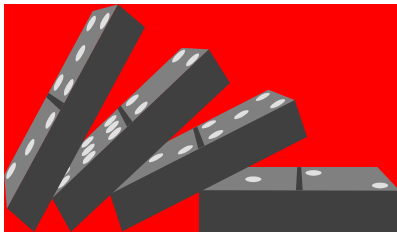


**TASMANIA LEADS AUSTRALIA
INTO THE FUTURE**
-the shape of future infrastructure demand



The first of the dominoes? Or...

Population decline

Within the next 15 years deaths will exceed births in Tasmania. Another 5 years and deaths exceed births in South Australia.

And within about 40 years all regions with the exception of WA and NT will experience absolute population decline (even with inward migration!) Source: ABS.

Learning to Survive without Population Growth

This means that Tasmania will be the first

- to learn to develop new ways of thriving,
- new ways of managing the renewal of ageing infrastructure in a climate of no new revenues from growth
- ways to modify old infrastructure portfolios designed for population growth
- And to use assets to support future 'no growth' strategies.



...Leading the way to future sustainability?

In this issue Assets for a No-Population-Growth Future (501-508)

Dr Natalie Jackson (Social Demographer, University of Tasmania) on

- Future Demographic Shocks– The future has already happened
- Local Government Funding Models Inadequate to respond

LGAT Conference Workshop on

- Implications for future asset and renewal planning (p 506)

*Researched and written by Dr Penny Burns, AMQ International.
Published fortnightly. Subscription, Comment, or Inquiries to*

AMQ International
PO Box 75 Salisbury South Australia
Tel 618 8281 5795
Email: sam@amqi.com Website: www.amqi.com

What do you understand about the underlying demand for future infrastructure?

FUTURE DEMOGRAPHIC SHOCKS —THE FUTURE HAS ALREADY HAPPENED

Dr Natalie Jackson's paper to the Local Government association of Tasmania had a big impact on the audience. Amongst the points she made, were:

Not only population AGEING, but population DECLINE

- 'Between now and 2019 half of all Australia's Local Government Areas are projected to either decline in size or not to grow.'
- 'Increasing proportions and numbers of elderly...together with declining numbers of births will soon generate an unprecedented shift from natural increase, where births have long exceeded deaths, to natural decline, where deaths will exceed births.'
- 'In Australia this shift will occur across a substantial time span, beginning as soon as the next decade for Tasmania but not in the Northern Territory until well into the second half of the century.'
- 'Most importantly, these changes will occur even with the substantial net international migration gains built into the foregoing projections (90,000 per year) because they are already implicit within the age structure.'
- 'Differences in the migration mix.. in the regions will have a bearing on future patterns of growth and decline.'
- 'However, by far the biggest impact on the population size and growth of most regions will be the speed at which natural increase reduces and eventually becomes natural decline.'

The Economy will not die:

- The growth in numbers of elderly will generate many new opportunities, not least local jobs producing and delivering goods and services. The elderly will come in successively healthier, wealthier, waves, with more consumer demands.
- The young will benefit enormously from the trends—less labour market entrants than exits will see young adults strongly competed for. Competition means that they will be better employed, better paid, good—but more discerning—consumers.

Quoted, with permission, from "Regional Population Ageing and Local Government Funding. A tentative consideration of the issues." a background paper for her presentation to the LGAT Conference, Hobart, June 5 2003 By Dr Natalie Jackson, University of Tasmania (<http://taspop.tasbis.com/>) Graphs and references throughout this issue from the same paper and presentation. Dr Natalie Jackson may be contacted at Natalie.Jackson@utas.edu.au

POPULATION GROWTH— A PHENOMENON OF THE LAST 250 YEARS ONLY

We have grown so used to economic and population growth that it is hard for us to conceive of any other future pattern. But the fact is that population growth has really only been a phenomenon of the last 250 years; before that, stability was very much the pattern. World population was 1 billion or less until about 1700.

Our own lifetimes have been years of very rapid growth (see chart below). But populations in the developed countries, Australia included, are facing declining growth rates and absolute decline within the next 10—50 years; see the charts on the next few pages for the impacts on Australian states—readers in other places will find detailed population projections for their area at esa.un.org/unpp/

Economic growth has been a combination of population growth (numbers of heads) and productivity growth (measured as GDP per head). Productivity, in turn, has in large part been the result of each person having more capital to work with.

