

April 28th, 2015

Senate Standing Committee on Rural and Regional Affairs and Transport,
PO Box 6100,
Parliament House,
Canberra ACT 2600.

To whom it may concern,

Please find attached a submission to the Senate Inquiry regarding **The future role and contribution of regional capitals to Australia** from the seven Western Australian regional cities which constitute the Western Australian Regional Capitals Alliance (WARCA).

Given that the WARCA members are spatially distant and economically diverse with a variety of demands on municipal and regional budgets, policy measures that meet specific needs and opportunities are more appropriate for Western Australian circumstances. Remoteness, climatic conditions, seasonality of accommodation and visitor demands, markets, the degree of engagement with the global economy all have varying opportunities and costs which cannot be appropriately or adequately addressed with a 'one size fits all' policy agenda. Further, given that the WARCA members have a critical role in providing services and connectivity to neighbouring jurisdictions, allocation of resources should not be based solely on population, but rather on function and expected outputs.

The dispersed geography of rural, regional and remote Western Australia means that the WARCA members provide a wide range of services and facilities to a large non-resident population which flows in from other local government areas. The regional capitals provide many social and lifestyle services and amenities for the surrounding region(s) for which there is no financial recognition or compensation. Most WARCA communities are also important government service providers. Currently Commonwealth funding is allocated on a model which often lacks accuracy and is essentially premised on the size of regional populations. The WARCA membership argue that this is not appropriate for the WARCA membership.

We also strongly oppose the proposal to extend the inter-census period to ten years. A five yearly census provides a very important update of essential data upon which we premise strategic investment decisions.

Regardless of population, the Western Australian regional capitals provide services, infrastructure, connectivity and function at least equivalent to the regional capitals elsewhere which are closely located to other regional or urban capitals. The costs of distance, remoteness, climatic variations and isolation are not factored into the current financial arrangements which put some capitals at a financial disadvantage.

Research (Plummer et al 2013a,b,c) has shown that the WARCA members have created jobs and economic activity over the last decade however as the resources boom diminishes in scale many of the WARCA members will have to respond to new challenges. It is important we draw attention to:

- Inequitable funding arrangements for rural, regional and remote communities and the lack of understanding of the cost of remoteness and distance between urban centres and regional cities in Western Australia.
- Inaccurate data which underpins important Commonwealth funding arrangements for regional cities such as the WARCA members.
- Inflexible arrangements which limit local government authorities' ability to raise funds.

We advocate a more responsive set of policy levers which address particular industry sectors, places and circumstances, regardless of population size. Incentives and policy measures cannot adequately respond to opportunities in regional locations if there is an expectation of homogeny. Sustainable growth in regional cities in Western Australia would be enhanced by:

- Prescient strategic planning and housing forecasts based on timely and accurate data;
- Ongoing contributions for maintenance of key infrastructure such as ports, airports, sewage, water supply and power;
- Incentives for investment in local jobs and industries development;
- Adequate support for government services to outlying and transient populations;
- Recognition and compensation for the high cost of distance and remoteness for example, transport and construction

