



Australia's Regions and their Potential for Economic and Population Growth

PARLIAMENTARY LIBRARY
WESTERN AUSTRALIA

Copy provided by the Western Australian
Parliamentary Library in accordance with
Section 48A of the Copyright Act 1968

Professor Andrew Beer
Flinders University

Dr Terry Clower
University of North Texas

Dr Bridget Kearins
Flinders University

This paper considers the economic processes shaping the future of settlement in Australia and argues that complex forces are at work, and that towns and regions that can identify and develop new industries have considerable potential for growth. The paper begins by discussing the evidence relating to urban growth also amongst Australia's regional cities and then moves on to consider the role of innovation in shaping the future of both industries and regions. The paper provides an example of innovation contributing to a potential new future for an established rural industry and concludes with a discussion on the implications for communities, industries and governments.

Australia remains one of the most urbanised nations in the world with more than 60% of its population living in the five state capitals of Sydney, Melbourne, Adelaide, Perth, Brisbane and Hobart, and 42% of the population resident in the two largest centres – Sydney and Melbourne (Forster 2004). The dominance of the capital cities has been a major feature of Australia's settlement since colonisation, with the pre-eminent role of the state capitals – referred to as metropolitan primacy – reinforced by both market processes and government expenditure decisions (Beer et al. 1994).

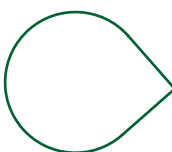
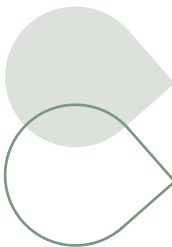
The urban settlement patterns of the 20th century have, however, recently been challenged by new economic processes, as deregulation of the economy has fuelled the growth of new industries and their urban centres, and contributed to the decline of other places (Beer 1995; Pritchard & McManus 2000; O'Connor & Stimson 1995). Sydney, Perth and Brisbane have all benefited from these processes, while Melbourne has held its own and the smaller capitals of Adelaide and Hobart have suffered relative to the other metropolitan areas.

The new economic processes associated with global markets have also affected regional centres, country towns, small rural villages and outback settlements. While many smaller towns have declined, some have prospered and many larger regional centres have grown as a consequence of both demographic change and the emergence of new industries.

Deregulation of the Economy and its Impact on the Australian Urban System

The Australian economy has been transformed over the last 20 years by deregulation of many aspects of the economy and a greater focus on building international competitiveness within the economy (Pritchard & McManus 2000). Major shifts have included:

- a substantial reduction in tariffs and the floating of the Australian dollar in the mid 1980s



- the introduction of a National Competition Policy designed to encourage the more effective use of assets held by Government Trading Enterprises (The Hilmer Report 1993)
- deregulation of labour markets
- a decline in real labour costs as an outcome of government policies that first emphasised wage restraint (The Prices and Incomes Accord 1983–1997), then devolved wage bargaining and have now individualised wage bargaining.

The extent of these shifts should not be underestimated. For example, average effective rates of assistance for manufacturing declined from 24% in 1978–79 to 15% in 1990–91 and 5% by 2005 (Taylor 1992). It has been estimated that the devaluation of the Australian dollar and wage restraint increased the competitiveness of Australian manufacturing relative to international producers by 10–20% through the 1980s (Bureau of Industry Economics 1989).

These changes have had two interrelated effects: first, the internationalisation of the economy has contributed to sustained economic growth since 1991, the second longest period of uninterrupted growth in the nation's economic history (O'Neill & McGuirk 2002). Second, internationalisation of the economy has seen the decline of some industries, such as manufacturing, government administration and extensive agriculture, and the rise of other industries, including personal services; financial and business services; tourism; public administration; and health and community services.

Insights into the impact of the deregulation of the economy are provided by an analysis of trends in the economic wellbeing of Australia's regional cities.

Regional cities as a group and individually have been affected by the transformation of the Australian economy from an inward to an outward focus.

