

Issue 192 May 29, 2006

## ProActive

*Or Passive?*

### Managing Declining Rural Populations

**Why this is a KEY STRATEGIC ISSUE for all Asset Managers and Decision Makers**

1. If you are not facing declining population growth now, demographic studies show that there is a good chance that you will be in the not too distant future. (see Figure 1)
2. If your population is currently growing because of population shifts you may experience a need for increased infrastructure *now*. But for how long will this be needed and how can it be sustained? (see Figure 2)
3. Population shifts are already negatively impacting the problems of areas around the major cities of Sydney and Melbourne.

Jeff Roorda, JRA, has spent many years working with rural councils in Australia who are battling the problems of declining populations. In this paper, he shows that the problem is not confined to Australia—and it is not confined to those who are currently experiencing decline.

Jeff is a key member of *ACORN Inc.* an association dedicated to helping individuals make wiser, more forward looking, community infrastructure decisions. (page 81-85)

**Also on the theme of being proactive rather than passive**

**How YOU can figure out what THEY want in the AMP**

— when (as is the usual situation) service delivery objectives are not clearly articulated. (page 86-88)

**Consider and Enjoy!**

*Penny Burns*

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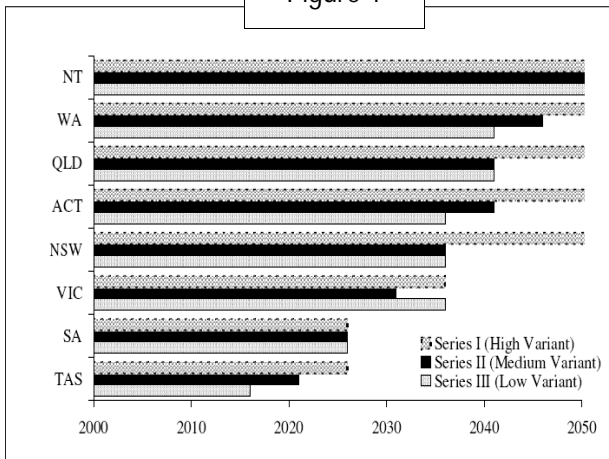
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# Managing Declining Populations In Rural Councils

Jeff Roorda, JRA, and ACORN Inc.

Figure 1



Source: Constructed from ABS (2000) Population Projections Catalogue 3222.0

Demographers have shown that the impact of declining birth rates and ageing populations is that there will be **absolute decline in overall population**.

For many, this absolute decline is some 30 to 40 years away. But for a number of rural councils the problem is here **right now**.

Communities now have to decide what they want to do about it. **Is it acceptable to leave the rural councils to fend for themselves?** Or is this an issue that needs to be dealt with by the wider population?

## Key Questions

*What role do rural communities play in the social and cultural well-being of a country?*

*Should rural communities operate as self-sustaining economic business units and what should happen if they can't financially survive?*

*How can we identify national or regional benefits provided by rural communities and fund these benefits at the national or regional level?*

*Central governments support 'growth', should they also support 'decline'?*

### Decline is on the cards

Note 1: Chart above, Series 1 (Optimistic) assumes a reversal of the trend to declining birth rates and higher rates of immigration.

Even with the Optimistic assumptions, population still declines in Tasmania, South Australia and Victoria in the next 30 years!

On Series 2 assumptions this is also true of every jurisdiction except NT.

## Population Trends & Asset Management

- Growth has driven the provision of infrastructure up to now.
- Growth has been promoted and funded by Governments and Developers over many years.
- Many assets built in growth booms will need renewal within the next 20 years.
- How should we plan and fund asset renewal in Communities with declining population.
- Are there environmental, social and cultural limitations to the trend of increased population density in cities.
- Environment, cultural and social factors are likely to become more important than past economic driven decisions for asset management.

