

Chapter 4: Towards a Wider Debate on Federal and Regional Governance: The Rural Dimension

Mal Peters

Introduction

Sir Henry Parkes, the father of federation, put forward the proposal in his 1889 Tenterfield oration that a 'Convention of leading men of all the colonies should meet to devise the constitution which would be necessary for bringing into existence a federal government with a federal parliament'. His ambition to have a federal convention was realised and in 1891 a draft Australian constitution was presented to the Colonial Parliaments. Following the Federal Conventions of 1897-1898 and further work, a Constitution was formed that binds together the Commonwealth of Australia today.

Sir Henry and other federal founders were visionary – they envisaged a constitution that would adapt, if necessary, to meet future challenges. We need to stop and ask ourselves what they would do if they were undertaking the task again today because not even Sir Henry Parkes could have imagined the problems that would become apparent in Australia in the 21st century. The Australian public have to a large extent become very cynical about all levels of government. In the recent survey by Griffith University (Gray and Brown, this volume), 74% of NSW respondents expressed clearly that they want a change to the structures of Australia's governments in the long-term. That cynicism and distrust has increased in recent years because of government actions in a number of areas. People feel disempowered; the vast majority of people expressed a clear opposition to the sale of national icons, such as Telstra, but were ignored.

The current Australian Government has embarked on a centralising program like no other, controlling more and more from Canberra. In the High Court of Australia, we recently saw the spectacle of 35 very expensive lawyers challenging the Australian Government on industrial relations reform, at the behest of State governments, all at massive taxpayer cost (WorkChoices 2006). But they lost.

State governments appear unable to enact any strategy beyond the next election timeframe. We have areas of coastal Australia experiencing massive growth – upward of 7% in some areas of Queensland – with a huge lag in infrastructure to support that growth. The health system in NSW has virtually collapsed with some 2,000 people not seen within the recommended 10 minutes at hospitals when faced with life threatening conditions.

Local government fares no better. Traditionally, local governments tended to focus on, and were mostly responsible for, decisions relating to land use zoning and associated infrastructure requirements. However, over the past decade or more there has been increased engagement by local government, through the Australian Local Government Association (ALGA), in the development of national regional development policy. There is also evidence of a steady devolution of responsibility to local government alongside a growing expectation by State and Federal Governments that local shires adopt a more strategic approach to their activities. Despite this, an independent inquiry by Percy Allen, a former head of NSW Treasury, has found that a quarter of the 152 local councils in NSW are like councils in third world countries – starved of funds and unable to perform efficiently.

Many experts and commentators see the current system of government as being in a crisis. I contend it *is* a crisis. However, with goodwill and commitment we can put the building blocks in place to better inform change where it is underway, and drive new change where it is needed. There are solutions; we just have to find them.

Rural Australia and the need for reform

Unless a better way of governing this country is found, I believe that rural and regional Australia will continue to suffer badly. I will speak largely about rural Australia, obviously because it is what I know, and who I have been fortunate to represent in recent years in my former role as President of the NSW Farmers' Association.

There is a significant population imbalance in Australia. We are just about the most urbanised country in the world. Only 28% of Australians live in inland Australia in small rural centres and regional cities. Approximately 82% of the Australian population lives in major metropolitan regions and within 50 kilometres of the coast. The 2001 Census of Population and Housing showed that of the 6,371,745 people in New South Wales, 68.1% of the population lived in just six urban centres: the four with populations above 100,000 (Sydney 3,502,301; Newcastle 279,975; Central Coast 255,429; Wollongong 228,846) together with the Tweed Heads part of Gold Coast-Tweed Heads (45,024) and the Queanbeyan part of Canberra-Queanbeyan (29,928). This is notwithstanding that in all, there were 244 urban centres and 270 localities in NSW in 2001.

Rural Australia is in slow decline and is increasingly being omitted from key policy considerations. There is evidence that over 40% of towns in NSW are in decline. The towns most likely to be in decline are in the more remote areas. Meanwhile the 60% of towns that are growing are largely in coastal, semi-urban or mining areas. Growing or declining population can be an important indicator of the economic health of a regional community. A number of studies by the

Australian Bureau of Statistics (ABS) and the Australian Bankers Association (ABA) have analysed demographic trends and their impacts on regional communities and in particular their impacts on smaller regional centres. While population loss or stagnation is only one among a number of potential indicators of decline, it is an important one and is the focus of much regional development discussion.

