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Transitioning Regional Economies Study

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Productivity Commission

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**NTDC SUBMISSION TO THE PRODUCTIVITY COMMISSION'S TRANSITIONING
REGIONAL ECONOMIES**

1. **Introduction** – information about the region and our GRP - on why our region, the North and the North East of Tasmania, is impacted by the resources boom slow down.

Tasmania is the most regionalised State in Australia, with the highest proportion of the State's population living outside of the capital city than any other state in Australia. The North and North East Region of Tasmania is made up of Launceston as the major regional service city and a distributed population throughout the region. Our region aligns with the Launceston and the North East (SA4) ABS statistical area.

The North and Northern East of Tasmania does not have a high level of direct mining and mineral resources, however we do have a high proportion of mineral processors. Our region includes an industrial precinct at Bell Bay with larger employers including Bell Bay Aluminium, BHP Billiton Temco (manganese processing) Ecka Granules (alloy metal powders) – and these businesses are impacted by global demand for these commodities.

At a time when other areas of Australia were experiencing a mining boom, our construction and forestry industries were in decline (post 2011). As a result unemployment increased significantly and a greater proportion of our working residents were required to fly in fly out (or drive in drive out) across Australia (and outside our region) to find work and support their families. This in effect provided export earnings to the region. The extent of FIFO or DIDO workers is difficult to measure as it is not captured by the ABS Labour Force Survey, and is anecdotally based on local knowledge of families that operate with one parent FIFO/DIDO, as well as advice from airlines of the increase in this type of travel. It is known from the ABS Regional Labour Market Estimates that 2600 jobs (nearly 5% of the workforce) have been lost in the region since 2011.

The North West Region of Tasmania encompasses most of Tasmania's mining resources and established mines. Our region has also serviced some of the needs of the North West through engineering and other business services available in Launceston and the North East.

Therefore the impacts of a mining boom and then slow-down of the mining sector impacts more broadly than just the regions where high levels of direct mining occurs, and has contributed to our region's current economic situation.

Northern Tasmania is an economy in transition. In November 2016 according to the ABS Labour Force Data our unemployment rate is 7.7%, or 2% above the national unemployment rate, and more significantly our youth unemployment rate (15-24) is over 20% compared to the national rate of 13%. The region has been in the lowest quintile of Australia's 60 regions in terms of its economic performance over the last 10 years – as a consequence of structural changes in our traditional industries. The loss of FIFO revenue compounds the economic transition challenge, and as a result our retail sector has also faced the compounded hardship of less discretionary funds available in the community as well as an increase in online purchasing.

2. **City Deal for Launceston and The North** - The Commonwealth Government has dedicated a \$150 million 'City Deal' for Launceston and the Northern region, to help improve the economic indicators and redress the poor educational attainment levels experienced. In addition, seven councils of the Northern region have agreed to reinvigorate the regional economic development agency, Northern Tasmania Development Corporation (NTDC). The NTDC is required to leverage the opportunities of the 'City Deal' for the whole region as well as other opportunities to achieve established aspirational goals over the next 10 years.

The challenge now is to leverage this major investment from Commonwealth, State, Local Government, and the University of Tasmania, to ensure it facilitates the regional change that is required. Not only is financial investment required, but the need for our community to change its' views on the importance of education, re-align attitudes to become more outward/globally focussed, and at the base level – to change behaviours and expectations. This requires all levels of government and stakeholders to work together in an integrated manner to leverage the funds available and also to reduce the duplication of service provision. The formation of NTDC by our region provides an entity to deliver, facilitate or monitor these programs.

3. Key Aspects for Consideration – Next Steps

It is recommended that the Productivity Commission give some consideration to the following matters:

- a) **'One Source of the Truth'** – all communities need relevant data to provide a baseline to plan for the future and monitor their progress. The ABS data is very important to this process, but other data such as the 'Gross Regional Product' and Gross Regional Income are also important to monitor the overall economic health of the region. It would be an advantage to have an agreed model for such data and key indicators that all regions consider when determining their baseline position and measuring their progress against it. NTDC therefore supports the Commissions intention (TOR 3.0) to establish an economic metric to rank regions which are most at risk or failing to adjust – and requests that Northern Tasmania be included in this analysis. NTDC also supports the Commissions intention (TOR 4.0) to develop an analytical framework which enables a common assessment of economic and social development potential across regions, and requests engagement in that work.
- b) **How Do We Deal with the Duplication of Resources?** It may be an outcome of our region's poor economic performance in the recent past, but there appears to be an over-abundance of services paid for by governments of all levels that work in isolation, are competitive in nature, that gives a strong impression of fragmented effort and low value for money outcomes for our community. How do we maintain the investment, but better

target the services to deliver better outcomes? How do we prevail on governments to invest in a more selected set of services that are maintained long enough to have an impact – especially when trying to deal with generational disadvantage and problems? This is a key issue that needs leadership and commitment from all levels of government to address.

- c) **Where Does Regional Economic Development Responsibility Lie?** Our region has come to the conclusion that although funding programs exist at Commonwealth and State Government level, much of the responsibility for economic development needs to be taken on by local and regional leadership. Regional Economic Development Strategies need to be undertaken at a regional level, rather than handed down by Commonwealth or State Governments. This then has implications for Local Government Authorities that are continuously trying to stretch the funding of their rate base further to undertake more work that used to be the realm of other areas of government. Thus regional economic organisations have an important role to play and it is logical that more program or project funding for economic development is funnelled (or at least filtered) through such agencies so that there is a better understanding of the regional dynamics and where elements of economic-related funding are being targeted (and to meet what objective) by Commonwealth and State Governments.
- d) **Prospects for Economic Growth** - NTDC has been tasked with facilitating a 50% increase in regional GRP over the 10 year period to 2026. This is a significant aspiration with few successful case study examples. The Commission's intention (TOR 5.0) to assess the prospects for structural changes in regional economies is welcomed. NTDC requests engagement in this aspect of the study as a means of benchmarking the likelihood of success for our specific mandate in Northern Tasmania.

If there is an opportunity to hold a Productivity Commission hearing on this issue in Launceston or somewhere else in the North or North East of Tasmania we would appreciate attending and presenting our views in person.

Yours sincerely

John Pitt
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