### Growth Is All We Know

### But Can This Growth Continue ?

(see Chart and see over)

## Managing Declining Populations In Rural Councils Why Decline is Inevitable

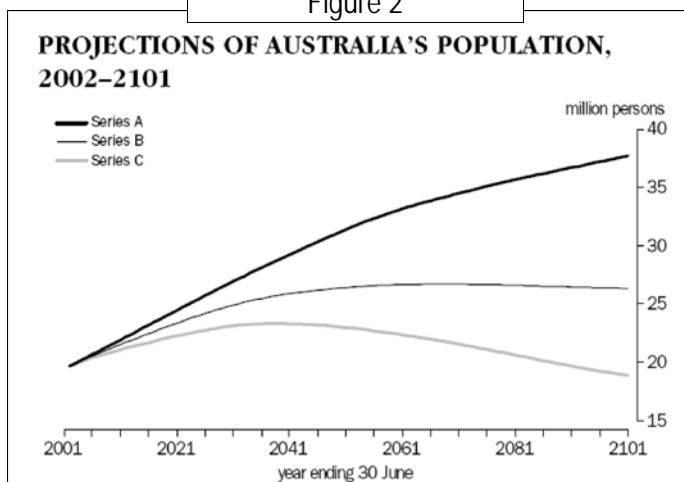
### Why Population Decline is a Key Strategic Issue for All Asset Managers

On projections below, populations continue to grow for the next 25 years or so, before they start to turn down or at best stabilise.

How we handle this relatively short-lived growth will determine how well we manage the subsequent decline!

(See SAM Issue 190 p. 66)

Figure 2



### What About Migration?

Australia and New Zealand were commonly categorised as countries of immigration, but have also become countries of significant emigration.

Today, Australians living abroad (the national diaspora) amounts to 4.3% of the total at home. For New Zealand the figure is 21.9% (Compare this to the USA with 2.5% and the Philippines with 9.4%)

**Migration doesn't solve rural population decline.** In 2001, eight out of ten people born overseas lived in a capital city. Just over half were in Sydney or Melbourne.

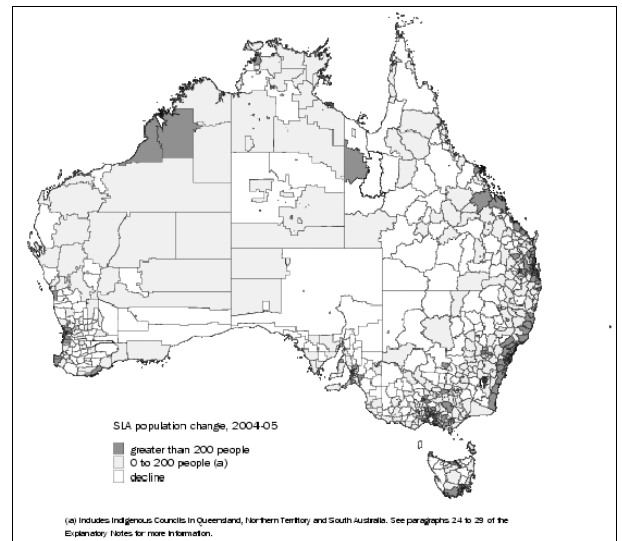
**In any case, there are other issues with migration** (see over the page)

### Three Key Drivers for Rural Population Decline

Population Shifts / Internal Migration  
Falling Birth Rates  
Ageing

#### Can it be solved by Migration from Abroad?

- Migration in general is becoming more problematic:
  - International Skills Shortages Security Concerns
- Incoming Migrants want to live in Cities!



In each state and territory, the areas with the largest or fastest population growth tended to be outer suburbs, inner cities and certain regional centres, especially along the coast.

Of LGAs with populations greater than 2,000 people at June 2004, all of the 20 fastest decreasing LGAs in Australia in 2004-05 were located in state and territory balances (that is, those areas outside the capital city Statistical Divisions).

A similar pattern is seen in New Zealand.

Australia's population has become increasingly urban. In 1921 the rural population was about 38% of the total, by 1996 it was down to just over 10%. Today it would be even less.