The ABS (1998) has made a number of points about the decline of small towns that place the problem in perspective. In 1986 there were 578 towns in Australia with a population between 1,000 and 19,999; in 1996 there were 678, or 100 more such towns. They contained 2.5 million people, or 324,000 more than in 1986. Of the 578 towns in 1986, 47% had grown by at least 10%. Most towns experiencing substantial population growth were coastal, peri-metropolitan or associated with particular growth industries such as tourism or wine growing. However 31% of these towns had lost population, with 10% declining by at least 10%.¹ Towns in decline were usually inland, in wheat-sheep belts, dry land grazing regions or mining regions. The proportion of people living in towns under 1,000 and on farms (defined as rural) also fell.

Another study, commissioned by the ABA (1998), examined trends in the position of local government areas from 1976 to 1996. Of the 700 local government areas (LGAs) across Australia, the study examined the 456, which it defined as 'rural', containing fewer than 17,500 people in 1996. Of these 456 LGAs, 215 had been subject to 'a process of sustained population loss since 1976':

The result is a process of demographic erosion that has reduced the number of people in 215 rural municipalities from 883,747 in 1976 to 778,452 in 1996 which is a decrease of 12% (ABA 1998: 2).

According to Nugent (1998), NSW population movements between 1991 and 1996 reveal complex intrastate demographic trends: the continuing domination by Sydney of the State's population, a pattern of inland migration to the coast and interstate, and very low growth or decline among inland regions. On one hand, 88% of coastal centres experienced population increase, with coastal towns having an average growth rate over the period of 16% compared to 5.7% for all rural centres. On the other, inland regions' average annual growth between 1991 and 1996 was a low 0.03% (0.63% from 1986-1991), and the population of most inland areas fell. Non-coastal centres grew at a significantly lower rate than the rest of the State. While towns with populations of 10,000 to 20,000 grew strongly, as did towns with 500 to 2,000 people, towns of 3,000 to 10,000 people recorded the lowest growth and lost population.

From this analysis there are a number of conclusions that can be drawn about demographic trends in relation to smaller regional centres in New South Wales. A majority of the small regional centres are losing population, and not all larger

regional centres are growing strongly. Regions are not simply losing population to Sydney but to other states and territories. Inland regions are generally faring poorly in terms of population growth. It is important to note that the decline of many small towns and the forces driving this decline are not confined to New South Wales but are also occurring in other States and Territories.

Population growth or loss is not the only barometer of community economic health. It is also important to look behind the demographic trends to examine the underlying strength of regional economies. However as the population distribution continues to change, so, naturally, does the level of attention and understanding that governments have of rural issues. It is here that it becomes clear that Australia's system of government has not adjusted to accommodate these changes.

In my former role as President of the NSW Farmers' Association, I was continually frustrated in my approaches to government with their lack of understanding about rural issues. With only 11 rural-regional seats in the NSW Legislative Assembly of 99, it is little wonder that politicians place their focus on metropolitan and coastal issues.

A particular example of this lack of understanding came when the Federal Treasurer, Peter Costello, was reported as saying that a fall in agricultural production and rural exports due to drought was not enough to derail the strong growth of the entire economy. This 'city-centric' remark showed little understanding of the way a drought cuts jobs, bankrupts business and destroys farming communities. It is not so much the fact that agriculture contributes 4% to the country's GDP; it is the fact that in many communities the income that flows from our exports forms the basis of local economic activity. Work by the Australian Farm Institute (2005), has shown that the Farm Dependent Economy, which takes into account all the flow-on economic activity of agriculture, is about 12% of GDP, equating to \$72 billion. The Treasurer's comments ignored the social impact of drought, and the multiplier effect it has in regional communities. Little did he realise that a fall in the gross value of agricultural production of 19% (around \$32 billion) as a result of the drought would lead to a decline in Australian GDP of around 1% and a loss of 44,800 jobs (11% of employment in the sector) in the five years to February 2004.

