



Role of regional capitals

Senate submission

Future role and contribution of regional capitals to Australia

Background

In February 2015, the Senate moved that the Senate Rural and Regional Affairs and Transport References Committee conduct an inquiry to investigate the future role and contribution of regional capitals to Australia.

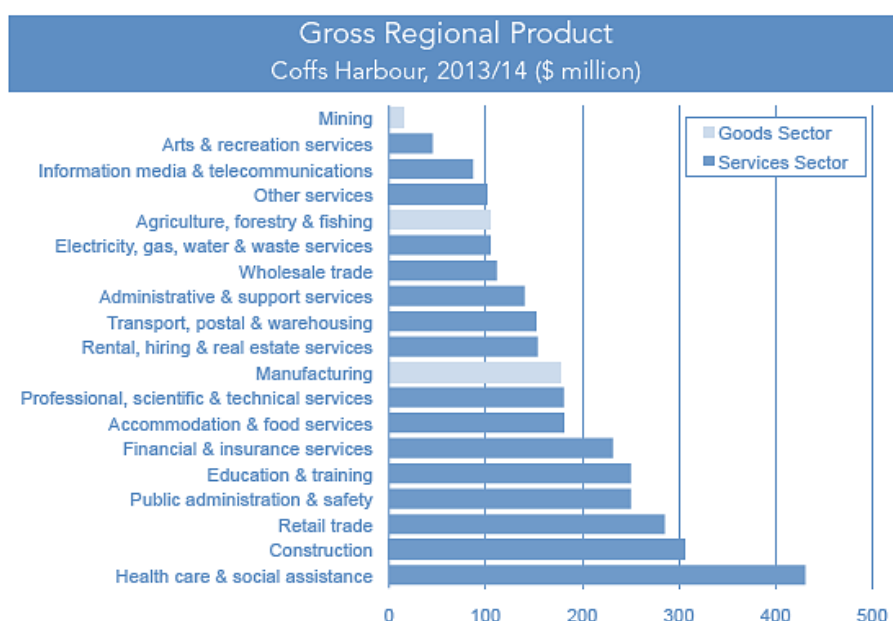
The terms of reference assess the future role and contribution of regional capitals to Australia, including:

- an assessment of current demographic trends and the changing role of regional capitals;
- an analysis of current funding provided to regional capitals;
- an analysis of the benefit of additional funding regional capitals could receive based on population, demand for services and their strategic importance for the region, state or country;
- investment challenges and opportunities to maintain or grow regional capitals, including infrastructure, community and human services, communications and natural resources;
- incentives and policy measures that would support sustainable growth in regional capitals;
- the impact the changing environment will have on regional capitals; and
- any other related matters.

Coffs Harbour

Coffs Harbour is located on the north coast of New South Wales about halfway between Sydney and Brisbane. Historically the economy of Coffs Harbour was based on the export of bananas, but now one of the biggest agricultural exports of the surrounding areas is blueberries. Coffs Harbour's surrounding regions are the biggest blueberry producers in the southern hemisphere.

Coffs Harbour also has thriving tourism and fishing industries but the largest contribution to Gross Regional Product was made by the Health Care and Social Assistance industry, with approximately \$430.5 million, or 10.8 per cent of the total GRP for Coffs Harbour. This is followed by Construction (7.6 per cent of GRP), Retail Trade (7.1 per cent), Public Administration and Safety (6.3 per cent) and Education & Training (6.2 per cent).



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Coffs Harbour as a regional capital

Regional capitals are services, infrastructure and commerce hubs for the surrounding regions. A regional capital's services and facilities are accessed by local residents as well as those in surrounding towns and rural areas, effectively performing a 'capital city' role within the region.

Services centre for surrounding regions

Coffs Harbour provides a central point to access essential services such as health services and tertiary educational institutions to the surrounding regions. Coffs Harbour has a private hospital, several health clinics and a campus of Southern Cross University.

