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Seachange to Hillchange: a New Equilibrium?

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Introduction

Inland towns, especially those with populations less than 10,000, have experienced little or no growth since the early 1950s and in many cases decline. Towns at the top end of inland settlement hierarchies – so-called regional centers – have generally increased in population although at rates much lower than coastal towns. These patterns, and the explanations for them, have been well rehearsed in academic treatises and government reports (e.g. Logan et al. 1981, Henshall Hansen 1988, McKenzie 1994, O'Connor, Stimson and Daly, 2001, Beer, Maude and Pritchard, 2003, Burnley and Murphy, 2004).

Census data for the period 1996-2001 suggest that these embedded non-metropolitan trends are continuing (ABS 2003a & b). Statistical Local Areas (SLAs) experiencing population growth were predominantly located along the coastline, particularly in NSW, Qld. and WA. Very few SLAs outside of the coastal and metropolitan regions had high population growth. Most were regional centers and many of these were peri-metropolitan rather than stand-alone. Main areas of population decline were in rural and regional areas of Australia, particularly dry land farming and pastoral areas of northwest NSW, southwest Qld and central WA. Industry related decline was significant, notably in Whyalla (SA), Duaringa (Qld), Ashburton and Coolgardie (WA)

A Light At The End Of The Tunnel?

In the light of this common knowledge it may seem presumptuous to ask whether there is 'light at the end of the tunnel.' Nevertheless this paper conjectures that processes of decline may indeed be bottoming out and that an increasing number of inland towns will experience growth or will find their populations stabilizing at current levels. The conjecture is based on the following propositions:

1. Global growth in demand for food and fibre products will put a floor under Australian rural economies. Output will therefore stabilize at or near current levels and will increase where resource capacities allow.

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2. Metropolitan population growth and rising affluence will further fuel growth and diversity in demand for food and fibre products.
3. Restructuring of rural industries will stabilize at levels consistent with economic efficiency and will sustain a population base required to support production.
4. The capacity of regional centers to cannibalize population from smaller towns is self-limiting.
5. Diseconomies of growth in coastal areas will deflect metropolitan to non-metropolitan migration into inland areas
6. Non-metropolitan urban centers are generally becoming less reliant on the economic performance of their rural hinterlands

These propositions are based on theoretical reasoning but are grounded in economic history and some fragments of recent empirical data. They are further based on three assumptions about the drivers of growth in country towns:

1. The economic viability of country towns is based on the demand for the primary produce of their hinterlands. The level of reliance varies but is highest in the smallest urban centers and in non-coastal towns (Australian Bureau of Agricultural and Resource Economics [ABARE] 2000).

2. Demand for hinterland agricultural and pastoral produce is largely globally sourced although domestic demand is also important.

3. Non-central place functions have become increasingly important components of the economic bases of country towns, especially on the coast and in larger centers, and this trend will continue to influence medium and larger size country towns. Diversification insulates against external change and provides a stronger foundation for growth.

Attenuating Decline and New Sources of Growth

Trade in rural commodities

Exports - Notwithstanding the gloom of environmental catastrophists Australia's comparative advantage in dryland farming and pastoralism will, if the resource base is properly husbanded, be a reliable and in some sectors growing source of export income in perpetuity. Global population growth combined with rising affluence will drive growth and diversification of demand. The rapid growth in wine exports and rising domestic consumption, and the consequent opening up of new production areas since the 1970s, is well known. This model is being, and will continue to be, followed by other forms of produce that have not been traditional in Australia: olives, organic produce of many varieties, tropical fruit crops and the like.

ABARE commodities data (ABARE 2005) broadly show that demand for rural output is increasing. The DSE index (Fig.1) of rural exports rose steadily in the 1960s, flattened out in the 1970s to the mid-1990s, and since then has trended upwards. Whilst the long-term decline in terms of trade, that has made farming such a difficult pursuit for so many, is anticipated to continue the strong drop to the mid-1980s from early 1960s was followed by a markedly lower rate of decline since then (Fig.2).

Figure 1: DSE Index of Australian agricultural exports

Figure 2: Australian agriculture – terms of trade

Domestic demand - The period since the 1980s has seen economic globalization reinforce the economic and demographic power of the large coastal cities, especially in NSW (Tables 1 & 2), Victoria, Queensland and Western Australia. But the dividend of that growth has been manifest in non-metropolitan areas for some time and is likely to increase. Larger more affluent metropolitan populations demand more from rural resources and new forms of production as well. In addition to demand for more, and more varied, rural produce, the cities continue to drive demand for non-metropolitan amenity resources. To a large degree this is a continuation of long established trends but there are some interesting newer dimensions that will spread the beneficial impacts to new areas, just as demand for commodities like wine have kicked up growth in new areas.