From the perspective of rural communities and agricultural industries, there are two major reasons why we need to look to reform of our system of government, to overcome and compensate for this institutionalised lack of understanding. One is the hidden costs to the entire Australian community of poor decision-making in relation to rural issues. The second is the human and social impacts of change affecting rural areas, which are not being effectively addressed by the current system. I will outline these briefly in turn.

Investing in rural sustainability

'City-centric' policymaking is not just a problem of the political process. It is also supported by views held by city media and some parts of corporate Australia, especially in relation to farming and the environment. Notwithstanding the decline in political significance of rural towns, the sustainability of rural industries is a national issue.

When it comes to quality decision-making by government, some of the clearest challenges can be seen in issues of infrastructure. If the agricultural sector and regional Australia is to grow and compete in the global environment, regional economies must be connected with the rest of the country and the world. This requires infrastructure to connect roads to railways to ports, telecommunications, energy and water. Much publicly funded rural infrastructure is in decline and needs urgent upgrading. In many metropolitan areas, this is being addressed through the emergence of public-private partnerships. However public-private partnerships are not viable for many projects in rural areas for a number of reasons, including apparent lack of political will, regulatory impediments, and difficulties in collecting tolls.

The freight task for Australia is estimated to double by 2020. Transport infrastructure must be improved, or triple the current number of truck movements will be occurring on our roads. In NSW, four rail lines have ceased operating in recent months. This alone means an additional 79,000 B-double truck movements on country roads in order to transport grain. But, according to the Shires Association of NSW, there is already a \$156 million shortfall in funding for local government roads. Closing rail lines therefore only adds financial pressures on local governments, exacerbating what Percy Allen recently said about third world councils. The state of major highways is not simply an economic issue for the nation, but a safety issue. More than 15 years ago, the investigation into the deaths of 55 people in two bus crashes recommended that the Pacific Highway should be made dual carriageway along its entire length. Only 30% has been completed.

An efficient telecommunications system is critical to agricultural production. From a social perspective, telecommunications are also a lifeline for rural people, keeping them in touch with each other and the world. A sub-standard telecommunications system means isolated people, and is a life and death matter in emergency situations. As governments retreat from direct investment in this infrastructure, and increasingly leave telecommunications to the market, there is an abiding lack of political understanding of the relative impacts in rural areas. However if regional communities themselves wish to reinvest in infrastructure, they do not currently have the political autonomy, financial resources or regulatory authority to do it.

A major issue that maintains a sense of regional divide in Australia – or more particularly, city-country divide – is debate over the management of natural resources. One of the main (and obvious) differences between urban and rural areas is the landscape. Our whole society values the environmental qualities of rural landscapes, their biodiversity, what they provide in water quality, and the opportunities they provide for recreation and leisure. The challenge is to find ways to ensure that government funding maximises the wider benefits of the countryside and ensures that that they are shared as equitably as possible. But it is an open question whether investment in sustainable natural resource management, under current structures of government, have any real chance of being effective (see Bellamy this volume).

The issue of equity becomes even larger when it comes to the challenges of social sustainability in rural areas. Throughout rural areas there are vulnerable groups who are at particular risk of exclusion. Children and young people, lone parent families, those with disabilities and older people are obvious examples. Their needs are often harder to identify and it can cost more to deliver the services they need. Government has a responsibility to ensure equitable access to quality public services and to ensure that everyone (especially the vulnerable) can access them.

Two recent studies highlight the social problems confronting rural Australia. The first by Mission Australia was titled *Rural and Regional Australia: Change, Challenge and Capacity*. The study revealed a ‘diverse story of disadvantage’ for the 36% of Australians living outside metropolitan regions. It showed that that country young people are less likely to finish school and 1.7 times more likely to suffer an alcohol-related death than those living in metropolitan areas. Inequalities in health, job opportunities and quality of life for rural Australians can be seen in income levels in non-metropolitan areas, which tend to be lower, with almost 17% of non-metropolitan households living on a weekly income of \$300 or less compared with 12.8% of city dwellers.

The NSW Farmers’ Association’s ‘Building Rural Community’ survey, carried out in mid-2005, revealed major concerns about the availability and quality of services in health, education (highly variable), transport, banking, police, child care, and aged care. We know from our work with the Rural Mental Health Alliance that the rural suicide rate is roughly twice that of urban areas. Rural communities rely on a high level of ‘volunteerism’, but this is not necessarily sustainable, with burn-out a significant problem which affects cultural, sporting and recreational activities.

