

15 December 2023

The Hon Dr Jim Chalmers MP
Treasurer
Member for Rankin
Parliament House,
Canberra ACT 2601

Via: PreBudgetSubmissions@treasury.gov.au

Dear Treasurer,

RE: Regional Capitals Australia - 2024-25 Pre Budget Submission

Regional Capitals Australia (RCA) is pleased to present this submission for consideration when preparing the 2024-2025 Federal Budget.

RCA is an alliance of 18 local government associations across the nation, representing Australia's regional capital cities. Regional capital cities perform a 'capital city' role within their regions, providing a central point to access essential infrastructure, services, business, employment and education. These services and infrastructure are accessed by local residents as well as those in surrounding towns and rural areas.

The importance of regional capital cities to the nation cannot be overstated. Regional capital cities are home to almost four million people and service the needs of another four million Australians who live in surrounding areas. Jointly the cities generate \$225 billion per annum, or more than 16 percent of national economic activity.

This submission highlights our position on the future of regional capital cities and their importance to regional Australia. We have also included our priorities for investment opportunities across three key areas required to build connected, liveable and productive regional capital cities. RCA believes a consolidated policy approach and comprehensive investment plan will deliver a more equitable and efficient outcome for all Australians.

On behalf of our 18 members, we look forward to contributing to the development of a regional policy strategy and building our partnership in 2024.

If you have any questions in the interim, please do not hesitate to contact our Secretariat Rachael Sweeney on 0422 067 858 or email secretariat@regionalcapitalsaustralia.org (Federal lobby register no: 18169904232).

Yours faithfully,



Cr Kylie King
Chair, Regional Capitals Australia
Mayor, Albury City Council



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Overview

About Regional Capitals Australia

Regional Capitals Australia (RCA) was formed in 2012 to represent the interests of Australia's regional capital cities. Our objective is to ensure these needs are reflected in national policy and funding priorities.

Regional capital cities perform a 'capital city' role within their regions, providing a central point of access to essential services, commerce, employment and education. These services are accessed by local residents as well as those in surrounding towns and rural areas.

Regional capital cities also provide a liveable alternative for people and businesses wishing to escape Australia's congested metropolitan cities. Every year regional capital cities generate \$225 billion, or more than 16 per cent of national economic activity.

All RCA members have a growth agenda and stand ready to ensure a growing Australia means a stronger and more equitable regional Australia.

Our Agenda

Vibrant and productive regional capital cities are key to Australia's sustainability and prosperity. Regional capital cities are also growing – all RCA members are striving to continue this trend and as such have a growth agenda for their communities.

The COVID-19 pandemic has accelerated the population shift from capital cities to Australia's regions and transformed the anticipated pace and nature of demographic and economic change in regional cities.

There was an estimated 200% increase in net migration from capital cities to regional areas during COVID according to Infrastructure Australia research. In 2020/21 regional areas grew at a faster rate than capital cities for the first time since 1993/94.

Regional growth however has a historical as well as a modern context. The growth of Australia's regional cities is a 100-year trend, which began when residents of smaller rural towns sought improved services, infrastructure and non-agricultural employment and began moving to the larger population centres located in their region.

Overview

Due to this growth regional cities have taken on a 'capital city' role, acting as service hubs for their region. The city's services and infrastructure are accessed by residents as well as those in surrounding towns and rural areas. Every day, more than eight million Australians rely on regional capital cities for their everyday needs.

In addition to the service hub role, growth in regional capital cities is an avenue to allow Australia to return to a strong immigration rate (pre-COVID). Our member cities offer productive centres that are the liveable and affordable alternative to the metropolitan capitals.

Now is the time to plan for a network of growing regional capital cities. Australia's borders are opening, and a flood of new arrivals will soon land to address the much-needed skills deficit across a range of sectors.

If no action is taken to ensure a more balanced approach to population growth, the painful and costly impacts of congestion will once again be felt. Meeting the costs of pre-COVID metropolitan city growth was unsustainable. Infrastructure Australia put the cost of addressing the national infrastructure deficit anywhere between \$450 - \$700 billion. As a nation we cannot afford to let history repeat itself by having metro-centric settlement patterns.

RCA's members across regional capital cities see themselves as ready to grow. The initiatives in this document have been identified to enable this growth to be realised. Now is the time to get investment in regional capitals right for the benefit of all Australians.



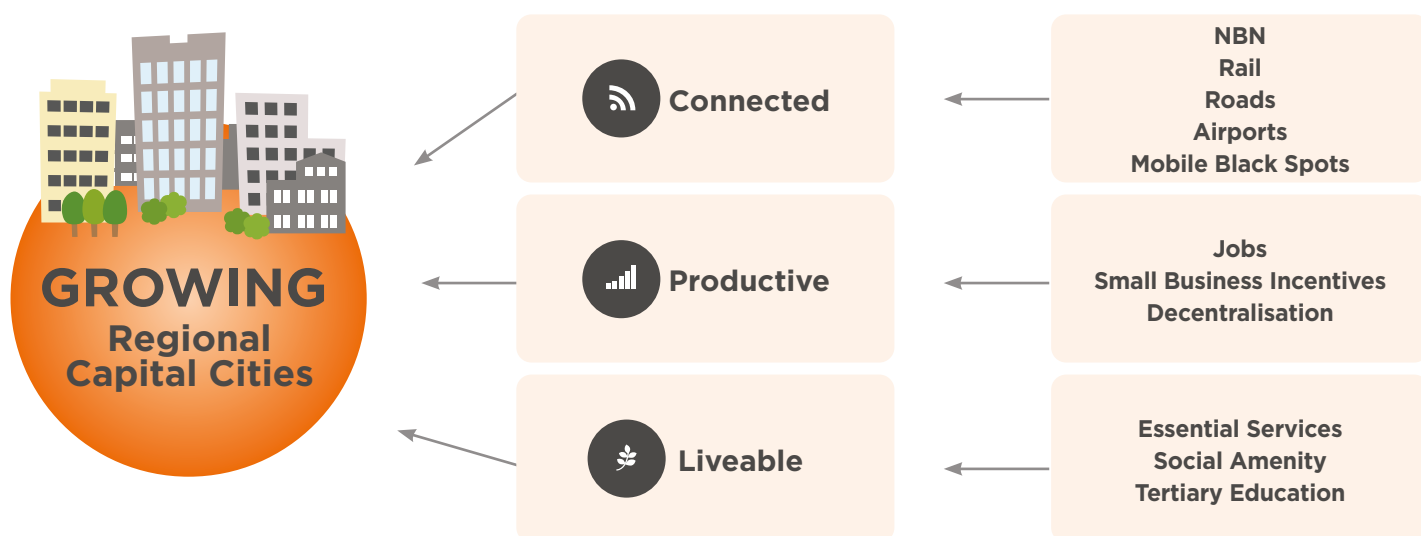
Policy Platform

The following outlines Regional Capitals Australia's framework to grow regional capital cities that are:

1. **Strong service centres:** that continue to be a central point to access essential infrastructure, services, business, employment and education;
2. **Easing the metropolitan congestion:** encouraging regional migration and decentralisation options for new and existing residents and businesses can take the pressure of major metropolitan capitals; and
3. **An affordable alternative:** providing affordable housing and industry industrial land options for families and business seeking to avoid the inflated housing markets of the major metropolitan capitals.

To achieve this vision we must continue to build regional capital cities that are:

1. **Connected:** with roads, rail, airports (and services), broadband and mobile telecommunications;
2. **Productive:** with diverse economies that can be built with government and private sector decentralisation and skilled labour shaped through strong tertiary and continuing education opportunities; and
3. **Liveable:** with high levels of essential services, social amenities and a continued supply of affordable housing options.



Population Policy

Regional Capitals Australia members are seeking a greater share of Australia's population, accelerated through immigration policy.

Regional capitals are not only critical regional hubs, providing services and infrastructure to local residents and those in surrounding towns and rural areas; they are increasingly an affordable alternative for people and businesses seeking to escape capital city costs and congestion.

RCA supports the development of a national population policy aimed at ensuring there is a greater share of population growth that will attract a larger workforce and increased business investment in our member cities.

