

Future role and contribution of regional capitals to Australia

A regional response to the Senate Rural and Regional Affairs and Transport References Committee inquiry

Prepared by:



30 April 2015

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Preface

This response to the Senate Rural and Regional Affairs and Transport References Committee for inquiry into the future role and contribution of regional capitals to Australia identifies a range of key issues facing Wollongong as the regional capital and key economic centre for the broader Illawarra region.

Identifying and responding to the needs of regional communities is a priority of the Regional Development Australia (RDA) network of regional committees. RDA Illawarra, the Illawarra Business Chamber and Wollongong City Council collaborate closely on a number of regionally important economic development issues and have come together to provide a joint submission to this inquiry.

The members of the collaborative group represented by this joint submission are as follows:

Organisation	Representative	Role	Signature
RDA Illawarra	Natalie Burroughs	Chief Executive Officer	
Illawarra Business Chamber	Debra Murphy	Chief Executive Officer	
Wollongong City Council	Cr Gordon Bradbery OAM	Lord Mayor	

Background

On 11 February 2015, the Senate moved that the following matters be referred to the Senate Rural and Regional Affairs and Transport References Committee for inquiry and report by 1 December 2015. The future role and contribution of regional capitals to Australia, including:

- a) an assessment of current demographic trends and the changing role of regional capitals;
- b) an analysis of current funding provided to regional capitals;
- c) an analysis of the benefit of additional funding regional capitals could receive based on population, demand for services and their strategic importance for the region, state or country;
- d) investment challenges and opportunities to maintain or grow regional capitals, including infrastructure, community and human services, communications and natural resources;
- e) incentives and policy measures that would support sustainable growth in regional capitals;
- f) the impact the changing environment will have on regional capitals; and
- g) any other related matters.

Submissions should be received by 30 April 2015. The reporting date is 1 December 2015.

Executive Summary

This submission aims to highlight some of the unique challenges of a large regional centre like Wollongong to try to ensure that consideration is given through this inquiry to how best to frame the term 'regional capital' in order to capture both large and small regional capitals which play both similar and unique roles depending on their proximity to larger metropolitan capitals.

Wollongong, given its close proximity to Sydney, Australia's largest city, is often treated differently to other regional capitals in terms of government funding which in some cases can be disadvantageous. A recent example was the Rebuilding NSW infrastructure program where Wollongong, along with Newcastle, was grouped with Sydney (metro) and excluded from the 'regional' funding component. As a result infrastructure investment decisions were made for the regional capital separately from the region. Clearly substandard infrastructure investment decisions will be made when the regional capital and region are considered in isolation.

While the above example highlights a situation where Wollongong was grouped with Sydney and excluded from 'regional' funding, there are many other instances where Wollongong is considered 'regional'. The strategic role regional capitals play in their regions should be reflected in government funding initiatives and the inconsistency in the treatment of large regional capitals must be addressed. This is one of the key motivations for this joint regional submission.

This submission also aims to highlight some of the opportunities that this Senate inquiry provides to facilitate the development of a consistent definition around 'regional capitals/centres' which has the potential to promote:

- Consistency in recognition of key regional capitals in order to ensure appropriate funding is directed towards these capitals to support regional growth.
- Consistency in its use in government funding criteria to make it easier for applicants to meet the criteria as well as making it easier to facilitate the blending of cross-government funding.
- Consistency in understanding of the term. This could facilitate more powerful data collection by the ABS (as per their submission), consistency in the use of the term in regional growth strategies and greater coherency in lobbying by regional capitals.

Regional capitals play a critical strategic role in Australia's development and the unique challenges and opportunities facing regional capitals must be addressed in order to ensure that their role is not diminished and that there remains a level of certainty around support for their growth from Government in order to encourage continued investment in and movement to these centres.

Regional capitals play a critical role for a number of reasons including:

- Already concentrated populations tend to grow faster because they have larger markets, more high quality human capital and more infrastructure that facilitates economic interactions;
- Fast growing cities near capitals act as satellite cities and provide economic and service hubs for their local regions, supported by proximity to capital cities;
- They can accommodate growing populations and take the pressure off larger metropolitan cities, especially in a technologically connected era.

We believe that with a more ambitious commitment to regional growth at all levels of Government, regional capitals can contribute to a more productive Australia.

