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Population Future!
More elderly, fewer
young?

For Practitioners, Policy Makers and Planners in Public Infrastructure

What does population change have to do with asset management?

A: Everything!

Everything we do in asset management / infrastructure decision making is about providing the capability for service *now and into the future*. But only a small fraction of the services that our assets are able to provide will actually be provided *this year*, the great bulk of these services are for future users. **Who** will these future users be? **What** will they want? **Will** we **be able to provide it? maintain it? pay for it?**

These are the critical questions for asset managers and those who are today making decisions on future infrastructure. Recent electricity blackouts and the growing problem of water scarcity have led to strident demands for 'more infrastructure'. Editorials speak of 'building for the future'. **But building what?**

Unless we understand population change, we are in danger of constructing infrastructure that (a) we won't be able to use (b) we won't be able to operate and maintain and (c) we won't be able to pay for!

That is why I have joined forces with Associate Professor Natalie Jackson, Social Demographer at the University of Tasmania, through ACORN Inc., to provide a forum where you can read, listen, ask question and discuss the population issues that will be critical to the future success of YOUR COMMUNITY.

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Editorial:

Demographically, we are in transition. What does this mean?

We are in what the demographers call a 'transition'. We are transitioning from a situation of population growth to one of population decline. This is hard to come to grips with. For the last 200 years, the world has known continuous, and at times, rapid population growth. Our economies have been built around this growth. The industrial revolution was all about developing mass markets for growing populations. And even though the era of 'economies of scale' is now well behind us and we are now into 'micro markets', ideas are slow to change and many still cling to the notion that 'big is better'.

Now we have yet to learn how to organise ourselves and our supporting infrastructure to benefit first slower population growth, then stabilization, and then decline.

Skills shortages are a symptom of a wider problem

There are not enough young people to fill the gaps to be left as older, experienced, workers retire. The resources boom is adding to the problem by syphoning off skills from maintenance to growth infrastructure but even without the resources boom the underlying problem of an ageing population would still be with us.

Can we overcome our skills shortage through immigration?

Temporarily, yes we can. But migrants also age, so that we would need increasing numbers just to 'hold the line'. In short order, the numbers required would be too large for us to handle. We need to understand this and other population 'solutions' (baby bonuses, etc) if we are to effectively plan infrastructure for future communities.

Hence, our new E-Serial

I have joined forces with Associate Professor, Natalie Jackson, Social Demographer at the University of Tasmania, whom you will remember from her articles in SAM. You may also have heard her on the ABC. She is a frequent guest and also an advisor to governments. Together we have prepared an "E-Serial" - like an e-book in that it is on-line, but it is developed week by week as we elaborate the infrastructure issues linked to population change - and respond to your questions! It will be posted on the ACORN Inc. website.

Our E-Serial starts in February. To start you thinking, Natalie and I look at the four essential elements of Population Ageing, each one of which will impact you and your community.

Consider and Enjoy!

Penny Burns, Editor, Strategic Asset Management

Population: the Critical Issue

Of all of the current issues that are important for asset managers (e.g. climate change, water, oil depletion) population change is the one we can do most about. But only if we stop dealing in wishes and start dealing in facts.

What do we know? *We know how old people are now, the rate at which they die, the rate at which they give birth, and the levels of current and likely future immigration. Such is the nature of things that these figures are far more reliably known than, say, the age and likely demise of assets!*

“Stretch Targets” or “Heads in the Sand”?

The South Australian Government recently announced that it recognises that it is unlikely to reach the 2m population mark that it set down in its State Strategy but that it is keeping it on the records as ‘a stretch target’. At the same time as population is falling increasingly behind target, the State is proud of the fact that ‘infrastructure growth is ahead of target’. Is this sensible growth policy or misguided optimism

“Building for the Future” or “Building Debt for the Future?”

The ‘sea change’ is leading to increased population in coastal strips that are mostly not connected with the main sewage treatment plants. The cost of connecting these new areas is causing a headache for councils that are nevertheless delighted with new growth. If major debt is incurred to apply city level sewage treatment, will it be recovered?



“Unfortunately there turned out to be an error in our population forecast.”

These are some of the issues that we will be discussing in the coming weeks on our website Population Futures. Although written from an Australian perspective, the issues apply to most developed countries, who are experiencing low birth rates and ageing populations.