## The Immigration Debate is Becoming Increasingly Difficult

With a population of barely 31 million, Oceania-Pacific is the least populated of the world's major regions. Two-thirds of this population live in Australia and New Zealand.

Since the 1990s, some anti-immigration movements have from time to time gained ground in both Australia and New Zealand. Their arguments appear more convincing in times of cultural and security instability.

As September 11 demonstrated, terrorists frequently operate outside the purview of immigration enforcement, often with residence status and even citizenship.

Climate change and global warming may eventually lead to rising sea levels which could submerge some Pacific islands, leading to the forced displacement of local people.

### There Is Some Action in Australia. And Strategic Asset Management Is Critical

*The committee recommends that the Department of Transport and Regional Services, in consultation with the Department of the Environment and Heritage, investigate options to extend the Roads to Recovery programme to include other modes of transport as a step towards including sustainability in the funding criteria. [1]*

*The committee believes that the way in which transport infrastructure is currently budgeted for undermines the type of transport interconnectedness that is necessary for sustainability... there are still separate budgets for roads, public transport, airports and pedestrian and cycling infrastructure, leading to a 'rather narrow vision'*

[1] Recommendation 5, Section 5.25. *Ibid.*

## Strategic Infrastructure Planning Is Needed For Both the Growth "Winners" and "Losers"

*"There are a number of possible planning scenarios that could shape our future cities. However, allowing cities to continue to grow without strategic forethought can only result in more dispersed cities, characterised by economic stratification, high infrastructure costs, and inequitable access to and provision of public services." [1]*

### The Growth "Winners" Pose Asset Management Challenges

*"With the numbers of urban residents increasing, our cities risk becoming more unsustainable across environmental, economic and social indicators. Larger cities are resulting in more urban travel, greater freight costs, less bushland, higher living costs, more social isolation, reduced air quality, greater water and energy consumption, decreased physical health, and increased levels of household and commercial waste. [1]"*

[1] The Parliament of the Commonwealth of Australia Sustainable Cities House of Representatives Standing Committee on Environment and Heritage August 2005

### But the Growth "Losers" Will Need A Whole of Government Approach to Strategic Asset Management

Two fundamental policy decisions are required:

(a) What settlement strategy is right for Australia? Do we all live on the coast and commute to inland work sites, or do we settle regional Australia?

(b) What is the reasonable mix of risk between individual responsibility and institutional responsibility given our large area, small population and resultant vast infrastructure requirements?

■ The answers to these questions should then drive policies that result in viable Local Government structures which can deliver and support these outcomes.

## Managing Declining Populations In Rural Councils Strategic Issues that Need to be Resolved

### 1. The Hidden Cost of Global “Economic Reform”

*Rural Communities Lose Population – leads to..*

*Loss of Services – leads to..*

*Lack of Employment Opportunities – leads to...*

*Further Population loss of young groups – leads to...*

*Higher Dependence on Government Services*

*precisely when Councils have declining revenues and increased difficulty funding infrastructure.*

### 2. We Don't Yet Understand The Social and Cultural Implications

Australian Bureau of Statistics figures have shown that adolescents and young men in country areas of Australia are among the most likely to commit suicide. Other statistics show suicide rates for 15–24-year-old Australian men increasing as much as twelve-fold since the 1960s in some towns with a population of less than 4000, compared with a doubling overall.

New Zealand's all-ages suicide rate was the sixth highest among selected OECD countries for males, and the fourth highest for females. The least deprived areas of New Zealand had a suicide rate of 8.8 per 100,000 population compared with 13.2 per 100,000 population in the most deprived areas of New Zealand.

***“Suicide is an indicator of the mental health and social wellbeing of society”***

The 2005 Social Report – NZ Ministry of Social Development

### 3. Infrastructure Planning and the “Sea Change”

A quarter of all Australians live within three kilometres of the coast, and this proportion continues to increase rapidly

This massive population influx makes planning and provision of infrastructure and services difficult for many councils.