Regional cities are an important indicator of broader scale change within the Australian urban system as they provide insights into urban processes that are not easily obtained through the examination of larger or smaller settlements (Sorensen & Wienand 1991). The small number of metropolitan areas, for example, makes it difficult to identify trends and processes that are independent of the historical circumstances of each city. On the other hand, the very large number of smaller towns and settlements across Australia makes the identification of trends highly complex.

Over the last two decades, the growth prospects of regional cities have been shaped by the mix of industries they contain – with those that accommodate fast growing sectors likely to grow, and the capacity of individual enterprises to take advantage of the new opportunities offered by the global market place. The factors likely to shape their economic futures have included their resource base (Beer 2005); access to infrastructure; distance from the capital cities; the quality of their human capital; population size; and historical growth rates (Abelson & Deodhar 2000; Bradley & Gans 1998).

Regional Cities in Australia

For the purposes of this paper, regional cities are defined as urban centres with a population of 10,000 or more that lie outside the Statistical Divisions of the capital cities, and beyond the Statistical Districts of metropolitan satellites such as Geelong, Newcastle or Wollongong (see Beer et al. 1994; Beer 1999). At the 2001 Census there were 76 regional cities identifiable in Australia (Table 1) with the majority located along the eastern seaboard (Figure 1).

Table 1: Population: number and growth in regional cities by state and total Australia: 1996–2001.

State	No. of Centres		Population		Growth no. 1996–2001	Growth % 1996–2001	Average Annual Rate of Growth (%) 1996–2001
	1996	2001	1996	2001			
New South Wales	28	27	616,268	626,794	10,526	1.71	0.34
Victoria	16	17	365,998	407,733	41,735	11.40	2.28
Queensland	18	13	698,961	626,669	-72,292	-10.34	-2.07
South Australia	6	6	97,475	96,160	-1,315	-1.35	-0.27
Western Australia	9	9	179,626	221,569	41,943	23.35	4.67
Tasmania	3	3	109,134	108,113	-1,021	-0.94	-0.19
Northern Territory	1	1	22,488	24,640	2,152	9.57	1.91
Total Regional Cities	81	76	2,089,950	2,111,678	21,728	1.04	0.21