In this issue, to start things off, Natalie explains the 4 critical dimensions of population ageing, namely:

Numerical Ageing - the **absolute** increase in the numbers of elderly

Structural Ageing - an increase in the **proportion** of the population that is elderly

Natural Decline - A situation where there are **more deaths than births**

Absolute Decline - Where the births-deaths deficit cannot be made good by migration

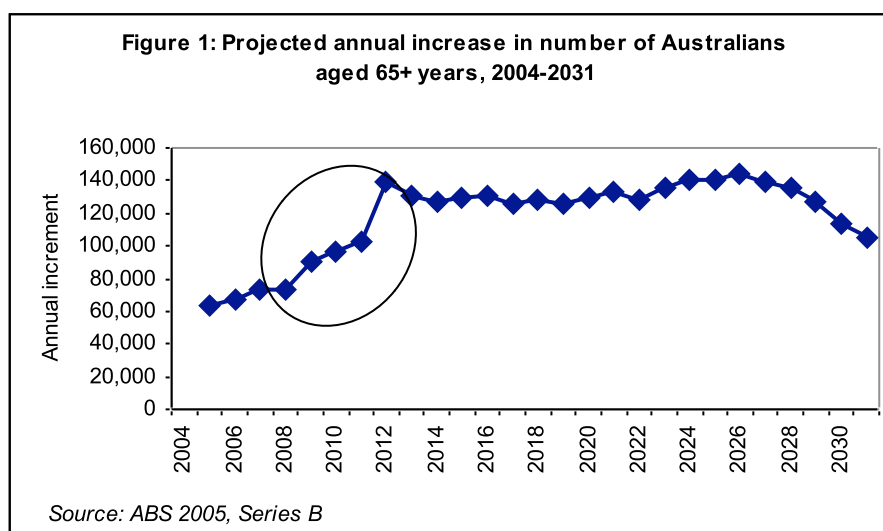
Each of these has its own important impact on asset management and infrastructure planning.

Population Ageing in a Nutshell

Natalie Jackson

Numerical ageing refers to the absolute increase in the number of elderly, and is due primarily to increasing life expectancy. Numerical ageing is 100 per cent guaranteed: those who will be 65+ in ten years time are already 55+; we know how many there are and the rate at which they die (and migrate). Reflecting this high degree of certainty there is minimal difference in the projected numbers of elderly between the Australian Bureau of Statistics (ABS) high, medium and low projection series.

It is numerical ageing that is the primary dimension of interest to organisations dealing with demand for goods, services and facilities. Numerical ageing is now beginning to escalate. As Figure 1 shows, the annual increment is currently around 73,000, but this will increase to 80,000 by 2009 and almost 140,000 by 2012, following which it will remain above 130,000 for the following two decades. The pattern is remarkably similar across Australia's states, territories and local government areas.

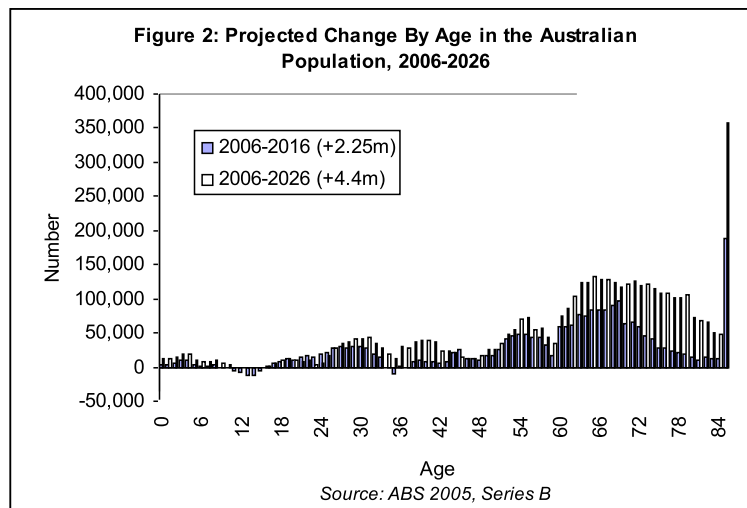


Structural ageing on the other hand refers to the increase in the proportion of the population that is elderly, and is generated by declining birth rates which decrease the proportion of the population that is young and increase the proportion that is old. The extent to which structural ageing will continue into the future is totally dependent on what happens with the birth rate. However, since Australia's birth rates have been declining now for over 40 years (despite having stabilised in the past year), there is a lengthy period ahead in which the ratio of young to elderly will continue to decline. So too will the ratio of people at labour market entry age (15-24 years) to those approaching retirement (55+ years), with attendant implications for the labour market and likely improvements in personal material wellbeing. This dimension will have implications for organisations in terms of changes within their client populations, for example, in the proportion of ratepayers anticipating receiving a seniors' discount, and for recruitment and training of personnel.

