General discussion

Discussion began with one participant suggesting to Professor Arnott that the urban planning system might be improved by giving planners incentives to attract population to their local areas. In countries like Germany and Switzerland, this participant remarked, urban planners share responsibility for local government budgets and, therefore, face incentives to increase revenues by attracting additional residents. Planners then tend to support development and population growth, in contrast to planners in countries with a 'British-style' approach to planning.

Professor Arnott was then asked about the implications of positive agglomeration economies for the design of a congestion pricing system. He responded that in a very simple model, the presence of unpriced positive externalities from increased urban density means that the optimal congestion price is approximately zero, because agglomeration economies encourage individuals to begin work at the same time, whereas a price on congestion would encourage dispersed start times— and therefore, the effects counteract each other. However, Professor Arnott noted, he was more cautious about interpreting the implications of unpriced agglomeration externalities for optimal urban spatial structure where there are complicating factors such as multiple sub-centres of different sizes and agglomeration economies existing at different levels.

Another participant expressed the view that policymakers at the national level have neglected to consult with state governments to ensure increases in the immigration intake are supported by appropriate policies for higher-density residential development in Australian cities. The participant argued that the availability of affordable, higher-density housing in inner-city suburbs, along transport corridors and in sub-centres is crucial to ensure the supply of workers providing essential services (such as health and education) to these areas. Professor Arnott agreed that consultation between national governments (which determine immigration policy) and state or city-level governments would be 'nice' and suggested that such consultation might be more feasible in a small country than in a large one such as the United States.

The three panellists were asked for their views on:

- the implications of increased female labour force participation for the distribution of jobs and household commuting patterns and

- the potential benefits of ‘mixed-income suburbs’ for increasing job opportunities for people with low skills, and whether policymakers could ‘encourage’ reduced spatial segregation by income.

In response to the first issue, Professor O’Connor mentioned that his previous research had found that women, on average, work closer to home and so are more highly represented in suburban jobs. Professor Daley commented that it is also interesting to consider single-person households, which he said are the fastest-growing household type but not the fastest-growing in terms of housing development.

On the second issue, Professor Daley argued that governments could best encourage a greater spatial distribution of low-income individuals across a city by funding low-income housing development, particularly in higher-income areas. He also suggested that governments might impose targets for low-income housing within residential areas and allocating responsibility to local residents or their representatives to achieve these targets. Professor Arnott observed that this might be easier to achieve in Australia (where, he assumed, state governments could overrule local government laws) than in the United States, where in many states the state government cannot overrule local zoning boards.

In response to Professor Hugo’s discussion of the need for infrastructure in non-metropolitan areas, one participant commented that far from a deficiency of infrastructure in these regions, there tends to be substantial oversupply and over-investment. Referring to examples including road networks, electricity transmission and distribution and telecommunications, it was argued that there has been both over-investment and ‘extensive cross-subsidies’ for non-metropolitan areas in recent decades. Professor Hugo responded that he did not say there was too little investment in infrastructure in regional areas generally. Rather, he argued that any attempt by government to facilitate development in non-metropolitan areas would involve some infrastructure investment, and cited social services such as health and education as areas where perceived inadequacy represented a ‘major constraint’ on individuals’ willingness to move to, or stay in, non-metropolitan areas.

Another participant commented that the proportion of overseas migrants settling in non-metropolitan areas has approximately doubled in the last decade, as a result of government policy — specifically, concessional visas that make it easier for migrants to enter Australia if they settle in regional areas. The participant argued that these visas ‘necessarily’ reduce immigrant quality and so there is a cost associated with trying to influence migrants’ settlement patterns through immigration policy. Professor Hugo added that the immigration data reveal a small increase in the proportion of migrants settling in non-metropolitan areas, which is probably not solely a result of regional concessional visas.

One participant expressed the view that decentralising economic activity within major capital cities such as Sydney and Melbourne would be a more effective approach than moving the same activities or jobs to regional areas. The participant also noted that the mining industry was a means of achieving decentralisation 'without any cost to government', but that opposition to some mining development has been arising from competing land users such as farmers.

Another participant suggested that the key demographic groups moving to non-metropolitan areas are retirees and young families, both seeking affordable housing. As a consequence, it was argued, removing restrictions on development in capital cities, if it reduced the cost of housing, might also reduce the extent of migration to regional areas.

One participant observed that growth in regional areas was occurring mainly in regional cities within 100 kilometres of a capital city, or 'capital city fringes', with such cities growing at 2.6 per cent compared with 1.5 per cent for 'inland cities'. This participant suggested that attempts to encourage regional development far from capital cities would probably be unsuccessful, and that infrastructure provision is likely to lag in capital city fringes in contrast to the over-provision observed in inland regional areas.

Professor Clarke commented on the Commission's 2006 research report on the *Economic impacts of migration and population growth*. He argued that the conclusion from the modelling that the incumbents would be made worse off with an increase in skilled migration was inconsistent with the 'gains from trade' that might be expected from migration. In response, it was argued that while the report did show small effects of migration on per capita income — which tended to accrue to the migrants themselves — these results excluded other factors that would also affect the economic wellbeing of incumbents.

Mr Henry was asked whether the rates of deterioration or depreciation of environmental and natural resources was affected by factors largely unrelated to population growth, such as agricultural production for export markets. He agreed with this suggestion, saying that environmental impacts were the result of population numbers, volume of consumption, and technology, and that in some cases (such as water use in rural areas), a lot of resource use is as an input in export production.

Another participant expressed concern about how environmental externalities could be priced correctly and how long it might take to get the prices right. Mr Henry responded that the technologies and strategies (such as putting a price on carbon) are already there, and that what is required is the political and public will to implement the necessary solutions.

The discussion concluded with one participant raising the question of the moral rights of migrants, and whether new entrants to a country should have to 'buy the right' to join the community, or whether it should be assumed that they receive a share in some or all of the common assets when they arrive. Should population and migration policy consider only the welfare of incumbent residents, or everyone who could potentially exist? Professor Clarke commented that in large part, migrants do buy their way in, by working to earn income and purchasing consumption and investment goods for themselves. They do share in some common resources, such as environmental assets, he noted, and these tend to cause difficulty as they are the goods that are not priced. Professor Clarke highlighted what he saw as a problem with studies of optimal population more generally, in that they inevitably arrive at the conclusion that there are limits to population growth because the models assume that new arrivals are all given a share in common resources; this assumption 'infect[s] the whole analysis with a common property externality from the word go'.