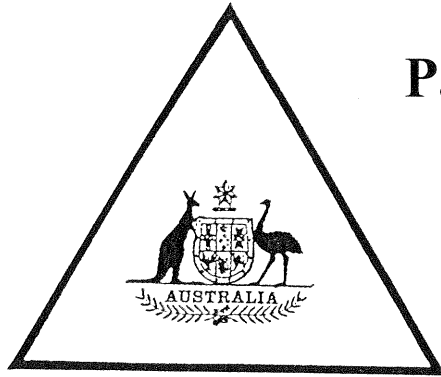


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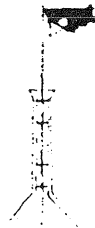


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*Australian Urban and Regional Development:
the Policy Challenge*



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***Australian Urban and Regional
Development: The Policy Challenge***

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Executive summary

Australia comprises cities and regions with diverse economic potentials and social needs. An almost inevitable consequence of this diversity is a spatial dimension to many of the economic and social issues facing Australians today. Coming to terms with these urban and regional inequalities is a key element in public policy even if such considerations have not always been to the fore of the policy agenda.

This recognition of urban and regional issues has been a great challenge for all levels of government. The Federal Government is more used to applying economic policy instruments to the national economy as a whole. The influence of economic rationalism has also not been conducive to selective interventionism in public policy. The State governments meanwhile complain of lack of resources for remedial policies, while remaining locked into a process of 'beggar-thy-neighbour' competition. Local government, closest to the needs of the people, is too fragmented and under-resourced to provide any general solutions.

More vigorous urban and regional policies are a pressing need. Current patterns of urban and regional development are economically costly, involving enormous expenditure on infrastructure provision. They are socially inequitable, because the increasingly unequal distribution of income is giving rise to a greater gulf between well-to-do and poorer localities. Current patterns of urban and regional development are also ecologically unsustainable: transport and housing forms are wasteful of energy resources, while further metropolitan sprawl creates great environmental stresses on the urban fringes. Moreover there is a requirement for urban and regional policy to be linked with population and immigration policies to ensure compatibility of economic, demographic and environmental aspects of public policy.

The resolution of these urban and regional problems needs careful attention to various interconnected issues. It needs clarification of the policy objectives: efficiency, equity, ecological sustainability and political cohesion. It needs examination of previous attempts to formulate urban and regional policies and their frequently disappointing outcomes. It needs clarification of basic conceptual issues concerning the importance of place and space and how these are being reshaped by technological and economic changes, including the effects of internationalisation.

A useful distinction can be drawn between three levels at which explicitly spatial policies can be directed: inter-regional, intra-regional and intra-urban. The first level concerns balance between the States.

At this level the record shows considerable success in the achievement of equitable outcomes, partly through the processes of fiscal equalisation involved in Commonwealth-State financial relationships. At the second level, within each of the States, there are much more striking regional imbalances, reflecting the limited achievements of decentralisation policies. Increasingly the policy concerns have shifted to the third level, intra-urban planning, particularly focussing on urban consolidation. There is no incompatibility between decentralisation and consolidation, but the latter has come more into vogue because of the fiscal pressures on the States to economise on infrastructure provision for the metropolitan fringes.

An array of recent reports and documents has sought to re-consider the appropriate role of public policy in dealing with urban and regional issues. The Industry Commission has predictably drawn attention to the 'distortions' arising from policies like urban consolidation. It has also stressed the impediments to structural economic change arising, for example, from standardisation of award wages between regions. A Government taskforce on regional development headed by ACTU President Bill Kelty has provided a more explicitly regionalist analysis, emphasising the need to tailor policies to meet the diversity of regional needs and to develop new forms of infrastructure financing to stimulate regional development. Another report, on business investment and regional prosperity, prepared for the Federal Government by management consultants McKinsey & Co., has stressed the need for promotion of 'regional leadership'.

Some of these reports have been influential in re-shaping Federal Government policy. However, judging from *Working Nation*, (the recent White Paper on employment and growth) and the subsequent 1994-95 Federal Budget, the re-awakening of interest in regional policy has not been matched by a significant reorientation of Government expenditure or any other form of policy. Regional self-help seems to be the order of the day. The legacy of economic rationalism obstructs possibilities for a more interventionist approach to regional policy. Concurrently, urban policies remain principally a State government responsibility, although the Federal Government has actively intervened through funding Building Better Cities projects and continues to seek a coordinating role through the Australian Urban and Regional Development Review.

A more ambitious approach to urban and regional policies would require a stronger commitment to industry policies, including the development of a national investment fund. It would require a more extensive role for the public sector, both directly as employer and indirectly as catalyst for private-sector development. It would require regional restructuring explicitly directed towards the goal of

ecologically sustainable development. It would require a more comprehensive program for redistribution of incomes and work.

Posing this more ambitious agenda illustrates the general point that urban and regional policy is not just a tack-on to the existing economic and social policy agenda. All policies have an implicit spatial dimension and need to be coordinated to achieve urban and regional objectives.

Achieving the objectives of urban and regional policy in the long-run may also require reform of governmental structures. The possibility of replacing the current three-tiered system of government with a two-tiered system based on a stronger regional structure puts the issue of urban and regional policy also on the agenda of republicanism and constitutional reform.

1. Introduction¹

Spatial economic inequalities are pervasive in Australia. Unemployment is one aspect of particular current concern. All areas have been affected by structural economic change and the recession, but some of the wealthier localities have maintained unemployment rates as low as 5 per cent while others have had to cope recently with rates of over 20 per cent. Particularly severe unemployment problems have been felt in areas like Fairfield and Liverpool in the south west of Sydney, Dandenong and the northern and western suburbs of Melbourne, Elizabeth in South Australia and heavy industry towns like Newcastle, Wollongong, Geelong and Whyalla.

Other parts of regional Australia have long-standing concerns about being left on the sidelines of national economic development. Much of the national wealth - and the bulk of Australia's exports - have been generated from areas specialising in mining and agriculture. But inhabitants of those non-metropolitan regions point out the disadvantages they face as a result of higher costs for transport and communication, and the difficulties of access to services and facilities which remain concentrated in the metropolitan areas. Lower housing costs offset these regional disadvantages but the tensions remain.

Meanwhile, the vast majority of Australians live in cities² where there is an array of urban problems - congestion, pollution, problems of access to decent and affordable housing and key services, transport facilities that do not adequately cater for people's needs and constrain their economic, social, recreational and cultural pursuits. Growing concerns with crime and other manifestations of an increasingly polarised urban society add to the list of these all-too-familiar problems. Those who regard these problems as intensifying often refer to them as constituting an 'urban crisis'.

All this is a major challenge for public policy. What can ameliorate or resolve these complex urban and regional problems? Can urban and regional policy make a difference?

1 This paper emanated from Prof. Stilwell's presentation "Why Where Matters: Policies for Urban and Regional Development" to the Department of the Parliamentary Library Seminar Series held on 9 February 1994, and chaired by the Hon. E.J. Lindsay RFD MP, Parliamentary Secretary to the Minister for Industry, Science and Technology.

2 Details of the geographical distribution of Australia's population and the dominance of cities are provided in Appendices 1 and 2.

2. A public policy resurgence

Despite - or perhaps because of - the frustrations of the record to date, the issues are again high on the Federal political agenda. The Building Better Cities program has been in operation for the last couple of years, brought to fruition through the energies of the Minister for Housing and Regional Development, the Hon. Brian Howe MP. His department also commissioned an influential report on business investment and regional rejuvenation which made a strong case for promoting 'regional leadership'³. The Department of Housing and Regional Development also has established the Australian Urban and Regional Development Review, which should eventually provide more long-run vision. Other bodies concerned with these matters include the Prime Minister's advisory committee on urban design.

The resurgence of a regionalist perspective gained considerable momentum during the 1993 election campaign. It has been further boosted by the taskforce headed by ACTU President Mr Bill Kelty, whose three volume report *Developing Australia: a Regional Perspective*⁴ makes a much stronger case than has been heard for a long time for active regional policies. The Industry Commission (IC) has also got into the act with its reports *Taxation and Financial Policy Impacts on Urban Settlement*⁵ and *Impediments to Regional Industry Adjustment*⁶ but tends to see regionalism as a problem and as an impediment to structural adjustment rather than as a source of economic potentials.

The impact of these studies on the Labor Government's policies is an issue which is addressed more fully later in this paper. Suffice for the moment to note their significance as part of a resurgence of interest in urban and regional policy issues. The interests cut across party lines to some extent because, while the Liberal Party generally has a predilection towards a less 'interventionist' approach, regional policy has a permanent place on the agenda of the National Party, reflecting its base in country electorates.

Political pragmatism - some would say opportunism - is seldom absent from discussions about urban and regional policy. Politicians' attention is recurrently focused on regional concerns, if only for the simple

3 McKinsey and Co., 1994.

4 Taskforce on Regional Development, 1993.

5 Industry Commission, 1993a.

6 Industry Commission, 1993b.

reason that their constituencies are geographically defined. Serving the interests of local groupings is, therefore, an integral part of the normal political process. Concurrently there is a recurrent tendency for this concern to degenerate into a form of parochialism, into 'pork-barrelling', and into 'beggar-thy-neighbour' regional competition. 'States in Bidding War for Industry' trumpeted the front-page headline of one recent newspaper⁷. Such forms of spatial competition are not conducive to coherence between regional development and national development.