1 Introduction

Identifying and responding to the needs of regional communities is a priority of the Regional Development Australia (RDA) network of regional committees. RDA Illawarra, the Illawarra Business Chamber and Wollongong City Council collaborate closely on a number of regionally important economic development issues and have come together to provide a joint submission to this inquiry. The focus of our submission will be on the largest economic centre in the region, Wollongong.

1.1 Defining 'regional capitals/centres'

Regional Capitals Australia (RCA) defines a regional capital as

“a regional city, located outside a state metropolitan urban growth boundary. A regional capital provides a central point to access essential infrastructure, services, business, employment and education for local residents as well as those in surrounding towns and rural areas. These cities perform a ‘capital city’ role within their regions.”¹

Whilst the Terms of Reference for this inquiry do not provide a definition of regional capitals, we broadly support the above RCA definition, however, see benefit in using such a definition to outline particular regional capitals in Australia so that these can be easily identifiable. The creation of a list of regional capitals in Australia may be developed through a number of means, including looking at the population size of the centre and the broader population it supports, the strategic role of the regional capital as well as stakeholder consultation around what residents believe constitutes their regional capital and surrounding area.

In defining regional capitals it will be critical to measure the strategic importance of that capital beyond purely its population base and broader population influence. In measuring its strategic importance, it will be important to consider not only its current importance but its future importance based on forecast data. This will ensure that appropriate resources are provided to those regional capitals with future growth potential.

It will also be critical to ensure that there is not only a clear understanding of the ‘regional capital’ but also of the broader ‘region’ it supports. This is often critical from a government funding/collaboration perspective. For example, in the case of the Illawarra, from an economic perspective the regional centre is clearly Wollongong. However, definitions around the broader Illawarra region it supports differ between the NSW Government who defines the Illawarra as the four Local Government Areas (LGAs) of Wollongong, Shellharbour, Kiama and Shoalhaven, whereas the Federal Government defines the Illawarra by the three LGAs – Wollongong, Shellharbour and Kiama. From a government funding perspective it is important to take the politics out of the definitions so that there is consistency in understanding of what constitutes the region from a long-term planning and collaboration perspective.

As suggested in the ABS’ submission, we agree that the geographic boundaries of a regional capital should also be defined in order to ensure accurate data capture by the ABS in terms of the impact that the regional capital has on the broader region.

¹ <http://www.regionalcapitalsaustralia.org/>

Different urban centres across the region perform various functions in the regional economy, depending on their relationship to key internal and external markets, the services they provide, their economic contribution to the region, their role in providing for key groups such as older people, students and renters, and the catchment or hinterland they service. Centres make an increasingly important contribution to environmental efficiency and the competitive advantage of a region amid changing consumer aspirations of a vibrant urban environment in a changing social and demographic context.

1.2 The importance of regional capitals

Today regional capitals cover 50 LGAs and are home to almost four million people. Population growth in regional capitals is outpacing the national average, and in just 10 years there will be an additional one million people living in regional capitals across the nation.²

This growth is also impacting regional economies, with regional capitals jointly generating \$210 billion a year or more than 15 per cent of Australia's economic activity every year. With a current labour force of approximately two million people, this number is set to grow by almost 500,000 in the next 15 years.³

Regional capitals/centres are important for a number of reasons:

- Already concentrated populations tend to grow faster because they have larger markets, more high quality human capital and more infrastructure that facilitates economic interactions;
- Fast growing cities near capitals act as satellite cities and provide economic and service hubs for their local regions, supported by proximity to capital cities;
- They can accommodate growing populations and take the pressure off larger metropolitan cities, especially in a technologically connected era.

In 2010 the Productivity Commission rated the relationship between the NSW state Government and local governments at 42%, the lowest of all states and territories.⁴ NSW Councils are responsible for more than \$130 billion of infrastructure and other community assets and it is imperative that there is a strong relationship not only between local councils and NSW Government but also between these and Federal Government. Through a consistent appreciation of regional capitals and a more ambitious commitment to regional growth at all levels of Government, regional capitals can contribute to a more productive Australia.

² Regional Capitals Australia Deputy Chair and Mackay Regional Council Mayor, Cr Deirdre Comerford, 2015, http://www.mackay.qld.gov.au/about_council/news_and_media/media_releases/senate_inquiry_to_put_regional_capitals_under_microscope

³ *ibid.*

⁴ NSWBC Unfinished Business – Towards 2015 and beyond, 2014.

