

SMART INFRASTRUCTURE FACILITY SUBMISSION

The Contribution of Australian Cities to our Enduring Prosperity

House of Representatives Select Committee on Regional
Development and Decentralisation - Inquiry

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Joe Branigan, Senior Research Fellow at SMART Infrastructure Facility UOW has prepared this submission. The opinions and recommendations expressed in this submission are those of the author and do not necessarily reflect any official position held by the SMART Infrastructure Facility or the University of Wollongong.

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Key points

- Australia's largest cities function well as economic, cultural and political centres. They provide a significant contribution to Australia's high living standards and ongoing prosperity. Indeed, there are potentially greater economic benefits to be had by increasing the size of our largest cities rather than pursuing regionalisation and decentralisation policies.
- Infrastructure Australia, in its *State of Australian Cities 2014-15* Report, cited evidence that Australia's major cities contribute nearly 80% of our GDP and 75% of our workforce.
- Our five largest urban areas (Sydney, Melbourne, Brisbane-Gold Coast, Perth, Adelaide) account for two-thirds of Australia's population. Our thirteen largest urban areas account for more than three-quarters of Australia's population (ABS, 2017).
- Previous Australian studies have found that 87% of Australia's population live in urban areas and 81% live within 50 km of the coast (Hugo, 2003). There is no evidence that Australia's high rate of urbanisation will reverse in the near future.
- The OECD has found that larger cities exhibit higher levels of productivity and incomes, and lower levels of unemployment. It is not surprising that our five largest cities produce over two-thirds of Australia's value-added (i.e. profits and wages), and hence GDP (which is the sum of industry value-added).
- A seminal piece of research by the Productivity Commission – *Can Australia Match US Productivity Performance?* (2007) – found that if Australia was more regionalised and/or more decentralised then Australian productivity levels would be lower and infrastructure costs would be higher. In its work related to assessing the benefits of the National Competition Policy, the Productivity Commission found that changes to regional populations was driven mainly by technological change rather than by government policy (such as removing subsidies to regionally-based industries).
- In our view, regionalisation and decentralisation policies could lead to higher overall unemployment in Australia because regional areas do not work as efficiently in matching workers to jobs as do our large cities.
- Between September 1999 and July 2017, the average (unweighted) combined unemployment rate for Sydney, Melbourne and Brisbane was 5.3%. The corresponding combined figure for the 'Rest of State' across NSW, Victoria and Queensland was 6.2%. Regional areas exhibit higher minimum unemployment rates and higher maximum unemployment rates reflecting the smaller labour markets where matching workers to jobs is more difficult.
- In our view, a superior public policy approach to pursuing regionalisation and decentralisation would be to: (i) focus on addressing the major problems in our cities such as traffic congestion, housing costs and energy costs that negatively impact on productivity and liveability; and (ii) better connect the adjacent satellite cities and towns to our largest cities, such as the Sunshine Coast to Brisbane and Wollongong to Sydney via better road and rail connectivity. The integration of the Gold Coast and Ipswich into the Greater Brisbane region over the past two decades is worth studying.
- In sum, we need to be careful not to throw out the baby (being our great cities that underpin our national prosperity) with the dirty bath water (being our historically poor, poorly coordinated or non-existent cities policy).

SMART Infrastructure Facility

The SMART Infrastructure Facility at the University of Wollongong is pleased to make this submission to the House of Representatives Select Committee on Regional Development and Decentralisation. Our submission seeks to highlight the economic, social, cultural and environmental benefits provided by Australia's largest cities. We argue that, when considering regional development and decentralisation policies, policy makers should be aware of the trade-offs at stake in relation to these benefits provided by our large cities. In other words, governments should proceed with caution when pursuing regional development and decentralisation policies, lest they weaken our most important asset in terms of underpinning Australia's high living standards. Given their contribution to Australian prosperity, perhaps a more pressing policy objective is to make our global cities work better.

SMART was established to develop an integrated approach to public infrastructure research. Australia's first research centre dedicated to infrastructure commenced in 2011 and was jointly funded by the Commonwealth Government, the NSW Government (via RailCorp) and the University of Wollongong. The SMART acronym means 'Simulation, Modelling, Analysis, Research and Teaching' and our *modus operandi* is multidisciplinary and collaborative. We have established Australia's first Professorial chairs in infrastructure economics, infrastructure governance, infrastructure systems, and infrastructure modelling and simulation.