RCA believes regional population growth must be underpinned by both skilled and non-skilled migration, along with continued investment in enabling infrastructure and services to maintain the local character and amenity that makes regional cities a destination.

Fast Facts

1. In 2020/21 regional areas grew at a faster rate than capital cities for the first time since 1993/94 (*2022 Population Statement*).
2. In 2022/23 less than 17% of net overseas migration will flow to regional Australia (*2022 Population Statement*), despite the fact that there were 94,000 job vacancies in regional Australia in November 2022 (*Regional Australia Institute*).
3. Between 1996 to 2016 migrants contributed 26 percent of the population growth in regional Australia.
4. Skilled migrants account for nearly 70 percent of Australia's permanent migration program, up from 30-40 percent twenty years ago.
5. Skilled migrants and their families offset Australia's ageing population, improve labour force participation and productivity, and help businesses source skills that are difficult to develop at short notice.

Accelerating Regionalisation

The 2021 Australian Infrastructure Plan highlighted that there has been a 200 percent increase in net growth to regional centres and regional areas during the COVID-19 pandemic. Much of this growth was driven by the shift to a 'work from anywhere' capability.

The report further highlighted that Australia's Smaller Cities and Regional Centres have unrealised growth potential and that the increase in net population growth in regional Australia presents an opportunity to lock in accelerating regionalisation.

With improved access to employment, education, services, housing and community facilities, many regional capital cities could accommodate further sustainable population and economic growth. This would support a future population settlement pattern that is more widely distributed across the country, benefiting all Australians.

The Need


In a post-pandemic world international immigration should be a key factor in Australia's overall population growth and as such, should be a significant factor in ongoing regional growth.

Skilled migrants comprise 70 per cent of Australia's migrant intake. These new arrivals and their families offset Australia's ageing population, improve labour force participation and productivity, and help businesses source skills that are difficult to develop at short notice.

The government has the policy levers to encourage skilled migrants to settle outside of Australia's capital cities and RCA believes visas for skilled migration and business investment should be expanded or amended to ensure this occurs.

RCA recognises the Australian Government's stated commitment to increase Australia's permanent migration program to 195,000, and seeks assurances that regional Australia will benefit from this increase.

Recommendations

- 
- Develop a population policy to encourage businesses and families to move to the regions, and that RCA be consulted during the development of this policy;
 - Continue support for current 491 and 187 regional visa streams cater for skilled, non-skilled and education migration to regional capital cities; and
 - Expansion of business visas to establish a new range of regional visas that are based on the 188, 888 and 132 and 858 but require investment or business activity in regional economies.

Arts and Culture

Regional Capitals Australia (RCA) is seeking a greater share of Australia's public funding for arts and culture for regional Australia to support our growing communities.

Funding for arts and culture in Australia needs to move beyond a capital city-centric approach and better align with contemporary population distribution.

Federal Government funding arrangements reflects population distributions of two decades ago and over-represent arts and cultural institutions in Sydney and Melbourne.

Funding needs to not only fairly recognise the almost eight million residents of regional Australia, but also take account of the COVID-19 driven growth that is seeing people moving away from the metro capitals to regional capital cities.

RCA acknowledges the commitment of the Australian Government to the development of a new National Cultural Policy and looks forward to engagement with the Minister for the Arts on the important role of arts and cultural activities and arts infrastructure to benefit communities across regional Australia.

The Need

There is growing recognition of the role that social infrastructure, such as arts and culture, plays in enhancing the liveability of our communities.

In regional Australia, arts and culture helps shape the character of our communities and enable our people to express themselves and represent regional life on their own terms. However, in regional areas local government has the greatest share of responsibility for funding arts and culture programs and infrastructure.

As population policy encourages businesses and families to move to the regions, there must be recognition that the 'liveability' value of arts and culture not only drives population growth but also assists in retaining people in regional capitals.

RCA endorsed the recommendation by the 2021 Australian Infrastructure Plan to capture, measure and assess the quadruple-bottom-line benefits of social infrastructure including arts and culture, and use the framework to collaboratively plan, develop and invest in arts, cultural and other infrastructure which enhances unique regional identities and brands.

Addressing the arts and culture imbalance between the capital cities and the regions is however more than an adjustment of funding and supporting population growth - it is also about recognising, valuing, and enabling the creative capacity of regional Australians and regional institutions on equal terms with those of capital cities.

Policy Settings

Policy and funding need to reflect that regional and remote Australia should not simply be a passive recipient of arts and culture flowing from capital cities. Rather, the real and potential contribution of regional and remote Australia to the nation's broader cultural life should be fully supported.

The policy and funding environment must not only build the cultural and artistic capacity of regional Australia, but also facilitate the exchange of cultural and artistic output between the regions and capital cities.

Additionally, RCA contends that a disproportionate burden of regional arts and culture financial support falls on regional local governments, compared with those in capital cities.

At the same time, the funding capacity of regional local governments are limited by their smaller rate base, rate caps, broader service provision to their residents and their disproportionately smaller contributions from State and Federal Governments.

Recommendations

- 
- Continue to recognise and enhance the role of arts, culture and creative activity in strengthening local identity, contributing to liveability and fortifying population growth in regional Australia;
 - Ensure an equitable distribution of arts and cultural funding for regional Australia to better reflect existing population distribution and anticipated ongoing population growth.

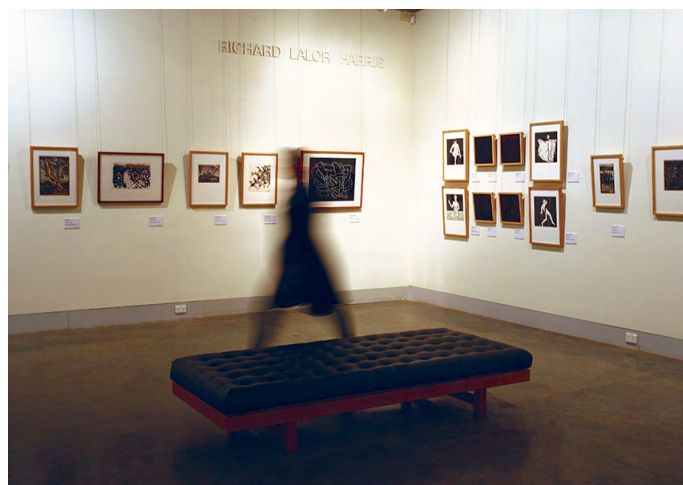
Regional Infrastructure Policy

Regional Capitals Australia recognises the infrastructure and regional funding policies and programs released by the Australian Government that will continue to assist rural and regional Australia.

These programs include the:

- Growing Regions Program and the Precincts and Partnerships Programs (investing a further \$1 billion).

The core of liveable and productive regional capital cities are assets and services that support the development and growth of communities so they are places where people and communities can thrive.



Recommendations



1. **Commit to continued funding of the recently established Growing Regions Program to enable infrastructure projects that target regional economic and population growth: \$1 billion over 4 years.**
2. **Funds be exclusively allocated to regional communities:** excluding suburban and metropolitan project.
3. **Review the stated intention to allow State Government to access Federal funding:** that has been traditionally reviewed for Local Government.
4. **Reliable and consistency of funding that includes:**
 - A commitment to annual rounds of funding;
 - Applications are sought at a specific time every year;
 - Consistent program guidelines so projects can be planned for that will meet these guidelines and co-contributions can be secured;
 - A two-step process (Expression of Interest, then Full Application) to ensure resources are not wasted on projects that will not fit the focus of the fund; and
 - The success or otherwise of a funding application should be known prior to Local Government budgets being finalised (May).
5. **To ensure the diverse needs of regional capital cities:** guidelines should support the development of a broad range of projects, including (but not limited to):
 - Enabling infrastructure for housing development;
 - Supporting population growth;
 - Facilitating education, employment and skills opportunities;
 - Tourism infrastructure;
 - Arts and culture infrastructure; and
 - Enabling infrastructure to support adaptation to climate change and emergency management.
6. **Funding caps should set the federal contribution at:** between \$10-50 million and reflect accurate population planning statistics for regional capitals.
7. **Council resources:** should be able to be used to carry out infrastructure delivery as an in-kind contribution.
8. **Support for business case development:** should be considered with the growing pressure on councils to produce productive, social and liveable infrastructure (many in a rate capped/pegged environment).