Employment is also a major concern in rural areas. At least until the drought began to have its impact, employment in the farm sector itself was strong. Using ABS data, Herreria et al (2004) provided a review of the social profile of people employed in agriculture, forestry and fishing industries between 1996 and 2001. The data was classified according to whether the employees were located in 'metropolitan', 'regional', 'coastal', 'inland' or 'remote' regions.² Employment in the farm sector increased in all regions of Australia, with the exception of coastal regions, which experienced a 0.5% decline (most prominent for females with a 1.8% decline in employees in coastal regions). The number of indigenous people working in the sector also increased in all areas (this ranged from a nearly 60% increase in metro areas down to a 2.8% increase in regional areas), with indigenous people now accounting for 1.3% of people employed in the farm sector in Australia. Reinforcing the social issues, over 9% of farm sector employees now live alone – an increase of 18% in inland areas and approximately 20% in remote areas.

However the employment picture in rural areas is now not so optimistic. On one hand, rural areas continue to suffer major shortages of professionals and skilled labour. On the other, they now also exhibit relatively high levels of unemployment. The reasons are not just the drought, but other structural shifts in the economy. The age and qualification profiles of workers in rural NSW suggest substantial skill gaps, making many unemployable. Training has not kept pace with the transformation of agriculture in the last two decades, and a large proportion of the rural population do not have the necessary skills to perform the job. According to Herraria et al (2004), 23% of farm sector employees across Australia had less than 10 years of schooling, and only a little over 6% had a bachelor degree or higher qualification. The lower figures came from inland (5.5%), coastal (5.1%) and remote (4.5%) areas. The greatest change in the number of employees with bachelor degrees or higher education was among women, where the number increased by almost 50% over the five years to 2001.

Other well-known reasons for the decline include companies relocating from smaller towns due to worsening infrastructure, and rationalisation by government departments, banks and other large companies including closure of smaller branches and offices. Table 4.1 shows the overall picture, based on the number of unemployed and unemployment rates in NSW for the March quarter 2004 and March quarter 2005. While unemployment overall is at historically low levels, it is clearly not so low in rural Australia. In March 2005, a staggering 43% of all of the unemployed people in NSW were in non-metropolitan NSW. The unemployed in country NSW made up 14% of the entirety of unemployed people in Australia.

Table 4.1. Unemployment Rates

Regions	Unemployment No.		Unemployment Rate (%)		Labour Force
	Mar 04	Mar 05	Mar 04	Mar 05	Mar 05
Australia	599,300	554,400	5.9	5.4	10,312,100
New South Wales	190,700	180,500	5.7	5.3	3,376,500
Sydney	113,800	103,000	5.2	4.6	2,214,600
Non-Sydney	76,900	77,500	6.5	6.7	1,161,900

Source: NSW Farmers Association 2005

Solving these employment problems, and larger social issues that surround them, is not simply an economic challenge. It is a more general challenge of governance, because much of the key to attracting and retaining skilled workers in rural industries hinges on a broad understanding of regional development, including developing more attractive and sustainable living environments.

With no other level of government properly placed to lead the charge, many local governments have tried to use strategies to retain and attract skilled workers. These strategies, aimed at offering the best possible quality of life and environment for all local citizens, based on principles of social justice and equity, as well as best practice in planning for land use, infrastructure and services. This includes providing appropriate protection and enhancement of heritage character and cultural identity; designing and implementing programs that are ecologically sustainable and provide for the retention of important features of the natural environment; providing the choice of housing sought by communities; and offering varied and accessible employment opportunities. Some of the broad programs and projects undertaken by local governments include:

- pursuing greater efficiency, community orientation and quality outcomes in procedures for development control and other forms of regulation associated with the planning and management of urban areas;
- implementing planning programs that address the need for better environmental design within both housing stock and public buildings, with particular emphasis on solar access, latitude design modifications, alternative wastewater use, land subdivision, use of communications technology, shared facilities and economy of scale; and
- promoting and funding better urban design outcomes; supporting rural and regional infrastructure projects; and participation in integrated planning and service delivery projects.