Politically, the task is to transform a parochial or reactionary regionalism into a more progressive regionalism. Only then does the concern with urban and regional policy serve the broader objectives of efficiency, equity, political cohesion and ecological sustainability. It is a massive task.

3. Policy objectives

The first step is to clarify the policy goals. In regard to **efficiency**, for example, there is much to be gained from more actively interventionist urban and regional policies. Economic efficiency requires a utilisation of all resources - natural, human and manufactured - to serve social purposes. It requires the avoidance of waste. Mopping up pockets of localised unemployment is the most obvious example, because nothing could be more inefficient than having unused resources co-existing with unfulfilled social needs. So a regional policy that can target localised unemployment and mobilise the unemployed resources to produce socially useful products and services can contribute significantly to economic efficiency.

Policies that cope with the spiralling costs of providing infrastructure in Australia's major cities can also help in achieving economic efficiency. These costs are estimated as high as \$60 000 per dwelling unit on the metropolitan fringe of Sydney and \$47 000 or above in the other mainland State capitals⁸. Finding a way of accommodating population growth at less cost would help to alleviate the so-called 'fiscal crisis' that dominates government decision-making, both at Federal and State levels. More generally, if patterns of housing and employment could be reorganised so that less resources need to go into providing for complex transportation systems, then again there is a potential saving in costs. Public expenditure can then be redirected to other social purposes.

7 see Appendix 7.

8 see Appendix 5.

Equity objectives are also a central concern in urban and regional policy. Belief in a fair society and equality of opportunity requires the monitoring and redress of inequalities associated with spatial relationships. In other words, it is necessary to redress the situation whereby simple accidents of location generate major inequalities in economic opportunities and life chances. According to this reasoning, whether a person happens to have been born in Toorak, Toongabbie, or Tamworth should not be material in affecting their access to the good things that Australian society has to offer. While the elimination of spatial differentiation cannot, and should not, be a goal, it is proper to try to redress systematic spatial disadvantage and discrimination. Public policies need to address that spatial dimension of social justice, just as they need to address the dimensions of gender and ethnicity.

There is also a broader goal of **political cohesion** to which urban and regional policy can potentially contribute. That means giving substance to the rhetoric of *One Nation*⁹ by ensuring that people, wherever they are in Australia, share in the fruits of collective progress. Or, to put the point more negatively, urban and regional policies may be necessary to prevent the regional fragmentation that has literally torn some other nations apart. Such regional conflicts have their roots in various dimensions of life - social, cultural and linguistic as well as economic. Australia has been relatively free of such divisions by comparison with many other countries. But redress of economic inequalities within and between cities and regions has a potential contribution to make towards the broader objective of political cohesion.

Finally, there is the objective of **ecological sustainability**. Of course, this is of growing contemporary concern - albeit more prominent in rhetoric than in action - and it is very relevant to urban and regional policy. Urban pollution problems are pervasive. Australian cities are also intensive users of energy, particularly because of the transportation systems on which they are currently based. The form of housing in many cases is also energy inefficient. If more integrated spatial relationships could be developed within our cities and regions, a major contribution to achieving ecologically sustainable patterns of development could be achieved. More generally, there is an evident need to link urban and regional policy with population and regional policy in order to ensure compatibility of economic, demographic and environmental aspects of public policy.

9 Australian Government, 1994.

4. Limited achievements

The second step in developing a progressive approach to urban and regional policy is to learn from the history of previous attempts to re-shape cities and regions. A comprehensive treatment of this issue is beyond the scope of this paper. However, it is appropriate to note that urban and regional development is not a new concern, that urban and regional policies have been tried before and that their achievements have been generally disappointing. This is a sobering antidote to the grand claims made in the preceding section of this paper.

There was a substantial involvement of the Federal Government after the Second World War when concern with urban and regional development was part of a general concern with post-War reconstruction. There was a still more vigorous push for regional and urban development policies under the Whitlam Government in the period 1972-75. However, the innovative policies of its Department of Urban and Regional Development, headed by the Hon. Tom Uren M.P., were seen as too threatening to the pivotal role of the Treasury and the entrenched macroeconomic orthodoxies. The subsequent Liberal Government under Prime Minister Malcolm Fraser disbanded that area of policy and it remained largely neglected throughout the 1980s.

Meanwhile, various State governments have tried to limit urban sprawl and to engage in decentralisation policies to promote regional growth centres. Metropolitan planning is an ongoing process, seeking to cope with the pressures of population growth, transport problems and the costs of infrastructure provision. But the policy commitments to intervention in re-shaping the spatial patterns generated by market processes have been uneven and the achievements modest.

Why has the experience of these policies been disappointing? Is it because the initiatives have been sporadic, have not been bipartisan, or have not been given the time to develop? Or are there inherent contradictions in the processes of urban and regional policy?

Policy interventions take place within the general structures of a capitalist system. This can severely limit their effectiveness. For example, there is a commonly-expressed view that metropolitan plans are more use as 'punters' guides' for land speculation than for actually planning the form of urban development. The State governments are very limited in the policy instruments at their disposal which could bring those metropolitan planning visions to fruition. The decision-making processes in land markets, housing markets and labour markets remain largely private rather than public. Canberra is something of an exception. The leasehold system which has existed there and the direct control over the location of public service

employment on which that city atypically depends have provided more instruments for achieving co-ordinated urban planning. Elsewhere the dominant tendency has been for planning goals to be subordinated in practice to the interests of industrial, financial and property capital.

The general structure of the state apparatus has added further problems. Given the array of government departments and State instrumentalities involved in infrastructure provision it is not surprising that there are problems of co-ordination, conflicts and vested interests that undermine a broader commitment to enlightened urban and regional planning.

Understanding how these structures of capital and state have impeded previous attempts at systematic urban and regional policies is an important element in putting the current flurry of concern into perspective.

5. Back to basics

The third requirement for making better progress in urban and regional analysis and policy involves clarification of conceptual issues. It is necessary to resolve some fundamental questions about time and space, place and identity, city and region. In other words, there is a need to establish appropriate concepts for interpreting the significance of the spatial dimension of in people's lives, socially and economically. Why does location matter?

5.1 The significance of place and space

All human activity, of course, takes place in time and space. Yet social scientists have had some difficulty grappling with that simple observation. The discipline of history - the study of things taking place over time - and of geography - the study of things taking place in space - may be regarded as attempts to come to grips with those two dimensions of our collective experience. However, they are seldom well integrated.

The academic discipline of economics has particular difficulties in achieving that integration. Its temporal aspects are poorly developed because of the dominance of a comparative static methodology and the neglect of institutional observation. The treatment of space is even worse: much of economic analysis proceeds theoretically as if the economy were perched on the head of a pin, with little recognition of the spatial dimension. The challenge is to somehow find an analytical compromise between that spatial blindness of mainstream economic analysis and the spatial fetishism of traditional geographical studies. The author's own books have tried to achieve that reconciliation

through developing an explicitly spatial political economy¹⁰. However, contradictions remain, from basic philosophical questions to practical questions of policy implementation.

Take the personal need for both place and space. Individuals need security and freedom, but these are often contradictory requirements. Individuals seek security through their attachment to place, but also seek freedom through making space, transcending the limits of particular places. How this tension is handled has considerable implications for a person's fundamental attitudes to place and space. These attitudes, in turn, have a major bearing on the effectiveness of urban and regional policies. Loyalties to place may frustrate policies which assume the possibility and/or desirability of enhanced mobility of labour.

Even though Australia lacks the striking regional differences of social, ethnic and cultural character found in many other countries, a deep attachment to place is common. Where a person grows up shapes their attitudes. The physical layout of our houses, the juxtaposition of suburbs, the form of cities, access to recreational areas, and so on, all very much influence peoples' views about the society in which they live. Spatial relationships to people of other ethnic backgrounds and other income groups affects views about 'how the other half lives'. The degree of social integration experienced profoundly shapes each person's social beliefs. However, though shaped by place and space, none of this is fixed over time.

5.2 Dynamic change

In the economy, place and space are continuously confronted by the integrating effects of changes in transport and communications technologies, trade and investment. One may recall what Marx said over one hundred years ago about the tendency for space to be annihilated by time. Other social analysts of varying political persuasion have since repeatedly claimed that, with changes in technology, the importance of space would diminish. As economic integration under the capitalist system spread worldwide, the distinctiveness of place would be reduced. David Harvey, a contemporary radical geographer, takes a similar line when he talks about 'time-space compression', conjuring up a vision of Alvin Toffler's 'Future Shock' meeting Marshall McLuhan's 'Global Village'¹¹. Yes, changes over time, including the acceleration of social, economic and technological change, have some very jarring interactions with

10 Stilwell, 1982 and Stilwell, 1983.

11 Harvey, 1990.

traditional attachments to place and traditional views about space. Yet space and place remain important dimensions of economic organisation and social identity.

There are contradictory features in the relationships between place, space and time. The effects of **internationalisation** provide a particularly important example. There has been much discussion in recent times about the need to internationalise the economy, to use 'international best practice' in economic activities and so forth. Proponents of this view assert a competitive economic imperative. Concurrently, there is the (usually implicit) social promise that, by breaking down barriers associated with space and place, internationalisation fosters the brotherhood and sisterhood of humanity worldwide. But economic internationalisation in practice commonly sets up new forms of spatial competition and division. Far from creating greater integration, tolerance, and awareness of shared interests, it commonly generates new tensions and sources of inequality.