On average, coastal shires in Victoria must plan for their population to increase two and a half fold during peak tourism periods. [1]

[1] The Parliament of the Commonwealth of Australia Sustainable Cities House of Representatives Standing Committee on Environment and Heritage August 2005

### 4. Urbanisation Has a Global Impact. Should The Cost be Considered?

Sydney's ecological footprint is 150 times greater than the area of Sydney itself [1]

Outside of a small number of demonstration projects, Australian stormwater is not being harvested as a resource and domestic wastewater is not regularly recycled and re-used.

Australian Energy use in the residential sector has increased 60 per cent since 1975, despite population increases of nearly half this (35 per cent). Commercial sector energy use is forecast to double between 1990-2010 under business-as-usual scenarios. [2]

[1] Professor Anthony McMichael, National Centre for Epidemiology and Population Health, Transcript of Evidence, 27 January 2004, p. 83.

[2] The Parliament of the Commonwealth of Australia Sustainable Cities House of Representatives Standing Committee on Environment and Heritage August 2005

### The Key Questions Don't Have Simple Answers And Need Strategic Asset Management Thinking...

- What role do rural communities play in the social and cultural well-being of a country?
- Should rural communities operate as self-sustaining economic business units and what should happen if they can't financially survive?
- How can we identify national or regional benefits provided by rural communities and fund these benefits at the national or regional level?
- Central governments support 'growth', should they also support 'decline'?

## Asset Management Plans - How Can We Find Out What They Want?



*"We have been asked to prepare an Asset Management Plan. We know that our assets must serve the organisation's objectives, but how can we get them to tell us what those objectives are – and to do so in the detail that we need for asset management planning?"*

### Detailing the Vision

Organisations seldom detail their objectives with sufficient operational content for asset management planning. Rather what we are likely to have are some broad "Vision" statements. If we are lucky, these can provide some direction: such as "We will aim to put a computer on every school desk by 2020". But often they are as broad as 'We will be the best organised port authority in Australia' or, "Our aim is to be clean and green".

Let us consider the case of a council that has a broad Vision to be a 'beautiful, liveable, city'. This does not provide much detail for the Asset Management Plan. Fair enough. If 'they' (Council) have simply selected their vision but not gone further this means that they have (by choice or default) left it up to the individual Service Units (e.g. Parks and Gardens, Traffic, City Management, etc.) to interpret the Vision and provide the details.

### It is now the task of the Strategic Asset Management Unit to:

- (1) **Find out from each of the Service Units how they are interpreting the Vision.** You need to go and ask them. Explain that your task in SAM is to ensure that Council's assets are providing maximum support to the Service Unit in *their* task of achieving long-term, sustainable, community value.

#### DISCUSSION TOPIC

This is being presented as a discussion topic.

Meaning your comments are solicited and very welcome and will appear in these pages to stimulate thought and debate (*with or without your name attached, as you choose!*)

Please send comments and suggestions to [info@amqi.com](mailto:info@amqi.com)

To do this, you need to know what the Unit *is trying to achieve*. You may find that they will have difficulty in articulating all that they want to achieve. If so (and even if they do tell you a great deal) ask them what their problems are. Most are able to do this more readily. Then ask them WHY this is a problem. They may say that they don't have enough resources to do X. So ask them **why** they want to do X. The answer to this will probably be a more basic requirement, Z. Again, press them for **why** Z is important to them. Do this in a polite and interested manner but be persistent. You need this information for Step 2.

This is not a 10-minute job. It may take a few days, perhaps spread over a few weeks, and require you to talk to a number of people in each Service Unit, so make sure that the Head of the Strategic Asset Management Unit knows what you are doing and why – and agrees (show him/her this article).

