

## Regional Growth Patterns: Evidence from the Latest Census

A serious distortion is emerging in government policy toward regional Australia. Slow-growing areas are receiving an undue share of funding — money that fails to produce the economic growth it is explicitly designed to achieve — while fast-growing areas are missing out.

At this public seminar, Grattan CEO John Daley and Urbis Director Michael Barlow discussed patterns in Australian regional growth as revealed in the 2011 Census, and why government policy is failing to keep up with the rapid growth in coastal and capital city satellite regions, often leaving their residents without the services they need.

**Speakers:**      **John Daley, CEO, Grattan Institute**  
                         **Michael Barlow, Director, Grattan Institute**

**AUDIO:**            This is a podcast from [Grattan Institute](#).

**JOHN DALEY:** Good evening ladies and gentlemen. My name is John Daley. I'm the Chief Executive of Grattan Institute, and it's my very great pleasure to welcome you here this evening. I'd like to start by acknowledging the traditional owners of the land on which this event is taking place, and also acknowledge any Elders, past and present. With me is Michael Barlow from Urbis. Michael is an urban planner and advisor. He advises both governments and developers and investors. He has done a huge range of projects over his 30-year professional life, the largest of which was the Framework Plan for the Emirate of Dubai. As well as a number of local projects, things such as advising the Gandel Group on a large number of shopping centres, as well as the casino which sits on the South Bank of the Yarra.

Urbis is an affiliate of Grattan Institute, and as such we've worked quite a lot with Michael and his team. One of the things that they really bring to the table is a very integrated approach to thinking about planning. It's not just about housing, it's not just about development, it's also about transport, it's also about services, and amenities. You've got to get all of this stuff right at once. Then the other thing that we certainly noticed as we've been working with them is a blend of what's in the community's interest as well as what is ultimately going to be commercially developable. I think one of the things that at Grattan Institute we really focus on is that much of the time the right answer to a lot of policy outcomes requires us to understand both what is going to make economic sense as well as what's going to be in the public interest.

Most of Michael's work and Urbis' work has been on cities, but as the title would suggest we're not going to talk about cities today. Two-thirds of Australia's population lives in large capital cities, but implicitly one-third does not. Urbis has recently released a paper looking at Australia's growth outside of capital cities and in particular looking at the most recent census and analysing what it says and what it all means. That talks to the Grattan Institute work that we published in May 2011, [Investing in Regions: Making a Difference](#), that looked at the numbers that were then available from the bureau of statistics as well as looking at some of the policy implications of this in terms of the way that we look after our regions. So those are two of the things that we will doubtless talk about tonight. But what we're hoping to do is at least ask and hopefully some of the time answer a couple of questions. Firstly, what's growing in Australia? Where are populations, dwellings and so on growing? What parts are not growing? Why? And why not? Is the housing stock keeping up with this growth? And of course very importantly from a policy perspective, are the services and amenities that we want to see as a community keeping up with this growth. That's the scope for tonight and what we might do, Michael, is start with what Urbis has done. That required you to look at the 2011 census and at the risk of starting on a slightly wonkish note, that was a little bit more complicated this year.

**MICHAEL BARLOW:** Absolutely, John, and thank you. Good evening to all of you. The most interesting thing was that the ABS decided they were going to recut the way that we measure

the areas, the way that we collect our statistics. Previously we used to have collected districted and then SLAs which are local government areas and so forth, up to metropolitan areas. They were basically based around political boundaries. They said well this isn't working for us anymore because so much of what we do doesn't pay any heed to political boundaries. So they then defined a new set of collective districts called mesh blocks which are very, very small, maybe only about 10 or 15 properties, and they build up from that. It gives us the ability to now look at places in far more detail and with greater refinement. We have these things called statistical areas and they're called one, two, three, four, and they keep growing up, building on each other. I won't try and explain how they're put together at the present time, but suffice to say that when we started this process we had to then go back and re-cut what had previously been done so that we could get comparable figures between 2006 and 2011. That explains why some of the figures that we have are in fact surprising. We have thrown out a few that we just looked at and said that just doesn't make sense, because we just couldn't cut the figures to be truly comparable. But in the end was we defined about 170 what we called Urbis regional areas. Those areas are varying in size from about 3,000 to half a million people. Now we didn't do that so we could compare region A with region B, we did it to understand how each of these definable collections of either population or activity or geographical area could be analysed to see what had changed over the last five years.

JOHN DALEY: So you have a list of 180 towns or cities, and they're comparable. I guess one of the key things I understood out of the work was the way that you've tried to put numbers around what we would colloquially think of as a town.

MICHAEL BARLOW: Correct.

JOHN DALEY: So lots of people more or less all in the same place and then a gap to, if you like the next town. So that's what you've tried to construct. You've looked in particular at the population and dwelling shifts in those areas. How did you group them up?

MICHAEL BARLOW: When we started out we actually just defined these areas firstly, and then we started looking for trends to say well, were these areas demonstrating similar trends? Most interesting thing for us, is that we came to a not dissimilar conclusion to the one that you had in your original report which was that we've called the metro hinterland; the area within one and a half hours drive of the centre of a metropolis. John called it satellite cities. Then you had your coastal cities, and then you had your inland cities and so forth. We found the same gradation occurring again, and we found most surprisingly that the most significant growth in regional Australia was in fact in that area basically around our five mainland capital cities. You often hear government talk around regional development, if you're like me you suddenly think it's the far north-west or Far North Queensland and so forth, when in fact regional development and regional growth is occurring nearly on our doorstep.