Table 1: NSW urban centres: population growth rates 1991-2001

Population	**Regional category (*)**	**1991**	**1996**	**2001**	**Growth Rate 91-96**	**Growth Rate 96-01**	**Growth Rate 91-01**
Over 100,000 persons	East Coast Conurbation	3,768,832	3,993,949	4,266,551	1.19%	1.37%	1.32%

10,000 to 100,000 persons	Coastal SLA	185,706	212,261	232,141	2.86%	1.87%	2.50%
	Near Coastal	32,945	33,264	34,084	0.19%	0.49%	0.35%
	Peri-Metropolitan	150,422	160,317	171,015	1.32%	1.33%	1.37%
	Rural/Other	298,391	304,795	309,641	0.43%	0.32%	0.38%
1,000 to 10,000 persons	Coastal SLA	155,865	190,330	211,294	4.42%	2.20%	3.56%
	Near Coastal	38,392	39,097	39,920	0.37%	0.42%	0.40%
	Peri-Metropolitan	89,444	102,495	110,204	2.92%	1.50%	2.32%
	Rural/Other	267,288	266,710	265,633	-0.04%	-0.08%	-0.06%
Less than 1,000 persons	Coastal SLA	22,812	27,325	28,978	3.96%	1.21%	2.70%
	Near Coastal	3,628	4,037	4,454	2.25%	2.07%	2.28%
	Peri-Metropolitan	13,497	18,342	19,994	7.18%	1.80%	4.81%
	Rural/Other	70,589	76,402	79,850	1.65%	0.90%	1.31%

Source: ABS Censuses of Population and Housing, urban centre data
(*) Regional categories:
East coast conurbation (Sydney, Wollongong, Newcastle Statistical divisions, including Gosford, Wyong and Lake Macquarie)
Coastal SLA: SLAs bounded by the coast outside east coast conurbation
Near coastal: SLAS contiguous with coastal SLAs and east of Great Dividing Range
Peri-metropolitan: SLAs contiguous with outer boundaries of east coast conurbation
Rural/other: balance of NSW SLAs

Table 2: Estimated resident population growth in population turnaround areas of New South Wales 1981-96, 1998-99

Metropolitan			***Peri-metropolitan***		**Coastal**	
Period	Number	Annual average %	Number	Annual average %	Number	Annual average %
1981-1986	154,900	0.84	48,500	3.5	68,300	3.2
1986-1991	184,200	0.96	56,690	3.4	87,010	3.4
1991-1996	198,436	0,98	39,810	2.1	59,259	2,0
1998-1999	60,070	1.40	8,290	2.0	8,400	1.3
1999-2000	49,900	1.20	7,439	1.9	7,155	1.2

Sources:	Calculations from ABS Estimated Resident Population Estimates (ABS2001: 3218,0; 1999: 3218.0; 1996: 2305.0; 1993: 3208.1; 1998:3208.1).
Note:	(1) Metropolitan excludes Wollondilly, Blue Mountains, Gosford, Hawkesbury and Wyong SLAs. (2) Perimetropolitan includes Wollondilly, Blue Mountains, Oberon, Hawkesbury, Gosford, Wyong, Wingecarribee, Kiama and Port Stephens SLAs. Here the perimetropolitan areas of Sydney, Newcastle and Wollongong are included together. (3) Coastal excludes Newcastle, Port Macquarie, Wollongong and Kiama SLAs, and the Newcastle and Wollongong urban complexes. (4) Geometric rates of population change.

Bottoming out of rural restructuring

The area of land farmed in Australia declined in the mid-1980s but has been essentially constant since then. Paralleling this whilst the number of farms decreased steadily since the 60s the rate of decline has been noticeably slower since the 1980s. Farm numbers are down 30% since the early 1960s but the area of land farmed declined by only 8%. These adjustments have been driven by declining terms of trade set against the long term potential for exports. Read together the data suggest that the adjustment process is tapering off.

Figure 3: Total area of Australian Farms (million ha.)

Figure 4: Number of Austrlian agricultural establishments

Sponge full

Bernard Salt (2003) coined the term 'sponge cities' to describe the process of regional centers gaining population from smaller centers in their hinterlands, although the process has been noted since the 1960s (Henshall Hansen 1988). Although no analysis has been undertaken to test the proposition (it would be easy enough to do) it is plausible that the capacity of regional centers to draw population away from smaller settlements in their hinterlands has been exhausted. There are two arguments in support of this conjecture. First, the sponge effect has been going on for a long time and it may be assumed that there is not a lot left to 'suck dry'. Second, since regional centers are not themselves growing rapidly the degree to which they will accrue new commercial and public services that will accentuate the sponge effect is self-limiting. At the same time better roads, the charm and lower land costs of smaller settlements make hinterland locations more attractive.

