

Commissioner Paul Lindwall  
Transitioning Regional Economies  
Productivity Commission  
GPO Box 1428  
CANBERRA CITY ACT 2601

15 February 2017

Dear Commissioner Lindwall,

**Mackay-Isaac-Whitsunday joint regional submission to the Australian Productivity Commission's study on the transition of regional economies following the resources boom.**

The Mackay-Isaac-Whitsunday (MIW) region is represented in this submission by the following entities:

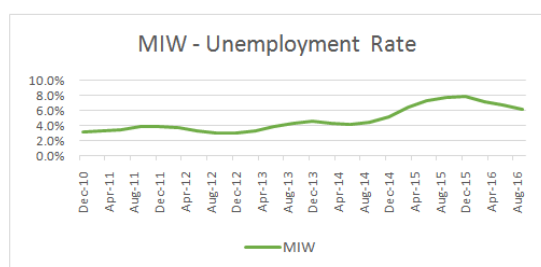
- Regional Development Australia Mackay-Isaac-Whitsunday
- Greater Whitsunday Alliance
- Mackay Regional Council
- Isaac Regional Council
- Whitsunday Regional Council
- Resource Industry Network

The MIW region welcomes the opportunity to provide a submission to the Productivity Commission's study into transitioning regional economies. As a region that is home to 32 operating coal mines, our geographical location and industry skills mix meant we were at the forefront of the resources related construction boom and our regional economy has subsequently felt the significant negative effects of the transition as the mining industry shifted towards efficiency driven production.

Whilst mentioning the negative effects of the transition to efficiency driven production it should also be noted that our region is still heavily invested in the resources sector. Based upon Remplan data dated 31<sup>st</sup> December 2016, the mining sector currently provides 17.1% of the jobs in our region, 67.1% of our regional exports and 38.1% of our regional expenditure. The industry remains critical to our region, however we need to build a more diverse economy to soften the impact of any transition in what is historically a cyclical industry.

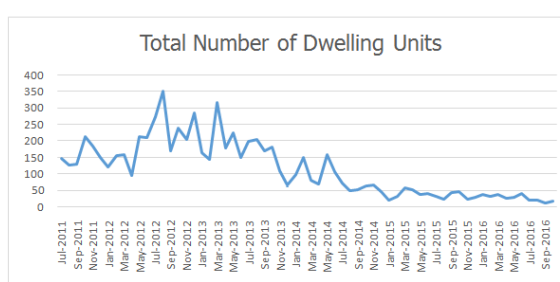
To put the most recent economic shift into perspective we have included graphical representations of our unemployment rate, construction statistics and housing/rental data.

**Chart 1: Unemployment Rate Chart**



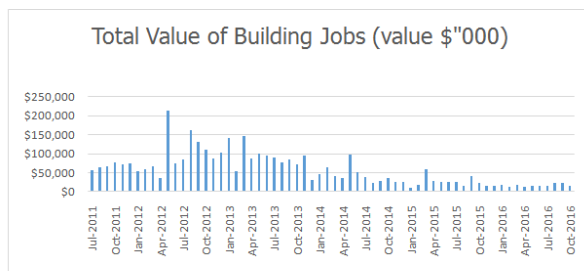
Data Source: Department of Employment – Small Area Labour Markets

**2a: Building Approvals by Statistical Area - Total Number of Dwelling Units**



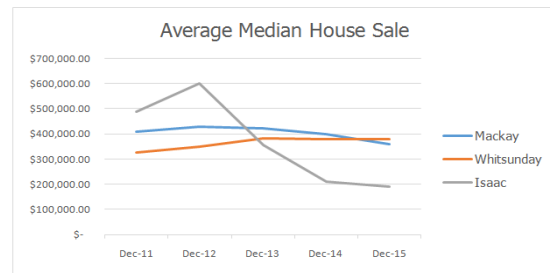
Data Source: Australian Bureau of Statistics – Building Approvals by Statistical Area

**Chart 2b: Building Approvals by Statistical Area  
Total Value of Building Jobs -MIW Region**



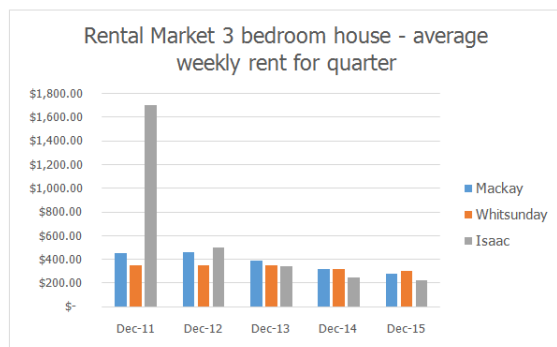
Data Source: Australian Bureau of Statistics – Building Approvals by Statistical Area

**Chart 3a: Average Median House Sale –  
Mackay LGA, Whitsunday LGA & Isaac LGA**



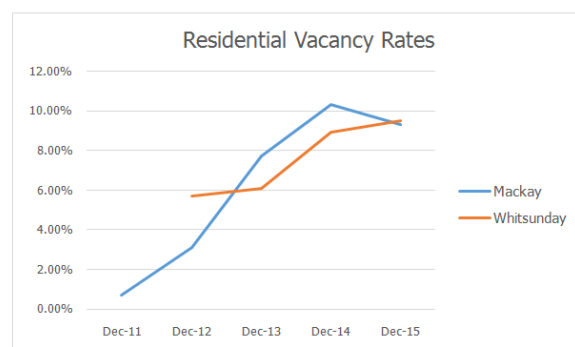
Data Source: REIQ – Queensland Market Monitor

**Chart 3b: Average weekly rent  
Mackay LGA, Whitsunday LGA & Isaac LGA**



Data Source: REIQ – Queensland Market Monitor

**Chart 3c: Residential tenancy vacancies –  
Mackay LGA & Whitsunday LGA**



Data Source: REIQ – Queensland Market Monitor

As illustrated by the graphs above, our region has gone from well below average unemployment rate to above average unemployment, construction activity has almost ceased and house values and rental prices have declined significantly. With increasing unemployment, our region has experienced outward migration causing our residential tenancy rates to increase to be one of the highest in the state. This increase in residential vacancy is then a primary cause of the lack of domestic construction activity.