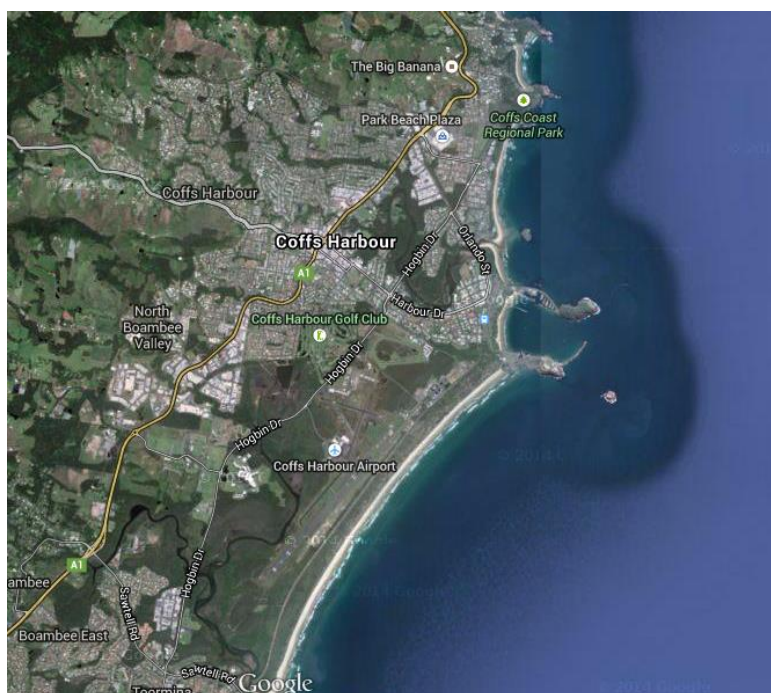
Like other Australian regional capitals, the areas of greatest employment in Coffs Harbour are in the services sector. An analysis of the jobs held by the resident population in Coffs Harbour City in 2011 shows the three most popular industry sectors were:

- Health Care and Social Assistance (4,285 people or 15.3%)
- Retail Trade (3,855 people or 13.8%)
- Accommodation and Food Services (2,799 people or 10.0%)

In combination, these three industries employed 10,939 people or 39.1 per cent of the total employed resident population.

Intermodal transport hub

Coffs Harbour provides a central point to access essential infrastructure such as connecting transport, with the intersection of rail, road, seaport and airport infrastructure all within one kilometer of Coffs Harbour CBD: the epitome of a regional capital.



Coffs Harbour is also accessible by road, NSW TrainLink trains, and regular bus services.

Centre for business and employment

Regional capitals like Coffs Harbour provide a central point to access diverse employment and business options supported through central business districts and hubs for industry and play an important role in assisting smaller rural councils.

Coffs Harbour City Council's tourism department provides significant support to the surrounding smaller councils such as Bellingen and Nambucca Shire Councils and funds various economic development initiatives designed to benefit the wider economic region and coordinated with surrounding councils.

Coffs Harbour's Digital Enterprise Program was instigated by Coffs Harbour City Council and jointly resourced with the Australian Government, but operated across local government boundaries including Nambucca, Bellingen and Clarence Valley. The Coffs Coast Growers Market is a program fully funded by Coffs Harbour City Council, however supports growers and value adders from the surrounding Council areas of Bellingen, Nambucca, and Clarence Valley.

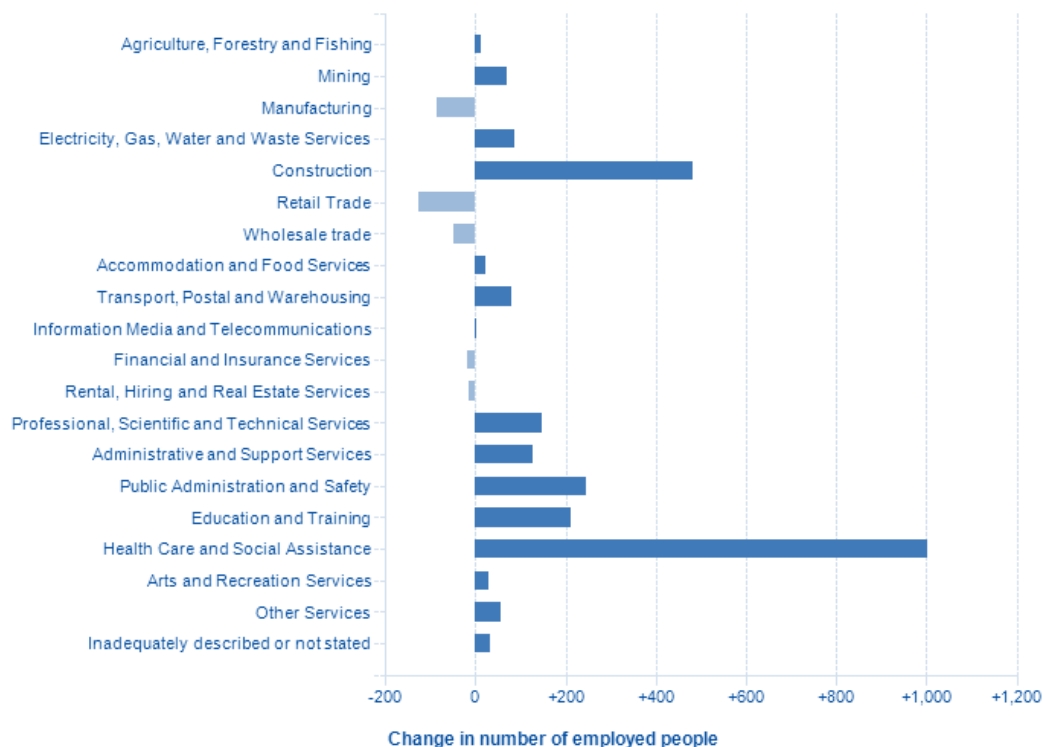
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Demographic trends