Yours truly,

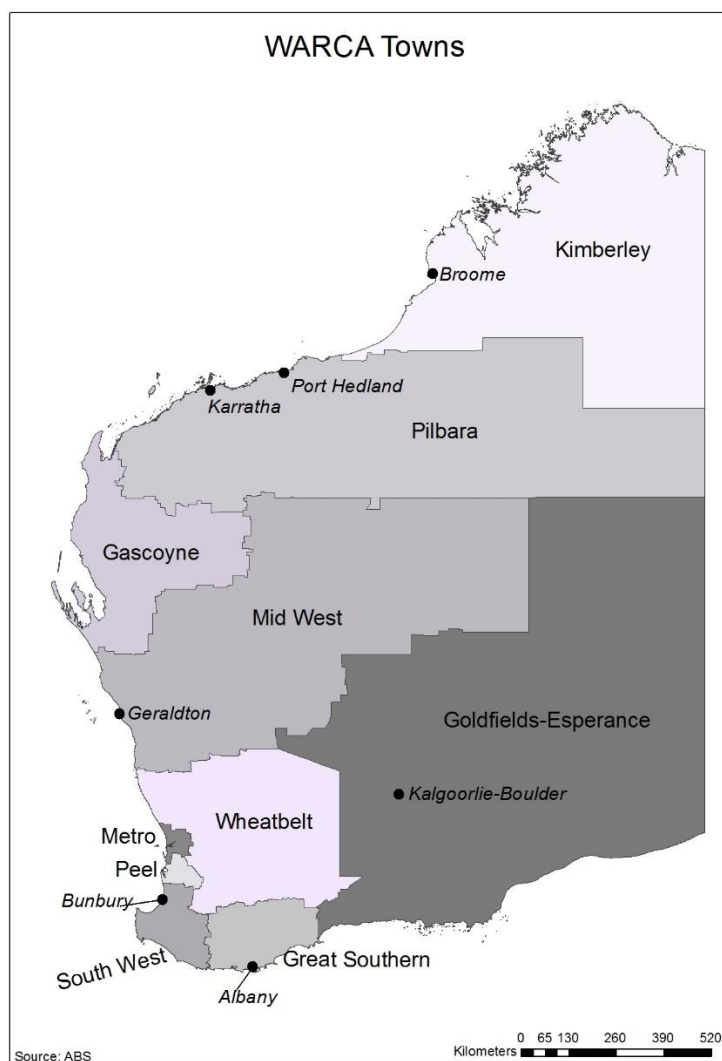
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Senate Inquiry

The future role and contribution of regional capitals to Australia

This submission draws on the experiences of a coalition of seven of the largest regional centres in Western Australia, referred herein as the **Western Australian Regional Capitals Alliance (WARCA)**. They are the cities of Greater Geraldton, Albany, Bunbury, Karratha (previously the shire of Roebourne) and Kalgoorlie-Boulder, the Shire of Broome and the Town of Port Hedland (see Figure 1). They play an important role in the State's overall economic structure and have economies that are distinctive within the settlement hierarchy. Collectively, the regional capitals are the most significant concentrations of employment in non-metropolitan Western Australia.

Figure 1: WARCA members' location in Western Australia



Most are a considerable distance from the capital city Perth and all of them are a regional centre, providing a variety of services, physical and social infrastructure, not only to their residents but also to neighbouring communities.

1.0 An assessment of current demographic trends and the changing role of Western Australian regional capitals

The past decade has seen extraordinary economic growth in Western Australia due to the expansion of the resources industries. Regional capitals have experienced population growth over the last decade (see Table 1*) although the rate of growth has lagged that of Perth.

Table 1: Population Change 2001-2011 Western Australian Regional Capitals

Local government area	2001	2006	2011	% change 2001-2006	% change 2006-2011
Albany	31,362	33,171	34,873	5.75	5.13
Broome	13,249	14,326	15,737	8.13	9.85
Bunbury	30,616	31,450	32,580	2.72	3.60
Geraldton-Greenough	34,019	35,736	38,340	5.05	7.23
Kalgoorlie-Boulder	29,771	30,086	32,208	1.06	7.05
Port Hedland	12,881	14,084	15,659	9.33	11.18
Roebourne **	15,118	20,054	23,634	32.65	17.85

(Source: Australian Bureau of Statistics, 2012)

* Note: population data varies depending upon whether Place of Enumeration or Place of Work data is used.

** Note: for this analysis the local government area of Roebourne includes the settlements of Dampier, Karratha, Roebourne, Wickham and Port Samson.

Two of the WARCA members, Roebourne (now City of Karratha) and Port Hedland not only had some of the highest population growth in the nation for the period 2006 -2011, but they also were two of the six localities in the nation with the highest population churn, or population turnover rates (Australian Bureau of Statistics, 2013). High population turnover indicates a dynamic and changing population, which may have different service, infrastructure and amenity needs, than areas with low population turnover. The boom conditions of the last decade and high demand for labour has attracted more overseas born workers than Australian employees in many of the WARCA member towns. Population churn and high immigrant populations attract a cost at the community level which is rarely recognised or compensated.

