

## CHAPTER 12

# Mechanisms of change

### Key points

- There are distinctive, identifiable patterns in the development of regional Australia in the twentieth century.
- Six broad groups of factors influence settlement pattern change—geography, history, industry, the provision of goods and services, amenity and investment. These interact, often reinforcing one another, creating a very powerful force for change.
- Explanations for changes in the settlement pattern can largely be found in relatively simple economic theory, in particular the expansion of labour, goods and services, industry and investment markets. The key factors are competition, market size and economies of scale.
- Towns are no longer the only unit to support households and businesses but operate as part of larger regional markets. Today, towns are interconnected, as people and businesses conduct their activities at a distance and across traditional regions.
- The relative advantages of towns have changed over the century. Successful towns concentrate on their strengths, which vary considerably.
- Towns and regions need to be competitive providers of goods and services. Having a local industry does not necessarily translate into substantial economic benefits for the town.
- The centralisation of activity, technological advancement, households seeking amenity and firms facing greater competition are likely to continue, providing challenges and opportunities for towns and government into the future.

### Introduction

This report has investigated Australia's settlement pattern over a long timeframe. Earlier chapters identified six broad groups of change factors: geography, history, industry, the provision of goods and services, amenity and investment.

This chapter considers these mechanisms and processes together, to illustrate the interactions and the high degree of reinforcement that has occurred. These processes and their interactions will continue to have implications for both towns and government into the future.

## The big picture

Taking a step back from examining particular towns and regions over a long period provides an opportunity to take a broader view of change. An important finding is that what to residents of towns may seem to be random or locally-driven changes in economic circumstance or population change are often the local manifestations of change factors operating on a much broader scale.

Drought, a fall in commodity prices or a government decision to regionalise health or education services may trigger change, but often it is driven by more longstanding underlying pressures for adjustment. Understanding this big picture can inform local and regional actions that aim to relieve pressure on a specific town or provide a future for a struggling region.

Changes in the settlement pattern can largely be found in relatively simple economic theory, in particular the expansion of labour, goods and services, industry and investment markets. The local circumstances of towns are the result of rational decisions by people driving and responding to these expansions, given their capacity and preferences. The key factors are competition, market size and economies of scale.

History, geography and chance events have also contributed to the settlement patterns and have established and grown particular towns. Path dependence explains some of the specifics of settlement pattern shape—why some towns and industries persist in particular locations—but conventional economic forces explain the evolution of the settlement pattern in a broader sense, namely the observed changes of regional centre growth, small town decline and coastal growth.

Three general facets of the change that have contributed to the process are highlighted in the following sections, along with various key observations underlying the transition.

## Regional markets

Where towns used to be the fundamental economic unit, today they operate in regional markets. Town businesses have, and must continue, to adapt to this new circumstance.

## *Towns as social and economic units*

While much has changed since 1911, and the functions and nature of some towns have changed dramatically, towns themselves remain a sensible way of looking at settlement patterns. This reflects their continuing importance to identity and social activity and their usefulness as a way of understanding the common circumstances of significant groups of people. The fact that modern towns are more diverse in size and function than in earlier times does not diminish their usefulness as an analytical unit in understanding settlement patterns. However, in both economic and social terms better access to transport since 1911 has reduced the extent to which the local town is the sole focus of activity for the majority of the population.

### *Towns as part of wider regions*

The basic function of a town is to serve its residents, but where once towns met almost all the needs of residents, some have lost many of these functions. In the nineteenth century, residents were the workforce for local industry and required the town to provide most goods and services. In the twentieth century, people's activity footprints greatly expanded. Enabled by improvements in personal transport, people now access goods and services, entertainment and employment across a wider area.

As a result, towns are no longer the only unit supporting households and businesses, but are part of larger regional markets for labour, goods and services. Each town is best described by its relationship with the industry and towns of a wider region and typically are competitive in supplying households and/or businesses in that region.

### *Bigger markets and consumer power*

Competition in the provision of goods and services and access to amenity areas are key drivers determining the fate of towns. Both are consumer focused and impacted by consumer mobility and wealth.

Car use by consumers seeking to maximise their own resources changed the shape of markets. The spatial expansion of competition gave towns with an existing size advantage a subsequent competitive advantage to remain the dominant population centre in the area. This occurred through economies of scale, turnover capacity and access networks (Chapter 10).

### *Towns remain as social centres*

While the level of economic activity in towns varies more than in the past and small town businesses are especially vulnerable to regional competition, many small towns remain important as the social centres for communities. Households may shop or work in a nearby larger centre, but much of their social focus remains in the local town. For this reason hospitality-based businesses (hotels, clubs, cafes etc) are more resilient than others.