Local Roads Policy

RCA has welcomed the Australian government's recognition of local governments' need for increased funding for roads and transport infrastructure to manage rising costs and increased pressure on transport infrastructure due to climate change and extreme weather events.

Fast Facts

- [Eighty-five percent of Australia's roads are managed by local governments](#)
- The up-front cost of building a road represents only about **one-fifth** of its lifetime cost (*Grattan Institute: Potholes and Pitfalls, 2023, page. 46*)
- The cost per person to maintain sealed roads in regional and remote communities is **five times higher** compared to metropolitan areas (ALGA)
- Heavy vehicles account for **94 percent** of deep road wear (*National Transport Commission, 2022, p. 49*)
- **\$3.8 billion:** The cost of repairs to roads in NSW, Victoria, South Australia and Queensland caused by major flood events in 2022 - more than the total annual spending on local road maintenance in those states [ALGA estimate]
- **Additional \$1 billion** - estimated extra funds required next year to keep council roads in their current state (*Grattan Institute: Potholes and Pitfalls, 2023, page. 4*)

The State of Regional Roads

An efficient, safe and well-maintained road network is critical for regional Australia.

Regional roads enable economic activity and population growth by facilitating the movement of people and freight, access to employment, education and essential services and ensuring regional Australians stay connected.

[Eighty-five percent of Australia's roads are managed by councils.](#) However the reality is that regional councils do not have the financial capacity to construct new roads to meet population pressures and to maintain existing roads to an acceptable and safe standard.



The Grattan Institute has found that regional councils underspend what is needed to maintain their roads by 42 percent. In comparison, councils located in major cities underspend by less than 14 per cent. [*Potholes and Pitfalls, 2023, page 7,8*]

The situation is currently exacerbated not only by rising costs, a shortage of skilled workers and greater demands on the regional road network with increased traffic flows and heavier trucks, but also by the growing pressures of climate change on the road network.

As the climate changes, heavy rainfall and extreme heat are on the rise, and increasing numbers of extreme weather events are contributing to the poor state of regional roads. Climate change related road impacts include damage to pavement levels, potholes and cracking, and entire washing away of roads in extreme cases.

Regional roads will not be able to cope with future severe weather events if they are not maintained with a changing climate perspective.

Funding Challenges

While demand on regional roads and the cost of maintenance has increased over the last decade, funding has not kept pace.

Transport expenditure has fallen from almost 50 percent of total local government expenditure in the 1960s to 21 percent today [*Commonwealth Grants Commission (2001) and ABS (2023a).*]

Local government's in regional areas remain impacted by the Australian Government's 2014-2017 FAG indexation freeze and the use of CPI indexation (as opposed to Councils' real costs), along with constraints on regional councils' ability to raise revenue (smaller rate bases, rate pegging, rate capping).

In terms of Australian Government funding, RCA notes the findings of the Independent Strategic Review of the Infrastructure Investment Program (IIP), that:

- sub-programs provide critical funding to councils to build and maintain local infrastructure;
- councils require additional funding to manage rising costs and increased pressure on transport infrastructure due to climate change and extreme weather events; and
- current sub-programs are delivering positive outcomes for councils and value for money.

We welcome the Australian Government's response to the IIP Review, including the increase of Roads to Recovery funding to \$1 billion per year, Black Spot funding increased to \$150 million per year and the creation of the new Safer Local Roads and Infrastructure Program with funding increased to \$200 million per year.

We also note the Government's commitment to delivering funding in a way that reduces the burden on local councils, allowing more money to be spent on projects and less on administration.



Recommendations



- The majority of the Roads to Recovery funding increase be directed to non-urban councils;
- Councils receive rolling notice of the Roads to Recovery funding allocation;
- The scope for Black Spot Program projects be widened in cost, time and nature;
- The simplification of competitive grant application processes;
- Provision of greater flexibility for project timeframes to allow councils to manage staff and supply constraints and cost variations;
- Reconsideration of the disaster recovery funding requirement of "like for like" replacement to allow councils to build back better in the face of climate change pressure; and
- The government adopt a flexible approach to road infrastructure funding as outlined previously.

Regional Airports Policy

RCA acknowledges the recent Australian Government commitment to prepare an Aviation White Paper which will work with industry and communities to deliver an understanding of the role of aviation in terms of economic development, skills and workforce into the future with regional aviation a key focus.

Regional airports are key to the social and economic life of regional Australia, connecting regional centres and their residents to Australia's capital cities. However, while regional airports play a critical role in their communities, the simple fact is most regional airports are under significant financial strain.

Many are faced with ageing infrastructure, ever increasing security cost pressures, high staffing costs, community service costs and a disproportionately high regulatory cost burden.

Fast Facts

1. It is estimated that more than 200 regional airports and aerodromes are owned and operated by local governments across Australia;
2. Forty per cent of Australia's 61 million annual domestic aviation passengers travel through regional airports;
3. Civil Aviation Safety Authority (CASA)'s regulatory imposts are higher for regional and remote airports, comprising 12 per cent of total expenditure, compared to about 4 per cent for major airports and major regional airports;
4. Sixty per cent of regional airports operate at a loss. They depend upon cross-subsidisation by their local government owners who are already burdened by competing demands on their limited financial resources; and
5. Almost 40 per cent of regional airports expect persistent budget deficits over the next 10 years.



The Contribution

Regional airports are largely owned and operated by local government. During COVID-19 lockdowns these facilities allowed regional communities to keep essential workers and freight moving.

Regional airports continue to generate significant direct employment and economic activity, as well as indirectly through associated business, service and industry activity.

They support the attraction of staff to, and their retention in, regional and remote communities, make FIFO (Fly-in, Fly-out) employment possible, make businesses more efficient and facilitate freight services and same-day business travel to capital cities from regional centres.

Regional airports support tourism and trade, assist regional Australians' access to specialist health, education and legal services that are otherwise not available locally, and play an essential role in saving lives by facilitating medical evacuations, collection and delivery of organ donations and search and rescue.

They also play a vital role in the protection of Australia's physical assets, enabling aerial fire fighting and supporting law enforcement bodies, such as the Western Australia Police Air Support and border protection agencies which operate out of Australia's regional airports, particularly in Northern and Western Australia.

The Challenges

The majority of Australia's regional airports are experiencing ongoing financial strain. During COVID-19 local governments continued to operate their facilities despite suffering major financial losses. Today two-thirds currently operate at a loss and almost forty per cent anticipate continuing deficits over the next decade.

Many regional airports are in need of urgent upgrades - including the burden of costly ongoing security upgrades and increasing and disproportionate regulatory costs.

Existing resources will be further strained as expenditures rise by almost 40 per cent over the next ten years. RCA acknowledge the Government's existing support for regional airports, including the Regional Airports Program and the Regional Airport Security Screening Fund. However, we are concerned by the lack of certainty about ongoing funding given existing financial challenges.

As many regional cities look towards a more connected world in a post-COVID recovery - support for landside investment will be sought to secure the future of agriculture and manufacturing sectors in regional communities.

Vulnerability of Regional Aviation Routes

An additional challenge faced by regional airport operators is the propensity of airlines to suspend, cancel or reduce services on routes, often with limited notice. Within the last 12 months service reductions or suspensions by Qantas, Rex, Virgin, FlyPelican and new low-cost carrier Bonza have affected regional airports in every Australian state and territory. At least seven of the cancelled services had been in place for less than 8 months. These abrupt decisions can leave local governments without sufficient revenue to recover the cost of facility upgrades required by airlines and regulators, as well as the cost of ongoing airport operation. Regional ratepayers ultimately bear these costs.

The vulnerability of regional aviation routes creates a risky investment environment not only for airport operators but also for local businesses. It's clear that for many regional airports a market-driven approach to service provision, which is the basis of major city airports, is not viable. Ongoing federal government investment is required to support provision of reliable air services to these communities.

Snapshot of service changes:

- Since April 2023 Rex has reduced services on 16 routes and suspended 4 routes.
- Less than 6 months after launching in January 2023 Bonza cancelled services on 5 regional routes, and reduced services on a range of other regional routes.
- In November 2023 Qantas cancelled services from Exmouth, Burnie, Davenport and Alice Springs. Other regional airport operators have noted a change in service operations on ad-hoc arrangement.

