

Andrew Barr MLA

Chief Minister



Member for Kurrajong

Treasurer

Minister for Economic Development

Minister for Tourism and Major Events

Mr Paul Lindwall

Commissioner

Transitioning Regional Economies study

Productivity Commission

Locked Bag 2, Collins Street East

MELBOURNE VIC 8003

Dear Mr Lindwall

Thank you for the opportunity to provide input into the Productivity Commission's study into the geographic impacts of the transition of the Australian economy following the resources investment boom.

The impacts of the end of the commodity super cycle have been profound and far reaching. While the impacts on those regional cities and rural and remote townships whose fortunes are directly tied to the mining industry are well acknowledged in the broad, I welcome the Productivity's Commission remit to specifically identify those regions and localities that face significant challenges in successfully transitioning to a more sustainable economic base and the factors which will influence their capacity to adapt to changes in economic circumstances.

There are a number of relevant issues with respect to Canberra that may assist the Commission in forming its response to the terms of the inquiry. The impacts of a sudden downturn in investment can have a profound effect on the community. Canberra as a city and its region has been the subject of a rapid downturn on Federal Government expenditure, and on the public sector employment in particular, which have been keenly felt in the economy of the ACT. I have attached a short submission that outlines Canberra's role in the south east region of NSW, the economic consequences of significant Commonwealth cuts to the public sector and the strategic approach the ACT Government has taken to meet the challenge of transitioning to a more sustainable economic base in changing economic circumstances.

I look forward to seeing your final report.

Yours sincerely

Andrew Barr MLA
Chief Minister

AUSTRALIAN CAPITAL TERRITORY LEGISLATIVE ASSEMBLY

London Circuit, Canberra ACT 2601, Australia GPO Box 1020, Canberra ACT 2601, Australia
Phone +61 2 6205 0011 Fax +61 2 6205 0157 Email barr@act.gov.au



@ABarrMLA



AndrewBarrMLA



andrewbarr

Background

The Canberra Region is unique jurisdiction in Australia. Canberra is a growing and changing city-state in its own right as well as the primary regional centre for south east NSW.

In addition to managing a challenging set of social, economic and environmental issues within its own borders, the ACT must also navigate complex service delivery and regional development strategies with our many regional partners outside our borders.

The Greater Capital region is home to 450,000 people, with more than 20 per cent of workers in the South East and Tablelands relying on job opportunities in the ACT. As a regional hub, Canberra provides important services for a broader catchment population of nearly 900,000 people.

As a result, ensuring targeted service delivery, managing sustainable regional growth and collaborating on future economic prospects are increasingly important priorities for both the ACT and NSW Governments and the surrounding local council areas. This has been explicitly recognised in memoranda of understanding between governments and in high level strategic plans, such as the NSW Government's recent Draft South East and Tablelands Regional Plan, which recognises that:

The ACT will continue to be the primary driver of growth for most of the region. The growth of Canberra will provide opportunities to access a wider range of services and job opportunities in public administration, professional services and education.¹

Previous transitions

In forming its recommendations the Commission has been asked to consider previous transitions and policy responses.

In a number of past instances of economic transitions around the country, governments have responded with large financial support packages, typically targeted to the workers directly affected, such as \$140 million in assistance programs in response to the direct loss of approximately 6,600 jobs at Ford, Holden and Toyota.

At the same time, the Australian Government has over recent years enacted policies to cut or relocate nearly 10,000 public service positions from the ACT alone with no regard to the implications of those decisions for the regional economy or support for those affected.

As noted previously, more than half of the workforce of in the Capital Region work in the ACT and more than 20 per cent of workers in the South East and Tablelands region access job opportunities in the ACT. More than one-third of that workforce is employed in public administration, meaning that the direct and indirect implications of Commonwealth jobs cuts do not only seriously harm the ACT economy, but also the workers and businesses in the surrounding regions that rely on these jobs.

The decision to relocate certain government departments to regional areas is seemingly unlikely to create net benefits for the nation. The forced relocation of the Australian Pesticides and Veterinary Medicines Authority is a prime example of the flaws in this approach. In many circumstances, there are high cost (both initially and ongoing) of relocating. In addition there is the loss of agglomeration benefits when public servants are dislocated from the concentrations of knowledge and expertise easily accessible in the ACT.

Capacity to adapt to changes in economic circumstances

A second feature of responses to previous transitions is that they have often attempted to delay the onset of a transition (such as through industry support packages) and/or to mitigate the effects of a shock after the fact (such as support for retrenched worker to re-train in new fields).

¹ Draft South East and Tablelands Regional Plan, NSW Government, May 2016, p.11.

The ACT Government supports a closer examination of the factors that influence a region's capacity to adapt to changes in economic circumstances, but strongly encourages the Commission to examine how that understanding can inform proactive strategies for dealing with expected transitions, rather than waiting until they have occurred. Specifically, this could include how governments invest in areas such as education and innovation that are essential for adapting to changing economic circumstances.

For example, the ACT has long identified the risks posed to its economy by the type of public service reductions discussed previously. Rather than waiting for these shocks, the ACT has proactively pursued successful strategies to diversify its economy. This has included a particular focus on encouraging innovation and exporting education services, recognising the opportunities it creates to diversify and future-proof the economy, even in times of prosperity. As a result, despite the comparatively large and sudden cuts to Commonwealth employment in Canberra, the ACT's economy has remained strong and is coming to be recognised as a leading city for its innovative business community and nation-leading collaborations between higher education/research and development institutions and the private sector.

Another important aspect of the Canberra Region's successful economic transition has been the strong cooperation and coordination across the region. Individually, the areas that make up the Canberra Region may face economic risks as a result of their particular industry structures. However, by cooperating and integrating economic development activities, the areas are collectively diversifying and growing. Examples of how the ACT and various local governments are coordinating economic development as a cohesive region include:

- Developing a Canberra Region Economic Development Strategy;
- Activating the CBR Region identity and brand;
- Enhancing regional freight, export and investment capacity and capability;
- Supporting the development and success of a CBR Region Tourism identity embracing the CITY, COAST, ALPINE, TABLELANDS sub brands;
- Examining joint procurement opportunities between the CBRJO and ACT Government; and
- Examining cross-border collaboration for resource recovery and waste management.

Labour mobility and FIFO/DIDO

The inquiry's terms of reference also calls for the Commission to consider issues relating to geographic labour mobility. While this has been especially relevant for mining centres, it also broadly relevant to many regional (and metropolitan) economies as labour becomes increasingly mobile.

Labour mobility can be highly beneficial for economies in transition, but can also present challenges. The ACT Government encourages the Commission to consider what regulatory reforms or coordination between jurisdictions might support beneficial labour mobility for economies in transition.

Additionally, the Commission may consider whether there are infrastructure investments that would support regional communities to engage with economic opportunities beyond their primary industries. Aside from transport infrastructure that might reduce the cost of travel between regions (whether time or financial), this should include communications infrastructure and 'smart work' hubs.

Productivity Commission – Transitioning Regional Economies
ACT Government Submission

In some cases the solutions identified may not fit neatly within traditional legislative or funding frameworks. The ACT Government suggests that the Commission could consider whether opportunities such as ‘city deals’ may be a mechanism for effectively agreeing and coordinating the regulatory reforms and infrastructure investments that may useful in supporting regional economies to transition.