### *Separation of residence and employment*

While most workers still live near their place of employment, the twentieth century has seen increasing separation between a household's place of residence and place of employment. Once, people lived close to where they worked. However, rising incomes and cheap, reliable, quality transport (including improved roads) have enabled people to live in one place and work in another.

This is significant in small towns in regular commuting distance of larger centres, and less common for those living in larger centres or remote locations. However, some remote locations are extreme examples of this separation between a place of residence and a place of work, with a fly-in/fly-out (and drive-in/drive-out) workforce.

Hence, people are able to live, earn and spend money across regions. The onus is on towns to compete for the business of these people.

## Decision makers

Rational economic decisions made every day by local people and businesses based on the circumstances and technology of the day is a key feature of the change process. The key decisions are made by locals deciding where to live, work shop and invest. There has been a shift from industry to households as the effective decision makers since 1911.

Key decisions concern where to live, work and access goods and services (households), invest (households and firms) and provide services and infrastructure (government and firms). These decisions are subject to changing circumstances and influenced by forces outside of their control.

### *Household and industry decision-making*

Local households, firms and governments make the majority of decisions which contribute to the evolution of towns. They generally don't consider the effect on settlement patterns. The changes they create are incidental rather than the focus of their decisions.

Motives for decisions include households maximising their utility based on their own values and resources, firms seeking profit and governments seeking the most efficient and equitable allocation of resources.

For households, the major contextual changes underlying decision-making have been related to personal transport, wealth, access to income outside employment, and norms relating to employment, lifestyle, mobility, consumption and education.

Basic industries, concerned with exporting from the town and region, have a different framework to non-basic industries for making decisions. Non-basic industries are concerned with the size of their market and local economic conditions. Basic industries must consider these, but have other concerns such as the overall state of their industry, competition from other regions, where to access inputs and the cost of transport to markets.

Industry and households have changed in terms of relative prominence over the period, with a shift from industry towards the preferences of households. Households now have more say in determining their location, which has raised the importance of amenity in the decision making process.

### *Tyranny of small decisions*

The sum effect of small individual transactions can produce results that the decision makers might reject if given a chance to choose the result explicitly. This is called the 'tyranny of small decisions' (Kahn 1966). Typically, consumers' desire to retain a service for the future can be in conflict with their decisions not to use the service on a day to day basis (Kahn 1966). The tyranny of small decisions is observable where residents shop outside town and do not use local services, despite a desire for and interest in their retention.

## Change is constrained by the past

Decisions, once made, can be long-lasting. Decision-making is both enabled and constrained by previous decisions. No town is a clean slate, and decisions are made within the context of its industry specialties, infrastructure capacity, population and other characteristics that are a product of its history or geography.

Chapter 8 discussed how status quo bias and the endowment effect influence people's views in favour of what already exists and what they currently possess (such as particular services). It also discussed how people's business decision-making can be influenced by other elements of maximising their utility, which includes social considerations.

## Centralisation

The key nationally observable change in the settlement pattern from 1911 to 2006 has been the shift from small towns to larger ones, or the process of centralisation. Regional cities have grown while a number of small towns have been lost, and many of those small towns that do continue have fewer services than before.

The key processes contributing to centralisation have been:

- **Changes in the way goods and services are accessed.** Residents of small towns often travel to larger centres to access a cheaper and wider range of goods and services, decreasing the demand locally (Chapter 10).
- **Households emphasising amenity in location decisions.** Large centres have much to offer including higher level services (for example, education) and entertainment (Chapter 11).
- **Centralisation of industry.** There is now more regional rather than local production of goods and services, driven by economies of scale and enabled by transport and technological advancement.
- **Investment decisions.** Investing in larger centres is perceived to be less risky, while small towns have difficulty attracting investment (Chapter 9).
- **Networks reinforcing regional centre dominance.** Networks connect the key nodes in a system, which tend to be the larger towns. The presence of networks then encourages the further growth of these towns.
- **The characteristics of some emerging goods and services.** For example, advances in modern health care mean that expensive technical equipment becomes centralised and 'higher order' treatments are in larger centres.
- **Positive feedback loops favour large towns, while negative feedback loops contribute to small town decline.** Feedback loops exacerbate the above processes. Positive feedback loops aid a large town's advantage over a small town, so that the large town continues to grow (see Chapter 8). Negative feedback loops in small towns aid loss of services and population.