Source: Based on ABS 2001

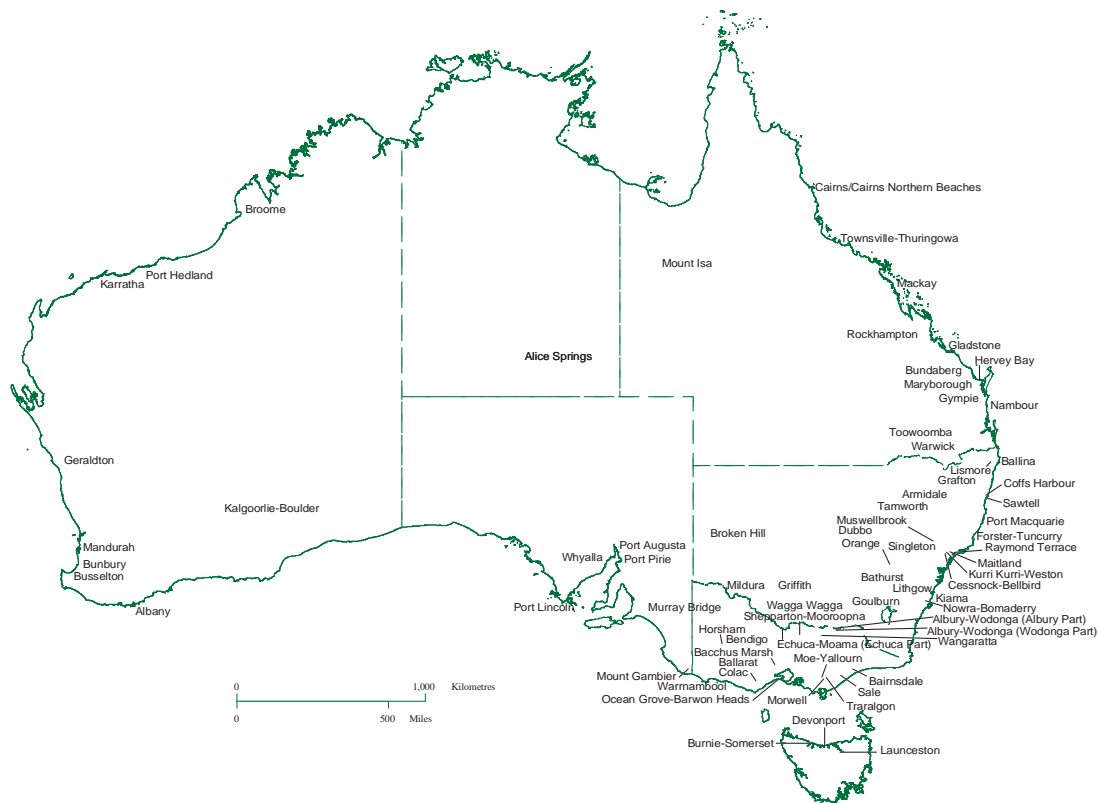


Figure 1: Location of regional cities in Australia: 2001 Census.

Source: Based on ABS 2001

The number of regional cities enumerated in any census varies over time, with 79 counted in 1991 and 81 in 1996. This variation reflects a number of processes including the expansion of metropolitan areas to effectively 'capture' previously independent regional cities; population loss resulting in smaller regional cities no longer meeting the 10,000 threshold; and population growth elevating urban centres above the 10,000 person benchmark. Between 1996 and 2001, the urban centres of Tewantin-Noosa, Maroochydore-Mooloolaba, Kawana Waters and Caloundra in Queensland left the population of regional cities as they were redefined by the Australian Bureau of Statistics (ABS) into a single urban centre. At the same time, Parkes in New South Wales fell below the 10,000 population threshold and Colac in Victoria grew to exceed the 10,000 population lower boundary.

As Table 1 indicates, most regional cities in Australia are found in Queensland, New South Wales and Victoria, which are Australia's most populous states. The growth of regional cities varies by state, with the highest average rates of growth in Western Australia, Victoria and New

South Wales, while the population resident in regional cities fell between the 1996 and 2001 Censuses in South Australia and Tasmania. The data presented in Table 1 also suggests population loss amongst the population of regional cities in Queensland, but this outcome reflects the merging of several large regional cities from the 1996 Census into the south-east Queensland metropolitan area.

The highest rates of population growth between 1996 and 2001 occurred in regional cities in Western Australia and Queensland (Table 2). In part, the rapid growth of these urban centres reflects trends at the state level, with the Western Australian and Queensland economy growing more rapidly than the national average (Adams 2002). However, it is worth noting also that the majority of fast growing centres were located on the coast and have strongly developed tourism and recreation industries. Broome, for example, is a very remote community in north-west Australia that has expanded as an international tourism destination. Bunbury, on the other hand, has a well-developed tourism industry but has largely grown on the strength of retirement and leisure-related migration (Salt 2004).

Table 2: Highest population growth rates by regional city: 1996–2001.

Regional City	Rank	Population		Growth (No.)	Growth (%)	Average Annual Rate of Growth (%)
		1996	2001	1996–2001	1996–2001	1996–2001
Bunbury (WA)	1	24,945	45,299	20,354	81.60	16.32
Broome (WA)	2	11,368	15,906	4,538	39.92	7.98
Busselton (WA)	3	10,642	13,963	3,321	31.21	6.24
Mandurah (WA)	4	35,945	46,697	10,752	29.91	5.98
Mackay (Qld)	5	44,880	57,649	12,769	28.45	5.69
Coffs Harbour (NSW)	6	22,177	26,083	3,906	17.61	3.52
Mildura (Vic)	7	24,142	28,062	3,902	16.24	3.25
Bendigo (Vic)	8	59,936	68,715	8,779	14.65	2.93
Forster-Tuncurry (NSW)	9	15,943	17,996	2,053	12.88	2.58
Port Macquarie (NSW)	10	33,709	37,982	4,273	12.68	2.54
Hervy Bay (Qld)	11	32,054	36,109	4,055	12.65	2.53
Griffith (NSW)	12	14,209	16,003	1,794	12.63	2.53
Ballarat (Vic)	13	64,831	72,999	8,168	12.60	2.52
Ocean Grove-Barwon Heads (Vic)	14	11,272	12,655	1,383	12.27	2.45
Shepparton-Mooroopna (Vic)	15	31,945	35,828	3,883	12.16	2.43
Warwick (Qld)	16	10,947	12,011	1,064	9.72	1.94
Alice Springs (NT)	17	22,488	24,640	2,152	9.57	1.91
Echuca-Moama – Echuca Part (Vic)	18	10,014	10,955	941	9.40	1.88
Albany (WA)	19	20,493	22,415	1,922	9.38	1.88
Townsville-Thuringowa	20	109,914	119,504	9,590	8.73	1.75