Rethinking of Infrastructure Requirements What will an older, fitter, wealthier, population require by way of infrastructure? What will assist productivity growth in the future? The growing emphasis on triple bottom line and quadruple bottom line (economic, social, environmental AND cultural) is already suggesting that the dominance of GDP (which relates mostly to the economic) is likely to come into question.

What is your responsibility as an Asset Manager in the world of the future?

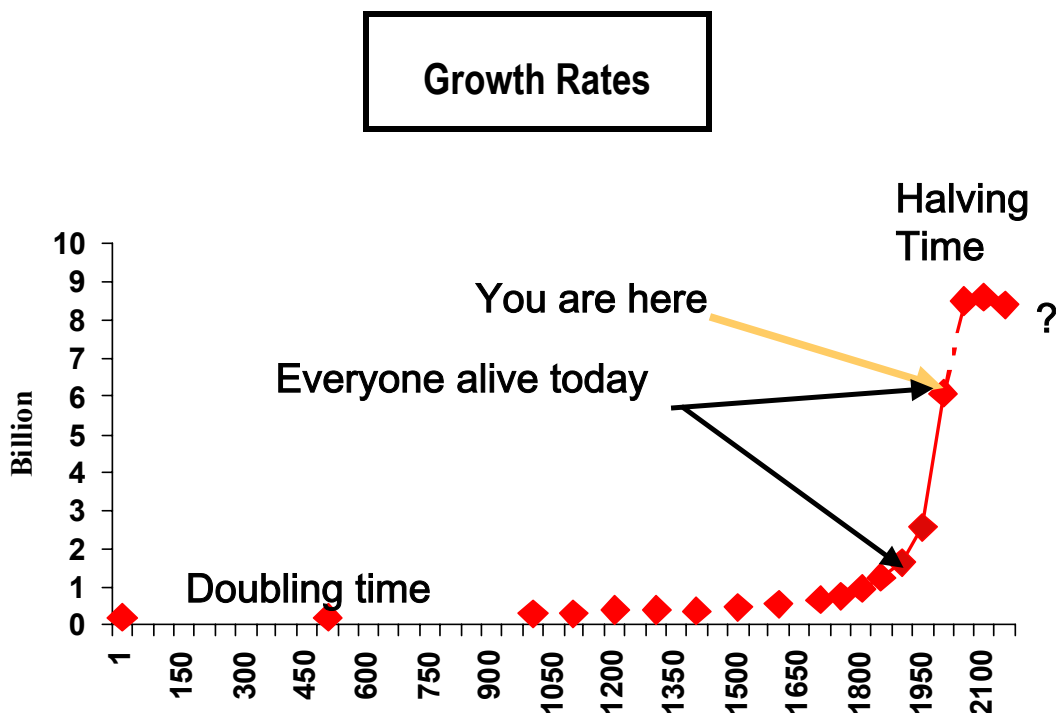
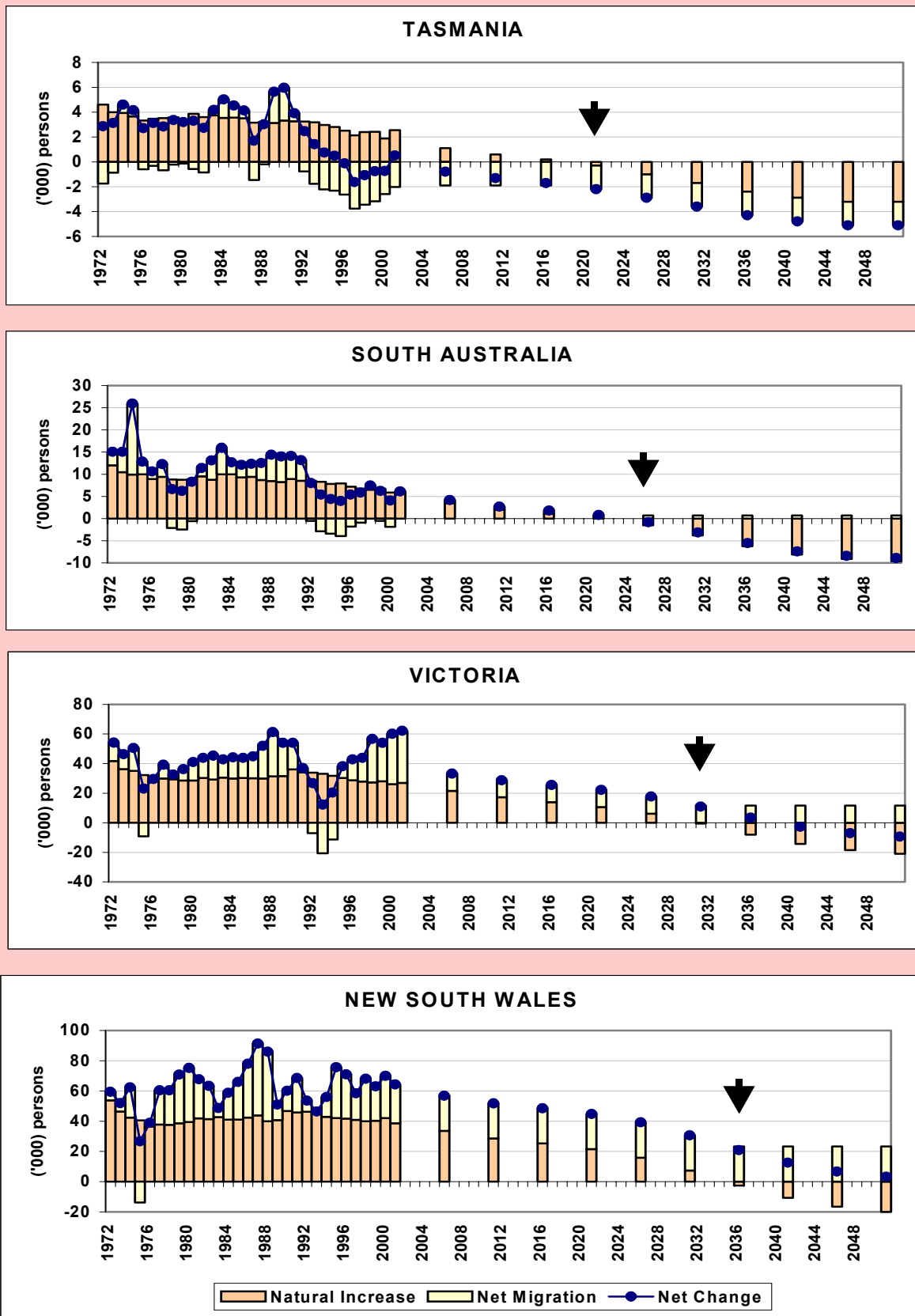


