian Government is increasingly prepared to undertake direct economic investment to generate jobs in regional areas, with recent examples including developments at Kurri Kurri in NSW and plans to develop Northern Australia. This more proactive approach will necessitate a rebuilding of the policy capacity of the public sector (Thodey, Carnegie et al. 2015).
7. Policy options for Australia’s smaller cities

Table 8: Strengths and weaknesses of knowledge-focussed policies for smaller cities

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourages new investment in high growth industries</td>
<td>Requires the repositioning of established policies and programs</td>
</tr>
<tr>
<td>Creates employment opportunities in high-skill, high wage sectors</td>
<td>Likely to have few short-term benefits, with impacts evident in the long to medium term</td>
</tr>
<tr>
<td>Assists in the retention of individuals and families in smaller cities by widening the employment base</td>
<td>May be challenged by the opposition of long-standing residents to change</td>
</tr>
<tr>
<td>Reduces dependence on commodity production and global markets</td>
<td>Vulnerability to political pressures and cycles</td>
</tr>
<tr>
<td>Provides opportunities for school-leavers to study locally</td>
<td>May generate inefficiencies in the production of research and in the teaching of students</td>
</tr>
<tr>
<td>Reduces the flow of young people to the metropolitan areas</td>
<td>May place pressure on housing markets</td>
</tr>
<tr>
<td>Provides an attractive employment option for those seeking to live the biggest cities</td>
<td>Unlikely to deliver success in all smaller cities seeking to grow</td>
</tr>
</tbody>
</table>

Source: Authors.

7.6 Smaller cities as preferred retirement destinations

Policies that promote the development of smaller cities as preferred destinations for post-retirement living should offer support for healthcare and aged care, home ownership and access to other supporting services.

The provision of high-quality healthcare and aged care facilities in smaller cities will be essential to their ability to attract older residents. Regional towns experience particular issues and challenges due to their smaller size and relative geographic isolation, and health outcomes in these areas have typically lagged those in larger metropolitan centres. The National Strategic Framework for Rural and Remote Health (AHMAC 2012) identifies policy areas that could be targeted by local, state and national governments to offer better healthcare and aged care facilities in smaller cities. These include funding support and incentives for the provision of healthcare and aged care services in regional towns; development of technology, infrastructure and service models that are tailored to the needs of regional towns; and improvements in the recruitment, retention and distribution of rural and remote healthcare and aged care service providers.

Limited options for home ownership and rental in regional towns are frequently cited as a barrier to population growth (e.g. McKenzie and Rowley 2013). The COVID-19 pandemic has exacerbated the issue further, increasing demand for housing in regional cities, and causing housing prices to rise disproportionately more in these areas (Coutter 2021). Some have argued for an expansion in the role of government in the supply of affordable housing in regional markets (Rääbus 2021). However, related government initiatives in the past, such as the National Affordable Housing Agreement and National Rental Affordability Scheme, have not had a significant positive impact on regional housing markets (Beer, Tually et al. 2011). Consequently, careful consideration needs to be given to the design of new policies to ensure that they can deliver housing in locations where people want to live, and at prices that they can afford.

Finally, regional cities usually have lower population densities and greater distances between places, making services less accessible. Regional cities also have limited public transport services, making access even worse for those that cannot drive. The most commonly reported problems facing older Australians are a need for assistance with mobility and transport (Whelan, Langford et al. 2006), and driving cessation is routinely cited as a cause for greater depression and lower quality of life (Musselwhite and Shergold 2013). Increased and sustained funding for community transport schemes and expansion of demand responsive transport services are deemed vital to providing a viable alternative to private car ownership and use in regional centres (Mulley and Nelson 2012) and expand access to services for disadvantaged and vulnerable populations.
Table 9: Strengths and weaknesses of retirement-focussed policies for smaller cities

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• More likely to appeal to a large proportion of Australians</td>
<td>• Higher costs of service provision due to limited economies of scale</td>
</tr>
<tr>
<td>• Builds on existing demographic processes and public preferences</td>
<td>• Limited growth in high value industries</td>
</tr>
<tr>
<td>• A fine-tuning of public policies rather than a radical transformation</td>
<td>• Does not target younger Australians and their settlement preferences/career opportunities</td>
</tr>
<tr>
<td>• Delivers better services for all residents of these places</td>
<td>• Will not deliver growth in all settings</td>
</tr>
</tbody>
</table>

Source: Authors.

7.7 Final remarks

Metropolitan primacy—the concentration of Australia’s population in the nation’s capital cities—is a longstanding feature of our settlement pattern. In part it is a product of the history of colonisation alongside the concentration of political power and influence in the major metropolitan centres. Economic globalisation and the liberalisation of the economy since the mid-1980s has further exacerbated this established trend. Immigrants have also concentrated in the major metropolitan areas for very good reasons—it is these places that employment is to be found, family and community members are already located and, perhaps most importantly, these are the only places immigrants have any knowledge of as they seek to settle in a new country.

Australia’s settlement pattern is not, however, locked into a future of inevitable ‘metropolitanisation’. Looking globally, it is evident that other settlement systems are sustained in nations and economies very similar to our own, and that with relatively minor adjustments the nation’s smaller cities could take an increasing share of population. This report has documented the processes leading to our current urban settlement system and the policy options available to us to bring about change.

More fundamentally, however, positive change is needed in three key areas, all of which are implicit throughout this report. To grow Australia’s smaller cities, it is essential that we see greater leadership by governments in envisioning, discussing and implementing change. All three tiers of government need to take on this leadership role, but national-level guidance from the Australian Government will be essential for broadly equal outcomes across the nation. Second, there needs to be greater integration and co-ordination across the tiers of government. Such action is needed to ensure the actions of one tier of government are reinforced by the actions of others. Third, there is a need to break down ‘policy silos’ within state, federal and local governments in order to provide an integrated approach to the development and betterment of places outside the capitals. Such change is possible—recent initiatives in NSW have demonstrated the strength of integrated approaches and the capacity to deliver positive outcomes through evidence-informed, sustained policy attention.
References


References


References


References


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