Source: ABS 2001

Most regional cities that experienced rapid growth between the 1996 and 2001 Censuses were located on the coast and depend upon tourism and leisure industries. There are, however, significant exceptions. Mildura, Griffith and Shepparton, for example, are inland centres with strongly developed agricultural processing industries, while Bendigo and Ballarat are also inland centres, but with mixed economies based on education, government administration and other services.

Twenty regional cities lost population between 1996 and 2001, and did so despite population growth nationally (ABS 2001). Population loss was concentrated in southern Australia amongst regional cities with established manufacturing industries (i.e. Whyalla, Port Pirie); and declining mining (Kurri Kurri Weston, Muswellbrook, Morwell) and power generation (Moe-Yallourn, Lithgow and Port Augusta). Some cities, such as Armidale and Goulburn in New South Wales and Maryborough in Queensland, have served as major service centres for agricultural regions and the downturn in their industry sectors (wool production and sugar respectively) were associated with population loss.

Employment data provides insights into the industry structures of regional cities. As a group, regional cities have an industry profile that differs from the national average in some important dimensions (Figure 2).

Regional cities have a relative concentration of: employment in retailing; health services; education; and accommodation, cafes and restaurants, and are relatively under-represented in property and business services; the finance sector; agricultural production; and manufacturing. However, the pattern of employment has changed for regional cities as a group and for individual regional centres.

Increased functional specialisation has been an important consequence of a restructuring national economy. Not all regional cities developed more specialised industry profiles between 1996 and 2001, but 60 of the 70 regional cities where time series data were available became more specialised. This measure of specialisation was first applied by the Department of Home Affairs and the Environment (1983) to the 1976 Census (see also Beer et al. 1994; Bradley & Gans 1998).

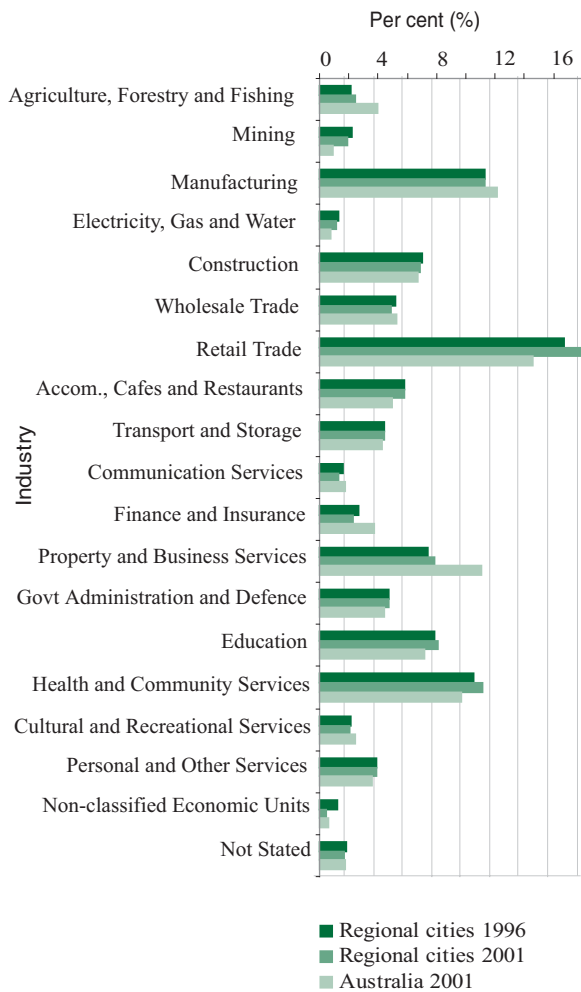


Figure 2: Percentage employment by industry, regional cities and Australia.