JOHN DALEY: One category you had was essentially what you called urban hinterlands, what we called satellites. What else did you find? How else did you classify them?

MICHAEL BARLOW: Well then we started looking at the coastal areas, although we didn't classify them. We'll talk a little bit further about the variation of development in our regions around our coast and it's significantly different between east and west. We also looked at the inland areas, but only for a short period of time because unfortunately what we found with our inland areas is that growth is either static, very low, or in fact declining. A classic example is Broken Hill, out in western New South Wales. It was one of the largest towns, if not cities, in Australia in the early part of the last century, and today it has about 18,000 people and is still declining, notwithstanding that it has some connection to the resources industry. We'll explore some of the reasons as to why that's occurring. We found that right across our rural hinterlands, down to townships of about 150 persons, they are not growing. I'd have to say given the way our economy is going, they will not grow into the future either.

JOHN DALEY: In fact I think the Victorian government has certainly done work looking at rural areas, so places smaller than 3,000, and most of those kinds of areas around Victoria are either shrinking or essentially flat. I guess in many ways that just reflects the fact that the major economic driver of these areas is essentially agriculture. The good news is that Australian

agriculture is improving and its productivity in particular is improving quite quickly, around 2% a year. It's been doing that year in, year out for over 30 or 40 years but of course the flip side of improving agricultural productivity is that it means you need fewer people per hectare. And that's why these rural areas are shrinking. Shall we have a look at the maps, Michael?

MICHAEL BARLOW: I've looked at the five major capital cities where we have had at least a century and a half of growth and economic activity. In Brisbane what you'll see is that the drive time extends mainly down through the Gold Coast area nearly to the border at Tweed.

JOHN DALEY: So the drive time is the bit in blue, is that right?

MICHAEL BARLOW: The blue part is one and a half hour drive time from that big blue dot, the centre of Brisbane. We've chosen drive time rather than a distance because drive time we think is a far more accurate indicator of accessibility. You'll see as we go through these various maps that geography, transport systems and so forth are highly influential in that accessibility. And that's how people are making their decisions about location. It's about the time that they need to take to get to somewhere else. So with Brisbane what we found was that most of the Gold Coast is within that one and a half hour drive time and the southern part of Sunshine Coast up to Caloundra and so forth was also included. If you were to include the greater Brisbane area, Gold Coast and Sunshine Coast you now have a conurbation of three million people. So Brisbane has just over two million, and that's what gets compared when we go into the boasting stakes about 'how big is your city'. But Brisbane has got this very unusual growth pattern that we don't find elsewhere in Australia, with the Gold Coast, which is at half a million already. It's surprising to think that that was probably only about two or three thousand people back in the '40s. So it's massive, massive growth, and the Gold Coast is highly connected into the economy of Brisbane. If it wasn't for some forest between those two cities that was put in place to preserve some koala habitat, they would have run into each other by now and be considered one conurbation.

Now looking at Adelaide you'll see that Adelaide has quite a different transportation linkage. Those who are familiar with Adelaide will know that Victor Harbour's the preferred weekend location, and it's within one and a half hour's drive and it's just fantastic. You don't get that too many other places. It also goes all the way out to Murray Bridge, and Murray Bridge used to be, many, many years ago, the last staging point before you arrived into Adelaide proper. Now it's entirely accessible. However, Adelaide, unlike the other four mainland cities we're talking about, is growing but it's growing at a far slower rate than the other four.

Perth is very unusual and we will come back to this later on. In 2006, those of you familiar with a place called Mandurah know that it was an outlying part of Perth that was very difficult to get to. I'm sure it was about a good two-hour drive. Over the last 15 years Mandurah has gone from being a small town of about 10,000 persons to 85,000. There's now a freeway that connects it to the centre of Perth and there's always a railway. That has significantly accelerated the growth of Mandurah, so much so that the ABS now consider it to be part of greater Perth and do not look upon it as a separate entity anymore.

JOHN DALEY: Do you want to talk about the other bits a little bit further south?

MICHAEL BARLOW: The areas further south are very interesting. Bunbury is now your next outlier. You can see it's a bit over two hour's drive down south from the centre of Perth. But Bunbury is growing significantly, as is Busselton, which is another good half an hour, three-quarters of an hour by car. Margaret River is another half to three-quarters of an hour further south again. With the significant growth that Busselton and Bunbury are experiencing the government is now needing to look at the infrastructure it brings to that location, whereas 10 years ago they wouldn't have thought it was necessary.

JOHN DALEY: So the overall pattern is quite consistent with the work that we did in [\*Game changers\*](#) based on the previous census. Essentially areas – what we called satellites, what you're calling urban peripheries – are growing faster indeed than the capital cities themselves. The coastal areas also tending to grow very fast, and inland areas tending to grow quite slowly.

MICHAEL BARLOW: That's right.

JOHN DALEY: It sounds like not much has changed from the last census.