SMART has built a reputation of being able to provide the research, knowledge and tools required for evidence-based planning, public policy development and investment decision-making. Our research and teaching focuses on four practical themes:

- Infrastructure economics, including governance, project evaluation, cost drivers, pricing and economic regulation
- Infrastructure networks and systems, and complex modelling and simulation
- Infrastructure data aggregation and analysis
- Rail logistics and supply chain analysis

Our mission is to generate, publish and disseminate ideas that support greater understanding of the value, interconnection and interdependencies of infrastructure – both public and private.

1. General comments

1.1 Scope of this submission

This submission to the House of Representatives Select Committee on Regional Development and Decentralisation is focussed on highlighting the economic benefits of Australia's largest cities where more than three-quarters of our population live, work and study. In doing so, we warn against pursuing regional development and decentralisation policies without a clear policy rationale and a sober understanding of the trade-offs at stake in terms of potentially weakening the economic benefits provided by our major cities. We also provide an overview of the advantages of undertaking cost benefit analysis when considering regionalisation and decentralisation policies.

1.2 Terms of Reference and Issues Paper

We note that the Terms of Reference (ToR) and Issues Paper are quite explicit in asserting that regional development and decentralisation are inherently 'good' and, therefore, these policies should be pursued without first asking the question of whether these policies are good or not for the Australian people overall.

For instance, the Terms of Reference identifies an objective of regionalisation policy as follows: "support growing and sustaining the rural and regional population base", (ToR, 1(a)(i)). A number of the ToR seem to be based on assumptions about the Australian labour market that are not generally supported by the empirical evidence. For example, the identified goal: "growing and diversifying of the regional economic and employment base" (ToR, 1(a)(iv)), may be counter-productive and lead to higher long-term unemployment rates in regional areas (see discussion at Section 2.2).

The ToR identifies the objective of decentralisation policy as: "a mechanism to increase growth and prosperity in regional areas..." (ToR, 1(b)). Again, it is difficult to find empirical evidence that shows Australian decentralisation policies have led to increased growth and prosperity against the counter-factual. Further, the issue of high regional unemployment rates, surely the highest economic and social priority in relation to regional policy given the high unemployment rates in regional areas, is not mentioned in the Terms of Reference.

As a result, in our view the ToR is effectively a template for a cost effectiveness analysis rather than a cost benefit analysis. Cost effectiveness analysis does not consider the merits of a policy objective but, rather, it simply finds the most effective or least cost way of achieving that objective.

Similarly, the Issues Paper does not identify the reasons for the current geographic distribution of the Australian population or the benefits that have been derived from that relatively concentrated distribution, despite the fact that these benefits have been well canvassed in the economic, demographic and popular literature over many decades.

2 Specific comments

2.1 The contribution of cities to our enduring prosperity

Australia's largest cities function effectively as economic, cultural and political centres. Compared to most other OECD countries, Australia exhibits a high level of urbanisation, a high level of GDP per capita and a low level of unemployment. Australia's state capitals account for over three-quarters of Australia's GDP. That is, over 75% of the value-added created in transforming Australian (and imported) resources into goods and services happens in our major cities.

Harvard economist Edward Glaeser in his popular economics book *Triumph of the City: How Our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier and Happier*, argues that large cities are "our species' greatest invention" as they "magnify humanity's strengths". Glaeser argues that the proximity afforded by cities allows people to be more innovative and more productive as economies of scale fosters labour specialisation leading to higher productivity, wages and GDP.

It is widely accepted by economists and public policy makers that productivity growth is the key to rising living standards and long-term prosperity. Unsurprisingly, a number of Australian studies have highlighted the need for strong productivity growth in the future to counteract Australia's ageing population (such as the Federal Treasury's *Intergenerational Report* and the Productivity Commission's *Potential Benefits of the National Reform Agenda* report).

The United States is generally considered to be at the 'productivity frontier' or 'technological frontier' among countries and is, therefore, a useful comparator country for Australia in terms of improving our own productivity performance.

In a well-known Productivity Commission study: *Can Australia Match US Productivity Performance?* Dolman (2007) found that part of the reason why Australia did not match the United States in productivity performance was linked to "fundamental factors of history and geography, including Australia's remoteness from large markets and its pattern of settlement"¹. By "pattern of settlement", the authors were referring to the decentralised nature of a significant minority of Australia's population as well as the relatively great distances between our capital cities².

The authors suggest that Australia's productivity levels in some industry sectors, like wholesale and retail trade and transport, would be higher under a more concentrated pattern of settlement.

"The long distances between urban centres also imposes higher transport costs and limits competitive pressures and the opportunities for specialisation and scale, in comparison to the United States." (Dolman 2007, p.4).