2 The importance of Wollongong - the Illawarra's regional capital

2.1 Introduction to the Illawarra region

Given the purpose of this inquiry the focus of our submission will be on the largest economic centre in the Illawarra region, Wollongong, Australia's 9th largest city⁵, located 80km south of Sydney CBD. It is important, however, to understand the regional context in which this regional capital exists.

The Illawarra, as defined by the NSW Government, constitutes the four LGAs of Wollongong, Shellharbour, Kiama and Shoalhaven. Based on this definition, the Illawarra is NSW's third most populous area, being the home to about 384,100, and an expected population of about 459,100 people by 2034.⁶ In defining the Illawarra, it is important to note that the Federal Government defines the Illawarra by the 3 LGAs – Wollongong, Shellharbour and Kiama.

The region is the State's third largest economy, contributing \$16.5 billion to the State's economy in 2012-13.⁷ It is also the third largest urban area in NSW totalling 5,620 square kilometres.⁸

The Illawarra is a dynamic and innovative region that boasts emerging growth industries and a skilled workforce. The region has a strong manufacturing and mining base with a diversifying economy growing strongly in a number of areas including ICT, high value professional service activities, education and training, health and aged care, transport and logistics, and e-commerce. The Knowledge Services Sector (including ICT, Business and Financial Services) employs over 4,900 people in 72 locations across Wollongong.⁹

The region's unique natural and built environments are powerful sources of attraction for businesses wanting to make long term investments in sustainable enterprises, and for an increasing number of visitors who want to enjoy the pleasures afforded by our beautiful beaches, rainforests and modern urban settings, and the rich cultural calendar.

The region has four major economic centres – Wollongong, Shellharbour, Kiama and Nowra – Wollongong being the largest centre. The region benefits from its close proximity to both Sydney and Canberra as well as its global connections through the rapidly expanding port of Port Kembla which supports over 3,500 jobs and contributes \$418 million to the regional economy each year.¹⁰ The Shoalhaven Defence Base also supports over 2,500 jobs and contributes \$295 million to the regional economy each year. The University of Wollongong is also a vital part of the Wollongong economy contributing \$2.06 billion in gross economic output and 7,979 full time equivalent jobs to Wollongong.

The Port of Port Kembla further amplifies Wollongong's strategic importance not only to Sydney but to NSW and Australia. Port Kembla for example is the State's largest grain exporter and the third largest in Australia. The Port handles significant volumes of the State's grain (2.6 million tonnes in 2012-13) and coal exports (13.4 million tonnes in 2012-13)¹¹ and is the gateway for all of the State's motor vehicle imports.

⁵ <http://blog.id.com.au/2012/population/australian-census-2011/top-33-largest-cities-in-australia-by-population/>

⁶ NSW Government, Illawarra Regional Transport Plan, March 2014, pages 3-4

⁷ Illawarra Business Chamber, Linking the Illawarra, Improving the region's transport connectivity, August 2014, p iii

⁸ NSW Department of Planning and Environment, Draft Illawarra Regional Growth and Infrastructure Plan, 2014

⁹ Advantage Wollongong.

¹⁰ NSW Department of Planning and Environment, Draft Illawarra Regional Growth and Infrastructure Plan, 2014

¹¹ Port Kembla Port Corporation Annual Report, 2012-13, page 3

The Port has been designated as the State’s future terminal for handling overflow container trade from Port Botany. The importance of Wollongong as a regional centre for transport connectivity is highlighted further in section 2.4.

As part of a Defence White Paper, Illawarra-based Senator Concetta Fierravanti-Wells put forward a proposal for Fleet Base East at Garden Island to be relocated in full or in part to Port Kembla. RDA Illawarra is currently coordinating a joint regional submission to support this proposal.

2.2 Reach of economic benefit of the regional capital - Wollongong

Wollongong’s social and economic benefits reach well beyond the limits of the regional capital. Wollongong generates the highest economic output in the Illawarra and also provides employment for 60% of the Illawarra’s workforce. More specifically, Wollongong provides employment for 44% of the workforce from Shellharbour’s LGA and 24% of the workforce from Kiama’s LGA.

The output¹² generated by the Wollongong economy is estimated at \$24.1 billion. Wollongong represents 65% of the \$37.0 billion in output generated in Illawarra, 2.4% of the \$1.006 trillion in output generated in New South Wales and 0.73 % of the \$3.3 trillion in output generated in Australia.