MICHAEL BARLOW: Well not much has changed other than the rate of growth. Australia experienced very high growth between '06 and '11, and that's picked up in all of the various cities. We go to the next one which is now Sydney. That little bit of red up there which is called Lower Hunter, that's actually Lake Macquarie and getting up into Newcastle which is nearly 400,000 people: so very significant urban concentration. Down south what we call Illawarra is basically Wollongong. Wollongong is more accessible to the centre of Sydney than the Hunter, and that's principally because of the lakes that you see intruding into the north of Sydney CBD. Again, if you add up Illawarra, Lower Hunter and Sydney you're well north of six million up to about six and a half million people.

JOHN DALEY: Is Wollongong growing fast at the moment?

MICHAEL BARLOW: It's growing quite quickly at the moment. Very surprisingly it's going through the same metamorphosis that we had at Newcastle. When the steel mills shut down there was just this general belief that this was the end of the township as we knew it. But in fact it was the beginning of renewal. Newcastle's gone through a phenomenal amount of growth, particular centred around its health, and a little bit about education, but principally around services, and of course serving the resources up into the Hunter Valley. Wollongong has exactly the same conditions. It has a great university, a very fine hospital, and of course it services the Illawarra area for coal. With the closure of the steel mills they're finding that there's now this grand opportunity to do things that they previously couldn't do because of the constraints imposed by the milling processes.

JOHN DALEY: And it's on the coast and close enough to Sydney.

MICHAEL BARLOW: Very much so. But again, both Newcastle and Wollongong developed as separate economic foci around the resources sectors in the first instance. As they've grown and Sydney's grown, they're now effectively starting to operate as one big economic entity.

Last we come to something we do know a little bit about which is Melbourne. You'll see that the drive time extends all the way out to Ballarat and down into Geelong and indeed into Drouin. Drouin by itself is only about 13,000 people but it's got some very interesting factors that were picked up, which I'll talk about in a moment. If you go out to the west with Bendigo, Ballarat and Geelong, you've got a population in the order of nearly 400,000 people sitting at about one and a half to two hours out of Melbourne. Interestingly the report you did, John, when you looked at Geelong, the best that could be estimated was that only 7% of people were driving out of Geelong to come to metropolitan Melbourne for what we considered to be employment purposes. Again, Geelong's going through its own restructuring. So the 2006 to 2011 census has picked up and seen the trend of the decline of manufacturing in Geelong with the automotive industry significantly closing down from about 2004. It's continued through and is now more aligned on the agriculture sector for its port activities, but principally around services again, education, the hospital and the like. It's growing, but not as quickly, interestingly, as the other two cities of Bendigo and Ballarat, but of course it's coming from a much higher base.

JOHN DALEY: Presumably coming off, as you said, some economic restructuring in terms of manufacturing that used to be in Geelong: a substantial portion of it either shrinking or indeed closing down, and that obviously has had an impact on Geelong; without which it might have grown even faster than it has.

MICHAEL BARLOW: I think that's absolutely right. It's really interesting. You look at Torquay, little bit to the south-west of Geelong, and that has experienced absolutely extraordinary growth, in the high 20s between '06 and '11. We went and looked at then the actual income level in Torquay and on an annual basis it's \$75,000 per person. Metropolitan Melbourne by contrast is about \$69,500. Geelong by contrast is about \$54,000. So you start to get a picture of what's happening. We suspect Torquay is becoming the preferred locale for people who have got some money but are working in Geelong or the region, but prefer not to live in the older parts of



Geelong and are moving to the new estates in Torquay. Originally in 2003 when we did our first assessment of Torquay we were seeing that people were moving because of price, because they can purchase a very nice house and land package at around the \$300,000. That would now be going for about half a million. So that was the first move for people to Torquay. Once it was discovered and it opened up further by some positive planning by the local government authority, it has really taken off in a very significant way.

JOHN DALEY: That does beg the question about what do you think are the drivers of growth in places like Drouin: these other metropolitan hinterland areas, what's causing this very rapid growth?

MICHAEL BARLOW: We think there are two reasons, and again we could be proven wrong on this. One we believe is just simply house and land package and pricing. If any of you read *The Age* on Sunday, you would have seen the comments that were in that particular article about Bendigo where people were being quoted as saying we're going to have a family, we're looking at where we could buy in Melbourne, we're at the periphery of Melbourne, getting a nice house and possibly land but we thought we were going to be relatively isolated. So rather than move to the periphery and stay isolated in their view, they then went further out to Bendigo where they felt that they were going to have access to a greater range of services and so forth, and then potentially commute back in. What wasn't clear whether these people were then making a change in job or not, whether they were seeking to go to Bendigo and commute back because it is a very long commute from Bendigo. Ballarat's probably going to be a little bit more preferred for that if people are going to do it. We see that Drouin is principally an equivalent, but people are going out because of the very cheap housing, relatively cheap housing compared to the periphery, because there's not much difference in distance, but there is a big difference in price. The second reason we believe that people are moving to Drouin, although we can't prove it, is just a lifestyle change because the product you're buying out at Drouin is significantly different to the traditional new estate that you find in metropolitan Melbourne.

JOHN DALEY: So that's the growth story. We've talked about both the hinterland and the coastal stories. The one place we haven't talked about is up north and the mining towns because I think you've done some interesting work there. We envisage that these places are enormous and are growing very fast, but what's really happening?