The authors also compare Australian settlement patterns to Canada and find:

¹ In our view, a useful commissioned research project for the Productivity Commission to undertake would be to update this seminal 2007 study.

² Australia is the world's 6th largest country by land area and 53rd most populous country.

“This overall sparseness of settlement in Australia and Canada is only partly offset by both countries being highly urbanised, with most of their populations and economies concentrated into a small number of cities. Australians tend to live in cities and towns of similar size to Canadians. US cities are noticeably larger; Australia and Canada have no cities to rival the size of New York, Los Angeles and Chicago. US cities are also greater in number and closer together. These urban patterns reinforce the similarities in settlement between Australia and Canada and their differences with the United States.” (p.37).

The authors conclude that:

“Three factors could limit overall productivity performance in sparsely settled countries:

- Greater infrastructure requirements per head of population;
- Fewer gains from economies of scale and competitive pressure on producers; and
- Less ability to access other agglomeration economies.”

In relation to ‘agglomeration economies’ (i.e. the economic benefits from the close proximity of firms and workers), the Grattan Institute in its 2013 report *Productive Cities: Opportunity in a Changing Economy*, identified the benefits from agglomeration as follows:

“Firms engaged in high-knowledge activities benefit from connections that enable them to collaborate and learn from one another. They locate in places with deep labour markets to ensure that they can attract the talent and skill they need.” (Kelly 2013, Overview).

The Grattan report cited research from the UK, which found that: “a 10 per cent increase in the level of agglomeration is associated on average with a 1.25 per cent increase in aggregate productivity. Researchers in Australia have reached similar conclusions”. (Kelly 2013, p.12).

There is also ‘cumulative causation’ at work, with highly productive cities attracting highly educated and skilled workers, which in turn makes the city even more productive. The ‘new economic geography’ literature posits that large agglomerations emerge in cities where there is increasing returns to scale in knowledge accumulation and declining (passenger and freight) transport costs³.

Angel (2016) in a study analysing the productivity of US cities found that: “The greatest productive advantage of modern-day American cities is that they form large and integrated metropolitan labour markets.” (Angel 2016, p.1). The author recommends that policy makers focus on improving the functioning of these large cities via better transport and land use planning.

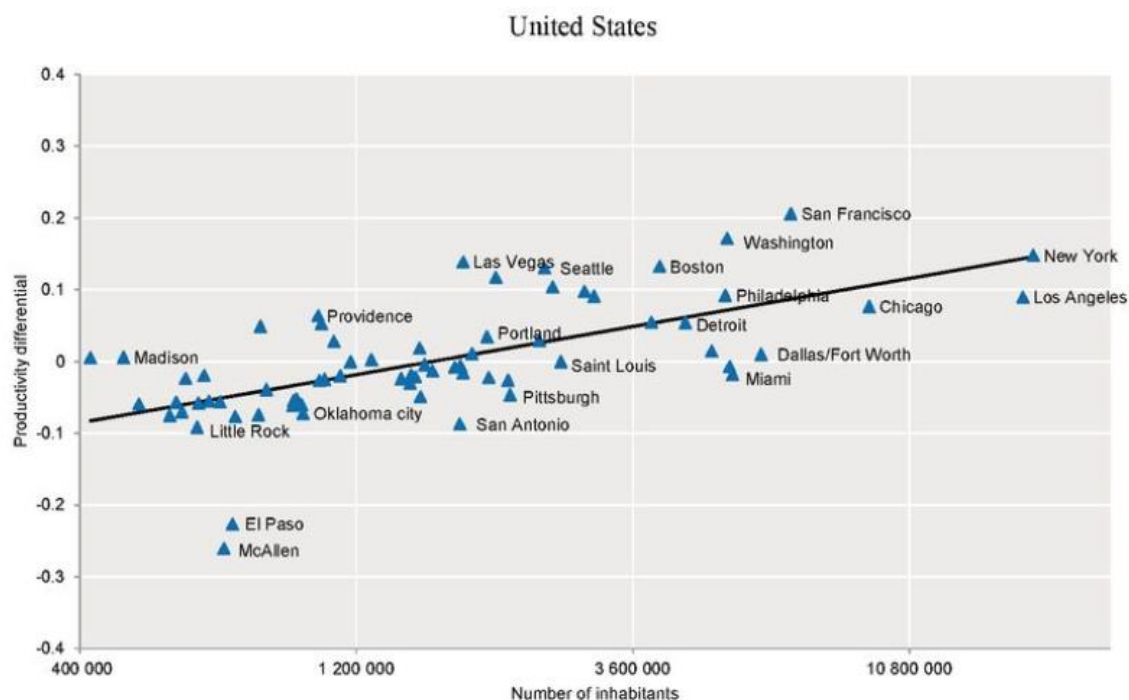
“Urban transportation and land use planners and policy makers who are committed to fostering and maintaining the productivity of large metropolitan areas in the United States need to focus on facilitating commuting travel *in the metropolitan area as a whole*. Why? Because one of the most important economic advantages of a metropolitan area—if not its most important one—is the size