Table 1 - Regional economic snapshot

Indicator	Regional Capital: Wollongong LGA	Region: Illawarra	State: New South Wales
Output	\$24.1 billion	\$37.0 billion	\$1.006 trillion
Population	205,231	368,820	7,410,399
Total Number of Jobs	71,968	119,342	2,996,038
Unemployment Rate (Sep 2013)	7.1%	7.8%	5.6%
Number of Businesses	12,100+	23,300+	710,300+

Source: Advantage Wollongong, Wollongong Investor Prospectus, May 2014, p 8; and REMPLAN data incorporating Australian Bureau of Statistics’ (ABS) June 2014 Gross State Product, 2009 / 2010 National Input Output Tables and 2011 Census Place of Work Employment Data.

2.3 Relationships within Wollongong’s housing and labour markets

The Illawarra is still a relatively self-contained economy compared with most regions on the periphery of Sydney, with particularly strong relationships between the housing and labour markets of Wollongong and Shellharbour, and to a lesser extent, Kiama.

Around 75% of local residents live and work within the region compared with 63% for Central Coast, for example; and around 96% of local jobs are held by people who live within the Illawarra.

¹² Output data represents the gross revenue generated by businesses/organisations in each of the industry sectors in a defined region. Gross revenue is also referred to as total sales or total income.

As noted above, there is a particularly strong connection between the Wollongong and Shellharbour labour markets. There are also quite strong linkages between the labour market of Kiama LGA and its northern neighbours, although Shoalhaven LGA has a much more contained labour market.

Around 10,000 workers travel from outside the region to jobs in the Illawarra, most of which are in Wollongong. Conversely, around 21,000 Illawarra residents travel outside the region for jobs.¹³ Figure 1 below outlines the regional commuting patterns.

Figure 1 - Illawarra commuting patterns

Destination	Number of out commuters	Number of in commuters
Sydney City and Inner South	5,600	150
Sutherland Shire	3,450	950
Sydney Outer West	3,200	1,400
Elsewhere in Greater Sydney	6,700	1,050
Southern Highlands & remainder of Shoalhaven	1,200	5,050
Elsewhere in Greater NSW	700	500
Outside NSW	0	550
Total inter-regional commuters	20,850	9,650

Source: PwC analysis of Bureau of Transport Statistics, 2011

Source: Illawarra Business Chamber, Linking the Illawarra, Improving the region's transport connectivity, August 2014, p 8

In terms of the housing market, Wollongong residents tend to migrate into Shellharbour seeking lower cost family accommodation in newer release areas, while Wollongong gains population from Shellharbour, likely dominated by students and younger workers attracted to the University and entry-level jobs. There are also a large number of new residents to the northern suburbs of the Illawarra reflecting the influence of the Sydney market as property prices increase significantly in the Sydney market. The Draft Regional Growth and Infrastructure Plan expects 32,150 new jobs and 45,000 new dwellings by 2031. This will require significant infrastructure investment to support such growth, as is a common issue in all growing regional centres.

2.4 Regional transport connectivity

According to the recent assessment of transport connectivity within the Illawarra and between the region and Sydney¹⁴, the Illawarra region has the lowest overall transport connectivity score by comparison with three other Australian regional cities and areas: Central Coast, NSW, Geelong, Victoria and Gold Coast Queensland. Each of these comparator locations are relatively close to a major metropolitan city, and have similar population numbers and socio demographic characteristics.

The Illawarra's score is 25-30% lower than the scores in the other Australian benchmark regions – and nearly 50% lower than the international comparator, Lille, France that was also included in the benchmark study. The key factors contributing to this performance is that the region has the lowest overall network

¹³ Illawarra Business Chamber, Linking the Illawarra, Improving the region's transport connectivity, August 2014, p 8

¹⁴ Illawarra Business Chamber, Linking the Illawarra, Improving the region's transport connectivity, August 2014

coverage due to a poor freight rail connection, and comparatively poor road speed for both passenger and freight transport, and public transport.