The internationalisation of capital changes the balance of power between capital, labour and the state. It enables multinational corporations, for example, to play off one place against another, one region against another. There is competitive bidding among regions leading to pressure in the labour market for lower wages in order to attract multinational capital. Governments are also commonly prepared to waive regulations on foreign investment in order to capture the mobile international capital, for fear that it will go somewhere else. Those beggar-thy-neighbour tendencies are very evident within Australia's federal structure, as well as in economic competition between Australia and the rest of the world. A 'level playing field' is an arena on which the largest and powerful players consistently dominate and divide the smaller players.

Thus, the new forms of spatial competition systematically violate many concerns with social progress. Increased spatial integration and internationalisation also generate their own contradictions. Take an example from the realm of tourism. People travel internationally to sample the diversity of places that the world has to offer: yet, as more of us do it, the world becomes more and more homogenous. A person may wake up in his/her standardised Holiday Inn or Hilton Hotel not knowing for a moment whether he/she is in Cairo, Chicago or Caracas! Yet, to attract the tourist revenues there has to be a reassertion of the uniqueness of place - whether genuine or ersatz. So it is with the general competition for capital between different places. The result is a contradictory relationship between the specificities of place and these changes which are generating time-space compression. In an increasingly integrated space-economy the differentiation of places becomes both more important and more elusive.

Understanding the changing roles of cities and regions in this context is not easy. There are strong forces of **change**, deriving from the internationalisation of capital and the processes of technological change. Simultaneously, there are strong forces of **inertia** which derive from physical geography, from attachment to place and the inherent stickiness of investment in the 'built environment' once a particular pattern of cities and regions has been established. There is recurrent tension between these elements of change and inertia in the spatial form of economy and society.

6. Australian regional and urban policies

These concerns have some practical implications which can be explored by looking at what has been achieved in Australia, drawing a three-part distinction between inter-regional policy, intra-regional policy and intra-urban policy. This takes, for the starting point, the States in Australia's federal system as the base regions, and then poses three questions:

- What has been done to ensure regional balance **between** the States?
- What has been done to achieve balanced regional development **within** each State?
- What has been done to shape the patterns of urban development in the State capitals?

6.1 Inter-regional policy: towards equitable outcomes?

Public policy in Australia has notched up some notable successes at this first, most aggregated, level. Over many decades the Federal Government, in conjunction with the Commonwealth Grants Commission, has pursued the objective of providing reasonably equitable treatment for Australians whether they live in Western Australia, Tasmania, Queensland, South Australia, NSW or Victoria. This has influenced the broad patterns of State development and, hence the extent of horizontal balance within the federal system.

To give some indication of the extent of redistribution, it has been estimated that the system of horizontal fiscal equalisation in 1993-4 would have involved transfers of \$867 million, \$726 million and \$40 million from NSW, Victoria and ACT respectively to the remaining States/Territories, with the largest transfers going to the Northern Territory and South Australia, \$626 million and \$314 million

respectively¹². The shape and extent of redistribution remains an issue of continual contention but, historically, it has helped to redress spatial inequalities associated with imbalances of economic development among the States.

In terms of economic indicators, such as *per capita* incomes, Australia ranks among the world leaders in terms of its inter-regional equity, taking the States as regions. Compared with other federal systems and, indeed, many other nations without federal structures, the broad regional inequalities are relatively modest¹³. This is not to deny that there are particular pockets of unemployment or other economic disadvantage **within** particular States. The Federal Government has typically been limited to allocations between States, having been impeded by constitutional constraints from engaging in more location-specific interventions. It was that constraint that the Whitlam Government sought to overcome with its embryonic attempts to restructure the arrangements whereby funds could be given directly to groupings of local governments.

The main problem with the experience of broad redistributive policies within the system of Federal-State financial relationships, successful as it has been in terms of the economic indicators, is that it has been a largely 'top-down' process. Certainly, the Federal Government has played an important role in pursuing the objective of regional equity through the processes of taxation and expenditure allocation. However, there is more to regionalism than equitable treatment in the arena of public finance. It is also appropriate to note that the apparent success in redistributive policies has been aided by certain elements of good fortune - for example mineral discoveries in the formerly less developed States - which have alleviated the Federal Government of the problems of dealing with the sort of resilient regional imbalances found in many other countries.

6.2 Intra-regional policy: towards decentralisation?

When looking at the regional inequalities that exist within each of the States, the Australian record is much more problematic¹⁴. Here, the major concern has been in the realm of urban-rural balance and decentralisation policy. The most striking feature of Australian population and economic-geographical distributions is metropolitan

12 Bureau of Industry Economics, 1994.

13 Data on the variation in personal income between States is provided in Appendix 3.

14 Data on the variation in personal income between regions is provided in Appendix 3.

primacy within each of the individual States. It is a colonial hangover, a pattern that was established through the first century of settlement 'down under' and not fundamentally changed since then. The spatial forms of transport networks, urban development and the structures of administration have all focused on the State capitals. The dominance of the cities over the countryside, the processes of primary resource-extraction and export, the policies regarding trade and investment, all have tended to consolidate that arrangement. Indeed, it has become accentuated through the processes of circular and cumulative causation, notwithstanding some recent evidence of a 'metropolitan turnaround'.

The economic problems arising from the dominant position of the big cities have long been acknowledged¹⁵, although attempts to identify an 'optimal city size' have failed. So too, attempts in practice to achieve effective decentralisation policies, to limit urban sprawl, and to promote regional growth centres have been largely unsuccessful. Developing new urban areas distinct from the major metropolitan centres is an enormously difficult task. Yet the costs of failure to do so are also enormous. The costs of providing infrastructure for further metropolitan growth have already been cited. The ecological damage done by further urban sprawl is also of growing concern. The interaction of increased economic inequality with territorial segmentation in large cities is potentially fracturing social cohesion. Indeed, all the policy objectives listed earlier - efficiency, equity, ecological sustainability and political cohesion - are thrown into question by the intensification of existing patterns of metropolitan dominance.

Of course, it remains a hotly debated issue as to whether the benefits of urban agglomeration exceed the costs. The nature of the links between urban problems and urban size and/or growth also remain contentious. So too does the appropriate form of remedial policies.

At first sight, it would appear that there is a 'win-win' solution on offer. Siphoning off the metropolitan growth and promoting regional development does seem to advantage people in both the cities and non-metropolitan regions. The pressures that generate urban problems are alleviated while the demands for more dispersed regional development are satisfied. So why has an apparently win-win situation failed to eventuate?

It is a complex question, touching on an array of economic, social and political considerations. Decentralisation threatens powerful economic and financial interests tied in to further metropolitan development. It

15 For example see Neutze, 1966.

is hard to initiate, since the process has to build up a lot of momentum before the problem of 'being first to go', whether for firms or households, is overcome. Most obviously, the political backing has been very weak. The failure of States to work hand-in-hand with the Federal Government to redress metropolitan dominance is also fundamental. So too the lack of co-ordination between the different tiers of government lies at the heart of this problem: its resolution needs a national approach that to date has been lacking.

6.3 Metropolitan planning: towards consolidation?

The third level of policy intervention is within the cities themselves. Metropolitan planning has many aspects but, particularly in Sydney and Melbourne, the policy of urban consolidation has come to be in vogue in recent years. A cynic might say that it has come in vogue partly because of the failures of decentralisation policy. If the urban sprawl cannot be steered away to new growth centres, perhaps it can be avoided by a policy to consolidate the cities more effectively¹⁶. Arguably, this would reduce the need to provide expensive services for newly developed land on the urban fringes. It could also slow the ecological damage resulting from urban spread, for example, the impact of Sydney extending further west into the Hawkesbury-Nepean basin.

There is a transport rationale too, based on the proposition that the transport systems could put more emphasis on public transport if cities were more compact and better integrated. Authorities could also provide, as Deputy Prime Minister Hon. Brian Howe MP has recurrently emphasised, a greater diversity of housing choices for a changing demographic pattern - more small units for an ageing population and for more flexible lifestyles - within more compact cities. These are among the many reasons why urban consolidation is on the political agenda, in addition to the obvious fiscal pressures which are causing governments to look for cheaper ways of accommodating population growth.

There are dangers too. Making more compact cities will drive up the price of urban land. Those who already own it will be gainers, and those who are trying to get access to land and housing may find their difficulty of access in the major metropolitan areas intensified. The fracturing of expectations about housing spaces and suburban lifestyles is also of widespread concern. All this fuels the widespread local resistance to urban consolidation policies.

16 The challenge facing urban planners over the next quarter of a century is starkly evident in the expected pattern of growth in Australia's cities. As shown in Appendix 4, the total number of new households in fringe areas will exceed those in established areas by more than three to one.

Even if urban consolidation could overcome those problems, its quantitative impact would, by most estimates, be relatively modest over the next decade or two. Given the existing form of Australia's low density and sprawling cities, it is unlikely that the majority of the pressures of population growth could be accommodated through urban consolidation¹⁷. So while urban consolidation can play a role in re-channelling the pressures of urban growth, it offers no panacea for the array of prevailing urban and regional problems. It provides no general solution to the past failures of decentralisation policy. In this respect, as with other dimensions of urban and regional policy, it is important to recognise the links between spatial policies and broader policy measures.