³ See for example Krugman (1991).

of its labor market or, more precisely, the overall *access* of its labor to the jobs it offers: the access of firms to the largest possible pool of workers and the access of workers to the largest possible pool of jobs.” (Angel 2016, p.48).

The chart below is taken from a 2015 OECD report (discussed further below) and shows a positive relationship between the size of a city and its productivity levels (as proxied by differences in wage rates across cities). Wage rates reflect labour productivity levels because they reflect the value created by workers in transforming economic resources into goods and services.

Chart 1 Comparison of US cities, by productivity and population



Notes: City productivity is defined as a wage premium associated with each city once the characteristics of the city workforce are taken into account. Individual wage regressions are estimated with controls for the individual characteristics of the workforce, in order to account for sorting of individuals to cities. The city is defined at the functional urban area (FUA) level, so that it allows comparison of meaningful spatial entities based on functional economic criteria rather than on administrative boundaries.

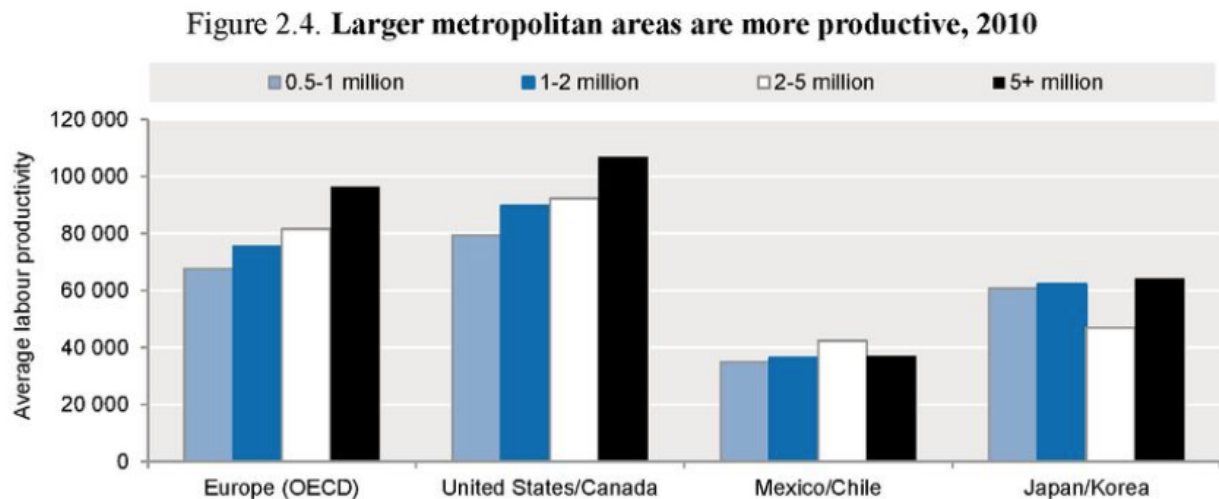
Source: Ahrend, R., E. Farchy, I. Kaplanis, A.C. Lembecke (2014), “What makes cities more productive? Evidence on the role of urban governance from five OECD countries”, *OECD Regional Development Working Papers*, No. 2014/05, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5jz432cf2d8p-en>.

The OECD (2015) in *The Metropolitan Century, Understanding Urbanisation and its Consequences*, found that:

“The productivity levels of cities (and thus their gross domestic product, GDP) depend on their population size. Larger cities are generally more productive. A large share of highly educated people also has important benefits for productivity levels.” (OECD 2015, p.11).

The chart below (taken from the 2015 OECD report) provides evidence to support the OECD’s conclusion that larger cities exhibit higher levels of productivity. The chart shows that, particularly in the United States and Europe, cities of more than 5 million people exhibit significantly higher levels of labour productivity than cities of less than 1 million people.

Chart 2 Comparison of world cities (by region), by productivity and population



Source: OECD calculations based on OECD (2014a), “Metropolitan areas”, *OECD Regional Statistics* (database), <http://dx.doi.org/10.1787/data-00531-en> (accessed 30 October 2014).

