SPENCER GULF CITIES

Transitioning Regional Economies study
Productivity Commission
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RE: TRANSITIONING REGIONAL ECONOMIES

Dear Commissioner,

Spencer Gulf Cities is an alliance of the Port Augusta, Whyalla and Port Pirie Mayors and Councils, formed in 1998 as a forum for the three cities to progress the transition the Upper Spencer Gulf to cleaner, more innovative, liveable and economically diverse cities.

The Upper Spencer Gulf in South Australia has some of the most significant mineral and renewable energy resources[i], natural biodiversity[ii] and landscapes in the world. In addition, the three cities of Whyalla, Port Augusta and Port Pirie have a strong heritage, culture and capability in manufacturing and provide a range of retail, sports, arts, health, education and specialist services for surrounding rural communities.

There is considerable potential to build on these comparative strengths and reposition the economy as a hub for renewable energy generation and testing; defence; intermodal transport and logistics; value-adding and innovation in agriculture; event and marine-based tourism; advanced manufacturing to support the mining and energy sectors; and as centres for delivery of government services and higher education/research[iii].

These opportunities are already emerging in the region, with the redevelopment of Nyrstar's Port Pirie lead smelter to a modern, multi-metals recovery and e-waste processing facility; expansion of Sundrop Farms arid horticulture operation near Port Augusta; the expansion of the Cultana Defence Training Area; Whyalla's Muradel Bio-fuel initiative and Betatene's long-standing operation in Whyalla as one of the world's largest producers of food and pharmaceutical grade beta carotene.

There is also strong interest by universities and industry to establish the Upper Spencer Gulf as a research centre to trial and test new renewable energy technology, further leveraging existing research in the region including the South Australian Government's 'Sterile Insect Technology' facility and the Spencer Gulf Ecosystem and Development Initiative (SGEDI).

These examples pave the way for the economic and social transition of the Upper Spencer Gulf.

To achieve this, the region must first overcome a number of challenges, including the loss of over 2,000 jobs - or 4% of the region's population - over the past two years, due to the closure of Alinta Energy's Port Augusta powerstation, continuing uncertainty at Whyalla's Arrium OneSteel plant and downscaling of several nearby mining and resource sector operations.

In addition to heavy reliance of single industries, the three cities are also challenged by negative external perception; incessant socio-economic disadvantage; and a lack of relevant higher education and vocational training opportunities in the region perpetuating an unfortunate trend in 'fly-in, fly-out' technical and professional services. Unemployment rates in the Upper Spencer Gulf remain above state and national averages, with the rate of youth unemployment nearly double these figures[iv]. Centralised decision making 'to' the region and not 'with' the region; duplication by different levels of government and agencies; and 'one size fits all' policy approaches to regional transition also continue to frustrate local initiatives and efforts.

Whilst we cannot provide a broad-based solution or academic analysis to the questions posed in this inquiry, we do offer the following practical examples of how, in our experience, we believe a shift in Government thinking, engaging and supporting of regional areas, such as the Upper Spencer Gulf, may assist the timeliness and success of our transition.

1. Duplication of Effort
Recognising the existing strengths, capabilities and opportunities of the Upper Spencer Gulf, the region identified a range of key growth areas and priorities for the three cities and a range of strategic initiatives to help progress these. This 'Transforming the Upper Spencer Gulf' document is based on numerous existing reports and investigations, supplemented by targeted consultation with key agencies and stakeholders from the region.

The report was provided to both State and Federal Governments with encouragement that it be used as a basis for developing a regionally-tailored, integrated program of support for the Upper Spencer Gulf and avoid an un-coordinated and ad-hoc approach.

The need to avoid duplication of time, effort and resources in supporting the transition of the region has been sharply brought into focus over the previous year with the establishment of several SA Government committees, including the 'Upper Spencer Gulf and Outback Taskforce', 'Arrium Whyalla Taskforce', 'Port Pirie Transformation Taskforce', 'Upper Spencer Gulf Economic Transition Forum' and 'Port Augusta Power Stations Committee', along with the new Federal Government 'Upper Spencer Gulf Regional Jobs and Investment Local Planning Committee'.

None of these committees involve the local Councils.

2. Skills, Education and Research
To support the identified growth areas and foster innovation and leadership in these sectors, access to local technical expertise and research will be required as a matter of priority.

In 2012 the South Australian Centre for Economic Studies[v] highlighted education as the future foundation of economic and community growth, innovation and entrepreneurship in the Upper Spencer Gulf. This report identified a clear need to improve skills capacity in the region in order to realise a strong and prosperous economy. This finding was further highlighted in the SA Government report commissioned by PIRSA in assessing the feasibility of developing a heavy industry hub in the Upper Spencer Gulf[vi] and again in 2014 with a report by Strategic Economic Solutions specifically warning the lack of scientific and technical capability in the region is a key barrier to future growth and economic diversification[vii].

In the Upper Spencer Gulf only 11.3% of the population hold an above certificate level qualification, compared with the South Australian average of 23.3%. This reflects a broader, national educational disparity, with 31% people in urban centres holding a tertiary Bachelor degree, compared with only half this (15%) in outer regional areas and just 12% in remote and very remote areas[viii ix].

In addition, whilst there is a solid existing research effort and strong interest in new research that would support transformative industry development in the Upper Spencer Gulf, this is largely 'fly in fly out' research, occurring 'to' the region, rather than 'within' the region. This means the effort is generally uncoordinated, with few local linkages and a lack of actual local research presence and technical capacity built within the region.