7. The legacy of economic rationalism

Urban and regional policies cannot be effective unless they mesh with other aspects of public policy. This is needed to achieve the goals of efficiency, equity, ecological sustainability and political cohesion.

Integration of spatial policies into a broader policy program is made difficult because the national economic policy agenda over the last decade has been dominated by so-called economic rationalism. This policy orientation has been the focus of much heated public debate¹⁸. The term economic rationalism itself is somewhat misleading because it is commonly regarded as implying rationality. In fact, the term has a more philosophical origin, meaning 'derived from abstract reasoning'. Economic rationalism derives from a belief that the free market will resolve economic problems. Internationalisation of the economy fits in neatly with this viewpoint. The presumption is that if governments privatise, deregulate and remove impediments to trade, that will open up more space for private sector expansion, generating the necessary structural economic changes that will ensure improved economic performance. Then, and only then, can the nation afford to direct more attention to goals of redistribution and quality of life.

The acceptance of this economic philosophy which, with variations, has been very influential in both the Government and Opposition parties, undermines Australia's capacity as a society to engage in more effective urban and regional policies. The reasons for that are obvious enough, as the reading of any undergraduate economics textbook would reveal. The neoclassical economic theory that puts the case for free market

17 McLoughlin, 1991.

18 For example Pusey, 1991; Rees, Rodley and Stilwell 1993; and James, Jones and Norton 1993.

economics always acknowledges the limits and the underlying assumptions on which that reasoning is based. These limits are associated with deficiencies of public goods, the problems of externalities, economic instability, social inequity, and the effects of monopoly power. Those five points are familiar qualifications to the case for free market capitalism. Each has important implications for the intensity of urban and regional problems.

Take the issue of **public goods**. These are goods which have an essentially collective character because individuals cannot be excluded from sharing in their consumption. Defence, public parks and transport infrastructure are examples, although the range of goods and services to be included is contentious. Economists ever since Adam Smith have recognised that free market capitalism will be niggardly in the provision of public goods. That niggardly provision impacts adversely on urban and regional development, because the provision of public goods is fundamental to the quality of life in cities and regions. The provision of public goods also tends to be a precondition for other forms of investment. The history of Australia is littered with examples of the state providing the infrastructure which has made possible private sector development. If the state withdraws from that role it undermines not just the quality of life, but the necessary relationship between public and private sectors that makes capitalist economies work. Thus, there is a contradiction in this feature of economic rationalism.

Likewise, the problem of **externalities** is compounded. Externalities arise, according to neoclassical economics, because a free market commonly fails to put the prices on goods necessary to achieve optimal resource allocation. This too has a distinctive impact on the quality of life in cities, to the extent that excessive use of environmental goods is integral to the problems of congestion and pollution. Going further down the economic rationalist track can be expected to worsen those urban problems.

Problems of **economic instability** also tend to intensify. If economic rationalism strips away the role of Keynesian macro-economic stabilisation policy, then a more volatile economic system results. This too has spatial implications. Regional concentrations of unemployment are a predictable consequence of the greater tendency towards economic instability.

Monopoly power also violates the competitive free-market ideal on which economic rationalism is based. It also tends to impede the pursuit of more balanced regional development. As the national economy becomes integrated into the global economy, cities and regions become more dependent upon particular large-scale corporations whose investment decisions are taken overseas, whether

in Tokyo, New York or London. This makes more vulnerable the economic conditions, particularly employment conditions, in local regions.

Finally, there is the tendency for growing social and economic **inequality**. The orthodox economic case for free market outcomes is couched in terms of efficiency, albeit subject to the qualifications already made. Equity objectives may be violated in the process. Freer reign to the role of market forces, especially in an increasingly internationalised economy, results in growing inequalities between regional winners and losers.

So, if there is not a substantial reversal in the dominance of economic rationalist influence on economic management, then the prospects for resolving the array of urban and regional problems is limited. This is not to deny the problems of 'government failure' that co-exist with the problems of 'market failure'. There is no presumption that government policies are always effective: rather, the point is that, in the absence of intervention, free market forces will systematically violate the objectives identified earlier in this paper. The fundamental dualism in debates around economic and social policy, between the free market and interventionist approaches, is as pertinent here as in other aspects of public policy.

8. Recent policy documents

It is in this context that the array of policy reports and documents mentioned earlier in this paper can be usefully appraised. How effectively do they chart new policy directions? Do they have the potential to lead to more progressive regional and urban outcomes? Taking the 1994 White Paper on employment and growth and the subsequent Federal Budget for 1994-95 as cases in point, what are the indications that these concerns with urban and regional development are feeding into practical economic policy?

8.1 Industry Commission (IC) reports

Two major reports on urban and regional issues were produced by the IC in 1993. There is some irony in this, given the established economic rationalist orientation of that body. The IC has a strong track-record of advocating deregulation, microeconomic reform and other anti-policy prescriptions deriving from a faith in neo-classical economic theory, based on the notion of a competitive market economy as the model of economic efficiency.

The first of the two reports, *Taxation and Financial Policy Impacts on Urban Settlement*¹⁹, was commissioned after a special Premiers' Conference in July 1991. It raised concerns about social, environmental and other effects of metropolitan expansion and the difficulty of meeting the infrastructure requirements of a spreading urban population. This IC report looks particularly at the issue of urban consolidation and adopts a critical approach, noting among other things its limited potential, 'given the relatively small share of the total urban area that dwellings occupy'.²⁰

The IC also 'affirmed that many Australians like living space' so that 'policy changes which constrain choices may have an adverse impact on community welfare'.²¹

The point, as ever in the IC formula, is to get the prices right and let freedom of choice prevail. Getting the prices right means user-pays policies for the provision of further infrastructure. Other 'sources of bias in urban choices' are also identified and appropriately 'non-distorting' solutions proposed. The potential for adverse equity effects is acknowledged but the commitment 'to conscript market mechanisms wherever possible'²² is unshaken. All in all, the report presents a critique of urban consolidation - indeed of any explicitly spatial policy - from the perspective of orthodox economics.

The second foray by the IC into the realm of spatial policy led to its report *Impediments to Regional Industry Adjustment*²³. The study was commissioned in September 1992 and the report completed in December 1993. While drawing attention to the diversity of regional economic change in Australia, the report effectively paved the way for subordinating concern with regional development to a more general policy of promoting structural economic adjustment nationwide. This subordination of regional concerns to national economic priorities was partly built into the study's terms of reference which emphasised the need to investigate ways of facilitating the efficient movement of resources and impediments to industry adjustment in regional Australia arising from the form of infrastructure provisions, labour markets and various government policies.

19 Industry Commission, 1993a.

20 Ibid p2.

21 Ibid p3.

22 Ibid p7.

23 Industry Commission, 1993b.

The Commission did not disappoint. Criticism of the system of minimum award wages, a case for increased scope for wage outcomes to differ between regions and the need to reconsider social security benefits which 'create disincentives to accept full-time employment' featured prominently among the recommendations. The Commission also noted that 'uniformity in social security payments across Australia can provide an incentive for beneficiaries to migrate to regions with lower costs of living (especially the north eastern coastal areas) even when job prospects are poorer'. Provision of public housing in areas with high unemployment is specifically identified as an impediment to regional mobility. The priority of the economic over the social and of market-led adjustment over planning balanced regional development pervades the analysis and prescriptions. This is economic rationalism in action.

8.2 The Kelty Taskforce report

The third report on spatial policy provided a contrast in some important respects. This was the report *Developing Australia: a Regional Perspective*. The taskforce, an outcome of the 1993 election campaign and headed by ACTU President Bill Kelty, was set up by the Federal Government to identify key regional economic and industry development issues, examine factors influencing regional investment and suggest appropriate policy changes. It certainly got 'out and about', criss-crossing the nation to make seventy-six consultations in sixty-three regions during three months, before it reported at the end of 1993. This methodology is reflected in the taskforce's three-volume report, one volume of which is highly distinctive in its emphasis on a region-by-region stocktaking of potentials and preferred policies. (The report is also distinctive in its resemblance to a glossy tourist brochure!). This distinctively 'bottom-up' regionalist approach contrasts with the usual tendency to work from the general to the specific - or to remain at the general level, as in the case of the regional study by the IC.

Predictably, the main regional demands identified by the Kelty report include provision of infrastructure, transport and communications, water supply, education, labour market programs, reduced government charges and better policy coordination. The taskforce distilled the various proposals into one hundred and twenty-three general policy recommendations. A key feature is the stress on modernising infrastructure, particularly in transport, financed by infrastructure bonds to attract private investment, as well as through public funding. User-pays charges are advocated as a means of cost recovery, therein generating an obvious contradiction to the extent that the financial burdens fall more heavily on the more remote regions. Against this,

various measures are proposed to compensate for the problems of remoteness, including a review of the current level of zonal tax allowance for people in remote areas and changes to fringe benefits tax in these areas.