In terms of why larger cities provide greater economic benefits, the OECD argues that:

- Large cities are good for countries because cities are “crucial in pushing out the productivity frontier” and cities also have “positive spill over effects on the economic performance of surrounding regions that is measurable up to a distance of 200-300 kilometres”; and
- Urbanisation (as opposed to regionalisation) potentially has positive environmental consequences because spreading cities over larger geographic areas “would not bring any systematic ecological benefits”, and “when taking into account the per capita contributions to soil sealing or climate change, larger cities actually perform better”. (OECD 2015, p.12).

The OECD concludes:

“The important challenges connected to urbanisation may explain why many countries still have policies in place that are aimed at or result in preventing or containing urbanisation. Governments would be better advised to accompany and shape urbanisation to ensure it results in well-functioning and environmentally sustainable cities.” (OECD 2015, p.13).

In relation to decentralisation policy, in its Public Infrastructure Inquiry (2014), the Productivity Commission found that: “Forced relocation will tend to result in lower productivity and employee earnings.”

The PC went on to argue that:

“In contrast, more direct road user charging would, if a significant enough element in people’s lives, encourage greater residential density so that more people are located in close proximity to co-located businesses with high productivity and rates of pay.” (PC, Public Infrastructure, p.160).

Summing up the theoretical and empirical evidence on large cities, we find:

- The most significant economic benefit of large cities compared with smaller cities and regional towns is the size, depth and diversity of the labour market.
- Consequently, large cities match workers to jobs better than small cities or regional towns. As a result, despite much larger populations, unemployment rates in large Australian cities are lower than in Australian regional centres (see evidence provided at section 2.2 below).
- Productivity levels are generally higher in larger cities with greater population density.
- Economies of scale are generally greater in larger cities, meaning lower infrastructure costs in transport and utilities services.
- Large distances between towns can mean more infrastructure requirements per capita and firms (and government departments) operating below efficient scale.
- Agglomeration benefits in larger cities are greater and are an important reason why firms ‘co-locate’ in cities. Population and agglomeration are mutually reinforcing leading to larger cities operating at efficient scale.

These findings should give policy makers pause when considering regionalisation and decentralisation policies lest those policies weaken the economic benefits provided by cities identified here.

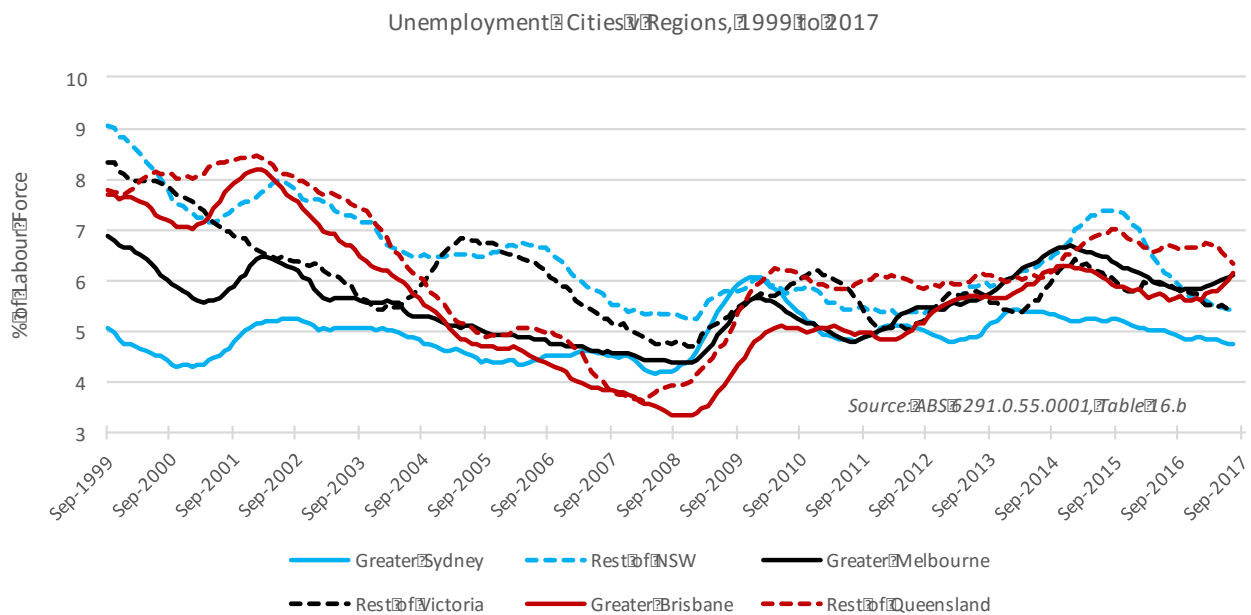
2.2 Comparison of Australian labour markets – cities versus regional centres

This section provides a comparison of labour market performance between Australia’s largest capital cities and regional towns using the latest available ABS data (as at 15 September 2017). We focus on Australia’s three largest cities Sydney, Melbourne and Brisbane and their respective ‘Rest of State’s’.