MICHAEL BARLOW: Well, we then looked at Western Australia, and I don't know about you but until very recently every time you read about the resources boom, you have this connotation of tens of thousands of people beavering over mines and ports and gas trains and so forth. That's true to a point. But when we went and looked at the figures for the various townships on the north-west of Western Australia – Port Hedland, Karratha and so forth – we still have only a very small population. Yes they grew, and they grew by about 20-odd per cent, but they only grew to about 12, 15, 16 thousand people. There are a number of reasons for that. One is that there is a very significant fly-in, fly-out population. The population that was there that night when they did the census would have been recorded as being resident at the location. The second reason is that with this resources boom, the biggest boom in population is when you're actually building a new mine or a gas train. The figure that I had quoted to us by a resource company was that it took about 2,000 people to build a gas train, and it took 200 to operate it. So what you're getting is these trend spikes, so every time there's a gas train built or a new mine is opened up or a new rail is constructed, you get these surges in population due to employment of the construction population. Once it's operating you don't need that many people. So we don't hold the same view that others do where the north-west is the great new frontier for our next major Australian city. We just don't see it occurring, because you don't need the population of many, many thousands of people to operate these things.

JOHN DALEY: I think you also see that in the, what you call persons per occupied dwelling. So how many people are living in each house. I think the Australia average is about 2.6, 2.7. In some of these north-western towns back in 2006 it was three and a half and now it's pushing four. So it's a lot of people per house.

MICHAEL BARLOW: If you again read the stories where you're paying \$200, maybe \$300 for your house in parts of Melbourne, you're paying \$1,500 for a fairly ramshackle house in some of

these places. So we're starting to see a lot of batching, three, four, five people getting into a household together. We're also seeing that people couldn't even get into accommodation because of that shortage. So we're likely to find that some new housing will become available just as everyone goes home from some of these locations.

JOHN DALEY: So far we've talked about the places that are growing, and we've talked about why that might be. There's some places that you might expect would be growing, either in these peri-urban areas or on coastal areas, but they aren't.

MICHAEL BARLOW: Yes, I've got a terrific little story. Up to the north-west you've got Kyneton and Woodend. We analysed these two areas just to find out what was happening because they seem like ideal candidates for pretty significant growth. Easy commute back into Melbourne either by car or by train, very pleasant country lifestyle and so forth. Now they're growing but they're growing quite slowly. Well certainly Woodend is. So Woodend had the sum total of 72 new dwellings being added over a five-year period between 2006 and 2011. By contrast Kyneton, which is the next stop out, had 250 dwellings in the same period. Why is that? We went and looked at the zoning, we looked at the politics and so forth and we found that Woodend has an extraordinarily active, and I would say successful resident action group. They have successfully thwarted two major developments to expand the township, one out to the golf course and another one out towards the freeway. There's one small development that's going into the township with about 30 dwellings at the present time, and that took four years to get approved. It shows that in some of these townships a very strong resident movement can in fact constrain growth. On the other hand Kyneton doesn't have that same level of resistance and it's growing at a faster rate because of very similar characteristics.

JOHN DALEY: In a sense perhaps democracy is working. Those towns are getting exactly what their residents want.

MICHAEL BARLOW: Well that's true. The really interesting thing I look at is that the residents who are most actively opposing new development are the ones who moved there most recently.

JOHN DALEY: So those are some of the exceptions. One of the things that came through the Grattan work in [Investing in Regions](#) was we tried to take these patterns and actually ask is government money and government services matching them? One of the things we could do was look at particularly Commonwealth government money for local councils and also both for recurrent funding and for capital works. Of course this needs to add to the fact that not only are these peripheral urban areas growing faster by and large than anywhere else, and therefore there's an increasing demand for services, they're also by and large lower income areas. So did you look at incomes and is that pattern holding up?

MICHAEL BARLOW: It certainly is. As I said before, Melbourne, at the last census, has an average income of about \$69,000 per person. Then it drops down to about \$54,000 in Geelong and about \$51,000 in Bendigo and Ballarat. So that pattern is definitely holding and I don't see that changing any time soon. You might get some marginal improvement over time in Bendigo and Ballarat and Geelong, but it certainly won't catch up to the central city. You did, when we were having another earlier discussion, raise the caution, about are we going to develop areas of socially dispossessed. My answer is no, because these are very large towns or cities with populations in the order of 100,000 plus. What we're getting is just that, the trend across from low income to high income, just that the lower income is lower and the high income is not as high as you'd find in the metropolis. But indeed you go down to Torquay and, as I said before, the average income is 75,000 there. Some social stratification is definitely taking place there.

JOHN DALEY: So that's in terms of these areas not necessarily having the same incomes and therefore more importantly rate bases as others. One of the things we couldn't do when we were looking at [Investing in Regions](#) was understand what the pattern of existing service provision is. To what extent are these fast growing areas, to what extent are we making sure that government services keeps up, and to what extent are they falling behind? One of the things you were able to do was actually look at hospital provision and I think that's an interesting story.

