

Examining policy that can assist in managing population growth in Australia's regional cities



Based on AHURI Final Report No. 386: Growing Australia's smaller cities to better manage population growth

What this research is about

This Inquiry report brings together three integrated research projects to examine the capacity of Australia's smaller cities to assist in managing population growth, including international and national migration; and provides advice on which policy instruments and programs are most likely to redirect population movements to these places.

The context of this research

Australians continue to live in the capital cities, 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; 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. This ongoing population growth is an important contributor to the \$19 billion of congestion costs affecting Australia's eight capitals.

The key findings

Overview of situation with smaller cities

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 has continued. International migration was largely similar, with most relocating to larger regional urban centres; few international arrivals choose smaller cities as their first destination.
- Many Australians 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 area 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.
- The areas losing population 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.

Lived experience in small cities

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. The tightness of the rental market in regional centres was of particular concern, and there was evidence this presents a barrier to new arrivals who could not (or did not want to) purchase a property immediately.

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 overarching conclusion from the discussion 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.

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Supporting regional development through planning

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.

The research explored planning policies and regional development in NSW and South Australia. 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.

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The Australian Government's direct involvement in urban and regional planning is limited, however 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'.

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*, which 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.

What this research means for policy makers

Policy options for consideration

Option 1: Maintain existing policy settings and do not introduce new programs or initiatives

The research concluded this option was unlikely to deliver additional growth for Australia's smaller cities. 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. Change is most unlikely without significant policy change.

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Option 2: Further develop and activate land use planning to support the development of smaller cities

Option 2 has 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.

This 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. Ensuring local planning systems and capabilities are strategically robust, agile and adequately resourced is key.

Option 3: Develop a portfolio of place-based policies that seek to concentrate investment in a limited number of smaller cities

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. Place-based policies embody 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. 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.

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 policies.

Option 4: Implement policies that encourage the growth of further education in smaller cities

The reliance of high-growth centres on low-skill low-wage service employment calls for the consideration of alternative economic pathways. 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.

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Option 5: Expedite the growth of smaller cities as preferred places of residence for older Australians, including retirees.

Option 5 seeks to further enhance the attractiveness of smaller cities as places for retirement for older Australians 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.

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It is important to acknowledge the policy options 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.

In general, policy developments could include:

- the development of strategies for attracting, welcoming and assisting in the settlement of immigrants
- 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.

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Methodology

This research focussed on Australia's non-capital cities including the larger satellites, such as Newcastle, Wollongong, Geelong and the Gold Coast, effectively establishing a nation-wide evidence base. It examined the movement of three migrant categories—domestic migrants, international migrants, and those who have settled in Australia as humanitarian or refugee arrivals.

To cite the AHURI research, please refer to:

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