Diversion from the coast: killing the goose that laid the golden egg

Coastal growth now runs the risk of 'killing the goose that laid the golden egg'. Although speculative, three factors may slow growth and divert it to inland towns: (1) high property prices; (2) overdevelopment; (3) large numbers of income-support recipients and other low-income earners settling on the coast (Burnley and Murphy, 2004, Ch. 6).

Richardson (1969) noted that along with 'space constants' (growth builds on existing settlement systems and there is great inertia to change), growth is explained by 'agglomeration economies' (the ace card of the big cities) and 'space preferences'. In Australia there has been a presumption, well supported by observed household location decisions, that the coast is the only place to be. It is plausible, however, that as the disadvantages of coastal living become more evident, and the advantages of inland places are discovered, that preferences will switch to a new paradigm of growth in favoured inland towns. The 'thin edge of the wedge' may already be in place.

Increasing functional diversity

A recent paper by Freestone, Murphy and Jenner (2003) reports a replication of Smith's (1965) classic study of the economic functions of Australian towns that was based on the Australian census of 1954. Among other things the study showed that the number of small urban places increased by 409 between 1954 and 1996, urban centers became more functionally diverse, and places orientated to tourism, leisure and lifestyle became more important. The increase in numbers of centres reflects growth in the peripheries of metropolitan and regional centres, coastal growth, and new resource developments. Numerous localities with populations too small to be defined as urban centers have grown to a level where they are so classified. Diversification reflects a complex set of change processes that for larger towns at least have reduced dependence on agricultural hinterlands. Places like Bathurst in New South Wales, for example, accrued expanded tertiary education functions and manufacturing from the late 1960s.

Migration independent of economic conditions

Each new national census of population and housing is scoured by demographers for insight into the changing population geography of Australia. It is important, however, to keep in mind when examining these statistics that by and large demographics are an effect of economic opportunity and not a cause. Patterns of population growth, stability and decline index and lag change but do not explain it. The one major exception to this rule is the so-called 'population turnaround'. From the mid-1970s demographers recorded higher rates of population growth in non-metropolitan urban centers and rural areas driven by the movement of people out of the big cities, unrelated to employment and business opportunities.

In non-metropolitan Australia this form of migration has been the major driver of population growth for over 30 years (Burnley and Murphy 2004). The implication is that explanations of non-metropolitan growth, and assessments of future prospects, turn as much on the conditions in the coastal cities as they do on non-metropolitan opportunities. Major drivers are retirement migration (Murphy 1979, Murphy and Zehner 1988) and, since the 1980s, migration of income support recipients or welfare migration (Marshal et al. 2002). This consumption led migration brings in train with it demand for goods and services that fuels further rounds of workforce age migrants and the cycle continues.

Urban Center Dynamics

Urban center data for NSW, for the period 1991-2001 provide some support for the notion of ameliorating rural decline and signs of growth (Table 1). A number of features stand out:

1. Combined, the east coast conurbation (Sydney, Newcastle, Wollongong) increased its share of State population and the rate of growth increased over time.

2. Coastal growth continued but at significantly reduced rates in the second half of the decade.

3. Larger inland centers grew over both periods, with growth in the second half of the decade lower but with the contraction being much less than on the coast.

4. Coastal towns in the size range, 1,000-10,000, experienced significant contraction in growth whilst inland centers saw decline in both periods, but at only small rates.

5. The smallest coastal centres, less than a 1000 people, grew in both periods but at much lower rates in the second half of the 1990s. Inland centers also experienced growth in both periods, at lower levels than the coast, but the reduction in the second half of the decade was much less than on the coast.

The Competitive Advantage Of Country Towns

Implied in the preceding interpretations are factors of competitive advantage that should see a widening range of inland towns growing, and most of them a chance to remain stable at current populations:

- *Land prices:* The gap between city and country (excluding coastal) land prices will continue to drive people away from the cities, especially Sydney, in search of lower living costs. But the gap narrowed greatly during the recent property boom so the incentive for migration to the coast logically diminished. High coastal prices are likely to divert growth away from the coast.

- *Small scale:* Smaller populations correlate with a smaller range of commercial and public services. The absence of these, together with limited choices from what is available, are competitive disadvantages vis-à-vis the cities. For many people, however, country towns provide all of the services that they require, especially if they are within striking distance of regional centers, as well as reasonable job and business prospects for those who wish to work. The up side of small scale, however, is that country towns have fewer of the disamenities associated with cities – crime, congestion, and social anomie. These absences will become ever more attractive and the coastal areas will lose out to inland areas as well on these criteria.

- *Amenity:* Country towns typically provide high levels of amenity deriving from the rural and natural landscapes within which they are embedded and the qualities of their building stock (often comprising residential and commercial buildings reflecting architecture of many periods). These things attract metropolitan escapees, especially those with a propensity to gentrify.