MICHAEL BARLOW: It is, and what we've done is plotted public hospitals. I'll put a couple of caveats out before you all leap out and challenge the data. One is we didn't look at the broader range of health services because that is getting more difficult to track. Public hospitals are only part of our overall health provision. The second one is that the private sector is becoming increasingly active in the provision of what we would have relied on previously out of the public sector for frontline services. We haven't tracked that in this particular mapping exercise. Nonetheless the map does show some very interesting trends. What it shows firstly is that the provision of our public hospitals is pretty much based on our geography about 70-odd years ago. You look at places such as Shepparton, which has a very large hospital. It certainly serves a lot more people than just the township of Shepparton which has a population of about 45,000 and serves right along the Murray Valley. But that would only be in the order of maybe 150 to 175 thousand people. You also see that the concentration is around our well-established long-term hospitals, so the one down the La Trobe Valley was established at a time when we had a significant electric supply industry. About 100,000 jobs came out of the electricity industry as it was privatised and restructured in the 1980s, '90s, and that's a lot of people. Not all of it came out of the Valley but certainly a significant proportion did. So you're seeing an entrenched investment paradigm in Victoria at the present time. We then went and looked at metropolitan Melbourne because we've experienced really significant growth trends there.

The first thing that struck us was that draw a line down the centre of Melbourne, which side are all the hospitals on? There's not many in the west. Yet our plans for metropolitan Melbourne acknowledge that we are going to have a million more people going to the west over the next 30 years. I'd suggest that there is going to be a need for significant reallocation of our funds in public health in metropolitan Melbourne, let alone in our near regional areas. I didn't bring the figures with me but if we were to look at them, you'd start looking further afield and going up to Albury-Wodonga and places like that. What you start to see is this oversupply of beds relative to the fast growing areas. I acknowledge that investment in public health is a very lumpy investment and you never get it perfectly right. You're either had too many beds for your population or you have too few, depending where you are in the investment cycle versus your growth cycle. What it is demonstrating to us is that both State and Federal Governments are going to have to look more carefully at the periphery of our metropolitan areas as much as the deeper inland areas in providing additional health care.

JOHN DALEY: Well one of the nice analyses you did here was to actually look at the areas that were growing fastest and essentially ask how many hospital beds are there within a reasonable distance. What did you find?

MICHAEL BARLOW: I'll have to read it to you because I can't remember these figures, John, but it was remarkable. Again I do put the caveat that public hospital investment is lumpy. But to give you a good idea, let's go to Busselton. We talked about that area before in Western Australia, as growing quite quickly with a population that is now up to about 22,000 people, so not significant but still growing. Their provision is 776 persons per bed, balanced against an average of around about 420 beds in our metropolitan areas. Then you go out to areas such as Margaret River, it gets up to 1,600 people per bed. I appreciate you're not going to be able to put exactly the number of beds to every person right across regional Australia, but what it is indicating is that government is going to have to play catch-up because these areas are growing far faster than expected even five years ago.

JOHN DALEY: Thank you. We should probably throw it open to a few questions. But the first question I would like to do as part of this session is just to ask the audience a question. How many people here come from what we are describing as one of these peri-urban areas? Not greater Melbourne itself but around the edge. That looks like about 15. I think one of the things that lies behind why are these areas growing so fast is precisely because they're close enough to provide access to Melbourne when there's things that you really want to do. So it's interesting, even in today's audience we've got quite a number who are obviously making that trade-off one way or another.

AUDIENCE: Thanks very much for that John and Michael. That was really informative. My name is Simone Alexander, I work for ID Consulting and our thoughts and research into the 2011 census so far are fairly similar conclusions to what you're saying. I only had a very quick

read of the publication on the website and I noticed that you looked at the growth in the coastal regions of occupied private dwellings only, is that right?

MICHAEL BARLOW: Yes.

AUDIENCE: I'm just wondering then why you didn't consider, especially given that they're coastal areas, just total dwelling stock, simply because many coastal areas there's quite a high number and proportion of vacant dwellings. They also need servicing so I'm just wondering why you took the approach that you did.

MICHAEL BARLOW: We had to make a judgement call there, but you make a very good point. In fact in some of these areas you can get up to 50% of the dwellings are unoccupied. But we've made the assumption that they're holiday homes and that therefore the level of servicing that would be expected other than during peak holiday times would be much lower than for permanent population.

JOHN DALEY: I think you do raise a very important issue which is around how the census is looking at how it thinks about population. As you know, the way that the census certainly has worked historically is it essentially asks 'where were you on Tuesday night?'. Particularly given that we run it on a Tuesday night in the middle of winter, many of these essentially holiday houses and more to the point holiday areas don't count, and we've got no way of accurately counting their peak populations. I know that that's something that many people are certainly calling for and my understanding is the Bureau is certainly looking at whether the next census should be collecting some numbers, given how important that is for service provision, around what you might describe as second houses. There's no doubt there's been a huge boom in second houses in Australia over the last couple of decades, and I think that we may well need to change the way that we look at and collect our statistics to reflect that the world has changed.

AUDIENCE: I wasn't just thinking about servicing of people, but dwellings still need services as well, whether it's sewerage or roads to get to them etc.

MICHAEL BARLOW: You're absolutely right and when we were looking at those occupied dwellings, we were also trying to ascertain if the trends that we noticed in the mining towns were being found anywhere else. There were some indications but not too many and they were basically around where we're seeing people of certain ethnic backgrounds coming in and concentrating in an area where they had traditionally larger families. That was true to some parts north of Melbourne. But we didn't see that so much in the regional areas.

AUDIENCE: When looking at Melbourne you can see there are major roads that have had an influence on the expansion. Have you looked at the influence of rail or other public transport?