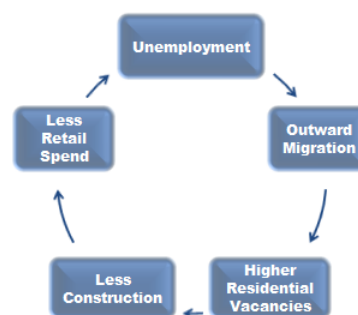
Whilst we are now seeing signs of recovery (or at least plateauing) this negative trend across our economy has been in play for at least three years. This has had a significant impact on business and consumer confidence. When combined with a decreasing population base as a result of outward migration, this lack of confidence has also had an adverse impact upon our region's retail spend. This negative economic feedback loop has been difficult to reverse and the time between the downward spiral beginning and any action taken appears to have a direct correlation with the effectiveness of that action. This is due to the fact that the initial stages (i.e.: unemployment and outward migration) of the spiral take effect quickly. As mentioned earlier, we are starting to see signs of a plateau in our economic data in recent times, however this is also partially linked to improving coal prices.

There is a significant amount of analysis relating to why our region has found it difficult to transition from the resources boom, however we have tried to cover off on some of the key factors identified by the region:

1. Our geographical proximity to the mining resources and the subsequent financial incentive offered by the resources boom had a negative effect on the diversification of our economy which resulted in an economy carrying significantly greater industry risk. As an example,

accommodation operators that had previously chased the visiting family and friends and tourism markets became overwhelmed with demand from corporate visitors to the mining industry and with occupancy rates at record levels, other markets were understandably ignored.

2. With such an abrupt end to the resources boom, businesses who were involved in the resources industry (directly or indirectly) were ill-prepared for the transition and due to the inability to change their operating models quickly, they were then financially impacted by cashflow drain and falling asset values. This reduced their balance sheet strength which has then inhibited their ability to finance any diversification strategy moving forward.
3. As resources communities transition, there is inevitably an increase in unemployment. In our region the fall-back position for a large portion of our unemployed was outward migration, which then lead to the negative feedback loop explained earlier and shown below:



4. Geographic labour mobility is also a critical factor influencing the economy's capacity to adjust to shocks and structural change. When FIFO is promoted as the only workforce solution and genuine choice is removed from the equation, it has a negative impact on the long term sustainability of regional economies and communities. Market forces would normally dictate that as housing and rental prices fell, the working population would return to the region, however this is not the case when compulsory 100% FIFO workforce solutions are allowed to be implemented.
5. 100% FIFO practices also have a negative impact on a region's liveability. When communities host significant non-resident worker populations who are inevitably less invested in the community, this erodes the necessary social and human capital that it necessary to effectively respond to structural change.

It is important to note that our region is not opposed to FIFO/DIDO workforce solutions and acknowledge that they play a critical role in the resource sector's workforce toolkit. However we do believe that robust legislation and policy settings that facilitate genuine choice in where employees reside are required, to ensure that resource communities are able to attract and retain the human and social capital necessary to transition to a regional economy in a "post-boom" period.

6. Finally, infrastructure plays a critical role in a region's ability to transition following a resources boom. Without the appropriate infrastructure many diversification strategies are unable to be realised. In our region, digital connectivity and water infrastructure are two key examples of infrastructure inhibitors. The digital divide between metro and regional areas has a significant impact upon diversification strategies and our regional industry is often unable to access the basic digital coverage to allow them to utilise emerging technologies to grow or diversify their existing business. Water is another critical factor in developing new or

expanded industry. A large geographical portion of our region relies on water from industry allocation, and without a secure, independent water supply the region's capacity to diversify and transition will inevitably be limited.

Overall, if we are to look at where government can play a role in allowing regions to make a more successful transition from a resources boom, we believe that this can come in three main areas:

1. Regulatory reform that facilitates genuine choice in where employees reside, so that normal market forces can soften the impact of a transitioning economy.
2. Swift implementation of Regional Jobs Initiatives such as the Regional Jobs and Investment Package which can be directed towards regional industry to allow them to diversify when their reduced balance sheet strength may act as an inhibitor. It is important that this implementation is swift to prevent outward migration which acts as an inhibitor to regional economies as they transition.
3. Counter-cyclical critical infrastructure investment that allows for a more stable regional workforce, enhances the region's ability to diversify its economy and also increases the likelihood of government getting greater value for money with their infrastructure spend.

We thank you for the opportunity to make this submission to the Productivity Commission's study on Transitioning Regional Economies. If you have any questions in relation to the submission please do not hesitate to contact me .

Yours sincerely

Ben Wearmouth (on behalf of the regional submission partners on the subsequent page)  
Chief Executive Officer  
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## Submission Partners

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