## Restraints on centralisation

There are other factors which run counter to centralisation. These include:

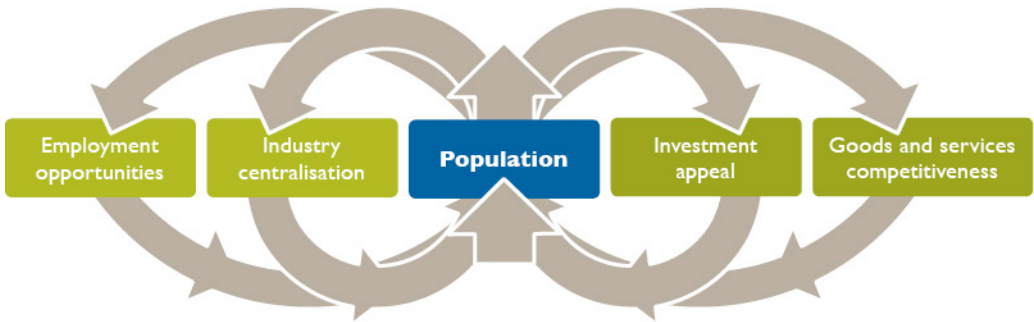
- **Infrastructure hangover.** The existence of infrastructure encourages residents and businesses to continue and for new people to enter to make use of it.
- **Community attachment.** People have attachments to their town and to the people in it.
- **Amenity preferences.** While large centres often benefit from people seeking access to services, due to different tastes, some people prefer the ambience offered by small towns.
- **Goods and services access.** While the car has enabled the growth of large centres, some small towns have been able to benefit from proximity to larger centres. They function as an extended part of the larger town's market, so while they still lose services to the larger centre, they can attract residents who want a small-town lifestyle while still being able to access employment and services from the large centre. This benefits those towns which are relatively close to a larger centre, and might therefore be considered part of the centralisation process, but it enables a small town to maintain or grow its population.
- **Industry requirements.** There is still a requirement for some industries to be located outside the larger centres, particularly primary industries.
- **Prices.** The cost of land and housing tends to rise with population. Businesses can benefit from locating outside major centres. Households can benefit from lower-priced housing.
- **Congestion.** Centralisation can lead to congestion that hinders and discourages further activity as a range of negative externalities such as pollution, loss of time and increases in cost prompt people to consider alternative locations.
- **Historical persistence of small towns and industry.** This encompasses factors such as path dependence, people who want to remain in place, emphasis on the status quo, people who are not able to leave town due to limited resources and sunk costs of infrastructure.

## Interaction of processes and positive feedback loops

In earlier chapters, we treated processes of investment, goods and services delivery, industrial centralisation and larger employment markets as if they were separate processes. In fact they are closely intertwined.

The processes that encourage population growth in a town work together. As described in Chapter 10, a decision for a household to locate in a town because of goods and services offered increases the town's overall population, and hence the demand for goods and services, which in turn encourages subsequent households to enter. This can be a powerful feedback loop in its own right.

However, an increase in population will also increase the attractiveness of the town as an investment destination, as a site for a centralised industry and government service delivery and as a good place to gain employment, education and other services. Each one of these factors will in turn contribute to even further population growth and as a result the initial increase will be magnified through the linked positive feedback loops shown in Figure 12.1. The positive loops shown in Figure 12.1 can operate as negative loops with a falling population (although typically less quickly).

**Figure 12.1** Interaction of positive feedback loops (population size)

Source: BITRE analysis.

The integrated operation of these different forces promoting or inhibiting growth in a town explains the extraordinary size and scale of change noted in Chapter 4. Trends, once started, grow in strength making competitive towns larger. Success breeds success, but for towns struggling to compete, the downward momentum is difficult to stop.

## Key factors of change

What we build and how we access goods, services, employment and recreation reflects our financial and technological capacity at that time. For example, households and businesses have increasingly been able to access easy, affordable and reliable transport. This can be enabled or constrained by the legacy of past decisions, most notably in physical infrastructure.

Table 12.1 summarises some of the key factors impacting settlement pattern change.

**Table 12.1** Key factors impacting on settlement pattern change

Factor	Impact on activity	Impact on settlement pattern
Increasing wealth	Capacity to embrace technology. Ability to choose a lifestyle.	Amenity increasingly important
Increasing life expectancy	Enabled retirees to make location decisions independent of employment considerations.	Amenity increasingly important
Technological and productivity advancements	Change in industry mix, rise of services, reduced employment in traditional industries.	Centralising of activity
Improved transport and communications	Personal mobility through the use of the car. Changed cost considerations in business location for inputs and transport to market. Separation of place of work and residence (cars, fly-in/fly-out and drive-in/drive-out).	Centralising of activity and amenity increasingly important
Population growth	Need for building, infrastructure to cater for population.	Centralising of activity
More women in the workforce	More complex household locational decision-making. Freedom of women to make a locational choice. Different occupational focus.	Centralising of activity
Income support system and superannuation	Reduces the links between residential location decision and employment.	Decentralising
History and existing infrastructure	Existing frameworks and assets frame current decision-making.	Favours retention of existing patterns

Source: BITRE analysis.