The recent resources boom has had dynamic but different impacts on the Western Australian regional capitals. Karratha and Port Hedland are two mining hub towns to which most long distance commuting workers fly en route to mine sites or oil and gas platforms. Despite the volume of people moving through these hubs, few stay, invest or spend money. Large transient worker accommodation (TWA) in or near to towns make limited, if any,

contribution to the community, and their presence discourages resource industry employees from living and spending locally, thus compromising the local rates base and other local investment. Nonetheless, the local government authorities are responsible for maintenance of a range of infrastructure and services (for example, health facilities, airports, power, sewage, water, water management, waste management, sporting and cultural facilities etc) for no recompense.

Other WARCA members have benefited from long distance commuting residents. Bunbury and Albany for example, have residents who repatriate significant salaries from the mining industry to their communities which has considerable benefits for the local communities and regional economic development.

1.1 Functional Roles and Connectivity of Western Australian Regional Capitals

By comparison to other capitals in regional Australia, the populations of the WARCA communities are considerably less than the larger regional capitals in Queensland, New South Wales and Victoria. However, given the dispersed nature of the Western Australian regional population and the long distances between communities, the Western Australian regional capitals have an important functional role in the delivery of services. Three of the WARCA members (Broome, Karratha and Port Hedland) are located in remote or very remote locations (Australian Bureau of Statistics, 2011).

The communities that constitute WARCA are important drivers of employment growth, adding more than 23,000 direct jobs to the Western Australia economy over the last decade (Plummer et al 2013a).

The dispersed geography of rural, regional and remote Western Australia and the large distances between regional centres means that the WARCA members provide a wide range of services and facilities to a large non-resident population which flows in from other local government areas. The regional capitals provide many social and lifestyle services and amenities for the surrounding region(s) for which there is no financial recognition or compensation. Most WARCA communities are also important government service providers attracting a cohort specific to those needs and services. For example, health services attract not only health services clients but also, carers and family who will stay in the regional centre for as long as the health client requires services. This inevitably creates a demand for short term accommodation which the private sector does not service and to date, the public sector has ignored. Furthermore, government agencies do not pay rates which further compromises the regional cities.

In research undertaken for WARCA, the Centre for Regional Development at the University of Western Australia (P. Plummer & Tonts, 2013) has clearly demonstrated the pivotal connectivity function of the Western Australian regional capitals with neighbouring local government authorities, and, in some cases, engagement with the global economy, which is independent of population levels.

2.0 Current funding provided to Western Australian Regional Capitals

A challenge for Western Australian Regional Capitals is the limited opportunities to raise capital. The rate base of several of the capitals is limited by relatively small population (for example, the Shire of Broome, despite its functional and connectivity roles). Grant funding is provided for a number of services although there is limited latitude for climate, disaster or growth variations. Commonwealth grants for example provide for the operational expenses of repairing and maintaining roads but this accounts for only about 10-15% depending upon remoteness. The local government authority is expected to meet the balance of the costs, which **underscores the disadvantage imposed, particularly for remote centres with small populations, of calculating grants money allocations based on population.**

The Financial Assistance (General Purpose, Local Roads and Special Purpose) Grants (FAGS) to local government are nonetheless very important. The data which underpins the allocation of funds is not necessarily accurate. The ABS calculated that the undercount for the 2006 census was unusually high in Western Australia due to a variety of reasons associated with the rapid population influx in some parts of Western Australia especially in remote and regional areas and with the high population churn experienced by most Western Australian local government authorities (Australian Bureau of Statistics, 2013). Furthermore, there is considerable lag between population data being collected and FAG monies being allocated. The WARCA membership therefore **strongly opposes** the Commonwealth proposal that the census be conducted every ten years. As outlined herein, accurate census information underpins critical investment decisions and is the basis for essential grants funding. In periods of significant socio-economic change such as have been experienced over the last decade, five yearly census are adequate as a minimum data snapshot.