Recommendations



- Implement a policy recognising the importance of regional airports in increasing the connectivity of regional Australia and to consider future planning and funding of regional airports;
- Provide recurrent funding for the Regional Airport Fund to ensure that regional airports can be upgraded and maintained, and the cost of security can be covered in regional airports - \$500m over 4 years;
- Upgrade the guidelines for the Regional Airport Fund to allow for landside developments to be considered; and
- Review the efficacy of Western Australia's Strategic Airport Asset and Financial Management Framework (as recommended by the Productivity Commission) to assess the efficacy of the Framework and determine its suitability for application across all jurisdictions. Subject to the results of the review, support the roll-out of the Framework across other Australian jurisdictions.



Regional Housing Policy

RCA acknowledges the Australian Government's commitment to help address the housing crisis through its \$10 billion Housing Australia Future Fund and announced measures, particularly the \$500 million Housing Support Program for enabling infrastructure and connection of essential services.

Like all areas of Australia, regional capitals have an increasing shortage of available and affordable housing. In regional capitals this shortage is driven by surging workforce numbers for major regional projects and construction, along with growing internal migration and an undersupply of diverse housing stock.

Regional capitals welcome increased economic activity and population growth. However, the shortage of housing is undermining our ability to support this growth and function as essential service centres for regional populations while also providing an affordable alternative for families and businesses.

State of Play

According to the Regional Movers Index, capital to regional migration is currently tracking at 11.7 percent above the pre-Covid average and shows no sign of retreating to pre-Covid levels.¹

People are attracted to regional areas by good jobs, the lifestyle and, historically, the availability of affordable housing. However, current growth is driving up rents and house prices, creating a housing shortage that is making regional cities less affordable and less attractive.

Impacts on Rental Market

The rental vacancy rate has more than halved in the last five years, with Domain Research Vacancy Rates October 2023 reporting a regional vacancy rate of 0.8 percent.² Some regional cities report rental vacancies as low to zero.

Correspondingly, over the 24 months to September 2023, rents across regional areas have increased by as much as 20 percent.³

Impacts on Federal Government Policy Agenda

This shortage of housing is not only impacting on local employment, service delivery and local amenity, but the broader ability of regional areas to deliver on key federal initiatives such as the renewables transition, export capability and achieving a more equitable level of services for regional areas.



In a survey of RCA members, 100 percent reported that local health services are affected by the housing shortage, followed by major local industries (93 percent), infrastructure construction, and tourism/cultural services (87%) and education, major development and business attraction (80 percent).

Impacts on Local Businesses

One council noted that local businesses are unable to recruit staff because they are unable to secure housing, which in turn limits capacity to deliver services, projects, or events. Another said businesses are reluctant to invest in their region without certainty that they can secure the construction and operational staff required for their projects.

Impacts on Working Families

Another reported that local childcare services are limited by a lack of staff, again due to cost of living, mainly related to affordable housing. This inability to secure childcare limits opportunities for parents wanting to re-enter the workforce and in some cases forces them to leave the area.

Land Activation

The release of land for new housing is essential. Eighty-seven percent of RCA members agree it would assist provision of housing for key workers, help the supply of affordable and social housing (80 percent), and increase rental market stock (73 percent).

However, even where land is available, regional housing faces many roadblocks including labour shortages, planning delays and rising construction costs.

¹ <https://regionalaustralia.org.au/common/Uploaded%20files/Files/Regional%20Movers%20Index/Regional-Movers-Index-September-2023-Report.pdf.pdf>

² <https://www.domain.com.au/research/vacancy-rates-october-2023-1245973/>

³ <https://www.proptrack.com.au/wp-content/uploads/2022/10/PropTrack-Rental-Snapshot-Oct-22.pdf>

Skill Shortages

Overwhelmingly, Councils identify a shortage of builders and tradespeople (87 percent) as the most significant barrier to new housing, followed by the costs of enabling infrastructure (80 percent), and state planning processes (60 percent).

Not only is there a shortage of skilled tradespeople for housing construction, 73 percent of RCA members report their own shortages of strategic and statutory planners and other positions necessary to plan and approve residential housing.

It is clear that a different approach is needed; 93 percent of regional capitals do not think current state and federal policy settings can meet their future housing demands.

RCA recommends an approach recognising the diverse nature and challenges of regional cities and providing flexibility for local governments to implement the most effective housing measures for their regions.

In particular, ongoing, dedicated funding is needed for regional councils' enabling infrastructure costs; support is needed for innovative housing solutions including remediation of derelict housing; state planning systems need to be more responsive; and, there is an urgent need for increased training and recruitment of skilled workers.

Fast Facts

- Capital city to regional migration is currently tracking at 11.7% above the pre-Covid average.⁴
- At October 2023, the regional vacancy rate was 0.8%.⁵
- Over the 24 months to September 2023, regional rents increased by 20%.⁶
- 75% of regional capitals identify Construction and Major Project workers as a major driver of housing demand, followed by Internal Migration (56%).
- Within 5 years, it is expected lone person households will be the fastest growing household type across the country.⁷
- 87% of regional capitals identify the shortage of builders and/or tradespeople as a roadblock for land activation, followed by enabling infrastructure costs to council (80%) and state planning processes (60%).
- 75% of regional capitals have derelict housing stock which could be updated to help address housing shortages.
- 93% of regional capitals do not believe existing State and Federal policy settings can meet their region's future housing demand.

Role of Local Government

Local Government understands that its primary role in meeting Australia's housing challenge is through planning and zoning processes and the provision of local infrastructure.

Surging regional migration and traditionally smaller populations and rate bases make this increasingly challenging for regional councils, many of which are operating under rate-capped or rate-pegged systems.

In addition, there is growing demand from local government to partner with the State and Federal Governments to deliver social and affordable housing options, but these partnerships cannot be delivered without financial and policy support.

Infrastructure costs

Activation of land for new housing development requires provision of essential services and enabling infrastructure to be provided by local government. However, 80 percent of RCA members say the increasing costs of providing these services and infrastructure are a roadblock to new housing.

RCA members therefore strongly welcome the Australian Government's \$500 million Housing Support Program. RCA members have noted this fund should assist in the provision of essential services such as water, sewerage, energy and NBN, and community infrastructure including site works, streetscape works, conservation reserves, transport hubs and public transport facilities.



⁴ <https://regionalaustralia.org.au/common/Uploaded%20files/Files/Regional%20Movers%20Index/Regional-Movers-Index-September-2023-Report.pdf>

⁵ <https://www.domain.com.au/research/vacancy-rates-october-2023-1245973/>

⁶ <https://www.proptrack.com.au/wp-content/uploads/2022/10/PropTrack-Rental-Snapshot-Oct-22.pdf>

⁷ [https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23#:~:text=More%20than%201.8%20million%20new,properties%20\(e.g.%20holiday%20homes\).](https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23#:~:text=More%20than%201.8%20million%20new,properties%20(e.g.%20holiday%20homes).)



RCA members also believe it is important the Housing Support Program provide:

- Recognition of higher service and construction costs for regional cities, with dedicated funding for the regions;
- Flexibility to accommodate a diverse range of regional projects, including infill opportunities;
- Timely announcements of funding so successful projects can be included in councils' budget deliberations; and
- Multiple funding rounds to allow for appropriate planning.

Recommendations

RCA recommends there is a regional stream of the \$500 million Housing Support Program to support the provision of essential services, planning support and funding for council infrastructure.

RCA also recommends that the guidelines for the Housing Support Program allow for a flexible approach to project delivery to accommodate the diversity of regional areas.

Local Government Skills Shortages

According to the Planning Institute of Australia, 232 local government areas in Australia (43 percent) have no planners working within them.⁸

Almost three-quarters of RCA members (73 percent) report shortages of both statutory and strategic planners, two-thirds (67 percent) report shortages of building surveyors and almost half (47 percent) report shortages of building inspectors and engineers.

Councils also note shortages of urban designers and environmental health professionals.

RCA members say there is a critical need for more regionally-based tertiary education options in planning, building surveying and environmental health roles.

They also propose education scholarships and subsidies for students in areas of skills shortages, along with state and federal government sponsorship of local governments to employ cadets and trainees in skills needs areas.