Population in Coffs Harbour has been increasing steadily, though not keeping pace with the major metropolitan cities. The population of Coffs Harbour increased annually by 1.0 per cent to 71,798 in early 2014, and the Gross Regional Product (GRP) for Coffs Harbour increased in real terms by 0.6 per cent to \$4 billion in 2013-14.

The number employed in Coffs Harbour increased by 1.8 per cent to 33,575 in the second half of last year, with the biggest increases in the Health Care and Construction sectors. This follows the trend of services sector growth Australia-wide, as well as the increasing role of Coffs Harbour as a regional service provider.

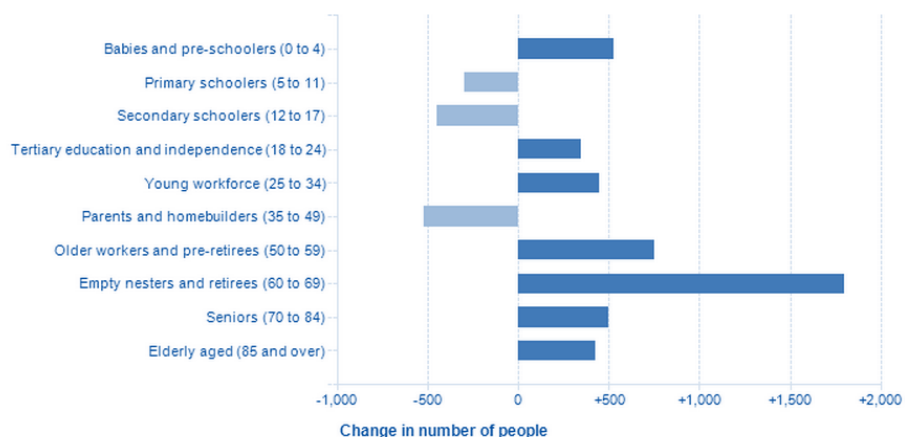


Ageing population

Coffs Harbour, like all other Australian cities, is dealing with an ageing population and planning for the increased dependency on certain services and consequent industry shifts.

An ageing population decreases the proportion of working-aged people and increases the demand for health and liveability infrastructure used to support retirees.

The largest changes in the age structure in Coffs Harbour between 2006 and 2011 were among empty-nesters and retirees (60 to 69) (+1,801 people) and older workers and pre-retirees (50 to 59) (+752 people). Relative to New South Wales and Australia, Coffs Harbour is at the forefront of accommodating an ageing population.



This demographic shift to an ageing population puts more stress on health and aged care services, and also refocuses industries to areas of tourism and amenity to cater for retirees.

Current infrastructure funding to Coffs Harbour

Federal infrastructure funding is currently largely application and project-based, ad hoc, and forces councils to compete against each other for funding to remedy faults instead of proactively planning for growth.

- An analysis of the projects funded for Coffs Harbour (appendix A) found that excluding the Investment Road and Rail Programme that covers large infrastructure crossing local government areas and even states, the quantum of infrastructure funding from the federal government since 2013 direct to Coffs Harbour is \$1,298,265. There is just one project of 10 not yet completed, a Black Spot project worth \$402,000. Just over \$1.2 million in federal infrastructure funding over three years for an area that services 72,000 people is a meagre sum and does not represent the need for infrastructure investment in Coffs Harbour.