Figure 2 - Comparison of the Illawarra’s scored connectivity with benchmark regions

	Illawarra	Central Coast	Geelong	Gold Coast	Lille
Road coverage	3.7	3.5	3.4	3.8	4.3
Rail coverage	3.0	5.0	3.4	3.0	5.0
Freight rail coverage	1.0	4.0	3.0	4.0	5.0
Network Coverage	2.6	4.2	3.3	3.6	4.8
Road speed (passenger)	1.7	1.5	2.3	1.8	3.7
Road speed (freight)	2.0	2.6	3.7	3.8	4.4
Public transport speed	2.8	3.2	3.8	2.6	4.2
Public transport quality	3.1	4.2	2.7	3.7	4.0
Service Quality	2.2	2.6	3.1	2.9	4.1
Weighted Scores	2.4	3.4	3.2	3.3	4.4

Source: PwC analysis and estimates

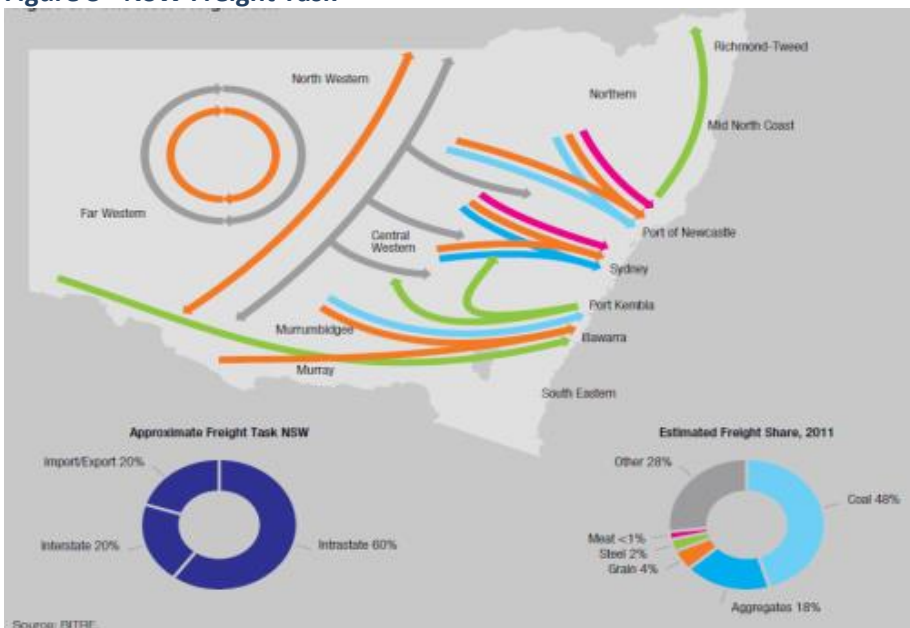
Note: Illawarra connectivity measured by seven representative Origin-Destination (OD) points. Wollongong is the origin for all points.
 Source: Source: Illawarra Business Chamber, Linking the Illawarra, Improving the region’s transport connectivity, August 2014, p 14

The 20,850 workers that rely on these road and rail corridors to travel to work, incur about \$450 million per year in time and out of pocket costs or about \$27,200 per person travelling by road and \$17,100 per person travelling by rail. These costs are estimated to increase to about \$690 million by 2031.

As stated in section 2.1, the port of Port Kembla handles significant volumes of the State’s grain and coal exports and is the gateway for all of the State’s motor vehicle imports.

Figure 3 demonstrates Port Kembla’s role in the state’s freight movement.

Figure 3 - NSW Freight Task



Source: Infrastructure NSW, State Infrastructure Strategy, 2012, page 72

2.5 Wollongong - a regional capital and capital city satellite

Capital city satellites are broadly defined as those cities within 150km of a capital city. Being 90km south of Sydney, Wollongong is a satellite for Sydney.

The Illawarra region is becoming increasingly integrated with the Sydney CBD and the Greater Sydney area:

- We send freight to and receive it from the Greater Sydney area (and from mines and farms further afield in western NSW), and especially the dense urban and industrial areas of western and south western Sydney.
- An average of 42,300 passenger and freight vehicles per day travel between the Illawarra and the Sydney CBD and metropolitan area on the M1 Princes Motorway, the main road corridor between the Illawarra and Sydney.¹⁵ This makes this corridor one of Australia's busiest inter-city road corridors.¹⁶ In addition, another 3,000 people per day travel between the Illawarra and Sydney by rail.
- Among these travellers, about 20,850, or 15% of our workforce commute to Sydney and its southern and western suburbs to go to work, and 10,000 people living in Sydney make the trip from these areas to work in our region.¹⁷
- Sydney is an important market for our university and a diverse range of professional and technical service providers that are based in the Illawarra.
- Sydney, and its domestic and international airports, are critical gateways enabling us to connect with our colleagues and clients in other states in Australia and overseas; and
- We are all part of families and friendship networks, and sporting and cultural interest networks that are spread across these places and need to keep in touch with each other regularly.