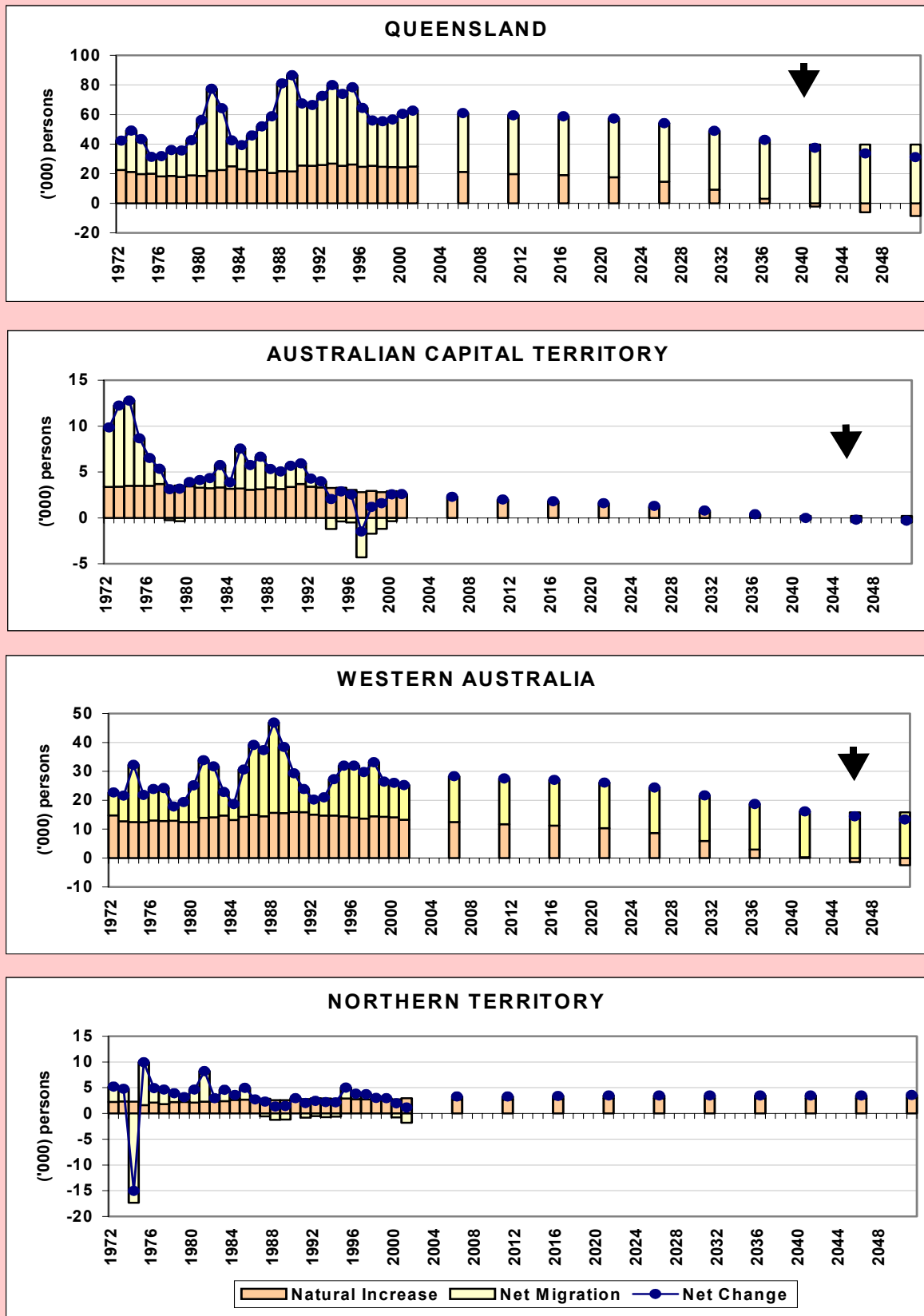
Figure 5: Annual Contribution of Natural Increase and Net Migration Components to Past (1971-2000) and Future (1999-2051) Population Change, By State and Territory