The problem is that local government, as it currently exists, still cannot do enough. Despite the effort to attract and retain suitably skilled labour, these strategies and programs do not seem to be working, and people continue to leave rural areas for metropolitan areas. The reasons were highlighted by the NSW State Chamber of Commerce or SCC (2000) in its submission to the Commonwealth Government's Regional Business Development Analysis. According to the SCC,

the difficulties in attracting and retaining skilled labour in rural areas also relate to:

- lack of recreational and cultural facilities;
- lack of quality educational facilities – particularly nearby private schools;
- the inability of regional business to pay metropolitan wage rates;
- limited employment opportunities and job prospects; and
- reduced access to medical facilities and doctors.

According to the SCC, regional businesses identify lifestyle as the most important factor in attracting skilled workers to regional areas. The fact that regional areas afford more relaxed, slower pace of life in country surrounds, can be synonymous with an improved quality of life. However people are not prepared to sacrifice everything for these particular qualities. One Chamber member commented as follows:

Some people want to relocate out of Sydney for the quiet life. Most don't. They want the coastal or rural life, but they still want good coffee, they want kids' schooling, want access to libraries, restaurants, city type activities. People naturally enough would like the best of both worlds. That is why the idea of stimulating the growth of regional centres is essential.

Local government simply does not have the capacity, legal power or financial resources to influence the more structural conditions for this kind of development, even when it has the vision. However, neither can the state and federal governments do it, because they are not fundamentally rooted in the region, and are inevitably dominated by metropolitan concerns. As a result, they simply do not have the commitment to the type of medium and long-term changes needed, even where they have the knowledge or understanding. In NSW, government policies to address the problems faced by rural areas are not working because government has failed to understand the dynamics of the social profile of the farming sector and the rural community in particular. While the problems experienced by people living and working in rural areas are often the same as those in urban areas, the solutions often have to be tailored to take into account issues such as remoteness and higher costs of travel (in both time and money). In addition, the diversity of rural areas means that different delivery solutions and priorities may be needed in different areas.

After many decades of trying, it is clear that the broader approach to regional development needed to make rural communities sustainable, is not achievable under our current system of government.

Towards a wider debate on regional governance

It is time to move forward in recognising that our institutions of government can and should be better organised to give all regions a fair go. In particular, it is time to escape the 'city-country' divide that currently holds us back. The public attitude survey of NSW residents, supported by the NSW Farmers' Association (Gray and Brown, this volume) provides a new reason for this, because it suggests city people are actually no happier about the current system, and just as interested as country people in long-term change. Urban regions have their own unique problems which are apparently being no better served by the current federal system, particularly by state governments, than rural ones.

There are other things in common. In November 2002, the NSW Farmers' Association undertook a Parliamentary Audit of laws and regulations, which revealed that farmers are being regulated out of business by a mountain of bureaucratic red tape. Farmers' in NSW must comply with at least 56 different agricultural and environmental laws and regulations that have been introduced over the years. In 2003, of the 1,800 Commonwealth Acts of Parliament in place, 170 had been passed in the previous year. In four years from 2000 to 2003, the Commonwealth Parliament passed the same amount of legislation as it passed in the 69 years to 1969 at an administrative cost to Australian taxpayers of \$4.5 billion in 2001-2002 alone. Similarly, in 2005, there were 1,300 NSW Acts of Parliament in place, 115 of which had been passed in the previous year. During 2000-2003, the NSW Parliament passed 300 pages of Acts, Rules, regulations and by-laws each sitting week.

The OECD estimates that the compliance cost of regulation for small and medium-sized Australian businesses in 1998 was more than \$17 billion. Urban and rural businesses alike have an interest in reducing this burden of red tape, and the overall cost of government, if the path to a more efficient federal system can be found.

Given these facts, it is fast looking like there is every political reason for governments to look at long-term reform of the federal system, and few reasons left for them not to. Reforming basic institutions may not solve all the problems outlined in this chapter, at least not overnight, but we have to seriously consider the options. It was for this reason that the NSW Farmers' Association took a lead in research and debate about options for a better system of government, through a taskforce established in 2004. Together with Griffith University and allied research bodies, we are now supporting the development of a new framework for evaluating trends and possibilities for our system of government. Key elements of that framework are set out in an Association discussion paper (see Appendix this volume).