A similar theme reverberates through the NSW State Infrastructure Strategy:

'The Illawarra and the Hunter Regions are increasingly becoming integrated with the economy of the Greater Sydney Region. Many residents commute by rail and many more make the journey by road to work in Sydney every day. As Newcastle and Wollongong grow in size and importance to the NSW economy, they need faster and more efficient links to Sydney'¹⁸

2.6 NSW Government's Decade of Decentralisation Strategy and the role of regional capitals

Support for the growth of regional capitals directly supports the NSW Government's Decade of Decentralisation Strategy. Since October 2011, a total of 470 public sector jobs have been, or are planned to be, relocated from Sydney to regional NSW. In the Illawarra region, some 38 public sector jobs have been relocated and 180 new jobs have been created.

¹⁵ Roads and Maritime Services, Average Daily Traffic Volumes, V1.0, updated 25/3/2014,

<http://www.rms.nsw.gov.au/publicationsstatisticsforms/trafficvolumes/map/>, accessed 5 September, 2014

¹⁶ BITRE, Australian transport statistics Yearbook 2009 http://www.bitre.gov.au/publications/2009/stats_001.aspx

¹⁷ Illawarra Business Chamber, Linking the Illawarra, Improving the region's transport connectivity, August 2014, page 8

¹⁸ Infrastructure NSW, State Infrastructure Strategy, 2012, page 69

Relocating government departments/service provision to Wollongong contributes to 3 of the NSW 2021 State Plan goals:

- Goal 1: Improve the performance of the NSW economy
- Goal 3: Drive economic growth in regional NSW
- Goal 20: Build liveable centres

Wollongong has a skilled, multilingual workforce and offers an affordable business environment, the NBN, as well as relocating staff to a desirable lifestyle. For example, prime quality Sydney CBD rentals are around \$795/sqm or \$470/sqm in Parramatta. In contrast, the equivalent is \$380/sqm in Wollongong.¹⁹ Wollongong is also one of the first regions to be switched onto the NBN. The liveability for staff is also highlighted by the fact that the median house price for Wollongong is \$433,000, compared to Sydney which is \$656,415.²⁰

RDAI, IBC and WCC have all made submissions to the NSW Government regarding the Decentralisation Strategy and have been advised that the Government will consider suitable regional NSW locations including Wollongong, as part of Phase Two of the Decade of Decentralisation, the relocation of public sector jobs to regional NSW, based on the business functions to be relocated. Phase 2 planning is expected to commence in 2015/16.

Interestingly, the NSW Government's Regional Relocation Grant Scheme classified the Wollongong LGA as a metropolitan LGA (along with Newcastle and Sydney suburbs) which do not support regional growth policies such as the Decade of Decentralisation Strategy.

¹⁹ Property Council of Australia – Office Market Report

²⁰ Australian Property Monitors/MMJ

3 Changing environment in the Illawarra region

The Illawarra regional economy spans a broad range of industries. At a regional level, manufacturing output represents \$8.3 billion, \$5.9 billion of which is in the Wollongong LGA. Mining was the second largest industry sector representing \$2.6 billion in output regionally, \$2.5 billion of which within the Wollongong LGA. There are a range of other service sectors among the ten biggest employers and economic generators in the region including:

- The healthcare and social assistance sector which employs the highest number of people (15%) and contributed about \$2.2 billion regionally
- Education and training – dominated by the University of Wollongong - contributed just over \$1.6 billion regionally and accounted for the second highest number of jobs in the region
- Public administration and safety also contributed just over \$2 billion and is one of the largest employers in the region
- Retail trade, also employing a significant share of the regional workforce, accounted for the about \$1.6 billion in 2014.²¹

The *Draft Illawarra Regional Growth and Infrastructure Plan*²² and *Transition Illawarra* identify similar ‘mega trends’ that are likely to impact on the Illawarra and Wollongong’s economic future. These are:

- The digital economy – including broadband, and the changing nature of work and retail trading;
- The increasing prosperity of Asia – including on demand for education and housing, and tourism services;
- Broad structural change from a production to a service based economy;
- The ageing of the population – including increased demand for health and aged care services and accommodation; and
- The future growth of Sydney – including access to the Sydney labour market, and telecommuting opportunities.