The factors described above are likely to continue, with more centralisation to occur; a greater emphasis on amenity and a further loosening of the link between place of work and place of residence. This will have implications for towns because managing these changes and identifying opportunities into the future will necessarily form part of their regional development strategies.

## Implications for towns

This report provides some insights into the national trends and processes around the changing settlement patterns and how they impact on towns. From a national perspective, these are strong forces with local implications that cannot be ignored. However it would be a mistake to not pay attention to the specific local circumstances surrounding particular towns and their position in relation to other towns. The strong centralisation trend ensures that long-term trends in regions resulting from industry fluctuations or other changes are uneven in their impact. Some towns seem to flourish even in adversity. Similarly, town growth is uneven in growing regions with local conditions being central to the success or otherwise of particular towns.

The findings of this report provide a better understanding of where towns fit in settlement pattern change over the long term, what causes this change and how it occurs. The report provides a wider view of national changes but needs to be supplemented by a good understanding of the history and changes of individual towns by those who know them. Similarly, local knowledge will benefit from understanding the drivers and related processes of change: geography, history, industry, goods and services provision, amenity and investment.

Some of the broader issues arising from this report that should be considered by towns are set out below.

### *Traditional industry bases and amenity appeal*

The changes in the fortunes and structures of particular industries and the rise of amenity locations mean that towns in particular locations have an enhanced or diminished capacity for growth into the future.

This has meant that towns' relative advantages have changed. It is not news that towns that are reliant on declining industries are likely to struggle, especially if they aren't large or isolated enough to be a service centre for the area. However, as noted in Chapter 9, changes in the relationship between base industries and towns means that having a buoyant base industry close by is also no longer a guarantee of success. Towns must make themselves relevant and competitive if they are to capitalise on nearby industry. In 1911 industry had little option but to use local labour and suppliers. In 2014 there are many alternatives. Many towns are now familiar with the reality that industry must choose the most competitive business options regardless of their location. The use of contractors and imported labour is common and farm and mining inputs are regularly sourced from larger businesses in regional centres and capital cities.

Towns also should recognise that the health of industry does not necessarily translate to the health of a town. It is therefore important for towns to understand their relationship with industry. The strength of town links with industry can vary. Often, the most critical is the



relationship of industry to local employment. The absolute number of employees required for a given industry has fallen relative to output over the century. Because of the increasing separation between place of work and residence, there can be stark difference to the degree to which workers in the town are residents, and, conversely, the degree to which residents are employed locally. Other issues include the amount of money the industry spends in town on other inputs and whether there are associated industries positioned locally.

Towns in attractive areas have the advantage of being able to draw people on the basis of amenity. The mobility of the labour force and the relatively large number of people outside the workforce means that some towns and cities are able to attract people without having their own strong local industry base. In particular, towns with natural and built amenity or locations near larger centres which offer a wider range of goods and services have an enhanced ability to draw new residents. Even if they are not able to retain services in their own town, relatively close regional proximity can be enough.

Local industry restructuring (or decline) has resulted in towns transitioning (and sometimes struggling) to new functional forms. Many coastal and attractive inland locations have been able to embrace other activities, becoming tourism and lifestyle destinations where their location or history has provided a distinct competitive advantage. Major centres have also benefited as they have grown to a scale where they have taken on many of the metropolitan attributes that allow them to serve a spatially expanding hinterland.

In this way, towns can concentrate on their strengths, or their natural advantages. These strengths vary considerably. For example, some towns focus on being 'lifestyle' destinations. They may eschew large chain stores in order to retain their heritage, environmental or village 'feel'. At first sight, to favour the amenity value of an attractive main street over the expansion of mainstream retailing seems a little unconventional. However it may be sensible planning to build on the town's inherent advantages while understanding and building a more stable, if different place in the wider retail network.

However, other towns do not have advantages that suit today's activity. This is true of some towns that functioned in the early twentieth century servicing primary industry but have now lost this base, and do not have an obvious natural advantage that would enable a shift of function. For many of these towns it is difficult to foresee a viable long-term future. The positive benefits that much of spatial adjustment brings to individuals and the economy as a whole make it difficult (and inappropriate) to stop or even reduce the change. Instead, towns have to consider how to adjust to fit in with the new settlement system and in some cases there may not be a place.

### *Interconnected towns and inter-town competition*

Today, towns are interconnected, as people and businesses conduct their activities at a distance and across traditional regions. This can be seen in the growing separation of place of work and residence, and how people now access goods, services and recreation.

