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‘Bolting’ regions need better support

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*Some centres are growing faster than others, but federal funding isn't finding its way there, write **John Daley and Annette Lancy.***

Since Federation, state and commonwealth governments have tried to lure people, trade and business to the bush.

They have funded roads and infrastructure, supported regional universities, moved government departments and even tried to reinvent inland cities such as Albury-Wodonga and Bathurst-Orange as pioneers of a more decentralised nation.

The hard truth is that these policies have done little to change the course of economic development or population growth. Australia is one of the world's most urbanised nations, and its people still head for the coast (or not far away).

Prime Minister Julia Gillard has warned of the risk of a “patchwork economy . . . where some parts of the country boom while others go backwards”.

Accordingly, in this year's budget, the commonwealth maintained its long tradition of paying to promote regional economic growth.

Among $4.3 billion of funding for regional Australia there is $500 million for regional universities and nearly $2 billion for infrastructure to “unlock the economic potential of our regions”.

Yet a new Grattan Institute report shows that unless governments go with the economic flow, much of the money earmarked to promote economic growth in regions will be wasted. And regions that really need the money for services to support growing populations will be left wanting.

The report, *Investing in regions: Making a difference*, shows that governments already spend more than $2 billion a year on programs that fail to achieve what they explicitly set out to do – make slow-growing regions grow faster.

Local job-creation schemes, regional universities, small-scale road and major infrastructure programs are not only expensive, they do little or nothing to accelerate slow-growing regions.

Inland centres – except for a few where mining drives rapid growth – are growing slowly or even shrinking. Investing money to speed their slow growth or reverse their decline is a futile attempt to make economic water flow uphill.

Building infrastructure does not produce economic growth unless there is already a skilled workforce and an expanding private sector to exploit it. Job creation schemes are expensive, require continuing support and tend to divert jobs from elsewhere rather than create new ones.

Similarly, investments in regional universities are often justified as promoting growth. Nearly three-quarters of Australia's 39 universities have a regional campus or are based in a regional city.

Yet, as the Grattan report reveals, the evidence shows that the tertiary participation rate is no higher in regional cities that have a university than in those without, and regional economies do not grow faster when there is a local university.

A more sensible and efficient approach might be to ensure that students are provided with sufficient living expenses to attract them to move away to a region to study.

Worse than the waste, these regional economic development programs can prevent money from going where it is both needed and able to contribute to economic growth – in Australia's fast-growing or "bolting'' regions.

The regions within an hour or two's drive of major capital cities are growing faster than the capitals themselves. So too are coastal areas, even those far from capital cities.

Between 2005 and 2010, for example, the populations of Mandurah and Bunbury, south of Perth, grew by more than 4 per cent a year; the population of Hervey Bay in Queensland by nearly 5 per cent. In Victoria, Ballarat grew by 2 per cent a year, adding 9000 new residents.

These and other fast-growing regional centres share common characteristics. They are not just commuter dormitories for their nearby capital. They are growing as economic and service centres for their regions. Within an hour or two's drive, they are just close enough to major capitals to have access to a large base of suppliers and customers. Coupled with better infrastructure and more skilled workforces, they are growing quickly.

Investing in these centres makes economic sense and it is more equitable. People in them are currently getting substantially less than their fair share of services and infrastructure.

For example, satellite areas near Brisbane are home to 43 per cent of the Queensland population yet their councils received less than 20 per cent of financial assistance grants that provide commonwealth money to support the recurrent costs of local government. By contrast, inland councils received more than 50 per cent of this funding.

The Grattan Institute's report does not suggest that smaller and slower-growing parts of the country should be left without vital services such as schools, hospitals, transport and other community facilities. These areas are great places to live, and often score more highly than larger cities on measures of wellbeing and social connection.

However, it is time for governments to be more candid about what their money can and cannot do in regional Australia. They need to justify their programs on equity grounds, rather than claiming that they are generating economic growth.

On the basis of experience, it is wishful thinking to believe that government action can create sustainable growth without economic foundations.

At the same time, Australia's bolting regions are not getting a fair deal. We need to start putting money where people and jobs want to go.

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