"Building surveyors are a 'dying breed'... many LGAs are struggling to fill building surveyor roles. ... a survey a few years ago suggested over 50% of building surveyors were intending to leave the industry due to retirement."

⁸ <https://www.planning.org.au/news-archive/2021-2023-media-releases/new-data-shows-growing-shortage-of-urban-planners---bad-news-for-housing-regional-communities-transition-to-net-zero>



Challenges

Australia's 51 regional capitals play a vital role in the growth and diversification of Australia's economy. These cities are centres for decentralisation, hubs supporting regional industries and mining, and key to Australia's zero carbon economy.

However, the ability of regional cities to fulfil this role is increasingly challenged by the rate of population growth and shortage of housing needed to accommodate the growing regional workforce. Availability and affordability of housing for those relocating to work in regional cities and on major projects are fundamental to future prosperity.

While the need for increased regional housing is clear, boosting supply faces a range of impediments including rising costs, skill shortages, planning delays and supply chain issues.

Supplying Housing for Major Project Workers

The impact of major project and construction workers on housing demand in regional Australia must be understood.

In some cases, major projects will bring hundreds and even thousands of new workers into regional areas, with a need for short to medium term housing:

- Dubbo is the major urban centre in the Central West and Orana Renewable Energy Zone where development of transmission infrastructure and renewables projects is projected to require 6,000 workers;
- The Pilbara Region has a \$177 billion pipeline of minerals investment of which more than \$46.1 billion is already committed; and
- Projects around Griffith include the new \$250 million Base Hospital, Murrumbidgee Irrigation water infrastructure projects and expansion by large private sector businesses.

Without specific measures for worker housing this otherwise welcome economic activity will continue to exacerbate the regional housing shortage (please refer to our Housing Innovation Fund).

Skills Shortages

Construction of new housing in regional cities is held back by the growing shortage of builders and tradespeople, according to 87 percent of RCA members.

While an RCA member survey found dwelling approvals have increased 58 percent on average over the last five years, members report that completions are slowing due to the lack of builders.

This is confirmed by Master Builders Australia, who found during 2022-23, the average build time for detached houses increased from 10.3 months to 11.7 months.⁹

RCA members report shortages in regional trade skills across the board, including: electricians and plumbers (87 percent); carpenters and joiners, construction project manager and civil engineers (80 percent); painters and bricklayers (73 percent); plasterers and cabinet makers (67 percent); and surveyors, quantity surveyors, glaziers, tilers, architects and structural engineers (60 percent).

Regional building industries are also unable to compete with major infrastructure projects for skilled staff.

Master Builders estimate that to meet growth projections and replace workers leaving the industry, 486,000 workers need to enter the building and construction industry between February 2023 and November 2026 – nearly half will need to be in technician and trade roles.¹⁰

⁹ <https://www.mbansw.asn.au/media/industry-news/new-home-building-times-continue-worsen>

¹⁰ *ibid*

Recommendations

Recommendations identified by RCA members to address regional skills shortages include:

- Increasing skilled migration;
- Scholarships and subsidies for degrees and training in skills shortage areas;
- Greater investment in technical education and apprenticeships; and
- Investment in vocational education in more locations as travel costs are a major barrier to completion.

“The issues are across the board - at every level in every industry there are issues filling roles, because demand overall has increased massively, and whilst people want to come and take up the roles, many can’t because of the cost and lack of availability of housing.”

Social and Affordable Housing

The growing shortfall between the number of social and affordable houses needed in regional capital cities and the number available is well established.

The City of Ballarat estimated that in 2021 the need for social or affordable dwellings was 6,686 dwellings, while there were 1,665 available. Demand is expected to grow by more than 60 percent by 2041 to 10,850.

The shortage of affordable housing is being felt across regional economies from business investment and major projects to service delivery, diversity and liveability.

One hundred percent of regional capitals report local health services are affected, followed by major local industries (93 percent), infrastructure construction, and tourism/cultural services (87 percent) and education, major development and business attraction (80 percent).

Eighty percent of regional capitals nominate provision of social and affordable housing and key worker accommodation as the greatest opportunities if land can be released for new housing.

Recommendations

Regional cities are actively examining a range of local options to boost affordable housing. However, more support is needed from State and Federal Governments including:

- Release of state land for housing;
- Planning guidelines for social and affordable housing, including mandatory inclusionary zoning or pre-set ratios;
- Flexibility for infill development in established areas;
- Refurbishment or redevelopment of state owned derelict housing;
- Innovative housing solutions such as 3D printing, modular and prefabricated housing;
- Support to facilitate development of project partnerships with local housing providers; and
- Ongoing support for enabling infrastructure costs, such as the Housing Support Program.

“The Town is committed to building housing for service workers to allow service workers an affordable housing option. However, our studies indicate that our service worker housing project will address 10% of the demand for affordable housing for service workers.”



Opportunities

In order to manage regional population growth and help meet nationally agreed housing targets, including affordable housing, RCA members recognise the need for a broader local housing mix.

Within five years, it is expected lone person households will be the fastest growing household type across Australia.¹¹

Cities are examining approaches for different dwelling types, including accommodation for smaller households such as major project workers, single person households and aging residents, as well as methods to deliver regional housing more quickly and at a lower cost than traditional family homes.



Innovation

Innovation is key to achieving greater diversity in the housing market, such as entry level and small format homes, and improving the supply of social and affordable homes.

This includes different approaches to housing planning and construction, density options and size of allotments, reuse of existing housing stock, repurposing of buildings and innovative partnership arrangements. RCA members report a range of innovative measures are under consideration, including:

- 3D printing (currently testing with community infrastructure);
- Prefabricated and modular homes;
- Refurbishment of existing buildings for short-term worker accommodation; and

- Innovative approaches for accommodation for major project workers:
 - o Modular villages (a percentage to be retained as permanent dwellings);
 - o Repurposing of council land such as caravan parks;
 - o Development of housing camps close to towns, so on project completion land can be on-sold with council infrastructure already in place; and
 - o Partnerships with major employers to provide secondary dwellings on private properties for worker accommodation.

Funding remains the greatest barrier to progressing innovative local housing solutions. Not only are new approaches usually ineligible for funding under existing government programs, council housing investments are not GST exempt.

Recommendations

RCA recommends the Government consider the establishment of a Housing Innovation Program to fast track innovative approaches to housing projects. This fund could improve supply and overcome supply chain and skills challenges currently in regional capitals.

Density Done Well

Density can help meet regional housing demand by delivering additional housing stock in shorter timeframes. It can also improve affordability of housing through lower costs, including utilisation of existing community infrastructure and essential services.

While density in some cities might include granny flats or apartments, other councils see smaller lot sizes with freestanding dwellings in neighbourhoods within walking distance to amenities as a happy medium.

However, density does not suit every area or neighbourhood and community opposition has been reported by 79 percent of RCA members. It can also place a strain on existing infrastructure.

“There would not be opposition as long as it was in the right areas.”

¹¹ [https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23#:~:text=More%20than%201.8%20million%20new,properties%20\(e.g.%20holiday%20homes\).](https://www.housingaustralia.gov.au/research-data-analytics/state-nations-housing-report-2022-23#:~:text=More%20than%201.8%20million%20new,properties%20(e.g.%20holiday%20homes).)



Recommendations

To deliver density done well, regional cities require:

- **Simpler and improved planning systems, such as the Victorian government's recently announced exemption of small second homes from state or council planning approvals under certain conditions;**
- **Fast tracking planning and zoning changes;**
- **Support from State Governments to incentivise and promote higher density developments in the right locations;**
- **Provision of land from state governments to develop new, higher density housing; and**
- **Investment from state and federal governments (such as the Housing Support Program) in supporting transport infrastructure - particularly bus services, streetscape and amenity upgrades.**

Derelict Housing

Around three-quarters of regional capitals report they have derelict housing stock which could be updated for social and affordable housing. It is estimated that refurbishment or renewal of stock could provide more than one hundred additional homes in some cities.

The majority of derelict housing is owned by state governments, with most of the remainder in private hands.

Options for derelict housing include basic remediation to make houses habitable, which could be completed in as little as six months; or demolition and redevelopment of sites at greater density, which would take one to two years.