A town no longer has to be all things to its residents, as was the case in 1911. Today there are many more opportunities for towns to specialise. Those with an interest in towns should be aware of strengths and weaknesses, and just as importantly, how a town does (or could) interact economically and socially with its neighbouring towns. A spatial awareness of activity

at the regional scale and the nature of the relationship of its residents with the regional centre is vital knowledge. A small town will usually find it difficult to compete directly with a regional centre in goods and services provision, but local residents and firms can be well positioned to capture different types of (often niche) opportunities while taking advantage of the greater range, lower prices, enhanced social and economic infrastructure and extended labour market available to local residents accessing the regional centre.

Towns should also consider the nature of inter-town competition described in Chapter 10 and consider the competitiveness of the whole package of (particularly economic) goods and services that they offer. Since people are unlikely to visit multiple towns for different goods, the town centre that provides the most appealing package of goods and services to locals and visitors will receive more custom. Consequently, there is much to be gained from working in collaboration within a town. Businesses can benefit by making alliances with other local businesses to raise the profile of a town through 'place based marketing'<sup>49</sup>, thus increasing the market catchment to the benefit of all local businesses. Various local councils have used place based marketing to promote their local town or region, and distinguish themselves from other areas. A town can benefit from being associated with a particular industry such as wine, cheese or surfing or more generally with lifestyle and tourism pursuits.

## Towns and people

Change is not always apparent from population size. Towns can maintain population while the characteristics and activities of that population change. This report generally considers town change in terms of population, but there are other ways in which towns can change. As noted in Chapter 8, infrastructure hangover and welfare-led migration may change the economic and social character of towns while the population number remains relatively stable. However change is not always detrimental and some towns with positive amenity have experienced social benefit from the influx of retirees and so-called 'sea-changers'.

In declining towns there will be concerns for people left behind when others move away as this often signals an overall decline in service levels particularly for people without easy access to a car or other transport. This can create serious issues for access to some goods and services, exacerbated by the influx of new residents seeking affordable housing because of their own limited resources. Typically, new residents with low incomes also have difficulty accessing the labour market and suitable training. The relative isolation of a country town can exacerbate these problems, particularly where there are differences in fundamental philosophical outlook to the existing residents.

## Appraising towns

In practical terms, towns that wish to influence their destiny going forward need to understand their individual circumstance as a starting point. They will benefit from making an objective assessment of where they fit in larger regions. Some of the key issues to consider include transport systems, relative amenity, the labour market, goods and services provision and housing investment. Specific issues to be considered include:

<sup>49</sup> 'Place-based marketing has been defined as, '...the conscious use of...marketing to communicate selective images of specific geographical localities or areas to a target audience' (Ashworth and Voogd 1994, p.39 cited in Howell and Shaw 2002, p.3251).

- Where residents work, shop, socialise and undertake leisure activities (in town, or in another location).
- Whether people come from outside to the town for these purposes.
- The town's transport systems (internal and external) and other networks (communication links, governance and public service provision structures).
- Why residents choose to live in the town.
- What keeps people in the town (residents, visitors).
- Why people leave.
- The nature of industry and the town's links to it.
- The role of amenity—what the town offers (or could offer), and what appeals to locals and visitors.
- The town's characteristics in terms of employment, demographics and goods and services offerings.
- Where the town fits in different types of systems (for example, if it has schools, how does this relate to schools in nearby towns? Do students come in or go out to access education?).
- Understanding how these things have changed over time and how they may be likely to change in the future.

All of this is affected by the proximity to other towns in the region, both larger and smaller, so it is also important to consider the proximity and sizes of other towns (particularly with consideration of the connecting transport networks).

As has already been noted, competition between towns for residents, workers and visitors is complex. The relative value of one place over another for households (which towns to live in, visit or patronise) is not decided on one factor. While certain town features may be more important in a particular household's decision, the collective offering of a town is important for its overall appeal. This suggests that businesses which may compete with each other locally must nonetheless collaborate in the sense of making sure that the town is presenting the strongest offering.

Some of these issues offer both challenges and opportunities. For example there are both benefits and costs of being close to a regional centre (or larger town). The costs include the ease with which regional centres can be accessed by residents for goods and services, as discussed in Chapter 10. This same ease of access can increase the ability to attract residents looking for a small town lifestyle but only if they can retain the access to adequate services.

## Implications for regional development

This report tries to address some of the fundamental causes of settlement pattern change. It considers the mechanisms involved in the growth and decline of towns and regions, and so has implications for government policies in regional development. This section looks at some of those implications.

## *The limits of centralisation*

By taking a geographically broad and century-long perspective the report draws attention to the long-term causes and effects that are not always apparent to policy makers and development practitioners dealing with the very real needs of regions in the short term.