In order to address the skills and research gaps in the region, a number of alternative, community driven models of higher and vocational education and research delivery have been investigated in other regional centres across South Australia, nationally and globally. These include the Geraldton and Cooma 'Community Owned Tertiary Education Campus (COTEC)', the Chaffey Learning Exchange, Mid North Knowledge Partnerships, Newcastle and Wollongong university, NSW TAFE and industry partnership initiatives and 'Fee-Free' university in Invercargill (New Zealand), a new model of training to support workforce restructure in rural Scotland to service the growth in renewable energy[x] and examples from the industrial transformation of Pittsburgh (USA).

These examples have all provided inspiration and key learnings that have assisted development of a new model to expand the higher education and research opportunities, pathways and partnerships in the Upper Spencer Gulf, tailored to the specific needs and situation of the region and based on:

- Stronger industry/community/provider partnerships
- Expansion of higher education and research offerings delivered in the region
- A more efficient use of resources and avoiding duplication of effort
- Developing lasting research/technical capacity in the region
- Establishment of a collaborative physical presence within a broader educational precint.

To successfully implement this new model will require willingness by multiple agencies and levels of government to reconfigure existing resources and work with the region on a solution that has limited precedent.

3. Government Procurement

The way Governments spend and allocate their own resources can play a significant role in building confidence, diversity and strength in regional economies and communities.

In South Australia, Government spending on goods, services and construction is approximately $6 billion per annum.

Changes to the South Australian Government's procurement policy in 2013 has significantly increased the level of economic benefit from government contracts to South Australian suppliers and sub-contractors from 51% in 2012-13 to over 90% in 2014-15[xi].

Applying a higher assessment weighting for Government spending in specific geographic regions, can provide a stimulus to help address high unemployment, stimulate local industry sectors in decline or transition, import replacement, attract capital investment and support skills and technology.

A higher level of 'industry participation' weighting has been successfully implemented by the SA Government in the metropolitan area of Adelaide's northern suburbs.

Spencer Gulf Cities has called for the application of a 'Special Economic Zone' to also be applied to the Upper Spencer Gulf as a mechanism to increase the level of locally sourced labour and jobs provided by suppliers and subcontractors to Government contracts and the amount of locally manufactured product and raw material purchased. Recent changes to the Commonwealth Procurement Rules offer opportunity for a similar approach for spending in the region by Departments such as Defence and Human Services.

In addition to contracts for procurement, decentralising Government agencies themselves – both state and federal – are another 'lever' that can assist in building confidence and economic diversity in regional areas and has been similarly identified as a key opportunity for the Upper Spencer Gulf.

For example, the South Australian public service is a significant industry in its own right, employing around 100,000 people across the state, amounting to 81,000 full time equivalent jobs, earning an average salary of $76,400.

The ongoing centralisation of the public service to Adelaide has meant a direct loss of jobs and residents living and working in regional South Australia, including the Upper Spencer Gulf. In addition, the number of state agencies without any ongoing local presence in the Upper Spencer Gulf, or with senior policy or decision makers has also declined, resulting in a disconnect that is often reflected in statewide 'one-size-fits-all' policy and decision making.

We would be very pleased to provide you with the reports and references contained within this submission and wish your inquiry every success and look forward to your final report.

Yours sincerely

Mayor Sam Johnson
Chair – Spencer Gulf Cities

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[i] USGCPG; July 2015; Opportunities for Growth -Renewable Energy and CleanTech Sectors, Upper Spencer Gulf, South Australia

[ii] BM Gillanders, AIT Tulloch and S Divecha. 2015. Regional Biodiversity Management Plan. Upper Spencer Gulf Regional Sustainability Planning. Report prepared for the Upper Spencer Gulf Common Purpose Group

[iii] 'Transforming the Upper Spencer Gulf' - Synthesis of existing reports and strategic initiatives; Report to the SA Upper Spencer Gulf Economic Transition Taskforce; Prepared by the Upper Spencer Gulf Common Purpose Group (10/05/16 – V6)

[iv] DEEWR (2015) Quarterly Small Area Labour Market Reports

[v] O'Neil M (2012) The Common Purpose – Advancing the Economic and Social Development of the Upper Spencer Gulf; A report prepared by the South Australian Centre for Economic Studies for the Upper Spencer Gulf Common Purpose Group

[vi] KPMG (2012) Upper Spencer Gulf Heavy Industry Hub.

[vii] Houghton K (2014) Upper Spencer Gulf Stocks and Flows - Residents, Employment and Socio-Economic Connections across the Upper Spencer Gulf (2014) Strategic Economic Solutions – report prepared for Upper Spencer Gulf Common Purpose Group

[viii] Australian Bureau of Statistics (2008) Australian Social Trends cat. No 4102.0

[ix] Accessibility/Remoteness Index of Australia

[x] McQuaid, R and Bergmann, A, (2016) "Employment changes in the sustainable energy sector in Scotland", World Journal of Science, Technology and Sustainable Development, Vol. 13 Iss: 1, pp.2 - 17

[xi] Nightingale I; 2016; Industry Participation Policy presentation accessed www.industryadvocate.sa.gov.au/upload/industry-advocate/ipp/ipp-presentation.pptx and http://www.statedevelopment.sa.gov.au/news-releases/all-news-updates/industry-participation-advocate-grows-south-australian-procurement