Advantages of utilising derelict stock include minimal planning requirements, leveraging of existing civil infrastructure reducing local government costs, and potential to deliver housing at a lower cost and shorter timeframe than new builds.

Recommendations

Utilisation of derelict housing stock requires:

- **State Government prioritisation of derelict housing upgrades;**
- **Local audits of derelict housing to determine ownership, condition and potential use; and**
- **Funding for:**
 - **Upfront capital to upgrade state-owned housing;**
 - **The purchase and upgrade of privately owned homes or to incentivise private owners to renovate; and**
 - **Incentivisation of derelict home investment and remediation partnerships with the private and community sectors.**

"... there is a significant amount of derelict or at least no longer fit for purpose social housing, usually at quite low densities...which could be redeveloped at greater densities, total housing stock increased, and the whole process largely paid for by selling some of the new housing into the private housing market."

Table of Recommendations

RCA Policy Priority Area	Recommendation
Population Policy	Develop a population policy to encourage businesses and families to move to the regions, and that RCA be consulted during the development of this policy.
	Continue support for current 491 and 187 regional visa streams cater for skilled, non-skilled and education migration to regional capital cities.
	Expansion of business visas to establish a new range of regional visas that are based on the 188, 888 and 132 and 858 but require investment or business activity in regional economies.
Arts and Culture	Continue to recognise and enhance the role of arts, culture and creative activity in strengthening local identity, contributing to liveability and contributing to population growth in regional Australia.
	Ensure an equitable distribution of arts and cultural funding for regional Australia to better reflect existing population distribution and anticipated ongoing population growth.
Regional Infrastructure Policy	Commit to continued funding of the recently established Growing Regions Program to enable infrastructure projects that target regional economic and population growth: \$1 billion over 4 years.
	That funds be exclusively allocated to regional communities excluding suburban and metropolitan projects.
	Review the stated intention to allow State Government to access Federal funding for regional infrastructure.
	Reliable and consistency of funding that includes: <ul style="list-style-type: none"> • A commitment to annual rounds of funding; • Applications are sought at a specific time every year; • Consistent program guidelines so projects can be planned for that will meet these guidelines and co-contributions can be secured; • A two step process (Expression of Interest, then Full Application) to ensure resources are not wasted on projects that will not fit the focus of the fund; and • The success or otherwise of a funding application should be known prior to local government budgets being finalised (May).
	To ensure the diverse needs of regional capital cities: guidelines should support the development of a broad range of projects, including (but not limited to): <ul style="list-style-type: none"> • Enabling infrastructure for housing development; • Supporting population growth; • Facilitating education, employment and skills opportunities; • Tourism infrastructure; • Arts and culture infrastructure; and • Enabling infrastructure to support adaptation to climate change and emergency management.
	Funding caps should set the federal contribution at between \$10-50 million and reflect an accurate population planning statistics for regional capitals.

Table of Recommendations

RCA Policy Priority Area	Recommendation
Regional Infrastructure Policy	Council resources should be able to be used to carry out infrastructure delivery as an in-kind contribution.
	Support for business case development should be considered with the growing pressure on councils to produce productive, social and liveable infrastructure (many in a rate capped/pegged environment).
Local Roads Policy	The majority of the Roads to Recovery funding increase be directed to non-urban councils.
	Councils receive rolling notice of the Roads to Recovery funding allocation.
	The scope for Black Spot Program projects be widened in cost, time and nature.
	The simplification of competitive grant application processes.
	Provision of greater flexibility for project timeframes to allow councils to manage staff and supply constraints and cost variations.
	Reconsideration of the disaster recovery funding requirement of “like for like” replacement to allow councils to build back better in the face of climate change pressure.
Regional Airport Policy	The government adopt a flexible approach to road infrastructure funding as outlined previously.
	Implement a policy recognising the importance of regional airports in increasing the connectivity of regional Australia and to consider future planning and funding of regional airports.
	Provide recurrent funding for the Regional Airport Fund to ensure that regional airports can be upgraded and maintained, and the cost of security can be covered in regional airports - \$500m over 4 years.
	Upgrade the guidelines for the Regional Airport Fund to allow for landside developments to be considered.
	Review the efficacy of Western Australia’s Strategic Airport Asset and Financial Management Framework (as recommended by the Productivity Commission) to assess the efficacy of the Framework and determine its suitability for application across all jurisdictions. Subject to the results of the review, support the roll-out of the Framework across other Australian jurisdictions.



Table of Recommendations

RCA Policy Priority Area	Recommendation
Housing Infrastructure costs	Develop a population policy to encourage businesses and families to move to the regions, and that RCA be consulted during the development of this policy.
	RCA recommends there is a regional stream of the \$500 million Housing Support Program to support the provision of essential services, planning support and funding for council infrastructure.
	RCA also recommends that the guidelines for the Housing Support Program allow for a flexible approach to project delivery to accommodate the diversity of regional areas.
Housing Skills	<p>Recommendations identified by RCA members to address regional skills shortages include:</p> <ul style="list-style-type: none"> • Increasing skilled migration; • Scholarships and subsidies for degrees and training in skills shortage areas; • Greater investment in technical education and apprenticeships; and • Investment in vocational education in more locations as travel costs are a major barrier to completion.
Social and Affordable Housing	<ul style="list-style-type: none"> • Regional cities are actively examining a range of local options to boost affordable housing. However, more support is needed from State and Federal Governments including: • Release of state land for housing; • Planning guidelines for social and affordable housing, including mandatory inclusionary zoning or pre-set ratios; • Flexibility for infill development in established areas; • Refurbishment or redevelopment of state owned derelict housing; • Innovative housing solutions such as 3D printing, modular and prefabricated housing; • Support to facilitate development of project partnerships with local housing providers; and • Ongoing support for enabling infrastructure costs, such as the Housing Support Program.
Housing Innovation	RCA recommends the Government consider the establishment of a Housing Innovation Program to fast track innovative approaches to housing projects. This fund could improve supply and overcome supply chain and skills challenges currently in regional capitals.
Density Done Well	<p>To deliver density done well, regional cities require:</p> <ul style="list-style-type: none"> • Simpler and improved planning systems, such as the Victorian government's recently announced exemption of small second homes from state or council planning approvals under certain conditions; • Fast tracking planning and zoning changes; • Support from State Governments to incentivise and promote higher density developments in the right locations; • Provision of land from state governments to develop new, higher density housing; and • Investment from state and federal governments (such as the Housing Support Program) in supporting transport infrastructure - particularly bus services, streetscape and amenity upgrades.
Derelict Housing	<ul style="list-style-type: none"> • Utilisation of derelict housing stock requires: • State Government prioritisation of derelict housing upgrades; • Local audits of derelict housing to determine ownership, condition and potential use; and • Funding for: <ul style="list-style-type: none"> o Upfront capital to upgrade state-owned housing; o The purchase and upgrade of privately owned homes or to incentivise private owners to renovate; and o Incentivisation of derelict home investment and remediation partnerships with the private and community sectors.

REGIONAL HOUSING CASE STUDIES



Case study: Albury City Council

About the city

Albury is a nationally significant regional city on the northern banks of the Murray River in the Riverina region. It is strategically located, and the largest city, on Australia's busiest inland transport route (Hume Highway and Melbourne to Sydney railway).

Albury has a population of over 56,000 people however when combined with the population of Wodonga over the border in Victoria, the two cities form an urban area with a population of 100,000 (Australia's 20th largest city).

Drivers of housing demand

The top drivers of housing demand in the Albury LGA are:

- Internal migration to the region (1,881 between 2016 and 2021) primarily 'tree-changers' and some retired farmers and elderly people moving from smaller nearby towns; and
- Migration from overseas (1,300 overseas arrivals between 2016 and 2021).

Albury's population has experienced strong recent growth, boosted by 'tree-changers' moving from metropolitan centres during the COVID-19 pandemic. The population is projected to reach over 76,000 by 2041, as the wide range of employment and lifestyle opportunities available in the local government area continues to attract new residents.

Problem statement

Housing costs have risen significantly, demand for affordable and social housing is not being met and the amount and type of housing being delivered locally is not keeping pace with demand or demographic change.

