

Call for a study on the policy settings necessary to implement a program for multiple¹ 1 million person Regional Growth Centres by 2045

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Executive Summary

This Note calls for a major study to develop the policy frameworks to promote the growth of multiple 1 million people cites in regional and remote areas by 2045.

This strategy would also allow for some population growth, without this destroying the amenity of existing, large capital cities.

Target areas should probably be within 200 km of a major capital, and have either existing rail connections, or, rail easement connections to a major city.

The Note presents a set of potential needs met by such a policy. It includes the need that key capital aggregates such as the superannuation and future funds have for secure, long-term investment, as well as such obvious issues as the urgent need to reduce housing prices by taking pressure off population growth in the major cities.

It raises the possibility of these activities being funded via the profits from the sale of rural land, subdivided for residential and industrial purposes. It is possible that such projects could be revenue neutral over time, or, near revenue neutral.

A key factor is the ability to plan for growth, laying out transport and open park land areas in a manner that guarantees the provision of services in the future is does not require the resumption of residential areas.

Greenfield planning would provide an opportunity to provide a mix of housing densities, with an emphasis on European style medium densities, through appropriate zoning strategies.

¹ We specifically pose the question this way.. if we know what needs to be done, then, we can decide if we wish to do it.

² Revised 11/3/2016. This paper was originally a Briefing Note for Dr. Ben Gursansky, Advisor to the Hon Simon Crean, MHR. the then Minister for Minister for Regional Australia Regional Development and Local Government Minister for the Arts for a meeting on 21/9/2012

³ Revision v03 typos corrected 11/11/2014

1. Introduction and Broad Objectives

(The author is aware that he is, most likely, preaching to the converted. He trusts this does not offend).

Decentralisation and regional development have not, in the past, been policy areas where Australia has had much success. It would be possible to state many of the obvious statistics, however, the fact that Australia is one of the most highly urbanised societies is a basic indicator of our lack of decentralisation. ([Tiffen and Gittens 2009] cite a figure of 61% living in cities larger than 750,000 far larger than most other developed countries).

Indeed, as a simple parameter, Australia has 1 city per 10million people with a population of about 3.5m or more. On this basis, there would be about 30 such cities in Europe. I think there only about 10. (We refer to this as Mindset 1. issue below)

The Broad Objective of this submission is to have, by 2045, at least 4 rural cities in Australia of 1 million or more, assuming population growth remains about the same as it is at present.

This is to be achieved by the acquisition of rural land around some rural cities. Much of the funding will be provided by the profits from the sale of developed land over a 30 year period.

Target areas would be include (but not be limited to) existing regional centres with either rail links, or, rail easement links to the capital cities.

Mindset issues.. Two major mindset issues appear to cloud public thinking and policy making with respect to decentralisation.

MINDSET ISSUE 1. Melbourne and Sydney are small cities by international standards, and, as such, can be allowed to grow without bounds.

Rebuttal.. as we already stated, Australia has 1 city per 10million people with a population of about 3.5m or more. On this basis, there would be about 30 such cities in Europe. I think there only about 10 cities of that size in Europe. The comparison holds for most countries.

In reality, Melbourne and Sydney are very large cities that cannot grow if reasonable standards of services and quality of life are to be maintained.

MINDSET ISSUE 2. Australia's population density is an impediment to high-speed rail, and, to high levels of fixed rail transport un urban areas.

Rebuttal 2.1 Urban Public Transport. The fixed rail routes in Melbourne were completed with their current coverage and range, largely, by 1899, when Melbourne's population was about 0.5M. It is now 3.5M.

Rebuttal 2.2 High Speed Rail. Sweden has a total population of 9m. It has a high speed rail system (200kmph, to be upgraded to 250kmph). If one were take the eastern coastal strip of Australia, from Melbourne to Brisbane⁴, (some 1300km) and about 350km wide, the population will exceed that of the whole of Sweden by a substantial amount. The SJ high speed rail system goes from Malmo in the south to Ostersund in the north, about 800km in a straight line.

2. The Need for Decentralisation

2.1 General

There are many arguments for decentralisation. In the context of my discussions with the Department, I'd rather focus on some specific issues of need, and, of inhibitors, that, if addressed, might alter the process.

In particular, it seems appropriate to suggest some projects that may achieve the goal of substantial decentralisation of Australia.

2.2 Social and Economic Drivers for Decentralisation in 21st Century Australia

The main drivers for decentralisation are tabulated below..