Source: Based on ABS 2001

Critically, the general increase in functional specialisation suggests that the industries within regional cities have become more specialised as they have become more exposed to market forces and international competition. The fact that not all regional centres have become more specialised in their employment structures reflects the fact that some were previously focused on industries that are no longer competitive. Whyalla in South Australia, for example, witnessed massive restructuring in its steel making operations that have contributed to both a reduced level of dependency and population loss.

The discussion of population growth and loss amongst regional cities and their changing employment structure raises important questions about the differing growth trajectories

evident amongst these urban centres. Clearly, some regional cities grew in the inter-censal period 1996–2001, while others have declined. In addition, while there are significant differences in outcomes between the Australian states, they do not fully explain how or why these differential rates of growth have occurred. Importantly, a statistical technique known as cluster analysis suggests that by the year 2001 a new group or ‘cluster’ of regional cities had emerged. This cluster was comprised of the regional cities of Griffith, Murray Bridge, Mildura, Port Lincoln, Bundaberg, Gympie and Warwick. Essentially all of these centres are characterised by agribusiness and as a group they enjoyed a population growth rate approaching 5% over the period 1996–2001.

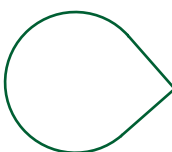
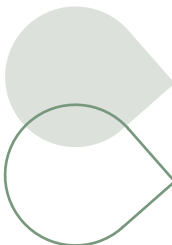
Mapping a Successful Future

The discussion above of the fortunes of regional cities has shown that some regional cities have grown and some have declined over the last decade. The majority of fast growing regions are located on the coast and have benefited from the ‘sea change’ phenomenon. However, other inland centres, such as Griffith, have grown because the industries that underpin their economies have boomed within the new global economic order. The question, therefore, is – how can other regional cities, other towns and other regions map out similar prospects for their own future? What are the key ingredients for success and how can regional communities bring them to fruition? We would argue that there are two key dimensions to the successful development of Australia’s regions into the future – innovation and effective regional development. Each is discussed in turn in the remainder of this paper.

Innovation

Increasingly, innovation is seen as critical to the success of individual businesses and the regions within which they are located. Innovation is seen to generate ‘long run upward development’ (Courvisanos 2003) by encouraging capital formation that is inherently place-dependent or embedded. Innovation is also seen to be central to the development of competitive advantage (Porter 1990), which in turn is held up as essential for sustaining advanced economies (Porter et al. 2000).

The challenge for Australia’s regions is that, in the absence of government intervention, innovation processes favour metropolitan locations over non-metropolitan places, and more developed economies over less developed regions (Courvisanos 2003; Morgan & Nauwealers 1999). This



reflects the fact that advanced technology firms tend to be based in the cities and that government programs to encourage small firm formation and entrepreneurialism are focused on the metropolitan areas where demand is anticipated to be greatest.

This outcome ignores the fact that Australian primary production has a long history of innovation and that there are many contemporary examples of innovation in rural regions leading to economic growth. The growth of aquaculture around coastal Australia has been led by significant technological and commercial innovations, with significant scientific and business advances including the successful breeding of southern bluefin tuna, large scale land-based abalone production and the development of new markets for kingfish and other species.

Local and regional economic development

Innovation alone is not sufficient to ensure the growth of regions and towns as innovations can, and do, migrate overseas and to the large metropolitan areas. Innovation needs to be applied through intelligent, sustained and focused regional economic development strategies. Strategies and actions focused on assisting the growth of individual regions have the potential to make a significant contribution to their wellbeing.

However, while some commentators (Beer et al. 2003) are strong advocates of such approaches, the value of regional economic development is not universally recognised. Many commentators are critical of local and regional economic development initiatives (Karmatz et al. 1998; Isserman 1994) and in the US whole 'think tanks' are focused on challenging the rationale of government intervention in local economies (see, for example, Mackinac Center for Public Policy).