MICHAEL BARLOW: Not in terms of the accessibility. We could have done that. Rail is clearly going to be more important. Indeed you can get into the city faster than the one and a half hour drive time would suggest from Ballarat and so forth. We acknowledge that. But just so that we had consistency, we adopted that. But we have no doubt that when the regional rail is complete in all areas it will make these outlying cities even more attractive.

AUDIENCE: My name is Rosemary Spidelle. I'm a community development consultant. I'm glad that you took the lines on looking at hospital provision. I would like you to look at the lanes of public transport provision because I have worked with lots of communities isolated by lack of public transport. People move out because there's cheap housing and they don't realise there is no public transport at all. And isolation issues are becoming huge. Given that low density, providing public transport is going to become a real challenge. So how do you think that can be addressed to ensure that people have a quality of life they're looking for and not being stuck in their house and not be able to go anywhere or access work, particularly young people can't access employment because they can't drive.

MICHAEL BARLOW: Well I think we'd probably say we agree with you entirely. Do we have a solution off the top of our head? No, for the simple reason that we talked just basically about the metropolis for the moment, we'll move out to the regional cities, but the metropolis, of course



our problem is that for every kilometre you move out from the centre, and you occupy that area, you're covering a lot more area every time that you move just that one kilometre. The ability to bring in viable, or even heavily subsidised public transport, is becoming a larger and larger issue for government. So there is no easy solution. But you're absolutely right, the trade-off that people are making finds them relying heavily on cars, and not just one to provide reasonable access for a family. Arguably it's false economy to move to the edge to buy a cheaper house and land package when in fact your operational costs increase significantly. I think that's one of the reasons that the thoughtful purchaser, as we saw indicated in *The Age* article, recognises that. It looked at their choice of going to the periphery and they had decided to move into, say, a more compact city such as Bendigo, Ballarat or Geelong, and I would see that that would be not a big driver but a partial driver for why those cities will continue to appeal because of not just the cost but also they give a greater range of services in a more accessible fashion than does our outer metropolitan area.

JOHN DALEY: Presumably, Michael, that's also an issue in terms of how we develop these greenfield areas in terms of firstly trying to ensure that there is at least some public transport provision. Secondly, in terms of thinking about how they will evolve so that they are reasonably easy to get around, particularly for people who don't drive, namely children and older people.

MICHAEL BARLOW: There's a lot of planning that goes into it, John. I can tell you that once you get out to the edge, the vast majority of people would say that they are chronically underserved. Even if there is a bus service, it may be a bus service once every half hour as opposed to once every 15 minutes or it may be it only runs between 9:00 and 5:00 on the weekend and all sorts of things. So it's not just about the route, it's also about the intensity of service that's provided. The other interesting thing we found, sorry to go back to metropolis for a moment, you go out west to say a place like Wyndham where population growth has gone to 170,000. It had the reputation over the last little while as being the fastest growing place in Australia. Wyndham already are saying they think they'll grow to about 350,000 people over the next 30 or so years. So they're already saying the rate of growth is so intense that they can't keep up. It's not just them as a local government, but it's also state government. They're actually putting positions to state government to try to constrain the rate of growth so that they can start to attend to some of the issues regarding who will we ever catch up if we just keep rolling it out. Now I don't know whether that will work because they're trying to reduce the growth rate from 8% to 5%, and then down to ultimately three. It's one thing to say, it's another thing to do it. It's a real conundrum, as I say, but I think that's going to be the biggest driver. One thing we don't talk about a lot, which we should have touched on is the principle determinant that people will make about where they will go and locate is jobs. All these other things about access to health, access to education, so forth, are really important. If you don't have a job all those other things really don't count. That's the reason we're seeing this decline in the agricultural heartlands, because there are no jobs. You could have as many universities as you like and the best health care in the world, but if you don't have a job you're not going to stay.

JOHN DALEY: I think there's an interesting rider to that which is around what local jobs are there in these built up areas? One of the things I certainly noticed about the picture of Melbourne, bearing in mind that about 10% of the workforce works in health, of those people living in the west of Melbourne, very few work in health. You only have to look at the map.

MICHAEL BARLOW: That's exactly right. Conversely it says there's a massive employment opportunity going to come out to the west over the next few years.

AUDIENCE: David Campbell. Your comments just actually lead into this question. About seven or eight years ago when I was at Monash University, the Institute of Health Services Research, they were trying to portray this picture then to planners who were fixated on bricks and mortar solutions for health provision. That map tells you straight away you don't want to be crook in the outer suburbs of Melbourne. What they were proposing was rethinking the whole service delivery area. This is pointing out the need to think about our service delivery and service innovation. Having just worked in government in that field, some would say that's a contradiction of terms, but it does actually force us to revisit our services, how we're delivering them and the whole model. Do you want to comment on that, because if it's transport, if it's

health, if it's education or whatever, we're looking at infrastructure costs that really are going to force us to come up with some alternative models.