Other policies proposed include the creation of 75 000 traineeships for young people in 'regional Australia' under the proposed Australian Vocational Certificate training system, and the establishment of Regional Economic Development Organisations to develop regional strategies, set regional priorities and promote regional development. 'What regions?' remains, as ever, a thorny question. The Kelty report identifies sixty-six regions across the nation, some regions covering vast tracts of territory and others sub-dividing cities (Sydney is split in two and Melbourne in three), some regions focusing on particular regional centres while others embrace two or more rivals (for example Tamworth/Armidale in Northern NSW; and Hobart/Launceston in Tasmania which, rather surprisingly, is treated as a single region). These issues of appropriate regional delineation are notoriously sensitive: they become crucial if the regions are to have increased status and influence in an on-going policy process. It is indicative of the pragmatic approach taken in the Kelty report that these down-to-earth aspects of regional policy are at least on the agenda again, echoing some of the research and policy analysis undertaken for the Department of Urban and Regional Development (DURD) twenty years earlier²⁴.

8.3 The McKinsey report

Enter the management consultants. The report *Business Investment and Regional Prosperity*²⁵ is the fourth element in the quartet of influential policy documents. It provides a rather different perspective on the regional development process. The consultants were asked by the Australian Government in 1993 to obtain data from businesses about factors that are likely to influence past, present and future investment patterns within regions. The resulting 'discussion paper' is a slick presentation, suitably succinct for stressed executives, with contents predictably focussing on 'regional competitiveness' and 'leadership'. If the IC reports can be characterised according to their derivation from neoclassical economic theory, McKinsey's is the modern corporate management formula (for a consultants' fee of around \$1.25 million). Both approaches share an unquestioned commitment to internationalisation and enhanced competitiveness as driving economic forces, but here it is the quality of

24 For example see Logan et al, 1975.

25 McKinsey & Co., 1994.

management/leadership rather than spontaneous market adjustment that is the key ingredient in change and success.

There is a clear echo of McKinsey's other work in the identification of 'emerging exporters' with a stock of leadership - 'entrepreneurs with the vision and courage to take the risks involved in exporting'²⁶. Here, this orientation leads to the advocacy of a strategy for rejuvenating regional leadership, enhancing regional attraction by improving quality of life factors and establishing a 'world-class investment environment'. The report usefully differentiates between those regions which have been experiencing rapid growth and those which are declining, particularly those focused on small regional centres made more or less economically redundant by economic and technological change. It accepts as inevitable that there will be further structural changes generated by intensified internationalisation: the key issue then is how to be a winner rather than a loser. In the report's own words 'the challenge in Australia is to drive the newly developed export culture harder in regional Australia'.

Despite emphasis on the demand for labour market flexibility, the solution is not couched in terms of spatial competition through wage-cutting (which would have led to more convergence with the IC's prescriptions) but more in terms of improved business environmental factors, including quality of infrastructure and reduced uncertainty in the investment environment. Of course, whether all of regional Australia wants 'the newly developed export culture' driven harder into it remains a contentious issue. One should presumably be asking whether an import-replacement strategy could make for more balanced and diversified regional outcomes, with less vulnerability to the vicissitudes of the international capitalist marketplace. One might even ask whether rapid economic growth is inherently desirable and sustainable or whether more scope should be permitted, and encouraged, for regions to pursue other goals. One might question whether 'regional leadership', like entrepreneurship, arises more-or-less spontaneously - or could it be that regional economic performance derives more from structural interdependencies among industries and/or the role of the public sector? The slickness of modern managerial ideology is no substitute for asking these key questions²⁷.

26 McKinsey, 1993. For a critical evaluation see also Argyrous, 1993.

27 It is acknowledged that McKinsey and Co. are preparing a final report outlining policy recommendations. This is due to be published midyear.

9. Recent Policy Initiatives

These various reports to the Federal Government during 1993-94 have given considerable impetus to the concern with regional and urban policy although, as indicated, they embody some quite limiting assumptions about the nature of regional and urban problems and the appropriate spatial policies. They supplement other research studies which have provided a rather more dispassionate view of the issues. Such studies include those undertaken by the Economic Planning Advisory Council (1991), the Urban and Regional Development Review (1993), the Bureau of Industry Economics (1994) and the Office of Regional Development (1994). These all help to expand the data base for analysing urban and regional development processes.

What flows through into regional policy? The key statement is the *Working Nation* document presented by the Prime Minister in May 1994. Following the publication of the earlier Green Paper *Restoring Full Employment*, the Federal Government announced its intention to integrate its regional policy and industry policy statements with its long-awaited employment policy statement. It was not unreasonable to expect that this 'three pronged' attack on interrelated policy issues would produce a new 'social charter', comparable to the 1945 White Paper on full employment. It was also not unreasonable to expect that regional policy would feature prominently, partly as a means through which industry and employment-creation policies would be channelled to the most appropriate and needy areas. However, in practice both regional policy and industry policy have been subordinated to labour market policies, training and social security measures, the limitations of which have been discussed elsewhere²⁸.

Certainly, there is acceptance in *Working Nation* of the need for regional policy. There is some accommodation to the proposals of the Kelty report for more investment in infrastructure and its financing through tax-favoured infrastructure bonds. There is encouragement to regional leadership, as urged by the McKinsey study, with emphasis on a 'Regional Best Practice' program and Regional Demonstration Projects. There is no significant accommodation to the Industry Commission's proposals to allow for more inter-regional variation in wage-rates, although concern is expressed over the 'image' of poor industrial relations in some regions. Concurrently it was announced that there would be an increase on jobs to be provided under the Regional Environmental Employment Program (REEP).

However, if one can judge the strength of policy commitment by the allocation of funds, regional policy is to remain a marginal concern:

28 For example see Stilwell, 1994.

only \$263 million over four years out of a total expenditure on *Working Nation* policies of \$6.4 billion. This is only about 4 per cent of the total. (It is only 3 per cent if you take out funds for the development of Badgery's Creek airport which, it could be argued, should be considered as an overdue modernisation of Sydney's air transport facilities rather than a regional development initiative).

The 1994-95 Federal Budget incorporates these policy commitments, including regional policy, into the forward planning of fiscal policy. Interestingly, Housing and Regional Development is identified as the Department with the smallest contribution to growth in projected government expenditures between 1994-95 and 1997-98²⁹. Treasury itself tops the list with an anticipated growth in real terms of 2.5 per cent (in constant prices). Housing and Regional Development faces a significant decline (largely because Commonwealth Grants to the States for housing are maintained in nominal terms, and therefore can be expected to decline in real value).

'Regional self-help' appears to be the order of the day. Therein lies a dilemma. Progressive regionalism certainly requires a 'bottom-up' element in decision-making about regional needs and development strategies. But 'top-down' coordination, redistribution and financial commitment is a necessary catalyst, without which the call for improved regional leadership has a hollow ring. The advocacy of self-help is regional policy on the cheap.

As for **urban policy**, there is less to note regarding specific Federal Government policy initiatives. Building Better Cities has been an important program, but its funding has tapered off as planned. The Australian Urban and Regional Development Review is involving State governments in trying to achieve more overall cohesion in urban planning policies. But the big issues of metropolitan planning and decentralisation remain overwhelmingly as State responsibilities. The State governments continue to wrestle with these policies, driven to more stress on urban consolidation and user-pays infrastructure funding, largely as a result of the 'fiscal crisis of the state' passed on to them via major reductions in the real value of Federal Government grants. Further down the hierarchy, local governments remain too fragmented and under-resourced to provide any general solutions to problems of uneven regional development. Although closest to the needs of local people, local governments typically react to the pressures which filter down to the locality and are unable to control the broader developmental processes.

29 See Appendix 6.

Overall, it seems that, while urban and regional policy is increasingly prominent on the political agenda, the responses of all levels of government are limited by the economic restructurings generated by open-door internationalisation and the deregulation of capital. This is the continuing legacy of the policies of economic rationalism.

10. Towards a bigger policy agenda

What would be needed to achieve more effective urban and regional policy? This is a difficult question, involving all the issues canvassed in this paper. The following are needed;

- a better understanding of the forces re-shaping cities and regions.
- more clarity in the policy objectives.
- more coordination between the various tiers of government and agencies involved.
- integration between explicitly spatial policies and other aspects of economic and social policy which bear on cities and regions. A prerequisite for such integration is the rejection of economic rationalist ideology and policies.

All this is a tall order. Some brief reflections on how this might lead to alternative policies are an appropriate conclusion.

The integration of regional policy and industry policy (including services as well as manufacturing industry) is a key starting point, to make sure that the economic base for regional development is more securely established. The mobilisation of superannuation funds more effectively to finance regional/industry development could be an important element in this process. If urban and regional development policies could be effectively financed out of domestic savings, this would reduce the reliance upon overseas capital that has led to problems of foreign debt and current account deficit. It would require the development of a national investment fund and mechanisms for the regional allocations of these funds comparable to the processes which have worked effectively in the Commonwealth-State fiscal equalisation process. This allows a role for market forces but within a framework of national and regional economic planning. How to integrate markets and planning most effectively remains, of course, one of the principal analytical and practical concerns of contemporary political economy.

