# Transitioning Regional Economies

Productivity Commission Initial Report

Commonwealth of Australia 2017



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| The Productivity Commission |
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# Opportunity for further comment

You are invited to examine this initial report and comment on it by written submission to the Productivity Commission by Monday 31 July 2017. Further information on how to provide a submission is included on the study website at [www.pc.gov.au/inquiries/  
current/transitioning-regions/make-submission](http://www.pc.gov.au/inquiries/current/transitioning-regions/make-submission).

The final report will be prepared after further submissions have been received and further consultations have been undertaken, and will be published in December 2017.

### Commissioner

For the purposes of this study the Commissioner is Paul Lindwall.

# Terms of reference

## A study on the transition of regional economies following the resources boom

I, Scott Morrison, Treasurer, pursuant to Parts 2 and 4 of the Productivity Commission Act 1998, hereby request that the Productivity Commission undertake a study into the geographic impacts of the transition of the Australian economy following the resources investment boom.

### Background

The transition from the mining investment boom to broader-based growth is underway. This transition is occurring at the same time as our economy is reconciling the impacts of globalization, technological and environmental change.

By its nature, the geography of our economic transition will not be consistent across the country.

The combination of forces driving the transition of our economy will unavoidably create friction points in specific regional areas and localities across the country, while being the source of considerable growth and prosperity in others.

The different impacts across the geographic regions of the Australian economy occur because of variable factors such as endowments of natural resources and demographics. Some regions may also have limited capacity to respond to changes in economic conditions; for example, due to different policy or institutional settings.

### Scope of the research study

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 reference and guide to analysing our current transition. The Commission should consult with statistical agencies and other experts.

In undertaking the study, 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.

### Process

The Commission is to undertake an appropriate public consultation process including consultation with Commonwealth, State and Territory governments, as well as local government where appropriate.

The final report should be provided within 12 months of the receipt of these terms of reference, with an initial report provided in April.

**The Hon Scott Morrison MP  
Treasurer**

[Received 15 December 2016]

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# Abbreviations

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| --- | --- |
| ABS | Australian Bureau of Statistics |
| ACT | Australian Capital Territory |
| APVMA | Australian Pesticides and Veterinary Medicines Authority |
| ASIC | Australian Securities and Investments Commission |
| BLADE | Business Longitudinal Analysis Data Environment |
| CBD | central business district |
| COAG | Council of Australian Governments |
| FIFO | fly-in, fly-out |
| GDP | gross domestic product |
| GRP | gross regional product |
| IAC | Industries Assistance Commission |
| IC | Industry Commission |
| NBN | National Broadband Network |
| OECD | Organisation for Economic Cooperation and Development |
| PC | Productivity Commission |
| PCA | Principal components analysis |
| RDA | Regional Development Australia |
| RGF | Regional Growth Fund |
| SA2 | Statistical Area Level 2 |
| SA4 | Statistical Area Level 4 |
| SEIFA | Socio-Economic Indexes for Areas |