While the two dimensions of population ageing thus have quite separate causes, they will soon come together as the baby boomers reach old age. Currently the oldest ‘boomer’ is aged 60, the youngest, 41; as they pass age 65 they will add to both the numbers and proportions of ‘elderly’. Nevertheless the distinction between the two dimensions will remain important because of their different implications.

As indicated, on the one hand, it is **numerical ageing that will drive up demand** (e.g. for goods and services) while it is **structural ageing that will be the constraining factor in terms of funding and delivering** those goods and services – fewer births per woman eventually translates into fewer people entering the labour market and primary tax-base and home-buying ages, while the numbers of elderly will continue to grow for several decades (as the baby boomers age) irrespective of what happens with fertility.

The impact of structural ageing in Australia is clearly shown in Figure 2, based on the ABS medium variant projections.¹ The data reflect the projected change in numbers at each age between 2006 and 2016, and 2006 and 2026. Clearly almost all growth occurs at the older ages, while there is even decline in some younger ages.



Natural decline: The changing ratio of young to old ushers in the third dimension of population ageing: natural decline. Once a population contains more elderly than children it is a short step to having more deaths than births. The result, natural decline, is the reverse of what we have known for most of modern history. Natural decline is expected in Australia by the 2030s or ‘40s – even with annual net migration gains of around 100,000. However it is expected much sooner in the nation’s two oldest states, South Australia and Tasmania, and is already extant in seven per cent of Australia’s local government areas (ABS 2006a: 23). Around 14 per cent of LGAs already have more elderly (aged 65+ years) than children (aged 0-14).

Note: Diagrams assume a net international migration gain of 110,000 persons per year; the birth rate declining to 1.7 by 2018 and then remaining constant; and life expectancy increasing to 84.9 years for males and 88.0 years for females by 2051. See ABS (2005) Population Projections, Catalogue 3222.0, Chapter 2

Absolute decline: Once natural decline begins, population growth can only come from migration. Ultimately, where there is insufficient ‘replacement migration’ to offset the lost births and increased deaths, we reach a situation of absolute decline – not anticipated to begin in total Australia until the second half of this century, but again occurring much earlier in the older states and local government areas. *The situation, which is unfolding inexorably, will see a large number of rural towns face great difficulty in offering and sustaining many taken-for-granted services.*

Importantly, in many areas, particularly rural LGAs, the shift from natural increase to decline is not being driven by conventional structural ageing (that coming from low fertility) and increased life expectancy alone, but rather, by either excessive net migration loss at the young adult ages (which also removes the children of those migrants), and/or migration gain at the older ages. *This migration-driven ‘premature ageing’ means that in many rural towns the situation is essentially self-generating, because only an abrupt and sustained reversal of the migration trend can resolve it.*

Australia is not alone in facing population ageing, natural decline, and, in all probability, absolute decline —although, as elsewhere, it will occur unevenly across the country.

Natural decline is already the situation across all of Europe, Canada and Japan, while absolute decline has also begun in many European countries and is currently beginning in Japan. Both will occur in China in the 2030s – ahead of total Australia. Furthermore population decline is expected to begin at a global level from around the end of this century, eventually affecting the ability of any country or state (let alone rural town) to resolve its own population ageing through international migration.

Population Ageing will impact councils differently

Understood thus, it can be anticipated that population ageing in Australia will have many implications for Australia’s local government councils, and that these implications will differ quite markedly within each region. In some cases the implications will be positive (for example, declining unemployment and increasing incomes) but in others, negative (for example, the unsustainability of many towns). In all cases, however, population ageing will be played out at the level of local government because it is there that goods, services and facilities must be provided and largely funded.

