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SUBMISSION UPDATE: TRANSITIONING REGIONAL ECONOMIES

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This Submission from Regional Development Australia (RDA) Central West is made in addition to our initial submission (15 February 2017), and follows the Productivity Commission Public Forum held in Orange on Wednesday 19 July 2017.

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RDA Central West commends the Government in initiating this study into the transition of regional economies following the resources boom, and thanks the Productivity Commission for holding a Public Forum for stakeholders in the Central West. Ensuring regions can effectively develop and transition to a sustainable economic base is integral to regional development and ultimately national prosperity.

Terms of Reference

We understand the purpose of this study is to examine the regional geography of Australia's economic transition, since the mining investment boom, to 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.

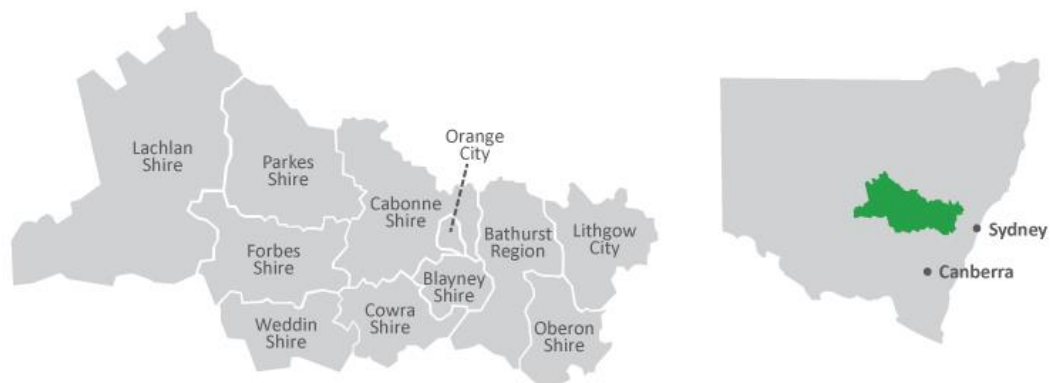
The study should also draw on analyses of previous transitions that have occurred in the Australian economy and policy responses as a reference and guide to analysing our current transition. The Commission should consult with statistical agencies and other experts.

In undertaking the study, we understand the Commission should:

1. Identify regions which are likely, from an examination of economic and social data, to make a less successful transition from the resources boom than other parts of the country at a time when our economy is reconciling the impacts of globalization, technological and environmental change.
2. For each such region, identify the primary factors contributing to this performance. Identify distributional impacts as part of this analysis.
3. Establish an economic metric, combining a series of indicators to assess the degree of economic dislocation/engagement, transitional friction and local economic sustainability for regions across Australia and rank those regions to identify those most at risk of failing to adjust.
4. Devise an analytical framework for assessing the scope for economic and social development in regions which share similar economic characteristics, including dependency on interrelationships between regions.
5. Consider the relevance of geographic labour mobility including Fly-In/Fly-Out, Drive-In/Drive-Out and temporary migrant labour.
6. Examine the prospects for change to the structure of each region's economy and factors that may inhibit this or otherwise prevent a broad sharing of opportunity, consistent with the national growth outlook.

Background

Regional Development Australia Central West (RDA Central West) is a not-for-profit organisation, funded by the Commonwealth and State Governments, bringing together business, community and Local Government to further the economic development and long-term sustainability of the NSW Central West region. Approximately 174,000 people live in the region, which comprises the Local Government Areas of Lithgow, Oberon, Bathurst, Blayney, Orange, Cabonne, Cowra, Parkes, Forbes, Weddin and Lachlan



The economy of the Central Western region relies somewhat heavily on mining, in terms of its contribution to Gross Regional Product (GRP). The Mining sector represented 21.9% of total GRP (\$2112 million) in 2014.¹ That is approximately three times larger than the next greatest industry contribution to GRP, manufacturing at 7.5%.

However, some diversity in the regional economy is evident. The majority of businesses actively trading in Central West NSW are in agriculture.² Additionally, the industry with the greatest employment in the region was Healthcare and Social Assistance at 12.5% in 2011.³

¹ RDA Central West, 2014, 'Invest NSW Central West', <http://www.investnswcentralwest.com.au/opportunities-by-region/invest-nsw-central-west/> ; RDA Central West, 2014, 'NSW Central West Export/Import Contribution Study', <http://www.rdacentralwest.org.au/wp-content/uploads/2015/01/RDA-Central-West-Export-Import-Study-Nov-2014.pdf>

² RDA Central West, 2016, 'Value Adding to Agriculture in Central West NSW', <http://www.rdacentralwest.org.au/wp-content/uploads/2016/09/RDACW-Value-Adding-to-Agricultureweb.pdf>, p. 49.

³ RDA Central West, 2015, 'Regional Economic Profile', pp. 21.

Results of Regional Rankings According to Adaptive Capacity

The areas across Central West NSW have been ranked nationally, according to their '*risk of failing to adjust to transitioning pressures*', as follows (with 'region' meaning mostly ABS SA4's, some ABS SA2's):

Most Adaptive (256 regions)

- Orange region

Above average adaptive capacity (837 regions)

- Bathurst
- Bathurst region
- Blayney
- Forbes
- Lithgow region
- Orange – North
- Parkes

Below average adaptive capacity (748 regions)

- Condobolin
- Cowra
- Cowra region
- Lithgow
- Oberon
- Orange
- Parkes region

Least adaptive (244 regions)

NIL.

INFORMATION REQUEST 4.1

The Commission is seeking feedback on:

- the methodology that has been used to construct the index of adaptive capacity, including whether other methods might be superior for the purpose
- the factors (variables) that have been included in the index and whether there are other variables and data sources that could be used.