Table I-Socio-Economic Drivers for Decentralisation Pt I of III

Driver	Indicator	Caused By	Action Required	Outcomes solving problem
1. Excessive cost of housing in large city metropolitan areas	-median house prices vs professional starting salaries over a 40 year period -% of income needed to repay housing loans	-Lack of housing stock --shortage of cheap properly serviced land -- Reluctance to change life-styles	-Create Rural growth centres	--low cost land --new planning regimes become possible --transport easements can be preserved during initial planning to support growth --integrated green public spaces possible --ability to plan proper services at marginal cost

⁴ This is an approximate statement. Sweden reaches from Melbourne to the middle of north QLD

Table I-Socio-Economic Drivers for Decentralisation Pt II of III

Driver	Indicator	Caused By	Action Required	Outcomes solving problem
2. High cost of improving infrastructure if largest cities	-Difficulty of improving rail ⁵ --Difficult in increasing capacity of major termini -excessive costs of arterial roads	--Need to reclaim urban land, or, to tunnel, very, very high cost --See above	--Create Rural Growth areas	-transport easements can be preserved during initial planning to support growth
3. Impossibility of very large scale park lands reaching into cities inner boundaries	-Currently impossible	--Need to reclaim urban land -Need to turn privately held green wedge land into public spaces	--Create Rural Growth areas	-pre-planning of very large public spaces that reach right into the city
4. Zoning and cultural issues make medium density housing hard to achieve	- Infrastructure will not support resultant population increases -	-Public opposition to loss of local amenity	--Create Rural Growth areas	-carefully planned zoning of medium density and high density housing supported by public open spaces and transport
5. General need to strengthen rural areas and industry	-Lack of policy		--Create Rural Growth areas	-leveraging mining investment and infrastructure

⁵ For example, to provide the same degree of rail access to Melburnians in 2012 that they had in 1920, some 200km of new rail routes need to be added. (It needs to be remembered that the current rail routes were completed about 1899, when Melbourne's population was about 500,000)

Table I-Socio-Economic Drivers for Decentralisation Pt III of III

Driver	Indicator	Caused By	Action Required	Outcomes solving problem
6. Need for large-scale renewable energy and low environmental impacting cities	-Transport infrastructure does not support -Need for new housing stock -Need for new industries		--Create Rural Growth areas	-New planning requirements -
7. Need for secure, slow-growing investments for super funds	-Super funds probably under-engaged in national building investments	-Limited targets for superfunds	--Create Rural Growth areas	-Long term, secure investments

3. Rural Growth Centres

3.1 Broad-brush summary of the proposal.

“This idea requires a change of mind-set amongst policy makers. They need to understand that Melbourne and Sydney, by today’s standards are already far too large, and allowing them to grow further is extremely poor policy. Reducing housing costs to say 6 times average annual earnings requires getting land costs down to less than half their current levels, and, an acceptance that families can live comfortably in about 140 sq metres.

The first objective can be met as follows..

Lowering the cost of housing in the capitals and reducing green house gasses requires that we select rural cities about 160km out, buy the surrounding land for a 20 km radius at farm prices, and develop it, having proper transport easements and cluster housing. Profits from the land development, over a 25-30 year period, would subsidise industries and the high-speed rail link to the capital, and public transport capable of reducing car usage. There are only 8 cities in Europe bigger than Melbourne.. our capitals cannot sustain increases of a million people, and it is this that drives housing prices.

The fact is that the extreme centralisation of Australia's population is a major factor in housing costs needs to be taken very seriously.

Australian's do not generally understand that our cities are amongst the largest in the world, and that we are one of the most highly centralised of nations. Australian governments, with exception of Queensland, have, since the late 1970's, regarded decentralisation as a relatively unimportant, withdrawing what were modest incentive programs for regionalisation of industry. The result has been the megaliths of Melbourne and Sydney, with poor public transport and extortionate housing costs.

By contrast, Germany, with 80m in area less the NSW, has NO city larger than Sydney, and only about 5 cities of more than 1M. It does have thousands of small hamlets and tens of medium sized towns, and very strong State and local government support for industrial decentralisation.”

3.1 Funding, and meeting the needs of Superannuation funds for secure, long-term slow growth investments

A detailed feasibility is needed, however, there are prima facie reason to believe that a very significant percentage of the long term cost of this kind of development would be met from the profits of the land development.

The author believes that there are a number of sources that may be tapped to fund such projects. Government may need to provide a guarantee in some case, or, a tax incentive as well as some funds raised through taxes..