Source: ABS Catalogues 3102.0 and 3101.0, various years, and 3222.0 (2000)

Notes: Note different scales

Figure 5 (cont): Annual Contribution of Natural Increase and Net Migration Components to Past (1971-2000) and Future (1999-2051) Population Change, By State and Territory



Source: ABS Catalogues 3102.0 and 3101.0, various years, and 3222.0 (2000)

Notes: Note different scales

HOW DO WE COPE WITH CHANGES OF THIS MAGNITUDE?

Dr Jackson's formula is

- A** Accept
- B** Buffer
- C** Celebrate

Accept

Asset Renewal

Within the next 10-20 years, much of our current infrastructure will fall due for renewal. Changing demographic conditions as well as changing demands suggests that we will not wish to renew this infrastructure in the same configuration. But what changes will be needed?

This issue was raised at a Workshop at the LGAT Conference, Hobart. Councillors, Senior Local Government Officers and Consultants considered the impact of ageing and declining populations on roads, parks, drainage, buildings and housing in Tasmania. Some of their conclusions were

No more new roads!

Road safety is going to be more important than speed

"Road trains and elderly drivers is not a good mix"

Policies for parks and gardens need to take account of ageing—eg Clarence Council has a renewal policy for playgrounds that says if, when it is time to renew, less than x% of the population is under the age of 15, the playground will not be renewed but instead it will be converted to landscaped area with park seating. (if demographics of the area should again change, this can readily be reconverted to playgrounds).

- and a big **strategic issue**— If demand for housing (or anything else) is going to decline, do we want to let this occur piecemeal across the council area, or would it be more efficient and cost effective to manage the decline?

Buffer

Manage the Transition

Increased immigration and funding changes can temporarily soften the impact of adjustment. Grant funding of local authorities would be assisted if the differential disadvantages of ageing were formally recognised. (See page 507)

Celebrate

Welcome the benefits of a smaller population!

IMPLICATIONS FOR GRANT FUNDING

- time for a change?

Dr Jackson argues that the current methodology adopted by each jurisdiction for compensating local municipalities according to their disadvantage vis a vis the State Average, while it may have worked well in the past, will become increasingly problematical as these State Averages themselves shift in the very marked manner that can be seen in the Stage growth pattern graphs (pp 504-505)

She compares the percentage of local government areas in each state that have higher than the national average percentages of population in the “aged 65 years and above” age range. (Table 1.)

The percentages, however, are very different, if looked at on the basis of local government areas that have higher than the STATE average of population in the ‘aged 65 years and above’ age range. Table 2.