JOHN DALEY: I think that's absolutely right. Firstly health service models are changing because apart from anything else, the kind of health services we need are changing. You go back 30 years and most times if you had an operation it was an overnight exercise which by definition meant you needed a bed and lots of meals. Today, a much greater proportion of hospital visits are essentially day patient type services. So what the average hospital ought to look like today is quite different. The kinds of conditions that people are getting health services for have changed and consequently the actual health services themselves need to change. That said, I think it'd be fair to say that plenty of people are going to need overnight hospital stays for quite some time, fewer as a proportion than in the past, but nevertheless still quite some number. You look at this picture of Melbourne and as Michael was saying, if you're in that category, and bear in mind we're talking about well over a million people living west of Melbourne, you wouldn't want to be one of those million people who needs an overnight hospital stay because it's going to be quite a long trip. So yes, we'll need to, I would say, change our health service model, apart from anything else, because health service needs are changing. It is going to be expensive to provide the more traditional health services in the west than we've got at the moment, because clearly there's not that much there. I'm sure that there will be services in the west skewed towards that day service model, and in many ways that might be a good thing. Building greenfields hospitals that are designed around that is a real opportunity. Look at the Peter McCallum Hospital which basically built a brand new hospital. It had an opportunity to redo the old one, but they made the strategic decision to build a brand new one. Essentially they said the dominant service model for the type of cancer patients we are now dealing with is a day patient model and our old hospital is just not built around that. Therefore we're much better off to start again. So I think we will see a shift in model.

AUDIENCE: Jack Archer from the Regional Australia Institute. Interesting analysis and pulling apart some long term trends. I just had a couple of questions digging into the trends a bit. I am interested if you can comment on population growth versus economic growth and the extent to which that aligns and if you've done any work on that. Also interested to hear if you have observed any outliers to these trends, i.e., things that aren't following the trends – you talked about Woodend as one example – but are there others? One of the other interesting things to my mind is thinking about the future. People talk about a tipping point around the 20,000 mark for cities to become self-sustaining and capable of organic growth. Have you looked at all at areas outside the major capitals which are reaching those zones and tried to identify where perhaps the growth patterns will change as a result?

JOHN DALEY: Can I do the first one and then leave you Michael to do the next two? Regarding the alignment between population and economic growth, the short answer is there's a reasonably tight alignment because apart from anything else you can see that unemployment rates, although they vary, they don't vary that much. You also get a variation, as I said, in per capita income, so essentially these peripheral areas, lower per capita incomes. But again, as I said, the vast majority of people are employed. I know that the Department of Planning and Community Development in Victoria has done some work on essentially the economic growth rates of peripheral areas and so on, and my understanding of those numbers is that they're not a million miles away from the population growth rates. So although population growth is not a perfect proxy for economic growth, it's not a million miles out. We shouldn't be surprised about that. People go where there are jobs. If there are really no jobs then few people will move there.

MICHAEL BARLOW: I think just to follow on from that. In the States, by contrast, the cities are extraordinarily dominant in the economy because they have a greater diversity of cities. So you look at capital cities and say what proportion of the economy do they actually address or take up? It's only about two or three per cent greater than the population level, if my memory serves me correctly. Whereas in the States I think it's about five to 10% greater. There are some economic reasons for that as well. We are seeing a fairly linear relationship. Coming to your question about the 20,000 threshold, I'd agree with you, it's about the 20, 25 thousand. We haven't done that analysis and I think it will be very interesting to go back to 2006 again and see whether those cities or townships of about 20,000 in 2006 were in fact growing at a faster rate? It is around that area where they then generate greater needs and demands that can be

satisfied by that population. I can't give you an accurate answer unfortunately, but I would agree with your proposition. In terms of outliers to the trend, I'm not really seeing too many. In fact we didn't talk about the Queensland coastal cities. Again, unique to Australia. You've got that concentration of activity in the south-east corner of Queensland, then we have four very significant areas of economic and population growth being Cairns, Townsville, Gladstone and Mackay. If you look at the northernmost two, which are Cairns and Townsville, they have grown really significantly. Notwithstanding everyone thinks that Cairns is now just a place that Japanese tourists used to go. It's far from it. It's now got a population of about nearly 150,000 people and it wasn't that long ago it was under 100,000. It's still driven by tourism, agriculture and services. And it serves the whole of that northern area there, with some resources. You go down to Townsville which isn't that far away, and what you end up with there, is a population of about I think 120, 130 thousand. Defence is still a very significant contributor to that economy. They've both just moved away so quickly and grown so significantly, and yet they're way outside the influence of capital cities. They are the true outliers in that sense as we're not seeing it anywhere else in Australia.

AUDIENCE: Thanks, John Lee. I just had a quick question from the planning side of things. For Victoria in particular there's been this liberalisation of planning zones, for example, the condensation of retail zones from five to two. As a result of that there's a lot more rights that landowners now have. My question would be, how do you see this impacting the patterns of population growth and to what degree?

MICHAEL BARLOW: I don't think it's going to have much impact, to be truthful, for the simple reason that people aren't going to be spreading out just because they have the opportunity to do so. I think you're going to find that the concentration will still go where people are already and where jobs are growing. It may have an influence but I don't see it as significant.

JOHN DALEY: I think one of the fascinating things about the trends out of the 2011 census is this is entirely consistent with the trends we've seen for the last 50 years in Australia. Essentially capital cities growing quickly, the areas around them growing quickly, the coast is growing quickly, inland areas relatively slower and rural areas very slowly. Despite the best efforts of government regional economic spending over an extended period, that pattern has essentially been the same, give or take, over a long time. One of the criticisms that was made of the [\*Investing in Regions\*](#) paper was 'that's just the consequence of the drought over the last few years and when it rains, then all the patterns will change'. That's certainly not what you found on the 2011 census.

MICHAEL BARLOW: Not at all.