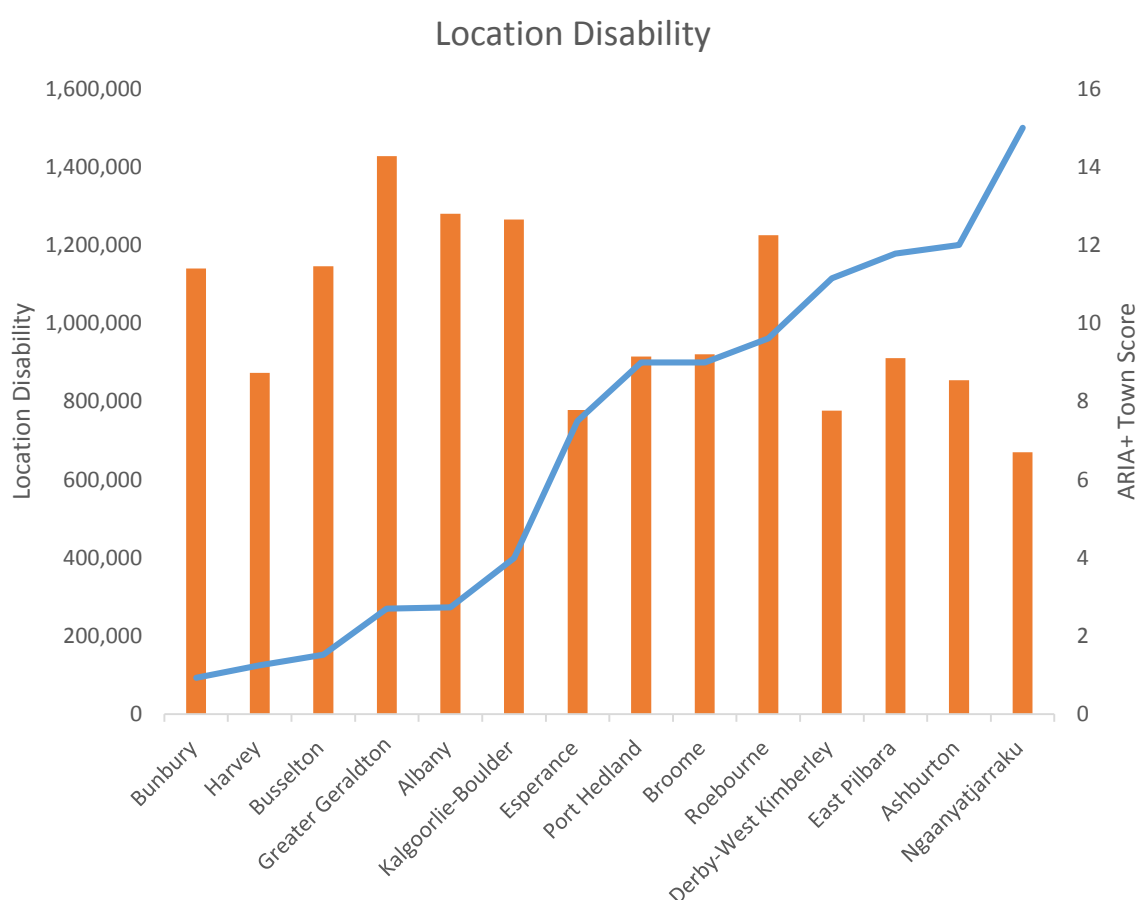
Remoteness (based on based on Australian Standard Geographical Classifications (ASGC)(2011)) exacerbates the affordability of a range of goods and services, generally expected to be provided by a local government authority. However, there is no compensatory mechanism to balance the additional costs of providing goods and services in a remote location, putting the three remote or very remote Western Australian capitals at a significant funding disadvantage (see Location Disability below). Compared to metropolitan counterparts regional capitals, especially those in remote locations, must absorb higher transport, freight and climate costs. Using the ASGC (2001) index to determine remoteness and taking into consideration population, a disability factor is estimated as shown in Figure 2. Those communities with very small populations in very remote locations have the highest disability factor.

The Location Disability is recognition by the Western Australian Local Government Grants Commission of the higher operating costs non-metropolitan local government authorities must bear due to location. However, the calculation of the Location Disability is not transparent. In addition, there is a separate allocation by the Western Australian Local Government Grants Commission for Regional Centres, which is based on a population threshold. Currently, none of the local government authorities in the Kimberley or the Pilbara regions, including WARCA members Broome, Port Hedland or Karratha in the most

remote areas of Western Australia are denoted as Regional Centres and thus, do not receive grant monies to defray the additional costs for their role as important population, transport, services and social hub for their respective regions which have recorded some of the highest population increases in the nation over the last decade. This is clearly inequitable. **While population is important, the role and function of regional capitals is a more important criteria upon which to assess appropriate grant allocations.**

Greater Geraldton, Bunbury and Busselton reflect the level of the distortion of the disability factor due to their large population sizes. Greater Geraldton with an ARIA+Town Score of 2.7 and located 420 km from Perth receives a disability of \$506,772 more than Broome with and ARIA+Town Score of 9 and located 2,238 km from Perth.