The chart below illustrates the unemployment rate in Sydney, Melbourne and Brisbane compared to the corresponding ‘Rest of State’ unemployment rates (dotted lines) in those states. The ABS series begins in September 1999. The chart illustrates that unemployment rates are almost always higher in the ‘Rest of State’ than in the corresponding state capital over an 18-year period. This trend is evident both before and after the relatively sudden increase in unemployment rates across all regions in 2008-09, at the end of phase 1 of the mining boom (just prior to the onset of the GFC slowdown).

The chart reveals that, outside of the height of the mining boom in 2007-08 and then the GFC slowdown in 2008-09, Sydney has consistently had the lowest unemployment rate out of the six regions analysed over the 18-year period. The Rest of Queensland's unemployment rate has been highly cyclical over the period, reaching capital city lows in 2007-08 but being among the highest unemployment rates outside of the mining boom.

Chart 1 Comparison of unemployment rates between capital cities and regional areas, 1999 to 2017



The table below describes the labour market characteristics of our major cities and corresponding regional areas over the same period (1999 to 2017). The table shows that capital city average unemployment rates have been lower, and minimum and maximum unemployment rates lower in the capital cities. The variation in the unemployment rate over time (i.e. the standard deviation) has been lower in Sydney and Melbourne compared with NSW and Victorian regions respectively, but the variation in the Greater Brisbane unemployment rate has been the same as in regional Queensland probably reflecting the strength of the cyclical nature of employment in Queensland.

Between 1999 and 2017 the average unemployment rate in Greater Sydney (at 4.9%) has been 1.5% lower compared to the Rest of NSW (6.4%). Sydney's unemployment rate has never been higher than 6.1% over the whole 18-year period whereas the unemployment rate in the Rest of NSW has reached 9.0%. A similar, although less pronounced trend, is evident in Victoria and Queensland.

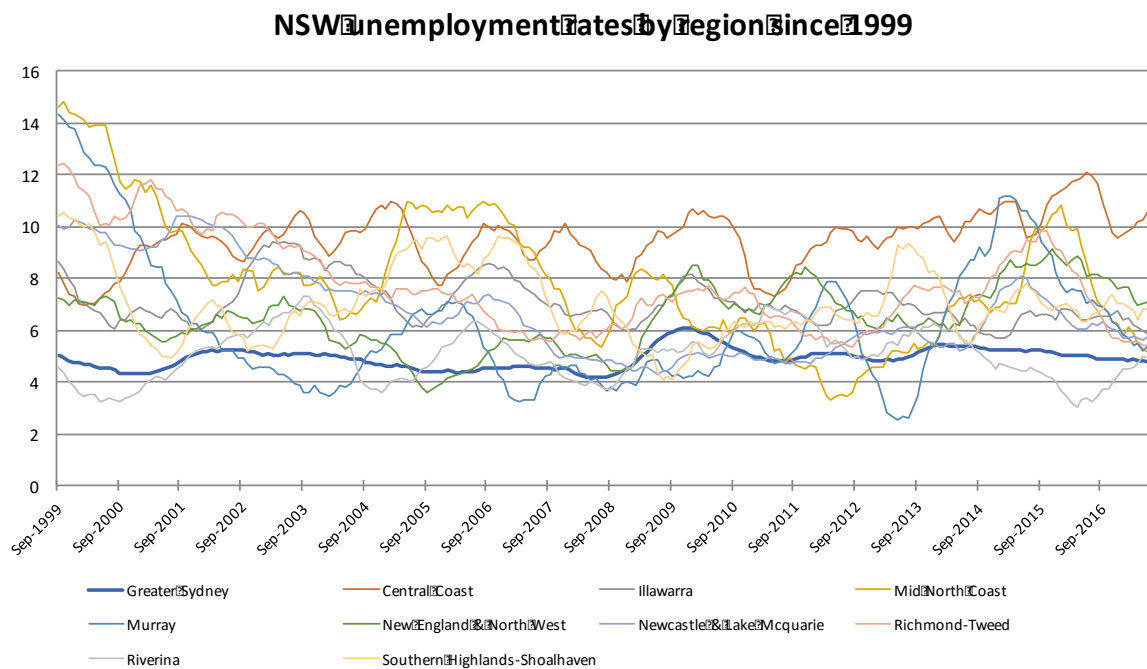
Table 1 Characteristics of Australian labour markets, by region (1999 to 2017)