The Technical Supplement to the Initial report outlines the data and techniques used by the Productivity Commission to construct the single metric of *regional adaptive capacity* (as requested by the Government in the terms of reference).

The Productivity Commission has acknowledged that:

*“Overall, **the metric is not suited to guiding policy decisions**, including the allocation of funding to specific regions. However the metric can be used to explore some broad themes and patterns..... This **provides a guide to the community** about which regions may be at risk of failing to adapt to change”.*

Six indexes were created and considered to determine ‘adaptive capacity’ (and weighted):

- **Human capital** (i.e. proportion of population employed, occupations, education, business owners/managers, those engaged in work and study etc)
- **Financial capital** (i.e. household incomes, government pensions and allowances, median house prices, owner-occupied dwellings etc.)
- **Natural capital** (i.e. resources such as proportion of agricultural land use, national parks or nature reserves, proportion of employed population in mining industry)
- **Physical capital** (i.e. broadband internet connections, remoteness index, non-residential building approvals)
- **Social capital** (i.e. volunteering rates only)
- **Industry diversity** (i.e. rates of industry concentration)

RDA Central West comments:

Social capital indexes do not (and possibly cannot) adequately measure local leadership, which in our experience, is a significant contributor to the economic development and adaptive capacity of regions.

Physical capital does not include all the other aspects of ‘liveability’ (e.g. healthcare, schools, access to government services or other community infrastructure) which, while they may not appear to directly impact adaptive capacity, do affect this through attraction and retention of certain demographic groups and tourists etc.

These indexes (i.e. rates of industry concentration) don’t take into account high-potential emerging industries or developing ‘jobs of the future’ (e.g. STEM, start-up support and incubators, biotechnology, renewables etc) which may affect regional adaptive capacity.

INFORMATION REQUEST 5.1

The Commission invites participants to comment on the relevance and applicability of the policy framework set out in this chapter ('Chapter 5 – Strategies for successful transition and development'). Where practicable, participants are asked to support their views with evidence of effective and/or ineffective approaches that have been used to facilitate transition and development following disruptive events or ongoing pressures in regional areas (in Australia or overseas).

RDA Central West comments:

Key challenges facing the Central West NSW region include:

- reliance on mining
- downturns in large employers
- telecommunications capacity to be able to support more people working remotely in the regions, either for lifestyle or other reasons and providing infrastructure (including broadband and co-working spaces) to support this.

RDA Central West initiatives to combat challenges:

- The RDA Central West Telecommunications Project - to create local leadership and capacity to find solutions <http://www.rdacentralwest.org.au/initiatives/telecommunications/>
- Skills and Education (e.g. Ag Skills project) - to increase competitiveness of agriculture (the majority of businesses actively trading in Central West NSW are in agriculture) <http://www.rdacentralwest.org.au/initiatives/farming-for-the-future/>
- Invest NSW Central West investment attraction campaign <http://www.rdacentralwest.org.au/initiatives/invest-central-nsw/>
- Import/Export study on economic activity <http://www.rdacentralwest.org.au/initiatives/nsw-central-west-region-exportimport-contribution-study/>
- support for emerging industries and start-ups through Upstairs Working Group in Bathurst and Charles Sturt University's CenWest Innovate Project.

Capacity-Building opportunities in Central West NSW include:

- Better regional data (from a variety of sources) would greatly assist local decision-making, investment decisions and regional development strategies. **One of the greatest barriers to regional economic development in the Central West is the lack of access to appropriate data to inform evidence-based decision making in the region.**
RDA Central West is currently working collaboratively with Central NSW Councils (Centroc) and the regional Economic Development Forum (14 Local Councils) on **the Data Co-Design Project** - to find a solution to the ongoing issues of getting quality reliable data sets that can be accessed via a regional shared data platform. Making Government and other real-time data more available and accessible would assist a range of regional stakeholders plan for the economic future of the region. This includes making the case for public and private investment attraction, strategic planning, funding submissions and project development.
- Providing appropriate access to research capabilities.
- Investing in Local Leadership, for example in professional development for regional development practitioners in tailoring resilience and adaptive capacity
- Increasing Government transparency, for example in regards to investment decisions would greatly assist local communities in understanding rationales for investment into the future
- Pursuing careful and considered decentralisation and relocation policies. The Central West NSW experience is that relocation of government agencies (for example, NSW Department of Primary Industries) and businesses to regional areas results in significant economic growth and stronger regional communities, greater synergies, and better partnerships for the government agency/business and the ability to leverage expertise (see Paraway case study below)

Regional relocation success story

Paraway Pastoral Co. - Orange, Central West NSW

Operating 3.6 million hectares for the Macquarie Pastoral Fund, Paraway is one of Australia's top five landholders, with enough space for 240,000 sheep, 220,000 cattle and some crop production.

While the closest property to Orange is located at Condobolin, chief executive Jock Whittle said the McNamara Street office (in Orange) was chosen because Paraway needed a regional presence.

"It was a central location to where all our properties are located ... and it's allowed us to attract people with the right skills," he said.

The office will employ 17 staff, which Mr Whittle said was a mixture of employees relocating from Sydney and across NSW, and fresh recruits from Orange.

"There are good education businesses here, really good health businesses and a really good food and tourism and winery industry makes it attractive, and it has good access to Sydney," he said.

"Obviously there are some other significant agricultural resources [like the Department of Primary Industries] and businesses that were part of our consideration."

Extract taken from Central Western Daily, 8 August 2015, "Company banking on regional move: 17 staff open Macquarie Bank office"