Figure 2: Location Disability



(Source: Shire of Broome, 2014)

In some circumstances, population growth in Western Australian regional capitals over the last decade was thwarted by inadequate housing supply and infrastructure, and a lack of available developable land (see Haslam McKenzie *et al.*, 2009). Long distance commuting, most particularly fly-in/fly-out work arrangements, has to some extent addressed the labour force demands in the resource industry with company-provided accommodation, however long distance commuting arrangements are not adequately measured through the census. There is considerable variability in population data depending upon whether Place of

Enumeration or Place of Work data is used (KPMG for the Minerals Council of Australia, 2013).

Popular tourist destinations such as Broome and resource *host* communities, (localities adjacent or near to mining operations), such as Karratha and Port Hedland, experience considerable demand on transport networks, infrastructure and services by a population cohort whose local long term presence is not formally captured in Place of Enumeration statistics (Haslam McKenzie, 2011b). The annual influx of tourists mid-year is calculated by the Shire of Broome to be an equivalent of 52% of the permanent Broome town population. Consequently the mechanisms by which population is assessed for Commonwealth Financial Assistance (General Purpose, Local Roads and Special Purpose) Grants, to local government are inaccurate, and resource *host* communities consistently lobby for equitable recompense for services provided and utilised by visitors and transient and mobile labour forces.

3.0 Benefits of additional funding

The disproportionate contribution by Western Australian regional-based industries to GDP over the last decade (Department of Mines and Petroleum, 2013) underscores the relative importance of local competitiveness and the ways in which the Western Australian regional capitals have engaged with broader socio-economic processes (P. Plummer *et al.*, 2013a; P. Plummer *et al.*, 2013b; P. Plummer & Tonts, 2013).

Importantly, the findings of this research demonstrate that competitiveness plays out differently by sector and locality, suggesting the need for not just broad place-based policy interventions, but also **strategies that are specific to individual sectors and places, regardless of population size**. More direct influence can be asserted over local competitiveness. This can be facilitated through improvements in local economic conditions, including the quality of infrastructure, technological innovation, improving social capital, enhancing local environmental or urban amenity reducing regulatory imposts and creating conducive planning regimes.

As noted earlier, the Western Australian Local Government Grants Commission Location Disability index assesses the impact of remoteness and **resident** population in relation to local government authority expenditure and revenue standards, compensating the relevant authorities for the higher operating costs of remote locations. However, it is evident that without a more accurate assessment of non-resident workforce and visitor data the remote regional capitals are significantly disadvantaged.

Climatic conditions for some WARCA members impose significant additional construction costs. Karratha, Broome and Port Hedland are all vulnerable to cyclonic events and consequently all structures must be built to withstand extreme weather events, adding to the cost of construction and maintenance. Funding arrangements which recognised and compensated for these costs would enable a more equitable funding arrangement.

4.0 Investment challenges to maintain and grow regional capitals

The dynamics of job growth amongst the WARCA membership demonstrate similarities to the Perth metropolitan area rather than the rest of regional Western Australia. However,

banks and other financial institutions are generally reticent to invest in non-metropolitan ventures and locations, regardless of scale and location of the investment. Research undertaken by Plummer et al. (2013; 2014) clearly shows that collectively the WARCA members have made an important contribution to the overall performance of the Western Australian labour market and economy. Furthermore the larger centres such as the WARCA members are forging ahead while smaller settlements have experienced declining employment.