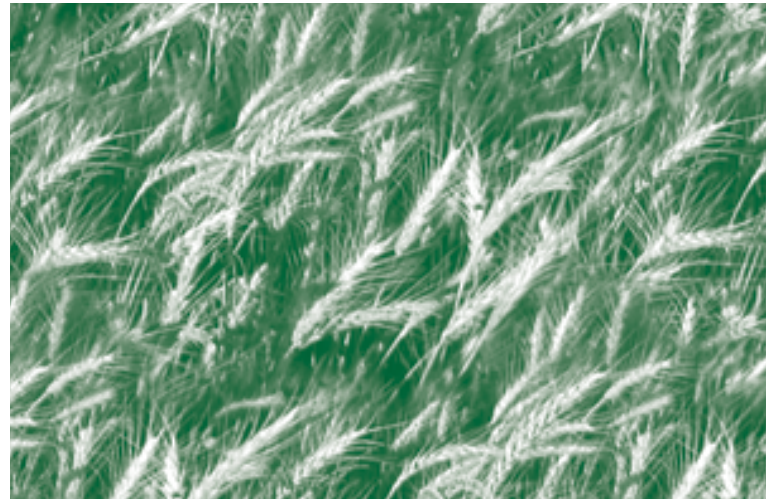
It is important, therefore, to examine the real potential of innovation strategies combined with regional economic development processes in encouraging population and economic growth in non-metropolitan Australia.

Case study: Transforming commodities – regional approaches to marketing grains

Commodity production is an important part of the Australian economy. While tourism has emerged to become Australia's largest single export earner, traditional exports industries remain important with mineral exports

valued at \$45 billion in 2000–01, roughly 40% of total export earnings (Beer et al. 2003). However, commodity production has fallen as a percentage of the national economy: between 1955 and 2000–01, primary production fell from 18.2% of Gross Domestic Product (GDP) to 7.2% (Beer et al. 2003). At a regional level, primary production remains crucial with regions such as Macquarie-Barwon, Murray Darling, and Central Murray still reporting more than 30% of their labour force in agriculture.

Agricultural products have historically been at the core of Australia's economy but over recent decades they have contributed to the weakness of the economies of many non-metropolitan regions. Commodities tend to have limited value added beyond the farmgate; there is little prospect for product differentiation – thus exposing producers to the vagaries of a global market characterised by fierce price competition; and there have been significant fluctuations in prices, which may not reflect the true costs of production.

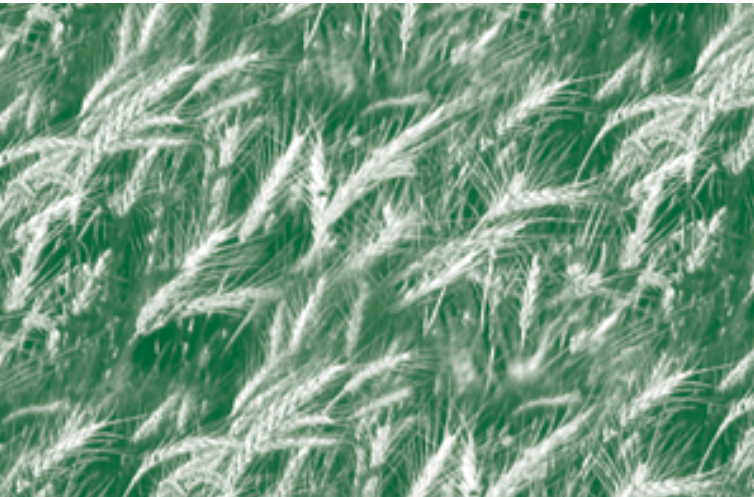


In order to develop stronger economies and command higher prices for their products, regions need to identify ways to differentiate their products from their competitors; establish a regional identity that can be projected onto global markets; and look to add value to their products. Achievement of these goals has proved elusive within the commodity sector.