- *Social climate:* As noted above, there is substantial 'welfare' migration to the coast. There is some evidence that this is creating a less congenial social environment for retirees and other migrants and such people are more likely to look elsewhere.

Competitive Disadvantages

Apart from their limited range of services (cf. the cities) perhaps the primary disadvantage country towns have is their 'social climate'. This is a controversial matter to raise but the image of social conservatism and 'red neck' attitudes and behavior is almost certainly a growth negative for attracting those 'creative' folk who drive, at least according to Richard Florida (2004), contemporary economic development. This problem applies equally to coastal and non-coastal towns but the incidence of welfare migration to the coast may actually worsen the situation there.

Future Winners And Losers

Putting all of this together suggests a rough typology of country towns based on their growth prospects. Whilst these categories are well established, although not perhaps with the labels used here, it is conjectured that the number of inland towns in the 'winner' category will increase.

Winners

Metro proximals - Country towns that are within striking distance of metropolitan cities – especially those with the stronger economies – will, as always, benefit from overspill demand. This demographic force is strengthened by higher per capita spending power as the cities become wealthier and consumption preferences change accordingly. This will impact on two types of sub-region: (1) peri-metropolitan areas (those within commuting distance but beyond the terrain of the contiguous built-up city) will capture an increasing share of non-metropolitan growth, as has been happening for quite some time (Table 2), and there is evidence of gentrification being displaced from its inner city heartlands with the result that hinterland towns and rural areas will attract people with higher purchasing power; (2) the weekend recreational trip zone. The overall scenario is of outward displacement of spatial boundaries as the cities grow. At the same time, there will continue to be an increase in low-income migration to such areas. The outcome will be sharp socio-spatial contrasts between affluent and poor perimetropolitan areas (again a process that has been underway for many years).

Sea change localities - Coastal areas will experience slower growth vis-à-vis perimetropolitan areas and inland areas. Although not yet evident in census data, in the case of inland towns, this slowing will result, and is already resulting, from high land prices and increasing disamenity of the built environment, crass building styles and over-development, and problematic social conditions. There will of course be heightened competition for smaller-scale places of high amenity within the coastal matrix, close to the metropolis and in unique places, such as Byron Bay on the NSW north coast, but those opportunities will be exhausted not least due to land supply constraints imposed by governments.

Hill change places - One of the truisms of regional economic development is that it reflects the preferences of firms and households. The coastal orientation of most of Australia's urban population has produced attitudes and recreational habits that have reinforced a desire to live on the coast. But as the disamenity of coastal areas increases, and the benefits of non-coastal locations become more apparent, the tide will shift. The trend is already noted, at least in a vestigial way, in the use of the term 'hill changers' to connote a shift of demand by people who would otherwise have been classified as sea changers. This may well be reinforced by the increasing percentage of metropolitan populations that actually live quite distant from the coast. To characterize the citizens of western and southwestern Sydney as part of a coastal population is, for example, a decreasingly plausible construct.

Broader regions - From a national perspective, whole states, notably Tasmania, in many respects are sea change destinations. This, combined with the clean green image that underpins their agricultural industries should see cumulative growth in the coming decades. Perhaps the same scenario will emerge for South Australia that, like Tasmania, has been largely by-passed by the beneficial effects of economic globalization.

Anomalies - There are also interesting anomalies such as Broken Hill. Although remoter its character and historical associations have proved popular to some. Other former mining towns in spectacular physical settings may similarly benefit from urban escapees.

Stay-the-sames

The balance of non-metropolitan urban centers – the places that do not fall into one of the above categories, or which are only marginally influenced by such forces – are most likely to experience stability at their current population levels. Regional cities, such as Tamworth, Wagga Wagga and Dubbo in NSW, and their interstate analogues, may experience continuing modest growth based on their agglomeration economies but are unlikely to grow further on the basis of 'trade piracy' from smaller centers in their hinterlands. Nor is it likely that the decentralisation of commercial and government management functions, important to their growth for several decades, will continue at any scale.

Losers

The only non-metropolitan urban centers that are likely to experience further decline are the mining towns in remote areas. In those cases the absence of alternative economic drivers will inevitably accentuate decline. These cases are predictable and inconsequential in the public interest. In some cases, as noted above, such places may become reasonably popular with both low-income earners and gentrifiers alike.

Conclusion

The paper has argued that the forces that have driven the decline of especially inland country towns, or at least their poor economic performance vis-à-vis the capital cities and coastal towns, may be on the wane. It has further argued that new opportunities, which are already in evidence, albeit vestigially, are on the horizon due to growth and change in domestic and international demand. Effectively harnessed by economic development strategies relevant to the times the future for many places may be rosier than accepted wisdom and recent trends imply. Of course the paper is based on conjectures, variably supported by empirics. A careful search for lead indicators of trend change is required to validate or refute these surmises.

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