Second, there is also a direct role for the public sector in dealing with the legacy of urban and regional problems. In the absence of such systematic intervention there is an evident tendency for private sector

enterprises to continue 'building on the best', leading to widening spatial inequalities and more restricted locational choices for employment and housing. On the other hand, the development of new cities and expansion of some medium-sized centres to siphon off the cumulative growth from the metropolitan areas could be achieved through the public sector taking a leading role, both directly as employer and indirectly as planner and catalyst for private-sector development. Infrastructure provision must lead the way, as it did in earlier periods of Australian economic development. Otherwise, regional policy cannot be translated from rhetoric to reality. Here too though, there remain major analytical and practical issues, centring on the relationship between public and private sectors and on the role of the state in a world of increasing spatial competition - more key concerns in contemporary political economy.

Third, the issue of ecologically sustainable development must have a prominent connection with regional and urban policy. The association is fundamental in that, as noted earlier, existing urban and regional patterns pose particular environmental stresses. More positively, the development of 'green jobs', the vigorous pursuit of decentralisation and restructuring around 'urban villages' which reduce energy demands and economic wastes are all key elements in a 'spatial policy with an ecological twist'. The Federal Government's REEP establishes the connection, but the principle has much more far-reaching implications. Here too, developing the appropriate frameworks for analysis and policy is a major task for contemporary political economy.

Fourth, picking up on a recurring theme in this paper, spatial policies need to be more effectively linked with economic and social policies in general. Strategies for urban consolidation and/or decentralisation, for example, can proceed concurrently, but they need to be integrated with programs of redistribution of access to work, redistribution of incomes, tax reform and regionally targeted public expenditures. Indeed, more job-sharing and shorter working hours to redistribute employment, coupled with a more equitable incomes policy and progressive tax reform, would eliminate much of the economic inequality which is current manifest in spatial inequalities. This illustrates the general point about the interdependence of the spatial and structural elements in shaping urban and regional development. It follows that urban and regional problems require remedial policies which are not just a tack-on to the economic and social policy agenda.

Something like a twenty-year policy commitment would be required to carry through a substantial program of urban and regional reform. It would probably be achieved more readily under a two-tier system of government. As the historical experience indicates, the State governments in Australia have perpetuated the striking imbalances between metropolitan and non-metropolitan development, although

they have simultaneously played an important role in securing horizontal equity through Commonwealth-State federal fiscal relations. Local government meanwhile remains too marginal to be an effective vehicle for regional policy. A two-tiered system in which State governments and local governments were replaced by a strong of regional governments, perhaps taking the regions identified in the Kelty report as a starting point for discussion, provides an attractive alternative.

The combination of a Federal Government and a revitalised tier of regional governments could provide for a progressive regionalism that has been conspicuously lacking in Australia to date. It would not in itself solve all the problems of unbalanced urban and regional development, but it could be a trigger for the unleashing of energies and imagination, for the reposing of questions about what kind of society Australians want. There is a paradox here in that the cooperation of existing State and local governments, an essential ingredient in achieving more coordinated urban and regional policies under current administrative arrangements, could be threatened by the possibility of such radical reform. However, moving towards the year 2000 and beyond, it is timely to put the issue on the agenda of republicanism and constitutional reform.

Evidently, many complex political-economic issues are involved in linking urban and regional development to the objectives of equity, efficiency, ecological sustainability and social cohesion. Building better cities and realising regional reform remain grand challenges.

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APPENDICES

- Appendix 1. Distribution of Population according to Geographical Regions
- Appendix 2. Population of Australia's Main Cities
- Appendix 3. Personal Income Distribution by Regions
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Appendix 1. Distribution of Population according to
Geographical Regions

Region	Major Centres	Population	Proportion of Total
East Coast ("The Beach")	Sydney, Melbourne, Brisbane	12,315,773	70
The Basin	Murray-Darling	1,485,537	8
The Outback	Central Australia	143,000	1
South-west WA	Perth metropolitan	1,569,164	9
Lower SA	Adelaide metropolitan	1,315,388	9
Tasmania	Hobart, Launceston, Burnie Devonport.	469,850	3
Top End	Darwin, NT	118,375	1
Pilbara	NW West Australia	46,336	..
Kimberley	NW Western Australia	23,538	..
Total		17,486,961	100

Source: *National Report On Population Growth Ranking in Australia*, Coopers & Lybrand, Melbourne, November 1993

Appendix 2. Population of Australia's Main Cities

TABLE 5. ESTIMATED RESIDENT POPULATION IN MAJOR CITIES, 30 JUNE 1986 TO 1993p (a)
(*000)

	1986	1988	1989	1990	1991	1992p	1993p
Sydney(b)	3,471.6	3,591.0	3,622.9	3,643.7	3,672.9	3,699.8	3,719.0
Melbourne(b)	2,967.8	3,043.6	3,086.6	3,126.9	3,156.7	3,177.9	3,187.5
Brisbane(b)	1,217.3	1,264.5	1,300.2	1,330.9	1,358.0	1,385.5	1,421.7
Adelaide(b)	1,003.6	1,021.1	1,033.5	1,044.6	1,057.2	1,065.8	1,070.2
Perth(b)	1,050.1	1,110.5	1,147.4	1,175.4	1,188.8	1,205.5	1,221.3
Hobart(b)	182.1	184.2	185.9	189.0	191.0	192.3	193.3
Darwin(b)	75.4	75.9	76.0	76.5	76.7	77.2	77.4
Canberra-Queanbeyan(c)	280.8	294.9	299.7	305.8	313.3	319.1	325.4
Newcastle(c)	417.0	427.0	432.9	439.0	444.9	450.7	455.7
Wollongong(c)	233.0	238.4	240.6	242.8	244.9	247.4	250.1
Gold Coast-Tweed(c)	215.7	242.3	261.0	271.7	279.6	290.0	300.2
Geelong(c)	146.1	148.3	149.1	151.0	151.6	152.0	151.8
Townsville City(c)	106.9	110.3	112.6	114.7	116.2	118.4	121.7
Sunshine Coast(c)	87.3	97.6	106.8	112.8	119.3	125.4	133.5

(a) Based on 1993 SLA boundaries. (b) Capital City Statistical Division. (c) Statistical District of 100,000 or more.

Source: Australian Bureau of Statistics. *Australian Demographic Statistics, December Quarter 1993*, Cat No. 3101.0, 1993.

Appendix 3. Personal Income Distribution by Regions

Table C.1: Estimated average personal incomes in years ended June 1986 and 1991, ranked highest to lowest in 1991, by Statistical Division (continued)

<i>Statistical Division</i>	<i>1986</i>			<i>1991</i>			<i>Number of places different</i>
	<i>Average personal income</i>	<i>Ratio to Aust average</i>	<i>Rank</i>	<i>Average personal income</i>	<i>Ratio to Aust average</i>	<i>Rank</i>	
	(\$)			(\$)			
Central West (NSW)	10,694	0.87	46	15,854	0.88	41	5
South East (SA)	11,145	0.91	34	15,833	0.88	42	-8
Murray (NSW)	10,738	0.87	45	15,715	0.87	43	2
Goulburn (Vic)	10,910	0.89	40	15,710	0.87	44	-4
Northern (NSW)	10,300	0.84	52	15,666	0.87	45	7
Mersey-Lyell (Tas)	11,090	0.90	37	15,584	0.86	46	-9
Northern (Qld)	11,642	0.95	23	15,567	0.86	47	-24
Murrumbidgee (NSW)	10,563	0.86	49	15,562	0.86	48	1
Loddon Campaspe (Vic)	10,769	0.88	44	15,532	0.86	49	-5
North Western (NSW)	10,230	0.83	55	15,446	0.86	50	5
Outer Adelaide (SA)	10,591	0.86	48	15,436	0.85	51	-3
Central Highlands (Vic)	10,683	0.87	47	15,331	0.85	52	-5
Lower Great Southern (WA)	10,498	0.85	50	15,150	0.84	53	-3
Darling Downs (Qld)	10,237	0.83	53	14,992	0.83	54	-1
Southern (Tas)	10,231	0.83	54	14,482	0.80	55	-1
Wimmera (Vic)	10,198	0.83	56	14,471	0.80	56	0
Richmond-Tweed (NSW)	9,511	0.77	61	14,415	0.80	57	4
Mid-North Coast (NSW)	9,535	0.78	60	14,197	0.79	58	2
Eyre (SA)	9,980	0.81	57	13,952	0.77	59	-2
Wide Bay - Burnett (Qld)	9,586	0.78	59	13,864	0.77	60	-1
Murray Lands (SA)	9,831	0.80	58	13,638	0.76	61	-3
Yorke & Lower North (SA)	9,420	0.77	62	13,224	0.73	62	0

Note: There are no official data on average personal incomes at the Statistical Division level. The Commission has derived the estimates in Table C.1 from population census information on the numbers of people aged 15 and over whose income fell within each of a series of income ranges.

It was assumed that for people in any income range the average income was the midpoint of the range. For those few in the highest range (\$50,001 and over in 1986) it was assumed the average was the bottom of the range plus 50 per cent. In this way total personal income for all residents of each Statistical Division was estimated and then divided by the number of respondents. It was assumed that those who did not answer the relevant population census question (6.8 per cent of the population in 1986) were spread evenly over all income groups.

A small number of people were recorded at each census as being in Statistical Divisions described as 'Off-Shore Areas & Migratory'. These have not been listed separately, but they are included in State and Australian estimates.

There were several changes to the boundaries of Statistical Divisions between the two censuses, especially in Victoria where a number have been combined as 'Victoria - Balance' to enable a comparison.

Source: Commission estimates derived from ABS 1989, and ABS 1993d.