There are small businesses operating in Coffs Harbour that want to expand their business and employ more people in the process, but smaller players have trouble attracting necessary investment and are excluded from government grants based on their size. For example, there are businesses engaged in food manufacture connected to Coffs Harbour's large blueberry industry that have to have their goods manufactured in Melbourne because they lack sufficient scale to apply for grants and programmes that were intuitively designed with them in mind.

INFRASTRUCTURE INVESTMENT NEEDS TO INCORPORATE BOTH SOFT (SERVICES) AND HARD INFRASTRUCTURE TO PROMOTE PRODUCTIVITY AND GROWTH IN REGIONAL CAPITALS.

people to move to regional capitals, and attract skilled workers to stimulate emerging industries. Infrastructure grants should take into account wider parameters than are currently in place to focus on the investment sparked by increased liveability.

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Investment challenges and opportunities

Transport infrastructure linkages to global markets

Coffs Harbour is the embodiment of a regional capital in that the Coffs Harbour central business district is within one kilometer of the rail line, highway, airport and seaport.

Coffs Harbour Airport

In the short term, Coffs Harbour Airport and local businesses are pushing for more flights out of Coffs Harbour to capitalise on the tourist market to and from south east Queensland, but in the longer term the airport is a perfect example of current regional capitals infrastructure with unfulfilled potential.

Coffs Harbour Airport is the second-busiest passenger airport in New South Wales after Sydney,¹ but has the capacity to easily double passenger transit. The airport currently handles 360,000 – 380,000 passengers per year, but could accommodate 1 million passengers per year.

With a runway 2,080 metres long and 45 metres wide, Coffs Harbour Airport is capable of handling large jets and international aircraft. With its unique position halfway between Sydney and Brisbane, the airport is best placed as a regional hub to alleviate issues with Sydney airport flight curfew as well as acting as a logistics and trade hub for all the surrounding agricultural areas.

There are currently dairy producers investigating the possibility of flying fresh milk out of Coffs Harbour to Brisbane or Cairns for refueling before it is flown to China, where it has recently fetched up to \$9 per litre. There is skyrocketing demand for fresh dairy produce from Australia and Coffs Harbour stands ready to meet this demand much more quickly than with the current process of shipping dairy on refrigerated truck to Brisbane to be flown to China.

Seaport

Coffs Harbour City Council and the business community consider the maintenance of the seaport crucial, and is constantly working and planning with stakeholders for the continued development of the port in line with business opportunities for the local fishing industry, tourism industry, and to encourage new industry.

The port is essential for tourism industry growth, as Coffs Harbour has one of the most temperate and liveable climates in Australia, and a thriving deep sea fishing industry. Coffs Harbour is unique in that there is land in between a rail line and the port that could be used for tourist development, if resources were devoted to attracting the right investors.

However, maintaining a coastal port to deal with the increasing severity and frequency of extreme weather

COFFS HARBOUR AIRPORT IS THE SECOND-BUSIEST PASSENGER AIRPORT IN NEW SOUTH, BUT HAS THE CAPACITY TO EASILY DOUBLE PASSENGER TRANSIT.



¹ "Airport Traffic Data 1985-86 to 2009-10". Bureau of Infrastructure, Transport and Regional Economics (BITRE). June 2010.



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events is an expensive infrastructure exercise, with nearly \$3 million spent recently to remedy slipway contamination, and nearly \$4 million to conduct extensive hydrology and feasibility studies into the viability of a boat maintenance facility (that would involve constructing additional breakwaters). The NSW State Government also recently spent \$20 million on refurbishing the southern breakwater, and will spend an additional \$15 million to reinforce the northern breakwater.

Coffs Harbour port has the potential to take advantage of Coffs Harbour's position as an intermodal transport hub and ship more freight and become a stopover for cruise ships. With an 11m draught, Coffs Harbour port is the only safe deepwater port in between Newcastle and South Port in Brisbane. Currently there are a number of local major manufacturers who ship by sea, with extensive studies commissioned to assess the feasibility of adapting the port to a more freight-friendly and cruise ship-accessible port, particularly for shipping engineered structures for the petroleum industry by WE Smith.

Skilled labour force attraction

Agribusiness and seasonality

Agriculture is not one of the most significant industries in Coffs Harbour city, but as the hub of services for the surrounding area, the health of the regional capital is dependent on the health of the surrounding industry and vice versa.