A long view also sets a desire to work towards broad and long-term objectives. In the past Australia has only occasionally set overall spatial objectives on a national scale. However if current trends continue, growth in the Sydney, Melbourne and Brisbane conurbations is likely to lead to the creation of very large cities with attendant congestion and basic service supply issues. This prospect may provide some incentive for development of some alternate state and national objectives. Key to this issue is a better understanding of the limits to the benefits of centralisation—or more precisely an understanding of when the benefits of expansion are overtaken by the increased costs of congestion and increasing marginal costs of supplying public utilities. This is a difficult issue, not least because the pricing arrangements for public and private transport and public utilities have objectives other than spatial efficiency or equity. It is complicated by governance arrangements that place state government as both the central decision maker and supplier of services to their respective capital cities. It is difficult to even understand the spatial cross subsidies to and from these cities and their impact on the price signals given to the rest of the economy.

That there are economic limits to the centralisation phenomena, so prominent in this paper, is almost certain. These limits are well beyond the regional scope addressed in this report but may be an issue in Australia's major cities. However, the paucity of explicit work in this area means that it is not clear whether strategies to moderate the growth of our largest cities are timely or practical. Given the long-term importance of the issue, it is a question that warrants explicit investigation.

## *Regional impact of progress*

Much of this report shows that the big changes in development patterns have resulted from slow and sometimes subtle changes in wealth and technology—particularly transport technology. The decision makers involved have been small and large businesses and households seeking to improve their own circumstances. These fundamental drivers and decisions are largely out of the government's direct control. Even government decisions are routinely made with goals in mind other than regional development. It is unlikely that this situation will change much and the big shapers of development are likely to remain outside the direct sphere of government.

This is not to say that governments are powerless, or should do nothing. Rather it suggests that governments need to be aware of the drivers and directions of change and the likely impact on settlement patterns. Improved transport and wealth means a greater emphasis on amenity destinations, more commuting in all its forms and a reduced likelihood of settlement consistently following industry.

Paradoxically, the drivers of change in settlement patterns are almost universally regarded as beneficial, while the changes themselves are looked on with concern. Most people and governments agree that greater wealth and improved technology are to be encouraged. However, as this report suggests, changes in the settlement pattern are a direct result of

technological and economic progress. Further, the changes occur as a direct result of the way in which the general population reacts to technology and wealth. It is hard not to conclude that evolving settlement patterns and pressure on existing towns is a price of an enhanced lifestyle for the majority of residents.

Inevitable it may be, but the difficulties associated with change are real for many residents. Some are obliged to travel or move, others find services declining around them or a need for new services. Adjustment affects people in many different ways—many of them adversely. The difficult adjustment process suggests an important focus for government in dealing with structural adjustment: policies and programs that focus on the needs of those individuals and households adversely affected by change. Such policies are usually based around providing good information and support for transition and include retraining and access to appropriate education, provision of financial information and advice, social support services and the like.

A commonly used but more interventionist approach attempts to replace lost industries with others in order to preserve or create new jobs and utilise existing skills within the current workforce. This approach, although conceptually satisfying, runs the risk of actively preventing the necessary change. More importantly it begs the question: if the proposed new industry is best located in this town or region, why hasn't it already established there? Experience in agricultural adjustment suggests that in the long term, measures that attempt to extend the life of failing industries or find new ones which have limited regional advantages, often do little more than delay change and in the end are detrimental to the interests of all concerned.

### *Regional development policy*

The presence of long-term spatial change as a direct result of a growing economy invites government to consider settlement patterns as part of its management of the economy as a whole.

Traditionally, national and to a lesser extent state governments focus on industry and the population as a whole when framing policy and programs. Spatial impacts, both positive and negative, are sometimes not taken into account when considering policies relating to industry, immigration, transport, health, social security or defence. This report suggests that these spatial impacts can sometimes be profound and so should continue to be explicitly considered as part of the policy development process.

Economic growth has always been a key goal of regional development policy but regional and national growth benefits have often been regarded as almost the same thing. Similarly, national equity goals and programs have generally been based on nationally important non-spatial parameters and have largely been simply assumed to be appropriate across regions. However, this report emphasises that the pursuit of national economic objectives can lead to the reorganisation of spatial patterns. Despite the improvement in national, and for the most part regional, economic performance that this brings, it can bring some locally unwelcome spatial adjustment and alter the economic and social status within regions.

The consequences of development suggest the need for regional policy objectives beyond the pursuit of economic growth in the national economy. In particular it raises the prospect of policy objectives aimed at easing and streamlining the adjustment process and suggests potential benefits in specific education, health and welfare policy to deal with the spatial impacts

of change. Government policy in almost every portfolio can have spatial consequences, which should be considered.