Clearly there are many factors that need to be taken into account in looking at the funding methodology and Dr Jackson recognises this. However one can readily see that under the existing methodology a council would have a greater chance for funding through a population disability factor in a state with a younger age structure such as Western Australia, than it would (with exactly the same population related needs) in a state with an older structure such as South Australia or Tasmania.

Table 1: Percentage of Local Government Areas with Indicative Percentage* Aged 65+ Years Above NATIONAL Average, 2001 and Projected to 2019, By State/Territory

	2001	2006	2011	2016	2019	Change (%)
South Australia (68)	75	82	85	90	90	20
Tasmania (29)	62	66	66	72	72	17
Victoria (78)	73	76	77	76	77	5
New South Wales (176)	69	70	66	64	64	-7
Queensland (125)	40	41	42	46	46	16
Western Australia (141)	29	29	29	28	28	-2
ACT (88)~	32	35	44	57	57	79
Northern Territory (9)^	0	0	0	0	0	0

Source: Constructed from Australian Bureau of Statistics Catalogue 3222.0, Population Projections by SLA (ASGC1996), 1999-2019 - Commonwealth Department of Health and Aged Care. These 'medium case' projections have a 1996 population base (data on a 2001 base are not yet available).

Notes: *'Indicative percentage' means that ABS data for SLAs have been aggregated to approximate LGA and/or Local Government Body classifications, according to the 2001 LGA (ASGC) classifications, and applied to the 1996 population base.

ACT~ Treated differently under the CGC arrangements, ACT data are included here for comparative purposes, based on 88 SLAs. (Of the ACTs 106 SLAs, 18 account for a total of less than 1 per cent of the ACT population. These SLAs have been excluded from the analysis.)

NB. The analysis is based on a mutually exclusive mix of Local Government Areas and Bodies

Table 2: Percentage of Local Government Areas with Indicative Percentage* Aged 65+ Years Above STATE/TERRITORY Average, 2001 and Projected to 2019, By State/Territory

	2001	2006	2011	2016	2019	Change (%)
South Australia (68)	59	57	60	59	57	-3
Tasmania (29)	48	52	55	48	45	-7
Victoria (78)	68	74	72	71	71	4
New South Wales (176)	64	64	62	61	61	-4
Queensland (125)	50	54	52	53	52	5
Western Australia (141)	48	46	43	41	36	-25
ACT (88)~	50	50	56	63	64	27
Northern Territory (9)^	33	22	22	33	44	33

Source: Same as Table 1

Notes: Same as Table 1

Although Dr Jackson does not raise them directly, the arguments presented definitely raise questions as to whether

- the state share formula for the total grant pool is appropriate and whether
- the total pool is going to be adequate to assist the adjustments that will need to be made in the future.

Need for **FURTHER EXPLORATION**

Do we throw up our hands and say it is all too hard?

There are a great many papers on the web and in journals on the impacts of ageing and declining populations, however few of these are looking at the impact on supporting physical infrastructure. An exception is our health agencies who are having to deal with the consequences of a change in the demand from acute care to chronic health care but what we are seeing in some sections is a desire to devolve responsibility for the new (and potentially) expensive chronic health care to the private sector.

Is this similar to the story of the New York City Council who, when asked what it did when it recognised the need for major renewal and maintenance expenses as their ageing assets started to fail, replied “We cut maintenance—we had too, we had no money!” What happened then was that things became rapidly worse so that the NY city council was plunged in catastrophe management rather than asset management. Is this about to happen here with the impact of changing demographics?

Share your experiences

If, like Clarence City Council, you have already adopted policies to manage some of the effects of ageing/declining populations, do share your experiences.—at conferences, in the press, in journals—and, of course, in “Strategic Asset Management” This is not a problem that any of us can solve alone.

Changing Demographics and the OUTCOME focus

Issue 116 looks at the new importance placed on OUTCOMES, and especially on community consultation. But this will only bring a good result if the community is informed. Changing demographics places a new need on informing the community of the consequences of different asset decisions; and it highlights the necessity of getting a representative community balance.

The (Non?) Importance of Economic Growth

Striving for economic growth has dominated much of our decision making on infrastructure for the past several centuries! Already, however, we are beginning to see triple bottom line and quadruple bottom line thinking coming into councils and other government agencies—recognising that there are more areas of importance than simply the economic. The rise of non-economic growth considerations at this point in time is, I suggest, not coincidental. But if we don't take an economic growth focus, *then WHAT?*

This is a top strategic issue for asset managers and we will be looking at this in future issues.