Orroroo is a small town approximately 3.5 hours drive north of Adelaide along the Barrier Highway to Broken Hill. It is in the Southern Flinders Ranges and at the northern extent of the grain growing districts of South Australia. Over the last five years, a group of local farmers have been working with a government agency, Rural

Solutions SA, to change the market position of their major product – wheat. Grain produced in the Southern Flinders Ranges is of a high quality, marked in particular by higher protein levels. The ‘single desk policy’ has meant that all wheat was sold from a common pool, where higher protein wheat can be mixed with lower grades. This limits the value that farmers can derive from their grain and restricts the ability of individual regions to market their wheat as a differentiated premium product.

The farmers of Orroroo have worked with Rural Solutions SA and the Regency College of Technical and Further Education (Ker 2003) to usher in a sea change in the way their product is sold to overseas markets. Instead of being produced as a bulk commodity, they have worked to export their wheat as a transformed product – frozen dough for bread rolls, fruit buns and croissants. The Japanese market was initially interested in these products for reasons that go beyond the conventional approach to selling wheat.



Japanese buyers are interested in wheat products that meet precise market requirements: emphasising the ability to trace the dough back to its place of origin, as well as attempting to establish a distinctive regional identity. These attributes help build consumer confidence in the quality and safety of food. The process of developing these new products has included seeking feedback from potential customers in Japan. The search to find a place within the Japanese market has involved communicating to potential customers the inherent advantages and integrity of the product originating from this region, and developed from particular grain varieties. Through this process, grain production is being ‘de-commodified’.

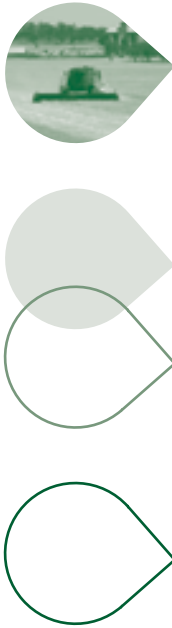
Innovation does not come easily and this is particularly true in attempting to develop new products within the grain industry. Despite the best efforts of the farmers around Orroroo, sales into Japan proved elusive for many of the reasons selling any product into Japan is traditionally considered difficult, including cultural and government barriers. However, while that market proved unproductive, the work undertaken in preparing for the Japanese market has contributed to a major sale into India.

The initiative of farmers in and around Orroroo provides a strong example of the economic benefits arising out of locally focused economic development. It has created valuable learning opportunities for the local farmers. It has also enhanced the economic resilience of the locality and opened up new markets. However, this progress has not come quickly or cheaply, with both the government sector and individual farmers carrying considerable costs throughout the life of the project.

Conclusion

This paper has argued that economic globalisation has created new challenges and opportunities for Australia’s regions. Australia’s largest capital cities have benefited from this new economic order, but so too have some regional cities, including some whose economies are based on the export of agriculture. Many smaller inland centres – such as Penola in the Coonawarra – have also benefited from economic change.

Australia’s non-metropolitan regions and businesses will have a prosperous future if they can successfully harness the power of global markets. Innovation and effective regional development strategies will be an important part of that success. Governments can help facilitate the processes of growth and innovation but are unwilling to take direct action to support individual regions. It is therefore the task of individual communities to embrace change and map out an economic future that includes: value adding; the development of new products; the exploitation of new markets; and sustained economic growth.