(over the page for Step 2)

## Ask — But Ask the Right People



And the right people in this instance are the Client Services Units. These are the groups that have developed their own more detailed policies from the Corporate Policy

- (2) Inevitably the solution to all of the Service Units' asset requirements (at least as initially stated) will amount to more resources than you have available. Always! This is where the SAM team gets to add value to the organisation.

Knowing the Service Units' Objectives **you now need to come up with alternatives, asset options that will add value to their objectives** but be more cost effective than the initial requests. There are several reasons why the SAM team can do this better than others. (a) You are not bogged down with day-to-day operations and in-box urgencies. (b) You understand the future consequences of asset decisions for both costs and values. Develop a range options *with the Services Unit*. Put the preferred option in the Asset Management Plan but make sure that there is a link back to the analysis of alternatives. (This will be valuable when presenting the Plan to Council.) But note Step 3.

- (3) Sometimes achievement of one goal makes the achievement of others more difficult. **Asset Management (like Life itself) is a game of trade-offs!** A well-known example is the conflict between street beautification with trees on the one hand and footpath safety on the other. Solutions could include different trees, different types of footpath material, different footpath designs (eg wider footpaths), more regular tree trimming, more footpath maintenance, and even better lighting (so that trip hazards can be seen and avoided.)

Each of these options will have consequences for present and future costs, and for present and future community value. The exercise should NEVER be to REDUCE COSTS. It should ALWAYS be to INCREASE VALUE.

Where goal achievement between different services conflicts, you will need to broker a deal between both. (It has been a very long time since asset management was a simple 'backroom' exercise. When you think about the three steps above, you can see why the headhunting agencies require as their first attribute in a successful Asset Manager, the ability to communicate!)

### A word of caution:

Too often the Asset Management Plan is one-sided: the Supply Side only. You calculate the future renewal and maintenance cash flow required to maintain the asset portfolio to current standards. You use good life cycle costing techniques and good asset information. But this is not enough! It is only half the story and you need the other side: the Demand Side. Few assets are replaced because they physically fail. Long before that time they become too expensive because they can no longer satisfactorily serve today's requirements. In other words, 'functional life' not 'physical life' is what is important. And 'functional life' can only be determined by talking to the Service Units. (And from them, in turn, talking with their communities!)



### If you follow these three steps

1. The Asset Management Unit will have a good idea of what is going on all over the organisation. (Indeed you may be the only section that does!)
  2. The Asset Management Plan will perform an integrative function that is especially critical for organisations that have diverse responsibilities.
  3. Asset Management will be seen as serving community values, rather than as, in so many cases, being seen as something that 'gets in the way' by being just a drain on resources.
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*Very Good*  
"Tom's Bad Day"

### NOT QUITE THE DA VINCI CODE, but...

Over the last couple of issues Roger Byrne has recounted the start of the story of "Tom's Bad Day"

OK so, as he would be the first to admit, Tom's story may not be as riveting a read as one of Dan Brown's novels – but IT COULD BE A LOT MORE USEFUL!

You can follow Tom's development as he learns how to develop a useful asset register, assess the condition of his assets, value them and comes to appreciate what depreciation is and does, etc. When we leave Tom he has so solidly got on top of his day-to-day urgencies that he now has the time—and the interest—to seriously tackling long-term portfolio sustainability.

The whole story is available at

<http://www.epa.gov/owm/assetmanage/pdfs/storyline.pdf>

It was developed for the Environmental Protection Agency and Waste Water Utilities in the United States, together with a detailed training course complete with every tool and template to get the job done, a course that has now been tested very thoroughly on large utilities.

This course is now available in Australia. And it is shortly to be available with post-graduate certification. For details, contact Tom Carpenter on 61 (0)3 8687 8181.

*(As a matter of principle, "Strategic Asset Management" does not carry advertising, so this is not. I had the opportunity to review this course last year and consider it to be practical, thorough, and not at all 'academic'. If you want a practical course by people who 'have been there, done that', then this is for you. Even better, you can now have these benefits and an academic qualification as well.)*