These have been tabulated below.

Table II-Sources of funds for RGC Projects Pt I of II

Source of Funds	Need met by investment opportunity	Type of Funding	Repayment process	Notes
Superannuation Funds	-Long-term, secure investment	-Loan	-Profits from land sales over time	
Future Fund	-Long-term, secure investment -Meet nation building obligations	-Loan	-Profits from land sales over time	

Table II-Sources of funds for RGC Projects Pt I of II

Source of Funds	Need met by investment opportunity	Type of Funding	Repayment process	Notes
Diversion of taxation expenditure from other commitments		-Direct capital commitment	-None	-These funds would be available because they would not be needed for infrastructure in the capital cities
Taxation		-Direct capital commitment -Loans made by taxing agencies	-None -Profits from land sales over time	-Would lead to either reduced taxation benefit in the future, or ability to avoid additional increases for other needs
Industry	-Need to profit from new opportunities -Need to take advantage of tax breaks	-Investment in own business opportunities -Relocation of existing businesses activity	-None from the RGC project, from normal business activities - None from the RGC project, from normal business activities	-There may be various incentives, funded by the profits from land sales

4. The Process of Population Migration

We envisage, over a 20-30year period, series of migrations from the city to the country, driven by the availability for services, cheap housing, and a better way of life. Incentives for industry investment and relocation would also lead to job creation, plus, the city would require labour for it's sustenance as it grew. I am sure demographers have models covering this kind of growth, and migration patterns.

4.1 The “Sea Change-Tree Change” Migration

Whilst this has not so far been sufficient to increase the supply of housing in the capital cities to a point where cost stabilise and reduce, there is a significant flow of people from the cities to the bush. Of course, as we speak, this is NOT a positive, outwards total flow, however, the question arises as to how it could be expanded.

What would make people, particularly retirees, move to a country centre?

I think a key issue is not losing current public transport and services. A key decider could also be the existence of retirement and aged care facilities close to public transport and facilities.

This is ONE class of infrastructure that cannot easily be provided in the large cities, where in general, the land close to public transport is already occupied.

Suitable entertainment and education facilities, coupled with health services are also needed.

Probably, also, high-speed road and rail access to the major city they are leaving would also be important.

Included in this group will also be other seeking lower cost of living

5. Infrastructure profiles

The RGC will also obviously need –

-TAFE

-Universities

-Primary and Secondary schools

-Child Care

-Health care facilities⁶

-Public Transport

-Roads

-Sporting facilities

⁶ One would expect that, in a relatively “greenfiled” development, trials such as GP’s along-side hospital ER rooms could be trialled, and, medical locums in place of ambulance services for emergency call-out could be used.

-Entertainment

-Local Government services in general.

In all cases, establishment costs will be less than in the major cities as a result of low cost land. In addition, new delivery models for health care could be trialled, on a green-field basis.

6. Incentive regimes for Industry

6.1 Direct Incentives

A fundamental issue is the nature of incentives that will persuade industry to relocate, and, for new industries to start up. State governments already use incentives of various kinds to entice industry from overseas, and from one state to another.

The details of the packages offered are not in the public domain, being classified as “Commercial in Confidence”. However, incentives that have been offered in the past have included.

-Relief from state payroll tax, rates and other charges

-Direct grants

The RGC would also be able to offer..

-Low cost or even free land for new factories and business.

-Depending on the return from land sales, low rental office space.

Other packages of incentive could be developed.

6.2 Indirect Incentives-The Business Environment

Businesses also need access to appropriate labour. This means that the provision of training institutions will be of importance.

7. Building cities in the mining regions-The Pilbarra University of Minerals and Energy Technology

One of the most interesting issues in regional development has been the fact that it has there has been no regional urban development associated with the mining boom. Instead, we have temporary towns, with limited facilities, and, very expensive labour⁷, based upon “fly-in-fly-out” arrangements.

One approach to regional development may be the creation of a University town, as exists in the US, and in some parts of Europe.

⁷ I have not the slightest objection to workers commanding great salaries, however, one would expect that total labour costs in the mining industry may be reduced a few % if local labour was available.

This is worth investigating, and, one such option could be a University of Minerals and Energy Technology.

8. The Low Carbon footprint City

Amongst the benefits of developing RGC is the possibility of planning, from scratch, for low carbon foot prints.

Appendix I The Swedish High Speed Rail Network



Source:- <http://www.eurail.com/trains-europe/high-speed-trains/sj-high-speed-train>