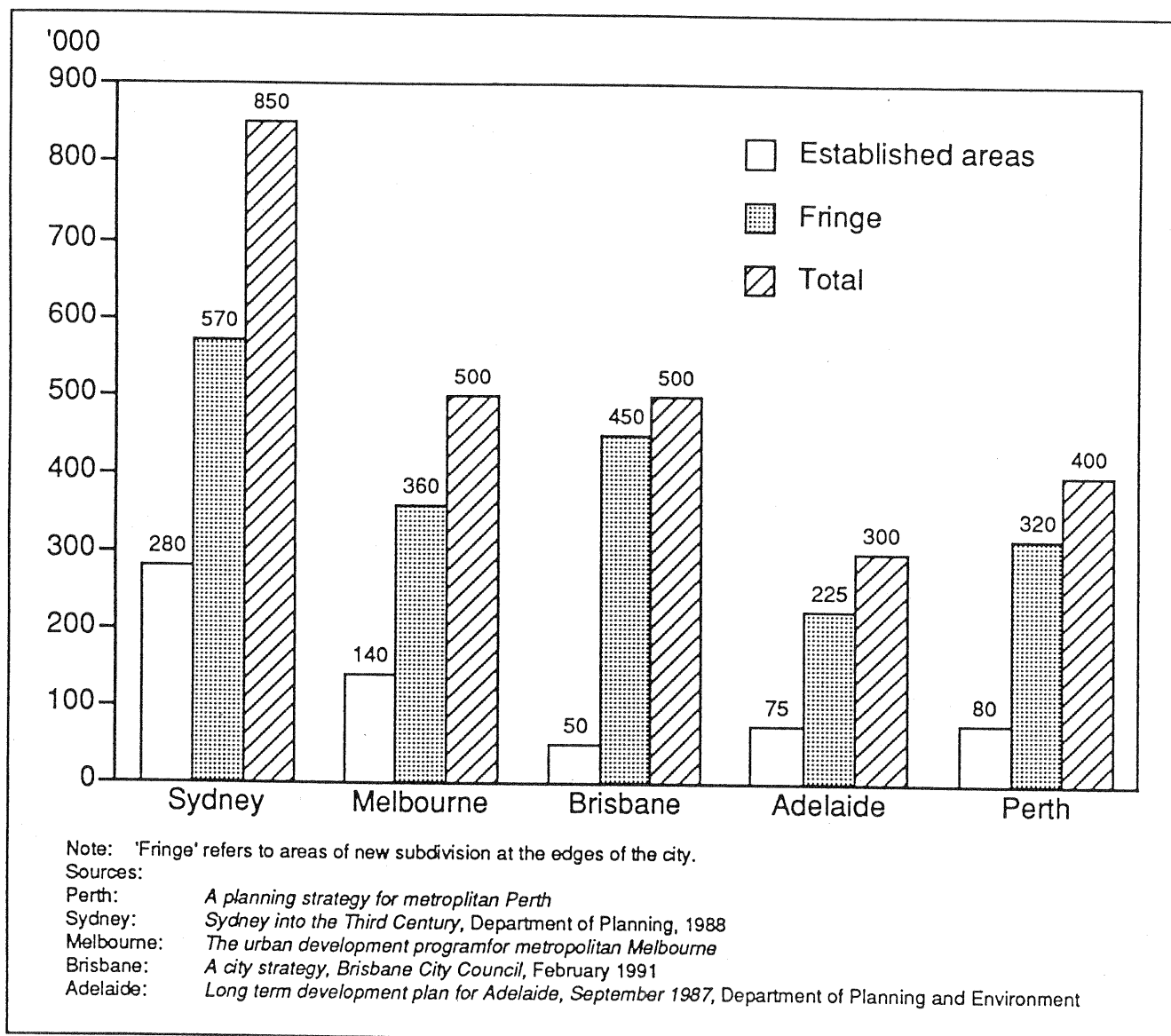
Source: Industry Commission, 1993b.

Table C.1: Estimated average personal incomes in years ended June 1986 and 1991, ranked highest to lowest in 1991, by Statistical Division

Statistical Division	1986			1991			Number of places different
	Average personal income	Ratio to Aust average	Rank	Average personal income	Ratio to Aust average	Rank	
	(\$)			(\$)			
Pilbara (WA)	17,875	1.45	1	26,425	1.46	1	0
Australian Capital Territory	17,081	1.39	2	23,295	1.29	2	0
South Eastern (WA)	13,633	1.11	6	22,320	1.24	3	3
Darwin (NT)	15,835	1.29	3	21,313	1.18	4	-1
North West (Qld)	13,757	1.12	5	20,563	1.14	5	0
Sydney (NSW)	13,379	1.09	9	20,399	1.13	6	3
Northern Territory	14,723	1.20	4	20,223	1.12	7	-3
Mackay (Qld)	12,935	1.05	11	19,084	1.06	8	3
Northern Territory - Balance	13,553	1.10	7	19,043	1.05	9	-2
Kimberley (WA)	13,506	1.10	8	18,958	1.05	10	-2
Melbourne (Vic)	13,077	1.06	10	18,881	1.05	11	-1
New South Wales	12,438	1.01	14	18,799	1.04	12	2
Western Australia	12,438	1.01	15	18,081	1.00	13	2
Australia	12,293	1.00	16	18,057	1.00	14	2
Victoria	12,510	1.02	12	18,030	1.00	15	-3
Perth (WA)	12,449	1.01	13	17,957	0.99	16	-3
Central (WA)	11,922	0.97	21	17,924	0.99	17	4
South Eastern (NSW)	11,565	0.94	25	17,799	0.99	18	7
Far North (Qld)	11,071	0.90	38	17,778	0.98	19	19
Fitzroy (Qld)	12,108	0.99	18	17,633	0.98	20	-2
Brisbane (Qld)	12,100	0.98	19	17,573	0.97	21	-2
Adelaide (SA)	11,933	0.97	20	17,244	0.95	22	-2
Greater Hobart (Tas)	12,175	0.99	17	17,194	0.95	23	-6
Hunter (NSW)	11,656	0.95	22	17,133	0.95	24	-2
South West (WA)	10,906	0.89	41	17,118	0.95	25	16
Central West (Qld)	11,347	0.92	32	17,110	0.95	26	6
Northern (Tas)	10,923	0.89	39	17,032	0.94	27	12
Queensland	11,497	0.94	27	16,980	0.94	28	-1
Illawarra (NSW)	11,394	0.93	31	16,973	0.94	29	2
Upper Great Southern (WA)	11,121	0.90	35	16,788	0.93	30	5
Far West (NSW)	10,861	0.88	42	16,694	0.92	31	11
South Australia	11,596	0.94	24	16,685	0.92	32	-8
Northern (SA)	11,546	0.94	26	16,512	0.91	33	-7
Barwon (Vic)	11,403	0.93	30	16,363	0.91	34	-4
South West (Qld)	11,100	0.90	36	16,340	0.90	35	1
Tasmania	11,445	0.93	28	16,186	0.90	36	-8
East Gippsland (Vic)	11,427	0.93	29	16,178	0.90	37	-8
Moreton (Qld)	10,452	0.85	51	16,053	0.89	38	13
Midlands (WA)	10,835	0.88	43	16,033	0.89	39	4
Victoria - Balance	11,310	0.92	33	16,011	0.89	40	-7

Appendix 4. New Households and Their Location

Estimated number of new households and their locations for five Australian capital cities, 1990—2030