In 2014 Deloitte nominated agribusiness as one of the five industry sectors that has the potential to take over from mining as key drivers of growth opportunities for the Australian economy. The burgeoning global opportunity for agribusiness is driven largely by population growth and growing middle class in our Asian neighbours, and within two decades, Asia is expected to be home to almost half the world's middle income consumers. Asia is also expected to account for 71 per cent of the growth in global food demand up to 2050.

A major issue that regions and regional capitals like Coffs Harbour share is the issue around the seasonality of crops, and skilled labour shortages.

Coffs Harbour's biggest agricultural crop, blueberries, is very labour-intensive and in the past there was a dearth of skilled labourers available to pick crops, leaving blueberry crops to rot and waste. Council has been working extensively with local TAFEs to try to find complementary industries to maintain a workforce year-round in the area and prevent perennial skills shortages.

Larger agribusinesses have the capacity to move workers around from one area to another depending on when crops need to be picked, and others have tried out group training organisations to find synergy between crop harvest requirements.

Labour supply organisations to coordinate shared labour pools have been successful in the north of New South Wales, and given seasonality of agricultural crops is an issue shared by regional capitals across Australia, there could be value in a national coordinated approach to address labour shortages.

Health Sector

One of Coffs Harbour's biggest industries is the health sector, which is also the biggest sector for jobs growth over the past ten years. However, Coffs Harbour still struggles with the challenge of attracting qualified health professionals to meet the requirements of the region.

Like other regional capitals, e-health and the NBN has improved access to medicine for regional communities, but a concerted national effort could be made to promote medical professionals moving to regional capitals. Health services are absolutely essential to accommodating demographic shifts and an ageing population.



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Regional university investment

Coffs Harbour is home to one of three Southern Cross University campuses. It is unique for its partnership with North Coast TAFE and the NSW Department of Education and Training (Coffs Harbour Senior College) to form the Coffs Harbour Education campus (CHEC).

Like most regional campuses, it must compete with other tertiary education providers and provide compelling reasons for local students to stay local. Expanding its course offerings in highly skilled and in demand fields such as health is a key strategy which would also deliver a significant benefit to the Coffs Harbour community through the provision of local expertise and services.

The University needs specialist infrastructure and the resource capacity internally to deliver upon this strategy. Southern Cross University is at the forefront of educating and upskilling the Coffs Harbour workforce to diversify the local economy:

- providing high-quality degree and diploma courses, conducting research in psychology, IT and business
- participating in a Co-operative Research Centre for Remote Economic Participation and sustainable settlements research
- and training students in the latest developments in the ASLaRC Aged Services Unit, among a swathe of other initiatives.



The courses and careers in greatest demand in regional capitals are health industries which are capital and infrastructure intensive.

Southern Cross University's Coffs Harbour Campus is situated in a catchment area of roughly 2,700 Year 12 graduating students per year. However the University's course profile cannot cater to the diversity of courses in demand, and is currently resourced with infrastructure to accept a quarter of those students annually.

The parameters for funding regional universities are the same as for major metropolitan universities, with a strict cost-benefit business focus, ignoring the wider social, economic and cultural benefits to a regional community of a thriving tertiary education sector.

Southern Cross University, in conjunction with its partners in Coffs Harbour, is progressively working toward more efficient use of existing infrastructure and proposed future investments, focusing on diversifying into multi-use buildings such as the proposed \$30 million allied health centre which would be used by the hospital, Coffs Harbour Council, University of New South Wales and by Southern Cross University for training and service provision.

Adjusting university infrastructure funding to take account of the unique pressures facing regional universities in major regional hubs as well as the widespread community benefit they provide, would help alleviate youth unemployment and specialty skills shortages across the regional economy.

Technological connectivity

Over 92 per cent of Coffs Harbour is now connected to the National Broadband Network after early and concerted lobbying on the part of council, and the council has been pushing this connectivity in conjunction with the lifestyle benefits of regional centres to encourage business and individuals to consider moving out of capital cities to call the Coffs Coast home.

Technological Readiness	
Internet connections	75.8%
Employment in technology-related industries	5.3%
Employment in ICT and electronics	1.0%
Mobile Coverage	98%



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Coffs Harbour currently has a number of world class technology businesses operating out of the region, but according to the latest Insight figures from the Regional Australia Institute, just over 5 per cent of workers are employed in technology-related industries. Council has been pursuing its *Switched On Coffs* digital strategy, but a concerted push on behalf of several regional capitals would no doubt aid in attracting top-tier technology firms to relocate to the area.