Unemployment rate characteristics 1999-2017	Greater Sydney	Rest of NSW	Greater Melbourne	Rest of Victoria	Greater Brisbane	Rest of QLD
Average	4.9	6.4	5.5	6.0	5.6	6.2
Minimum	4.2	5.3	4.4	4.7	3.3	3.6
Maximum	6.1	9.0	6.9	8.3	8.2	8.5
Standard Deviation	0.4	0.9	0.6	0.8	1.3	1.3

Source: ABS 6291.0.55.001, Table 16b.

Looking solely at NSW regions, a similar pattern is evident. Chart 2 (below) illustrates NSW unemployment rates by region over the period 1999 to 2017. The chart shows that, apart from brief periods, the unemployment rate in Greater Sydney was below that of all other regions across the 18-year period. Most NSW regions exhibited consistently higher unemployment rates than Greater Sydney reflecting smaller labour markets, less diversity of jobs and, therefore, higher frictional unemployment (i.e. time in between jobs).

Chart 2 Comparison of unemployment rates across NSW regions, 1999 to 2017



The above analysis illustrates the superiority of larger cities in matching workers to jobs. The issue of higher regional unemployment must be a key consideration when considering regionalisation and decentralisation policies.

An important question for policy makers is whether regionalisation and decentralisation policies will reduce the unemployment rate in the regions and what the cost of the policy is in terms of any weakening of the productivity and agglomeration and lifestyle benefits provided by our cities.

In this regard, in our view we cannot assume, let alone expect, that a government employee being shifted to a regional area will stay in that particular job from the day of transfer until retirement.

The evidence is that labour market turnover occurs much more frequently. Therefore, policy makers need to consider the relative probabilities of that person finding their *next job* in a regional town compared to the probability of finding their next job in the capital city where they were originally transferred from. Further, policy makers should ask themselves what is the relative likelihood (between the state capital and the regional town) that the transferred persons partner can find work. And to what extent are these peoples schooling, sporting, lifestyle, family network and amenity choices limited by being moved to a regional town?

3 Using cost benefit analysis to make good public policy

3.1 Advantages of undertaking CBA to assess public policy

Cost benefit analysis (CBA) is a tool that can be used to assess whether living standards would be increased by the decision to proceed with a particular policy (such as regional development or decentralisation), compared to alternatives, which may involve doing nothing, deferring or otherwise varying a policy, or proceeding with an alternative policy (such as investing more in public transport networks in our large cities).

Cost benefit analysis is an economic technique that is related to the objective for overall efficiency in resource allocation – that is, making sure we put our limited resources to their best uses to maximise social welfare. A fundamental component of this type of analytical technique is the acknowledgement that resources are scarce and have alternative uses. That is, a dollar spent on regionalisation or decentralisation policy is a dollar that cannot be spent on another policy.

CBA is essentially a structured approach for determining whether a policy or project is worthwhile. While CBA is not a perfect measure of underlying social welfare, as it does not automatically differentiate between income levels, it is a powerful approximation of the overall benefits of a policy compared to its overall costs.

CBA is also an effective instrument of good public sector governance because of its transparency. For a CBA to be properly conducted, the evaluator has to go through the key elements of proper policy analysis, namely:

- Specifying the objectives of a particular policy or project;
- Identifying the alternative options for achieving those objectives;
- Analysing the likely consequences of each option; and
- Considering of the risks (including of error in evaluation) that attach both to each option and to the assessment as a whole.

The requirement to carefully assess, and report, the costs and benefits of decisions can improve the quality of decision-making and improve public sector and political accountability.

In relation to this inquiry, a useful starting point for the Committee might be to clearly identify the objectives of regionalisation and decentralisation policy. For instance, are the policies designed to achieve:

- An equivalent level of public services as generally expected by the Australian public (and assumed, for example, by the Commonwealth Grants Commission in its GST distribution methodology)?
- A more even population distribution ‘for the sake of it’ (and why is this a good idea)?