Recognising a role for regional policy does not automatically ensure effective action can be undertaken. The ability of government to influence the economy is often assumed, but not assured. The reality is that government represents only one part of an Australian economy operating in a global setting and spatial policy is only one of many objectives it must pursue. However, there may be scope for successful policy interventions in some areas.

Interventions to address clearly identified problems or opportunities will likely be more successful. Government policy can be an enabler for regional areas based on a clear rationale and working with the underlying competitiveness of a region. That said, the challenges faced by regions and government will still be formidable.

## Spatial economic efficiency and equity

Government has an influential role in assuring economic efficiency and equity objectives. Government reforms, policy development and service delivery all have implications for spatial equity and efficiency and an awareness of possible spatial impacts is important. A more explicit management of the spatial aspects of the economy by government may be effective in understanding issues relating to regional cross-subsidisation and the long-term distortion of growth patterns that result. This is particularly relevant to the transport sector given its importance in shaping settlement patterns.

## Infrastructure and service delivery

Outside specific regional development aims, government at all levels has a role in settlement pattern change through what are often routine decisions by mainstream government in its role as a service and infrastructure provider.

Access to services is an important part of amenity and has a critical role in the development of towns and cities. The government-provided services are among those that are most critical and government will benefit from a greater understanding of the spatial consequences of alternate approaches to service delivery. This involves recognising that there are significant spatial impacts of changes to service provision for both towns and individuals. A loss of locally provided services directly affects residents of a town. Typically, consumers must either bear the cost of any travel or miss out on the service.

Modern government services, particularly the health and education systems, are both complex and expensive to deliver and very often lend themselves to centralised delivery systems. The upshot is that personal transport to centralised service points is necessary. While for most customers this can be accommodated by private car, those without this option (usually the young and the old) are forced to expensive alternatives, reliance on friends and family or to move out of their communities to a more accessible location.

The long-term impact of transport infrastructure on development patterns is well known and is confirmed by the observations in this report. A new road for example will cause significant economic and social change, but this change is not always in the positive way that some locals

in smaller centres expect. Importantly, transport planning's strong influence on settlement patterns places it in a strategic position as an instrument of urban development.

The implications for the provision of transport services are not always well understood. If long-term spatial impacts are not given sufficient weight, government can inadvertently alter settlement patterns by providing subsidised service in a particular area but not others. While this applies to pricing and provision of many types of government services, it has particular application to the subsidisation of public transport. As with transport infrastructure planning, subsidies of this kind affect decisions by households about where to live and so have unusually long-term consequences. They are accordingly very difficult to roll back.

The application of an underlying spatially-based user pays philosophy for both private and public transport systems is a commendable ideal when dealing with these issues. However it is difficult to address, particularly in light of the complexity of public infrastructure financing and jurisdictional boundaries.

## Intervention and adjustment

Understanding that changes are part of a national pattern rather than stemming from isolated local events invites a more considered response from government. Understanding the issues underlying a perceived shock also allows for a more constructive approach that caters for the whole community rather than just the portion of it in most obvious distress.

The decline of rural towns once dependent on a more substantive agricultural industry has similarities to the predicament of capital city based communities facing a decline in local manufacturing. However, there are also significant differences. City based communities tend to have the impacts buffered by the amount of unaffected activity surrounding them. There are other base industries, service industries may be only slightly affected and workforces are spread across a substantial metropolis.

The rural town is likely to be also caught up in the slow centralisation process as their economy becomes more regionalised and the changes in both agriculture and mining tend to be slower and the underlying causes not so obvious at the local level. Rather than a disruptive event at one site warranting the obvious attention of policy makers, the rural process can almost look like a natural and orderly progression as workers at different work sites are put off or retire in their ones and twos.

Government intervention into the impact of shocks is best considered in terms of managed transition, recognising that the changes in fortunes for particular towns are due to larger forces that reshape the economy. These are long-term pressures caused by the transition of Australia from an agricultural economy to a developed, service-based economy. Many other advanced economies have been subject to similar pressures. There is little government can do to stop these changes, nor is there a conceptually compelling reason to try to do so. Nonetheless, the effects of these changes cause real pain for individuals and towns, and there is a role for government in mitigation of effects and aiding people caught in the transition to adjust.

One direction may be to focus regional development networks to assist in restructuring and adjustment for towns and individuals. One advantage of this approach is that by streamlining the adjustment process it very clearly would make a positive contribution to the national

economy. The benefits of such an approach are not confined to ailing towns and regions. It can also be applied to regions of growth to assist them in adapting to new circumstances.

## Future considerations for government

The discussions in this chapter have alluded to many issues that raise basic questions for government about future policy and actions. Similarly, regional development practitioners and those with an interest in the future of towns and the people who live in them seek an understanding of the potential for, and wisdom of, government action. While it is not the purpose of this report to engage in a full discussion of these options, it may be useful to crystallise some of the issues through a series of questions.

