

BRIEFING NOTE

Regionalisation will drive higher economic growth

Regionalisation will drive higher economic growth in Victoria, making it a better place to live and work. The economic benefits of regionalisation justify the investment needed in faster regional rail services.

The argument for regionalisation of Victoria is built on three premises:

1. Melbourne is a thriving city, but its urban sprawl is creating a drag on its productivity.
2. Victoria's productivity can be increased by creating a regional network of secondary cities tightly connected with Melbourne.
3. Faster rail connectivity will encourage people and business to relocate to regional cities. Economic analysis shows that simply building a faster regional rail network will increase Victoria's GDP by 5%.

Virtuous growth of global cities

Melbourne is typical of thriving global cities. It has grown by attracting skilled people to work in jobs that contribute to its thriving economy. These skilled workers increase the productivity of the city, which leads to more jobs being created, and the attraction of more people into the city.

But there is a downside to long periods of extensive growth. As more people move into outer urban, and particularly the growth areas of Melbourne, they have longer commutes which means they have less access to jobs that are mainly created in the central CBD. This increases the cost of building infrastructure and to provide services to them, which in turn creates a drag on the productivity of the Victorian economy.

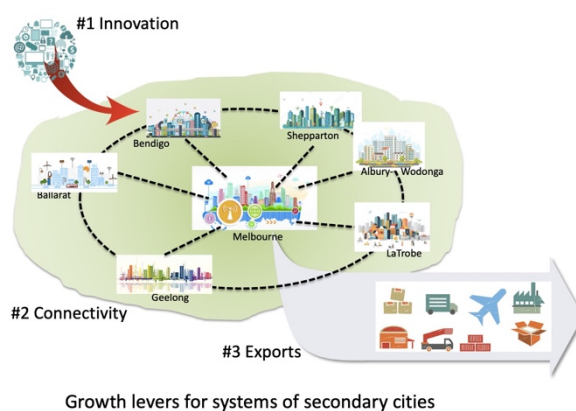
Systems of secondary cities

On the other hand, recent research shows that systems of secondary cities can boost the overall economy of a region. But it requires government intervention.

Firstly governments need to negate the effect of the primary city sucking people from regional areas. They need to create the education and innovation environment to create jobs in the knowledge-intensive economy.

Second – and perhaps most importantly – they have to provide infrastructure for fast connectivity between regional cities. This enables business and people to relocate to regional cities and still be part of the global economy which is focused on the primary city.

And thirdly – governments need to provide services to integrate the regional economy into a connected whole, allowing regional cities to create higher productivity by specialising in selected goods and services.



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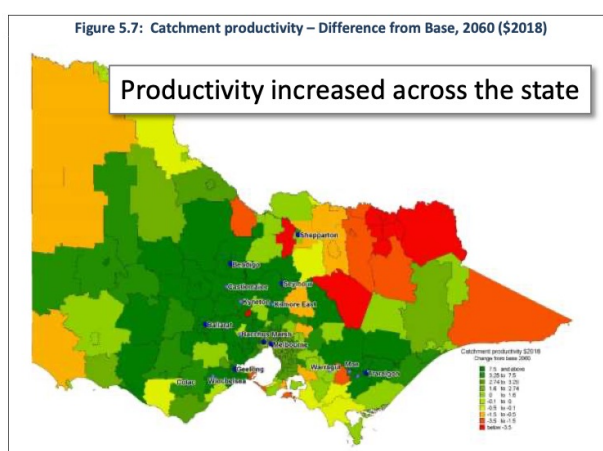
Confirmed benefits for Victoria

The benefits of a connected region have been confirmed for Victoria by recent analysis conducted by the pre-eminent National Institute of Economic and Industry Research, or NIEIR. NIEIR used their comprehensive economic model of Australia to look at the impact a faster regional rail network would have on Victoria. It found that simply building a faster rail network, with no other government policy change, would increase Victoria's GDP by 5%, by encouraging more people to live in regional cities.

NIEIR's analysis showed that faster regional rail would dramatically boost the economies of the regions in the project corridors – economies that have been continuously falling for many decades.

It found that population would shift to regional cities on the rail corridors and surrounding areas, with a consequential boost to most of the state's economy well beyond the rail corridors. Most importantly, it found that regional workers incomes would increase from being about 81% of Melbourne workers to about 93% by 2050, significantly reducing the disparity between Melbourne and regional areas over about 30 years.

NIEIR concluded its analysis by looking at the economic case for faster regional rail. It concluded that the project would have an internal rate of return of 10%, which would justify the government's investment in the rail network.



*Source: National Institute of Economic and Industry Research: STRONGER, TOGETHER - An independent state-wide macroeconomic assessment of fast regional commuter rail network impacts on Victorian settlement patterns, economic growth, fairness and opportunity, 2020

Conclusion

In conclusion, the economic theory of cities and connected regions, supported by the detailed analysis by NIEIR, demonstrates that rebalancing Victoria's population growth from Melbourne into its regional cities will create higher productivity and economic growth than simply continuing the current trajectory of concentrating growth in Melbourne.

It also shows that the economic benefits of regionalisation justifies the government's investment in faster regional rail services.

For more information

Please go to <https://www.fastrackaustralia.net/>