While the NSW Farmers' Association Taskforce has particular options it favours for reform, we recognise that a range of options need to be discussed. The common element of these options is a recognition that our federal system needs to provide regional communities – rural and urban – with greater capacity for developing and sticking with their own solutions to their own problems, by allowing stronger forms of government to evolve at the regional level. Local government is trying, but can't do it alone. State governments have had the chance, and both can't and won't. The federal government is a growing force in the lives of rural regions, and increasingly provides the national standards that determine how business runs and how the environment is managed, but it is too remote from local communities to run all their affairs.

An agreed model for evaluating options for new states or regional governments in Australia is vital. A problem of past debates has obviously been disagreement over the criteria that should be used to assess the potential benefits of reform, leaving uncertainty about its likely overall effects, and helping preserve a status quo widely regarded as less than optimum. There is a clear need for further research to assess the potential benefits, costs, and options for reform. It is for this reason the Association has given funding to help trigger more detailed analysis of the costs, benefits and economic feasibility of reform options in the area of federal restructuring.

The Association has also discussed a new alliance of interest groups to take this issue forward. We need a collaborative effort, including a broad range of Australian business, community and non-government organisations in a larger debate about how structural reform of the federal system might better serve the people of Australia – urban and rural alike. There is great need for more informed debate about the evolution of our institutions, which is above party politics. There is currently a big gap in this debate, after the conclusion of the Constitutional Centenary Foundation (1991-2000), and the winding-up of think-tanks like the ANU Federalism Research Centre. Many organisations are interested in this debate, as shown by the Business Council of Australia's *Aspire Australia 2025* report (2004) and recent *Reshaping Australia's Federation* action plan (2006). Business and non-government groups need to work together to improve our fundamental structures of democracy and governance.

New ideas and new solutions need to be put before Australia's people and governments. We need new methods for analysing the potential for structural reform that can better equip the nation for present times and future challenges. There is a clear case for structural reform of the Australian federal system to deliver:

- a more effective political system that is inclusive of all and does not discriminate against certain regions;
- more efficient and responsive public administration;

- greater social, economic and environmental sustainability in rural and regional Australia; and
- greater cooperation between governments.

As set out in the discussion paper, reform should be aimed at providing a more efficient, durable apportionment of policy responsibilities between national and regional levels of governance; enhancing the governance capacities of urban and rural communities at the local and regional levels; increasing the responsiveness of state or regional government to the pressing needs of Australia's regions; streamlining and reducing the net cost of government where possible; and providing an enhanced environment for sustainable economic innovation.

We are desperately in need of leaders who can see past the next election, with a vision similar to Sir Henry Parkes. As is always the case with politics, if necessary, the community needs to demand such vision from its political leaders, and researchers and advisors need to provide the new and better information they will then require. We are indeed fortunate to live in this great nation. We need to embark on this important journey to reform our governance system to make it even greater. Our collective vision will be required to commence this process. It has been over 100 years since Henry Parkes gave us his. It's time for action. Australia needs it.

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ENDNOTES

¹ Towns in New South Wales having lost 10% of population or more between 1986 and 1996 were Werris Creek (-18.4%); Barraba (-15.4%); Dorriggo (-13.2%); Wee Waa (-11.7%); Narrabri (-11.4%); Murrumburrah-Harden (-16.9%); Batlow (-12.9%); Scone (-18.8%); Nyngan (-10.5%); and Wilcannia (-34.4%). A number of further towns had large absolute declines of less than 10% - Moree (-945); Lithgow (-928); Gunnedah (-829); and Kempsey (-705).

² Metropolitan refers to capital cities. Areas outside of metropolitan areas are classified as non-metropolitan. Non-metropolitan is sub-categorised into:

- Regional – includes all Statistical Local Areas (SLA) that contain the whole or part of an urban centre with a population exceeding 100,000;
- Coastal – includes SLAs in the more densely populated areas of Australia, generally within 80 km of the coast;
- Inland – includes areas inland of the coast but excluding remote areas of Australia;
- Remote – sparsely populated SLAs as classified by the Accessibility/remoteness index of Australia.