AUDIENCE: Allan Borden, Bass Coast Shire. My question's about whether you've given any thought to the impact of NBN and the rollout of better broadband. Because in a coastal community like mine, anecdotally there's a lot of people who are already starting to live more of their life at their second house. With good, fast, reliable broadband, they're telling us that they would be quite happy to relocate their business there. That kind of a trend then overcomes this one and a half hour drive limit and could ultimately result in quite a different dispersal of development.

JOHN DALEY: I think that there's certainly a possibility that that will happen, and there's certainly many people who believe that much faster broadband like the NBN will have that effect. Frankly, I would be personally very surprised. If it were really true that much better communications technology drove dispersal, as opposed to concentration, then when we brought in the telegraph, when we brought in the telephone, when we brought in the first internet services, for each of these things we would have at least seen a blip towards dispersal. In fact, each time we brought in one of these technologies, what we saw was an increased concentration. There is a fascinating French study looking at how do people in firms in similar industries, but in different size towns, interact both within the firm and outside the firm. The patterns are fascinating. For people who are in a firm in a small city, they will talk to other people in their firm just as much as people in that kind of industry in a big city. No change in how they interact within the firm. But their patterns of interaction outside the firm are completely different. So in particular, people in big cities will talk to people in other firms over the telephone

much more than people in regional areas. Now that's the telephone, there's nothing wrong with regional telephony in Australia or for that matter in France. The hypothesis about what is driving this is that one company will talk to another company and do business with it, but almost invariably the first contact between those two businesses will be face-to-face. There is something very human about needing to meet a customer or a supplier before you hand over your cold, hard ready cash, particularly in a relationship situation. If all they're doing is buying a tennis racquet on the net, maybe you'll do it. But if you're going to be doing business in a continuous way, most people seem to want to meet each other face-to-face. They will then do all of the follow up transactions over the phone, over the net, whatever it might be, but they'll want that first interaction to be face-to-face. In a lovely piece recently someone's been analysing Portuguese mobile phone records, and in particular they looked at interactions between phone numbers that had never called each other before. What they found was that if two phone numbers had never called each other before, they would often call each other from basically anywhere, but the second time that those phone numbers called each other, they would call each other from more or less the same place. In other words, they wanted to meet first before they took that interaction any further. So for that reason my guess is that this one and a half hour transport time is very important, because that's the distance that makes it feasible to go and meet a new supplier or customer within a half day. It means I can, if I'm living in Bendigo, travel to Melbourne for the morning, meet a new customer, do the business and then go home to Bendigo and I'm still there for the afternoon, and the same obviously in reverse. So my suspicion is that NBN or more generally improved broadband technology will be very good for places within this hour and a half travel time, but I'm not sure it's going to help particularly areas that are further away. I could be wrong.

AUDIENCE: Thanks ever so much – very interesting talk. I just want to ask you a bit about the outliers, as you call them, so the non-urban, non-periurban areas. It seems to me that some of them have been a lot more successful than others. This is probably more a New South Wales question and Queensland question. The record seems to show that some of these regional centres have succeeded and some just don't. Could you expand a bit on what makes conditions of success for a regional centre? I mean the obvious answer is jobs, but behind that, why have some centres been more able to become job creators and others haven't? Or is there in fact no real difference between these towns?

MICHAEL BARLOW: That's an acute observation. It is all about jobs, at the end of the day, and those centres that have succeeded over time have been able to replace jobs lost through changes in fortune. Sometimes that's taken 20, 30 years, so it's not like this perfect continuum, you know, that shuts down, this opens up and we just keep going. They all experience their downturns as well as their booms. If you go to Queensland, the cities we were talking about before, they've had a number of waves of economic activity. Those waves have then enabled them to continue to sustain themselves and hopefully grow over time. Generally the ones that have failed have had maybe one or two phases of economic activity. When that second one ran out, there wasn't anything to replace it. Much of this change took place before we really had the explosion in the services industry. So a lot of the future fortune of these cities were set basically in the '40s and '50s. If they weren't able to survive through that period, maybe even up to the '60s, and then take advantage of our move towards becoming a service economy, they didn't succeed. If you go back to Townsville and to Cairns and so forth, they were still quite small back in the '60s, but they had the support of resources and agriculture, and maybe a bit of tourism and then some associated services. For example, Cairns was able to sustain it self long enough to have the good fortune to become a tourist destination. They built off that tourist destination with the additional employment to bring in other services. I'd say it's more around looking at the economic opportunity that is presented to these townships as opposed to saying that there is something special about the place.

JOHN DALEY: The only thing I'd add to that is the way that the geography sometimes influences the economic opportunity. If you look at why Sydney has not got the same kind of ring of towns as Melbourne, the short answer is just pure physical geography. You try and go west from Sydney, you hit the Blue Mountains, and inherently that kind of transport link becomes very difficult. Melbourne, you head north and west and it's not perfectly flat but it's pretty close. Consequently it's been much easier for the population and economic activity to expand in those directions.



Ladies and gentlemen, I think we're going to have to call a close there because we promised to finish at seven o'clock. So can I firstly thank Michael and the team at Urbis for a fascinating analysis of what's going on in terms of our population trends, what's lying behind them, what's happening to Australian regions? I'd also like to thank all of you, the audience here tonight, for coming. I look forward to seeing you at the next Grattan event.

End of recording

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