**Is it sensible or even feasible to pursue policies that resist or seek to reverse the types of long-term trends identified in this report?** While trying to resist change completely will be an obvious waste of effort and resources, there will always be a temptation to moderate or delay change. Observation of such strategies in the rural adjustment area suggests that they too are of little value, and can even be detrimental. However, in practice, the individual circumstances of particular towns and regions need to be considered and weighed against the costs and benefits to the whole community.

**To what extent should governments focus on people rather than industries, towns or regions?** Traditionally, governments have focused regional development policy and assistance towards regions and industry, yet this report demonstrates that the interests of individuals, industry and regions are not always the same. Government should be careful to define its objectives and avoid some common misleading assumptions such as that a strong industry necessarily results in a strong regional community or that assisting the current population will necessarily assist the long-term population.

Similarly, it cannot be assumed that assistance targeted at a region or industry will necessarily help all the people within it. In the past, industry policy has often been used in an attempt to meet regional development aims. However, with the relationship between industry and towns weakening, and industry operating in a nationally or internationally competitive environment, it is unlikely that government can use this approach without putting industry competitiveness at risk. Moreover, given the weakening link between an industry and the fortunes of the town in which it is based, there must be questions over the effectiveness of introducing a new industry to replace an existing one.

**What measures are available to government?** Strategies need to be targeted and informed by an understanding of the underlying spatial adjustment processes and tailored to the specific circumstances of a region. In some instances the best approach may involve pursuing measures to assist those people that have become distinctly disadvantaged, through training, education or social support services. In others, it may involve pursuing measures which build on a location's competitive advantages, or which assist the region to become better engaged with local industry. This report points to amenity (built, service and natural) as an increasingly important point of difference for locations. This may provide some towns with an advantage that can be leveraged. This suggests a wide range of potential positive actions, many of which enhance the amenity of towns and have elements of public goods.



**What is the importance of mainstream government action?** Regardless of whether governments decide to have specific regional development objectives, mainstream government activity has spatial consequences. It is important for governments to consider not only what they tax and spend, but also where they do it. A major theme of this report is that transport has had profound effects on settlement patterns; therefore government involvement in transport (and communications) will be central to the shape of future development.

**Are there implications for government service delivery?** The delivery of core government services (such as health and education) has spatial implications. It is important to consider the impacts, both positive and negative, which flow from decisions about where government services are placed. For towns, local delivery is doubly beneficial: local services are generally more easily accessible and their provision offers a source of skilled employment. While government agencies in service provision are usually less concerned about the latter, the ability to provide accessible services often becomes a function of the client group's ability to access affordable and timely transport. This becomes a complicated issue and inevitably raises questions regarding appropriate levels of service in less accessible locations. Very often solutions revolve around transport and communications, making a whole of government approach beneficial.

## Conclusions

This report has examined settlement pattern change over the last century. The fundamental parameters in settlement change have been wealth, technology (including industry, transport and communications technologies), increased life expectancy, population growth and sources of income that are not place-specific (for example, income support).

Changes to these parameters have empowered the many individual decision makers to behave differently and in doing so they have created different patterns of activity. This process is expected to continue into the future building on today's investment, existing infrastructure, available housing and expanding networks. The settlement pattern in 2100 will be different to today's pattern, but today's pattern will influence the shape of Australia in 2100.

Australia's population is forecast to increase by 15 million people from 2012 to 2060, and for the proportion of Australians over the age of 65 to increase from the current one in seven to one in four over the period (Productivity Commission 2013). The increase in the proportion of older people is significant, because of lifecycle differences in residential location decisions. Older people with enhanced independent incomes from superannuation or the pension will make location decisions based on amenity, including access to key services such as health care.

The centralising of activity is likely to continue. Technological advancement, including in transport, firms seeking economies of scale advantages, households and positive feedback loops will remain powerful factors and continue the process of centralisation so prevalent in this study.

There is likely to be more capacity for people to live in one place and work in another, and who can therefore choose their residence without considering the employment options locally. As transport technology increases, it is likely that the number of towns which can capitalise on this will increase. An implication for the future development of towns is that amenity is significant. Industry alone does not provide an economic basis for a town as people are willing and have the means to commute to a job from a location they prefer.

We can expect a future of more centralisation, a greater emphasis on amenity and a further loosening of the link between place of work and place of residency, and there is much to be gained by studying the processes that drive them. The change in our towns from 1911 until the present has been profound. It has been associated with a substantial growth in wealth, technology and living standards. It has also been the cause of much hardship for many individuals who either didn't understand the change or had difficulty adapting to it. The future may also involve great change. A better understanding of the processes will allow it to come a little easier.