References

- Abelson, P & Deodhar, V 2000, 'The Growth of Urban Areas in Australia', unpublished, Macquarie University.
- Adams, P 2002, 'Prospects for Australian regions', *Sustaining Regions*, vol. 1, no. 2, pp. 4–16.
- Australian Bureau of Statistics 2001, *Census of Population and Housing*, ABS, Canberra.
- Beer, A 1995, 'Regional Cities in Australia's Changing Urban System', *Geographia Polonica*, vol. 66, pp. 33–49.
- Beer, A 1999, 'Regional Cities within Australia's Changing Urban System, 1991–96', *Australasian Journal of Regional Studies*, vol. 5, no. 3, pp. 329–438.
- Beer, A 2005, 'Goodbye RARA, Hello Goodtimes', *Sustaining Regions*, vol. 4, no. 2, p. 3.
- Beer, A, Bolam, A & Maude, A 1994, *Beyond the Capitals: Urban Growth in Regional Australia*, Australian Government Publishing Service, Canberra.
- Beer, A, Maude, A & Pritchard, B 2003, *Developing Australia's Regions: Theory and Practice*, University of New South Wales Press, Sydney.
- Bradley, R & Gans, J 1998, 'Growth in Australian Cities', *Economic Record*, vol. 74, no. 226, pp. 266–78.
- Bureau of Industry Economics 1989, *Trade Performance of Australian Manufacturing*, Australian Government Publishing Service, Canberra.
- Courvisanos, J 2003, 'Innovation for regional communities: A research framework', paper presented to the Sustainable Economic Growth for Regional Australia Conference, Gold Coast, 15–17 September.
- Department of Home Affairs and the Environment 1983, *Australian Urban Environmental Indicators*, Australian Government Publishing Service, Canberra.
- Forster, C 2004, *Australian Cities: Continuity and Change*, 3rd edn, Oxford University Press, South Melbourne.
- Independent Committee of Inquiry 1993, *National Competition Policy* (Hilmer Report), Australian Government Publishing Service Canberra.
- Isserman, A 1994, 'State economic development policy and practice in the United States, a survey article', *International Regional Science Review*, vol. 16, no. 1/2, pp. 49–100.
- Karmatz, L, Labi, A & Levinstein, J 1998, 'Corporate welfare', *Time*, 9 November, pp. 29–47.
- Ker, R 2003, 'Farmers families on a roll with wheat exports', *The Advertiser*, 17 May.
- Mackinac Center for Public Policy, Midland, Michigan, <<http://makinac.org>>.
- Morgan, K & Nauwealers, C (eds) 1999, *Regional Innovation Strategies*, The Stationery Office, London.
- O'Connor, K & Stimson, R 1995, *The Economic Role of Cities: Economic Change and City Development, 1971–1991*, Australian Government Publishing Service, Canberra.
- O'Neill, P & McGuirk, P 2002, 'Prosperity along Australia's Eastern Seaboard: Sydney and the geopolitics of urban and economic change', *Australian Geographer*, vol. 33, no. 3, pp. 241–61.
- Porter, M 1990, *The Competitive Advantage of Nations*, Macmillan, London.
- Porter, M, Takeuchi, H & Sakakibara, M 2000, *Can Japan Compete?*, Macmillan, Basingstoke.
- Pritchard, B & McManus, P 2000, *Land of Discontent*, University of New South Wales Press, Kensington.



Salt, B 2004, *The Big Shift*, Hardie Grant Books, South Yarra.

Sorensen, A & Weinand, H 1991, 'Regional well-being in Australia revisited', *Australian Geographical Studies*, vol. 29, no. 1, pp. 42–70.

Taylor, M 1992, *The Regional Impact of Changing Levels of Protection in Australian Industries*, Office of Local Government, Canberra.

About the Authors

Professor Andrew Beer is a Lecturer in the School of Geography, Population and Environmental Management at Flinders University. He is also the Director of the Southern Research Centre of the Australian Housing and Urban Research Institute. His research interests include housing and regional development. He is the Editor of *Sustaining Regions*, a journal of the Australian and New Zealand Regional Science Association International (ANZRSIAI) and has been involved in a number of government initiatives, including the Southern Suburbs Industry Development Working Group (SSIDWG).

Dr Terry Clower is Associate Director of the Center for Economic Development and Research, and Assistant Professor with the Institute of Applied Economics at the University of North Texas. He has served as project manager, staff researcher, and statistical analyst on numerous projects reflecting experience in labor relations, economic and community development, public utility issues, transportation, and economic impact analyses. He serves as the Center's resident expert on telecommunications focusing on policy issues regarding infrastructure development. He also leads the Center's transportation research efforts.

Dr Bridget Kearins is a Post Doctoral Fellow in the School of Geography, Population and Environmental Management at Flinders University. Prior to commencing her PhD, she worked for a consulting firm servicing the agricultural sector. She was awarded her PhD in 2004 for her thesis on the impact of locally-based export development initiatives in Southern Adelaide. She has also published work on issues of housing affordability, and urban and regional planning.