Changing demographics require housing diversity

Albury's population is aging, with the proportion of people aged over 65 years approaching 20 per cent in 2021 and projected to grow further. While families with children are still the dominant household type there is a growing trend for smaller household sizes. In 2021 around 31 per cent of Albury households consisted of one person (NSW average 25 per cent), whereas only 3.7 per cent of dwellings were one bedroom. A greater diversity of dwelling sizes is needed.

Rising costs have driven demand for affordable housing

Over the year to December 2021, the median rental list price increased by 16.7 per cent for a house, 20.8 per cent for a unit. In 2021 there were 1,010 households in Albury (4.3 per cent of total) in need of affordable housing as they were unable to access market-priced rental housing. As at June 2022 there were 504 applicants on the waitlist for social housing in Albury. The expected waiting time for a studio or one-bedroom social housing property is currently 5-10 years.

Addressing housing needs

In March 2023, Council released the [Albury Local Housing Strategy](#) to guide future planning decisions on locations and types of housing to support population growth. The strategy addresses the themes of supply, diversity, affordability and resilience and outlines clear actions for Council.

Council is looking to boost the proportion of housing stock providing medium and high-density options through projects such as the relocation of the CBD council depot site. This project, a collaboration with Department of Regional NSW, Land and Housing Corporation and Crown Lands would use infill development to provide 300-500 new units, including private, social and affordable housing.

Housing snapshot

New dwellings	2012	2017	2022
Approvals	248	347	410
Blocks of land available for housing development	456	493	348

Rental properties

Average monthly rental cost (\$)	-	1,240	1,720
Rental vacancy rate (%)	1.6	2.9	0.7

Derelict housing stock

New houses derelict stock could provide	Up to 99
% owned by state government	50
% owned privately	50

Challenges

- Skills shortages within Council impact land release and housing development. A complex state planning system exacerbates this challenge by reducing efficiency.
- Renewal of government-owned derelict housing stock is not possible under the existing NSW Land and Housing Corporation funding model.
- Housing supply shortages are affecting provision of services such as health (Albury Wodonga Health seeks 300 places per night for key workers), education and emergency services as well as the ability of local businesses to attract new workers to the city.
- Housing development is restricted by skills shortages including builders, tradespeople and engineers.

Opportunities

- Funding to accelerate enabling infrastructure – for example, water and sewer trunk mains, arterial roads, etc.
- The Land and Housing Corporation have identified Albury as a priority area. More sustainable funding is needed for NSW Land and Housing Corporation to increase feasibility of regional projects to address increasing need (waitlists).
- Use regional case studies and advocacy to encourage developers to try high-medium density rather than standard detached house and land.
- Unlock additional sources of land available for new housing, including private land, state owned freehold land, Defence land, vacant council land and Traditional owners' land.
- Roll out training and training incentives to encourage uptake of careers in critical fields like strategic planning, engineering and trades.

Case study: City of Ballarat

About the city

Ballarat is the commercial capital of Victoria's Central Highlands and a significant tourist destination. As the fourth largest inland city in Australia, Ballarat has a population of over 110,000 people with a growth rate accelerated by housing pressures in nearby Melbourne.

Drivers of housing demand

Key drivers of housing demand in the Ballarat LGA:

- Young families are attracted by more affordable housing and lifestyle opportunities.
- Construction and major project workers.
- Internal migration to the region, including older people and people from rural areas.

Ballarat's rapidly growing population is projected to reach around 170,000 by 2041 and will require 29,000 more dwellings. Population growth was boosted during the COVID-19 lockdowns in metropolitan areas and has been encouraged by decentralisation of government services. Growth is accompanied by demographic changes – the fastest growing group is those aged over 65, expected to reach 23 per cent of total by 2041 (currently 19 per cent).

Problem statement

Housing supply and diversity have not kept pace with population growth and demographic change, particularly for those requiring social and affordable housing.

Significant shortfall in social and affordable housing

The estimated gap between the number of households requiring housing assistance in the region and the number of available dwellings is 5,021. If current state policy and investment settings for social housing remain unchanged this gap will reach 9,185 dwellings by 2041 – an increase of 4,164.

Housing shortage affects services and industry

Limited housing availability and declining rental affordability affect the ability of local businesses to recruit staff, which limits capacity for delivery of services, projects and events. Housing supply shortages are also affecting provision of essential services such as health and education and the ability of the city to attract new businesses.

Housing snapshot

<i>New dwellings</i>	2012	2017	2022
Blocks of land available for housing development	-	-	73,600

Rental properties

Average monthly rental cost (\$)	1,035	1,130	1,505
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House Sales

Average days on the market	65		57
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Addressing housing needs

The Ballarat City Council has released a draft [Housing Strategy 2023-2041](#), which will be incorporated into the planning system and guide development of new housing to accommodate a growing and diverse population.

The draft strategy identifies areas where up to 29,000 new homes will be accommodated – within greenfield growth areas and the existing city and townships. Improved and simplified state planning systems would help Council to deliver on the strategy, including projects to increase housing density. Funding to support provision of enabling infrastructure, services and amenities will also be critical to success.

Delivering new social and affordable housing is a priority, and key measures for Council include:

- Exploring new delivery models to achieve best outcomes at identified strategic sites.
- Facilitating local partnerships, including MOUs with housing providers to achieve desired housing outcomes.
- Developing clear guidelines for how Council expects developers to deliver social and affordable housing.
- Establishing funding streams e.g. by capturing value uplift generated by rezoning of land in greenfield locations and capturing revenue in urban areas to be developed for social and affordable housing.

Challenges

- Land activation for new housing is restricted by enabling infrastructure costs, state planning processes, shortage of builders and tradespeople and land banking by developers.
- Developers are less interested in significant levels of infill and CBD development.

Opportunities

- Activation of a variety of available land types would provide broad economic benefits.
- Removal of rate-capping would support Council to address critical skill shortages that affect housing development and land release.
- Funding to support Council to test innovative approaches in growth precincts, including:
 - o Installing a microgrid and/or virtual power plants;
 - o Sustainable subdivisions and dwelling/built form designs;
 - o Enhancement of biodiversity corridors; and
 - o Neighbourhood/community waste initiatives.

Case study: Dubbo Regional Council

About the city

The Dubbo Regional Council LGA covers over 7,000 square kilometres in the Orana region of NSW. The population of more than 55,000 is concentrated in the city of Dubbo and the town of Wellington, with smaller populations residing in a number of villages and the rural areas. Dubbo is a major economic and service centre for the wider region.

Drivers of housing demand

Top drivers of housing demand in the Dubbo LGA:

- Construction and major project workers;
- Fly in – fly out (FIFO) and drive in – drive out (DIDO) workers – including health services; and
- Tree-changers moving to the region during and post the COVID-19 Pandemic.

The LGA continues to experience significant housing demand, largely driven by population growth linked to economic development. Dubbo is the major urban centre in the Central-West Orana Renewable Energy Zone - development of transmission infrastructure and renewables projects is projected to require 6,000 workers, who will need to be housed within the region.

The region experiences high demand for short-term accommodation due to large scale infrastructure, energy and mining projects, as well as seasonal agricultural employment. Short-term accommodation in Dubbo and Wellington is frequently booked out during the week.

Problem statement

The growing demand for accommodation in the region is reflected in significant recent increases in house prices (44.5 per cent over 2018-2022), rental costs (45 per cent increase for 3-bedroom dwellings over 2018-2022) and low rental vacancy rates. The expected influx of workers to develop the Central-West Orana Renewable Energy Zone will add pressure to housing supply and rental prices. The impact of the locum health workforce is also creating challenges. More affordable and short-term accommodation is needed to support existing and projected populations.

Housing stock not suited to changing demographics

Current housing stock in Dubbo and Wellington is mismatched with household composition. One-person households and couple-only households make up around 55 per cent of total households in the LGA (an increase of 6 per cent since the 2011 census), whereas less than 4 per cent of dwellings are one bedroom. A range of housing types, densities and price points are needed to meet population needs.