In the next issue Natalie Jackson will look at the differential impact on councils across the country. Importantly, the solution that is right for you and your council will likely be quite different from those that are right for neighbouring councils. This is not an area where ‘one size fits all’. Each council will need its own individual solution - built on understanding rather than copying the practices of others.

Questions? Send your questions to either myself at info@amqi.com or direct to Natalie at Natalie.Jackson@utas.edu.au . Put “Population Questions” in the subject line to draw our attention to your issues and we will incorporate in SAM and/or our E-serial which will start next month on the ACORN Inc. website.

Community Consultation Pt 2: And Public Consultation is Born!

By Debra Hall, MSc (Eng)

Brief Summary of Part 1

We tend to think of community consultation as a recent phenomenon but it actually started back about 500 BC - and has been changing ever since!

Debra Hall explained some of the changes and the reasoning behind them so that we may have a better understanding of why we are now doing what we are doing and whether we could do it better.

In this issue Debra looks at the birth of the public consultation industry.

The role of marketers and media

As marketers and the media persuaded people that they have an individual voice, the market research industry was born, to provide a mechanism for people's opinion to be heard in a more systematic way – especially from those who didn't want to take to the street with banners! Scientific methods provided the opportunity to know what the whole community really thought – complete with % figures and margins of error.

And as we became adept at measuring people's opinions, and their satisfaction with the services provided by shops, airlines, car dealerships and banks, the concept of measuring satisfaction with local government authorities was born. We developed benchmarking systems for councils to measure their 'customer satisfaction' – how the public felt about the

way their city or district was being managed – and compare it to similar communities across New Zealand.

Beyond Lobby Groups?

From there, things grew like topsy. Of course, councils had always had a mechanism for the public to be heard on important topics, but it was clear that the people participating in the submission process were hardly representative of the wider community, and may in fact simply represent lobby groups within the community who were more adept at having their say, and thereby getting their way.

Recent years have seen ever more prescriptive approaches to community consultation – probably one of the few areas where providers are legally required to consult the public, based on the no doubt valid point that the councils are spending public money, so they must be accountable for delivering good value (and good value can only be judged by the community itself).



Community Consultation in New Zealand

Where are the Elected Representatives in all of this?

Community's Police?

Are they simply there as the community's policemen and women, to check that the officials are doing the consultation, or should we be expecting them to take a leadership role in doing what's right for the community, because they are the ones who have the time and hopefully the ability to make more informed decisions than the general public?

Because that's where community consultation went next, trying to get the public involved in actually making the decisions. Having discovered we could measure and monitor residents' satisfaction with the services provided by their councils, we started asking what we should do about things that they were less than happy with. Council staff became frustrated by what they saw as uninformed opinions, and by surveys that delivered some quite low satisfaction scores but no guidance as to what would make people happier.

More say, more responsibility?

At the same time, the requirement to adequately account for depreciation on community assets meant that councils came under financial pressures, and ratepayers started to feel the squeeze. Services that people considered a birthright suddenly came with a price tag attached, or at the very least, with the threat of rates increases to continue funding them to the expected levels.

A smarter process, but more onerous

Eventually, the consultation process got smarter – albeit a lot more onerous for those being consulted. Councils and their researchers started looking at the trade-offs that people were willing to make, providing information about what they could get at what

price – the questions became much harder to answer (an a lot harder to construct in the first place), and the results of the surveys became much harder to interpret. But at least we were forcing people to consider what their excessive expectations were going to cost them – not that it stopped them expecting that “the government” should pay (most notably, for Auckland's roads!)

Education first, then opinion

Leading councils held workshops where groups of residents were first educated on the issues, and then taken through the decision making processes about their local services, enabling us to get a more informed view of what the general public thought (or would think if they understood the issues and problems that the asset managers were facing). That didn't stop the 'un-educated' ones complaining about the outcome, though.

All of this pre-supposes, of course, that the people want this kind of involvement in decisions.

There are parallels in the marketing world where we know that, when faced with too many choices, or too hard a task, consumers simply revert to what's easy. In essence, people don't really want a choice – they just want what they want. In local government, the problem is that they often can't afford what they want, nor are the willing to take the time and trouble to educate themselves about the alternatives.

Then along came the internet, again changing the way consumers operate in a marketing sense, and there's early evidence that it's doing the same in the local (and even central) government space.

In the concluding part in the next issue Debra Hall looks at how to get community consultation to work