- Job creation in the regions (and will this approach lower regional unemployment rates over the long-term)?
- Strategic reasons (e.g. 'the defence of the north')
- Protecting existing lifestyles in the regions (and is this the best long-term approach given the pervasive and unavoidable nature of technological change or changes to weather patterns)?
- Addressing policy failures in our biggest cities (and is this the best approach or should we focus on better cities policy)?

Once the objectives of regionalisation and decentralisation policy have been more clearly identified and spelled out, the process of identifying and evaluating alternative policy approaches to achieving these objectives can begin and policy analysis can then be undertaken under the normal constraints of limited budget and scarce resources.

3.2 Criticisms of CBA

There are a number of criticisms of the CBA approach to evaluating public policy.

A first criticism is that CBA cannot deal with those dimensions of a policy evaluation that cannot (or, for ethical reasons, should not) be given a monetary valuation, for instance, in the context of environmental or human health outcomes. While this is correct, it simply means that there are circumstances in which CBA cannot be a complete answer to the problem of policy or project evaluation. A project may have benefits that exceed its costs but be rejected on other grounds, for example, because it offends accepted moral standards. What is important here is then to inform the policy makers of those outcomes that cannot or have not been valued (rather than to not undertake the CBA), so as to enable an informed decision to be made.

A second criticism is that CBA treats 'a dollar as a dollar' and, therefore, does not properly weight the utilities of different income levels. However, there are a number of reasons for separating issues of income distribution from those of determining whether a policy is beneficial in net terms. First, it is more efficient to redistribute income through explicit tax-transfer policies than through instruments such as infrastructure policies, environmental programs or health and safety regulations. Second, introducing income distribution considerations into the evaluation of policies that are not primarily concerned with redistribution undermines the clarity, and hence accountability, of the missions of agencies whose functions are not primarily concerned with income distribution. Third, it can be argued that it is the overall impact of public projects that we should be concerned with in considering issues of income distribution, as it is that overall impact that determines the pattern of gains and losses that explicit redistributive interventions might then want to correct. A policy of adopting projects that have monetary benefits that exceed their costs will thus tend to make all individuals better off, as well as providing efficiency gains that can fund programs that address serious disadvantage.

Nonetheless, there are mechanisms for taking distributional considerations into account within the context of a CBA. These mechanisms require some type of (more or less arbitrary) judgement about the value that should be attached to benefits accruing to certain income groups, but they may be useful to inform policy makers of the distributional implications of a project.

Overall, in our view, the criticisms of CBA do little to undermine the relevance of a properly conducted CBA when evaluating complex public policy options such as regional development and decentralisation policies.

4 Conclusion – proceed with caution

Cities are a triumph of human civilisation. Beginning with the first cities such as Jericho around 8000 BC where planting crops and domesticating animals allowed for greater labour specialisation and trade to the modern dynamic global cities of today (Blainey, 2000), cities have been at the productivity frontier pushing human achievement ever forward. Cities foster innovation, spur competition and entrepreneurship, and allow for social and economic mobility (Glaeser, 2011).

This is not to say that there remain many pressing and complex public policy problems to be addressed in our large cities. However, in our view, it's important to put things in perspective and recognise the significant contribution our cities make to our economic and cultural wellbeing.

Therefore, when considering regional development and decentralisation policy, we should first and foremost focus on making our largest capital cities work better before we 'give up' or get distracted by regionalisation and/or decentralisation policies which may weaken the great benefits provided by our cities.

As Infrastructure Australia has argued: "Getting the governance right in all our cities will be central to their success. The delivery of consistent long-term metropolitan planning, supported by integrated governance frameworks, should be a high priority for state and territory governments." (IA, Australian Infrastructure Plan, February 2016).

What's important is applying good public policy analysis and evaluation, including being very clear about the objectives being sought when pursuing these policies. As a former senior Department of Finance official has noted in the media: "What's crucial is that the motive for relocating is administrative rather than political". (Stephen Bartos, Canberra Times 21 April 2017).

In our view, a superior public policy approach to pursuing regionalisation and decentralisation policies would be to:

- (i) focus on addressing the major problems in our cities such as traffic congestion, housing costs and energy costs that negatively impact on productivity and liveability; and
- (ii) better connect the adjacent satellite cities and towns to our largest cities, such as the Sunshine Coast to Brisbane and Wollongong to Sydney via better road and rail connectivity. The integration of the Gold Coast and Ipswich into the Greater Brisbane region over the past two decades is worth studying.

In sum, we need to be careful not to throw out the baby (being our great cities that underpin our national prosperity) with the dirty bath water (being our historically poor, poorly coordinated or non-existent cities policy).

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