All WARCA communities have been important locations of job creation, though they perform differently over time. Between 2001 and 2006, the strongest growth was recorded in Roebourne, Albany, Geraldton and Bunbury. Between 2006 and 2011, the effects of the resources boom became more evident with the strongest growth recorded in Port Hedland, Roebourne and Geraldton (P. Plummer *et al.*, 2013aa; P. Plummer *et al.*, 2013bb). WARCA members are therefore vulnerable to boom conditions and planning lag.

The lack of understanding of regional markets and economic trends analysis by banking and finance industry institutions is thwarting timely investments in the better performing Western Australian regional cities.

The reluctance of financiers to lend on homes in regional capitals or their requirements for significant deposits before approving mortgages provides a further barrier to investment for business development, home ownership and rental accommodation (Haslam McKenzie, 2011a; Haslam McKenzie *et al.*, 2009).

The recent fall in iron-ore prices and rapid diminution of mining activities is illustrative of the inability of the key stakeholders in regional capitals to anticipate and make a timely response to the growth management issues arising from the boom and bust conditions. The resource boom has created mono-economies, especially in the Pilbara region creating economic vulnerabilities tied to the price of iron-ore and global markets. These communities need assistance to diversify their local economies and support growth for socio-economic sustainability.

Inter-sectoral relationships and governance arrangements are required to enable government, community and industry to work together to ensure an adequate housing, service and infrastructure response to volatile market conditions. Without ongoing investment in planning under supply, high cost and variable standard of services, infrastructure and housing will undermine future development of regional capitals and exacerbate the mismatch between local needs and future demand. Without adequate investment, skills development and employment opportunities for local residents, especially those, such as Indigenous people and young people, who face employment barriers, future development will be compromised. Such an approach is premised on equity considerations as well as promoting regional social and economic development. Employment practices should support social and economic development in regional capitals that contributes to functional communities, thus enabling WARCA to extend their functional and connectivity roles to neighbouring communities. This requires resident populations of a scale to support

the delivery of a reasonable standard and proximity of business, government and community services that allow residents to live, work and recreate locally.

5.0 Incentives and policy measure that would support sustainable growth in regional capitals

Policy approaches that aim to address uneven employment are important if the gap between more and less prosperous centres is to be reduced. However, given the size of the WARCA labour markets and the dynamics of jobs growth over the last decade, these centres will require different policy responses to both the Perth metropolitan area and the rest of regional Western Australia and the nation. More specialised policy responses are required to take account of the spatial distribution, performance, economic base/structure, diversity and competitiveness of these cities.

Given that the WARCA members are spatially distant and economically diverse with a variety of different demands on municipal and regional budgets, policy measures that meet specific needs and opportunities are more appropriate. For example, remoteness, climatic conditions, seasonality of accommodation and visitor demands, markets, the degree of engagement with the global economy all have varying opportunities and costs which cannot be appropriately or adequately addressed with a 'one size fits all' policy agenda. Further, given that the WARCA members have a critical role in providing services and connectivity to neighbouring jurisdictions, allocation of resources should not be based solely on population, but rather on function and expected outputs.

Incentivising long term jobs growth and improved competitive advantage is welcomed, provided the incentives are not at the cost of existing funding arrangements for the support of regional centres and current regional economic development programs. Improving the competitiveness and resilience of WARCA members and industries is an important goal provided it does not compromise other funding arrangements.

Transport and physical connectivity in Western Australia, where distances are considerably greater between regional centres and cities, is of vital importance. Ensuring policy measures that are cognisant of the importance of transport, but also the costs associated with maintaining infrastructure and hubs is very important to the WARCA membership.

In many regional communities Native Title has been granted to some Aboriginal groups and significant funds have been sequestered for future economic growth, prosperity and a significantly improved quality of life for Aboriginal people. However, governments at all levels have imposed bureaucratic barriers which hinder Aboriginal access to funds. A careful assessment of the parameters and rules regarding Aboriginal access to Native Title agreement funds to enable self-determination and local investment by Aboriginal people should be a priority.

As noted earlier, direct influence over competitiveness can be facilitated through improvements in local economic conditions including infrastructure, social capital, liveability and amenity, technological support, responsive planning regimes and institutional and governance structures (P. Plummer *et al.*, 2014). It is therefore critical that policy measures

aim to assist the regional capitals to maximise their competitiveness and enhance resilience to ensure sustainability and return on private and public investment.

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