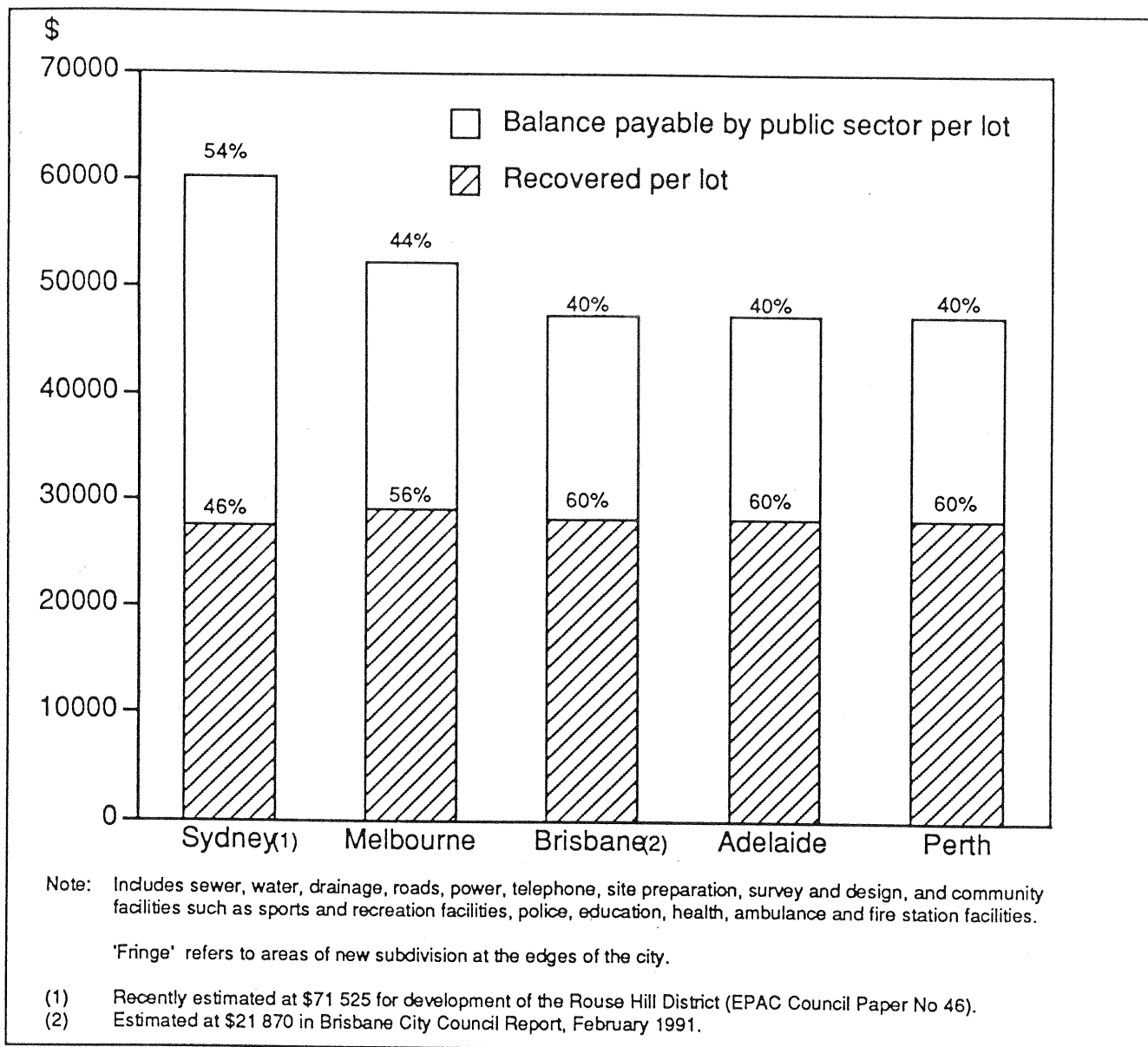
The graph shows that over the next 40 years the estimated growth of households at the fringes of the five mainland capital cities is likely to be:

	Extra households	No on fringe	Proportion on fringe
Sydney	850 000	570 000	67%
Melbourne	500 000	360 000	72%
Brisbane	500 000	450 000	90%
Adelaide	300 000	225 000	75%
Perth	400 000	320 000	80%

Source: Howe MP, Hon Brian. *Building Better Cities: Information Kit*, September 1991.

Appendix 5. Land Provision Costs

Indicative development cost per allotment — fringe land



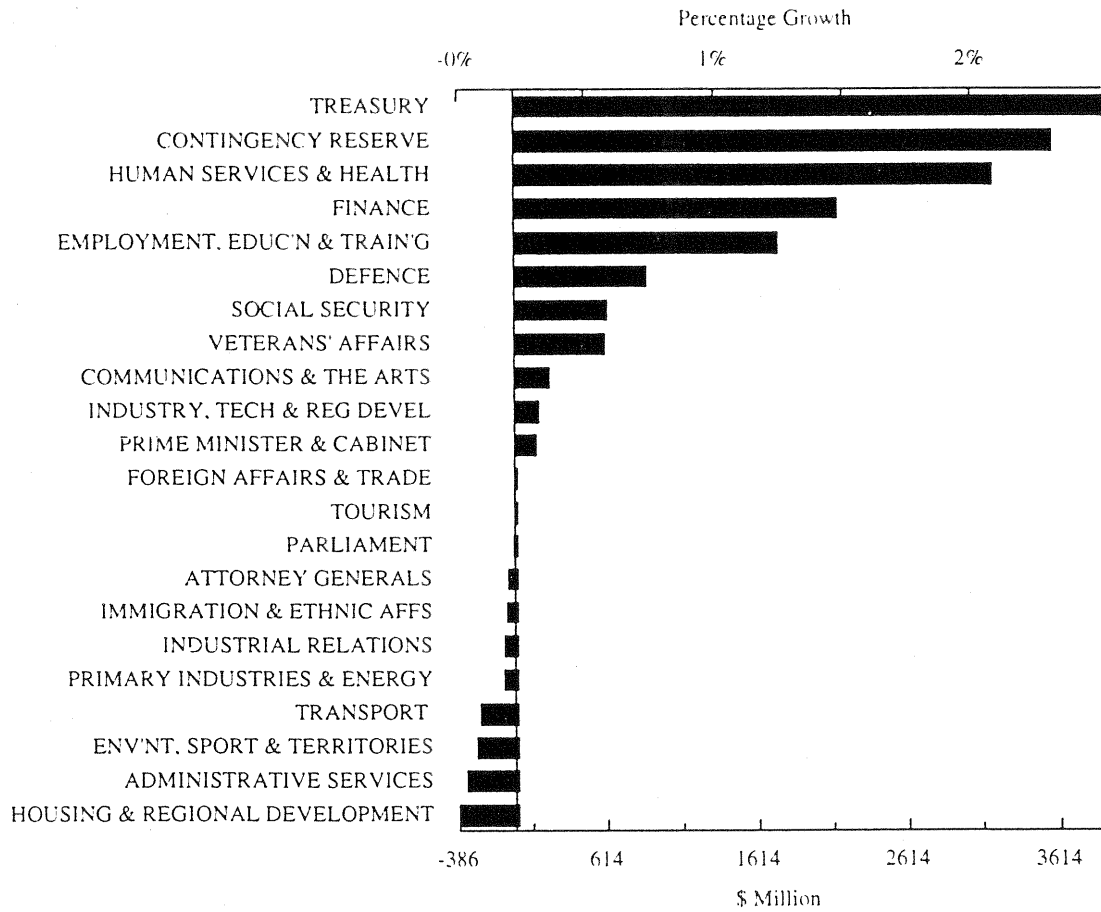
The graph shows that for each of the five mainland capital cities the estimated total cost for developing each block of land at the fringe of the city, and the proportion paid out of public funds for 1988-89 was:

	Full cost per lot (\$)	Amount paid by public funds (\$)	Proportion paid by public funds (%)
Sydney	60 200	32 500	54%
Melbourne	52 100	23 000	44%
Brisbane	47 300	19 000	40%
Adelaide	47 300	19 000	40%
Perth	47 300	19 000	40%

Source: Howe MP, Hon Brian. *Building Better Cities: Information Kit*, September 1991.

Appendix 6. Growth in Federal Government Spending

**Chart 7. Contributions to Real Growth
1994-95 to 1997-98
(1989-90 Prices)**



Source: Australian Government. *Budget Statements 1994-95, Budget Paper No. 1*, p3.22

Appendix 7. Regional Competition Among State Governments

The Sydney Morning Herald

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States in bidding war for industry

By MARK COULTAN
State Political Correspondent

NSW has offered more than \$30 million in incentives for companies to invest in NSW in what has become a bidding war with other States for "footloose" industries.

The contest to attract jobs has reached new heights with the election of conservative Governments in Victoria and South Australia, leading some to question the wisdom of a war in which companies are playing States off against each other.

All the States are reluctant to make public the value of the incentives, fearing that there will be a flood of companies demanding the same treatment, but most incentive packages involve payroll and land tax holidays, stamp duty exemptions, assistance with training and fast-track approvals.

Officials blame the Kennett Government for setting off the bidding war among States, but NSW appears to be more than matching the candies that other States are holding out to companies with money to invest.

The details of the assistance packages are secret, but according to Government sources, some of the deals offered include:

- More than \$15 million in payroll tax, training and other inducements to Optus to make NSW its centre of operations.
- Almost \$2 million to Vodafone to set up in NSW.
- Motorola was given \$5.2 million in incentives to set up a \$112 million wireless communication research centre in NSW.
- \$4.8 million in concessions to a pay TV operator, Australis Media, to set up its broadcast and production centre in Sydney.

Most of the incentives involve very little in the way of cash payments. The bulk of the packages are tax revenue which the Government agrees to forgo.

The decision to invest in NSW by both Motorola and Australis Media was trumpeted by the NSW Government, but in both instances NSW lost major job-generating sections of their businesses to South Australia, where the Brown Government also offered very large inducements.

According to the Victorian Government, South Australia more than doubled Victoria's bid for Australis Media's customer service, including telemarketing.

Motorola decided to locate its software technology centre, forecast to employ up to 400 people by the year 2000, in the Technology Park in Adelaide.

The SA Premier, Mr Brown, said last month that South Australia had snatched the deal from Western Australia and NSW.

The bidding war has raised concerns that companies are able to play off one State against another until Governments end up subsidising the new enterprise.

The Victorian Treasurer, Mr Alan Stockdale, said he had some concerns about the competition for new business.

"Clearly there is [a bidding war] and we all need to be sensitive that we don't get into the same sort of position that a number of American States and Canadian provinces have been in, where they all bid themselves into bringing unviable businesses, and imposing costs, and just providing a lever for business to use against their intended location all along.

"There have been some instances where it seems pretty clear to me that a business always intended to locate in Sydney. I think Vodafone was an example, and I suspect Australis probably is ... although maybe they were open at various stages."

A spokesman for the NSW Premier, Mr Fahey, said that since 1988 the Government had been setting the best climate for business.

He said NSW had reduced water, electricity and port charges in order to stimulate business.