Housing snapshot

<i>New dwellings</i>	2012	2022
Applications	293	262
Approvals	354	364

Rental properties

Average monthly rental cost- house (\$)	-	1,840
Average monthly rental cost- unit (\$)	-	1,240
Rental vacancy rate (%)	2	1

Derelict housing stock

New houses derelict stock could provide	50-99
% owned by state government	90
% owned privately	10

Addressing housing needs

Dubbo Regional LGA has considerable zoned land and a significant private sector capacity in property development and construction. Dubbo Regional Council is a developer of residential land having two major land holdings Keswick Estate and the North-West Urban Release Area. There is the potential for the development of some 3,500 allotments on this land. Dubbo also has zoned land in private ownership that could realise the development of a further 5,000 allotments. However, to realise timely development of these lands, further government assistance is required including funding for enabling infrastructure (roads, sewer, water connections) and assistance with strategic and infrastructure planning.

Council is actively seeking to densify planned housing developments and to encourage private developers to provide varied products to meet housing demand at a range of price points and dwelling types.

To address social housing needs Council is examining opportunities to incentivise development of affordable housing through Planning Agreements with renewables proponents to assist Community Housing Providers. Development of an affordable housing strategy for the region is a priority.

Challenges

- Dubbo has considerable land resources, but enabling infrastructure and strategic planning of both land and infrastructure are an impediment to development.

Opportunities

- A supply of aged Department of Housing stock could be remediated to provide additional housing.
- 3D printing has the potential to deliver additional housing quickly and at a range of price points. Council has set aside three lots at the Keswick Estate for 3D printed houses, following a successful trial of a 3D printed toilet block.
- Council is actively examining options for staged development of temporary workforce accommodation that aims to meet the need for more immediate housing, whilst ensuring a positive legacy is left for the community.

Case study: City of Greater Geelong

About the city

With a population of over 276,000, the City of Greater Geelong is Victoria's second largest city and Australia's fastest growing regional city. Located 75km from Melbourne, the municipality comprises more than 50 suburbs and townships across suburban, coastal and country areas and has a diverse and growing economy driven by jobs in healthcare and social services, retail, construction, education and public administration.

Drivers of housing demand

Top drivers of housing demand in the Geelong LGA:

- Young families attracted by more affordable housing and lifestyle opportunities.
- Growth in service-based jobs including the social insurance industry.
- Internal migration to the region.

Strong population growth and associated demand for housing is driven by Geelong's affordability relative to nearby Melbourne, high quality transport links to Melbourne and attractive job and lifestyle opportunities. The population of Greater Geelong is forecast to grow to more than 393,000 by 2041.

Problem statement

Strong demand for rental accommodation has led to record low rates of rental affordability, and the availability of private rental, social and public housing options are unable to meet current or projected demand.

Housing shortages affect essential services and industry

The housing supply shortage, including very low availability of rental properties for new workers moving to the city, is affecting provision of health services and the operation of major local industries, tourism and cultural services.

Social and affordable housing

Distribution of social housing in Geelong is extremely uneven, and inadequate to meet soaring demand. In 2021 an estimated 5,000 households were in need of social housing, forecast to grow to 13,500 by 2041. Council sites suitable for new social housing would deliver only 1.4% of the overall requirement, and the private sector won't deliver essential social housing without policy reform.

Housing snapshot

<i>New dwellings</i>	2012	2017	2022
Approvals	2,101	2,617	4,025
Blocks of land available for housing development	38,000		25,000

Rental properties

Average monthly rental cost (\$)	1,278	1,408	1,920
Rental vacancy rate (%)	-	-	1

Addressing housing needs

The City of Greater Geelong is implementing its [Social Housing Plan 2020-2041](#) to facilitate an increase in supply of social housing. Mandatory inclusionary zoning is seen as essential to success, so that social housing is provided as part of new developments, to keep pace with demand (4.5% of new developments) and ensure equitable distribution of housing that meets the needs of a diverse population.

There is significant opportunity for increased density and development in infill areas – such as government owned land surrounding train stations or declining industrial areas. Ageing infrastructure (such as 100+ year old stormwater drains) is a key barrier to infill growth, particularly without a clear mechanism for collecting development contributions.

Greater Geelong has access to a significant supply of land that can be utilised for greenfield housing development. Optimal activation of this land would be supported by reforms to state and federal policy and planning systems, including clarity on the role of greenfield developments in future supply, simplified environmental approval processes and long-term infrastructure planning and investment to support development.

Challenges

- The Victorian Housing Statement emphasises an enhanced role for infill development without supporting strategies to fund infrastructure, strategies to enhance community acceptance and reduction in greenfield supply.
- A strategic approach to biodiversity planning at a state and federal level would create more certainty for development projects and improved environmental outcomes.
- Evolving stormwater management policies and strategies create uncertainty for greenfield projects.
- A lack of financial analysis of the affordability and long-term asset management implications of greenfield and infill growth.
- Housing development is hampered by a shortage of critical skills within council and within the city more broadly, including builders and tradespeople.

Opportunities

- Increase high and medium density housing to meet growing demand and changing demographics (e.g. trend towards smaller household sizes), with federal and state co-investment in supporting infrastructure such as public transport, streetscape and amenity upgrades.

Case study: Town of Port Hedland

About the city

Located 1,800 km north of Perth in Western Australia's North West, the Town of Port Hedland is an important service centre for the region's significant mining and resource industry and is home to the world's largest bulk export port. The Council area covers nearly 12,000 square kilometres of the Pilbara and the population of around 17,000 people is concentrated in the twin settlements of Port Hedland and South Hedland.

Drivers of housing demand

Key drivers of housing demand in the Town of Port Hedland LGA:

- Construction and major project workers.
- Fly in – fly outs (FIFO, coming to work in the regional mining and resource industry).
- Internal migration to the region.

The resurgence of the mining and resource sector and a \$177 billion pipeline of related investments in the Pilbara has increased job opportunities and created a surge in demand for housing. The strong investment horizon is also increasing migration to the region as people seek opportunities associated with a strong regional economy.

Problem statement

A lack of affordable housing in the LGA is a handbrake on economic growth and liveability. Average rent is almost \$1,000 per week (compared to \$544 across regional WA) and supply is extremely limited. Housing supply has grown by only 0.2% p.a. since 2017.

Lack of affordable housing restricts growth and amenity

Liveability is severely impacted as people employed in service industries such as education, childcare, retail, hospitality and tourism, who often earn low or moderate incomes compared to those in the mining sector, are unable to afford housing.

New businesses are apprehensive to invest without certainty they can secure staff. Larger companies commonly supply housing for their staff as an incentive to move to the area and opt to rent or buy rather than commit to new builds, putting further pressure on limited supply.

Building costs are very high

Building costs are up to 80% higher than Perth, due to higher costs of supplies and labour (competing with wages in the resource industry), limited availability of residential builders and higher costs associated with risk of severe cyclones. Banks are often unwilling to loan the collective cost of purchasing residential land and building a new dwelling.

Housing snapshot

<i>New dwellings</i>	2012	2017	2022
Approvals	439	12	11

Rental properties

Average monthly rental cost (\$)	7,596	1,996	3,540
Rental vacancy rate (%)	1	5	2

Derelict housing stock

New houses derelict stock could provide	200-499
% owned by state government	40
% owned privately	60

Addressing housing needs

The Town has made service worker housing a priority over the next 5 years, to increase liveability and support residential growth. Concept plans have been developed for a 76-house service worker development in South Hedland. Council requires funding to progress this opportunity, which is estimated to contribute \$152.4 million in benefits to the Hedland community over 20 years (but will only address 10% of the demand for affordable housing for service workers).

A range of other priorities to address housing needs have been adopted by the Town, including supporting pathways to home ownership and leveraging funding and multi-party agreements for land and housing development. State owned land is available for multi-density development in South Hedland, and residential development in Port Hedland could be facilitated by undertaking site works.

Challenges

- High costs of renting, buying and building mean large companies frequently opt to use a FIFO workforce or establish temporary camps to house construction workforces.
- Skills shortages within Council, including building surveyors, slows development. This issue affects many LGAs and requires state action to encourage more entrants to these professions.

Opportunities

- Large potential for tourism industry development in Port Hedland is restricted by high cost of living and comparatively low wages.
- Investment into service worker and affordable housing to support increased services and amenity, supporting liveability.
- Repurposing vacant underutilised properties for short-term or transitional accommodation.



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