Regional economic development has both quantitative and qualitative aspects – not only are the *number* of jobs or the *total increase* in GRP important, but the *nature* of jobs, the *distribution* of regional GRP, and the quality of life offered by a region can also be vital in a region’s future growth and sustainability.²³

The forces of structural change that have shaped regions like the Illawarra since the early 1980s have led to a significant shift away from concerns with *comparative* advantage (for example, producing a specialised product like steel more cheaply than other regions) to *competitive* advantage (for example, unique attributes, products, efficiencies or skills that favour one region over another).²⁴

²¹ Note – all data in this section is obtained from REMPLAN - <http://remplan.co/1zbZaVu>

²² NSW Government Planning and Environment (2014) *Draft Regional Growth and Infrastructure Plan*, page 30.

²³ Malecki, E. 1991. *Technology and economic development: the dynamics of local regional and international competitiveness*, Longmans, Harlow.

²⁴ Fukuyama, F. 1995. *Trust: the social virtues and creation of prosperity*, Free Press, NY

As noted by Taylor (2003),

Regions are...competing with one another on the basis of their full range of endogenous economic, social, natural, historic, cultural and human attributes...They are highly diverse...with few of their attributes being used to their full potential.²⁵

Global and structural changes also favour regions that are well-connected internally, and to an increasingly globalised international economy. Linkages to a major international city or economic hub are particularly important. In this way,

A fundamental principle in regional economic development is that of spatial integration among regions through the movement of goods, services and people.²⁶

The proximity to Sydney, as 'one of a relatively few world cities...that dominates global financial markets',²⁷ provides the Illawarra with a particular competitive advantage.

The importance of cities has long been understood in urban studies.²⁸ Put simply, 'cities are the powerhouse of growth throughout the world'.²⁹

Australia is one of the most urbanised countries on the world, and is becoming increasingly so.³⁰ Ongoing demographic and cultural change and land economics, that are largely driving the growth and densification of cities like Sydney and Melbourne, will increasingly affect urban centres in the Region, in particular Wollongong (CBD, the Northern Growth Corridor and key urban centres to the south). Increasingly, these centres will both support and drive growth.³¹

²⁵ Taylor, M. 2003. *Drivers of Growth: ideologies, ambiguities and policies*, p.3.

²⁶ Stimson, R.J., Stough, R.R. and Roberts, I.H. 2006. *Regional Economic Development: Analysis and Planning Strategy*, Springer, New York, p.30.

²⁷ Stimson, R.J., Stough, R.R. and Roberts, I.H. 2006. *Regional Economic Development: Analysis and Planning Strategy*, Springer, New York, p.2.

²⁸ See for example, Mumford, L. 1961. *The City in History: Its Origins, Its Transformations, and Its Prospects*, [Harcourt, Brace & World \(New York\)](#).

²⁹ Smith, P. D. 2012. *City: A Guidebook for the Urban Age*. Bloomsbury.

³⁰ ABS. 2011. Australian Social Trends – Issues Paper 4102.0

³¹ Smith, P. D. 2012. *City: A Guidebook for the Urban Age*. Bloomsbury/

4 Conclusion

Regional capitals like Wollongong play a critical, strategic role in Australian's development and the unique challenges and opportunities facing regional capitals must be addressed in order to ensure that their role is not diminished.

It is imperative that the different roles of regional capitals be recognised, both in their role as a capital of a region and/or as a satellite of metropolitan cities like Sydney. In the case of Wollongong it is both. Through such recognition the various challenges and opportunities of regional capitals must be supported through a combination of (i) integration with larger metropolitan cities, (ii) transport and IT connectivity, and (iii) acknowledgement of their unique role in all levels of government funding allocations.

Wollongong given its close proximity to Australia's largest city is often treated differently to other regional capitals in terms of government funding which in some cases can be disadvantageous. A recent example of this was the Rebuilding NSW infrastructure program where Wollongong, along with Newcastle was grouped with Sydney and excluded from the 'regional' funding component.

The distinct strategic role regional capitals play in their regions should be reflected in government funding initiatives.

With a more ambitious commitment to regional growth at all levels of Government, regional capitals, like Wollongong, can contribute to a more productive Australia. This inquiry provides a unique opportunity to harness a wide range of views on the role of regional capitals and develop some consistent terminology.

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