Tourism investment

Coffs Harbour operates not just as a services hub for surrounding regional residents, but as a services and expertise centre for the surrounding regional councils.

A central part of Coffs Harbour City Council tourism strategy is a vibrant major events calendar, with the Council securing events such as the World Rally, World Touch Titles, Ulysses AGM, and major national and international conferences in Coffs Harbour.

Surrounding councils directly benefit from sub-events, day trips, training and education excursions in the surrounding regions planned as part of the core headlining event. Events like the World Rally, where a total of 532 hours of coverage for the 2013 event was broadcast on 264 television channels in 144 countries to a total audience of 28.21 million, are a core part of the tourism attraction strategy for the whole region, but just one council bears the cost.

Planned infrastructure developments at the jetty foreshores and the extensive planning and research involved in assessing the viability of Coffs Harbour seaport as a stop for cruise ships provide spillover benefits and direct advantage to surrounding councils because of Coffs Harbour's role as a gateway to the entire region. Coffs Harbour City Council works closely with Nambucca and Bellingen Shire Councils ensuring the region as a whole is capitalising on visitor spends, carefully planning tourism strategy that benefits the wider area beyond local government boundaries.

Climate change

According to the CSIRO, Coffs Harbour, nestled between a high mountain backdrop and dozens of beaches has the most liveable climate in Australia giving strength to a growing tourism industry.

Coffs Harbour City Council has assumed a greater deal of responsibility with regard to natural disasters and climate change including:

- Increasing planning requirements to cater to estimated sea level rises.
- Infrastructure requirements such as the construction of Flood Detention Basins to address major flood events such as those in 2011.

Coffs Harbour is a coastal city, and with the projected sea level rises along with climate change, the port infrastructure would be affected, the deep sea fishing industry would decline, council would have to spend more on remedial works after flood and inundation damage.



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Incentives and policy measures

Coffs Harbour's issues are shared by regional capitals around Australia:

- Need for infrastructure investment to promote business growth and industry diversification
- Need for long-term planning for infrastructure damage caused by climate change
- Skills and labour shortages and the need to attract highly educated workers and emerging industries

The parameters surrounding infrastructure spending need to take into account the changing demographic trends for regional capitals and their role as regional economic leaders.

Infrastructure investment is most efficient when it is based on the strategic importance of regional capitals and the benefits of the infrastructure to other regions, sectors and indicators not ordinarily captured in a simple cost-benefit analysis.

Incorporating amenity and soft infrastructure (services) instead of grants to fill the road gaps where councils cannot afford it. Infrastructure spending should be aimed at cultivating the conditions for economic growth and not merely maintaining roads and bridges.

The role of regional capitals should be acknowledged explicitly in economic development strategies so that regions can best connect their goods to market.

Policies need to be informed by the essential role that regional capitals play as infrastructure, services and cultural hubs.



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Appendix

Project title	Funding program	Status	Category	Australian Govt Contribution	Total cost (if applicable)
Pacific Highway - Sapphire to Woolgoolga Upgrade	Investment Road and Rail Programme	Completed	Road	\$683,000,000	\$815,337,714
Gundagai Street, Coffs Harbour - 048401-12NSW-RTR	Roads to Recovery Programme	Completed	Road	\$140,788	
Prince Street, Coffs Harbour - 048393-12NSW-RTR	Roads to Recovery Programme	Completed	Road	\$73,790	
Beach Street, Woolgoolga - 048395-12NSW-RTR	Roads to Recovery Programme	Completed	Road	\$367,661	
Albany Street, Coffs Harbour - 048397-12NSW-RTR	Roads to Recovery Programme	Completed	Road	\$85,212	
Harbour Drive, Coffs Harbour, - 048396-12NSW-RTR	Roads to Recovery Programme	Completed	Road	\$48,825	
Brodie Drive, Coffs Harbour - 048400-12NSW-RTR	Roads to Recovery Programme	Completed	Road	\$64,989	
Harbour Drive, Coffs Harbour, - 051130-13NSW-RTR	Roads to Recovery Programme	Completed	Road	\$115,000	
Coramba Road - From Bennetts Road to 1.6km West - COFFS HARBOUR - 051297-14NSW-BS	Black Spot Project	In planning	Road	\$402,000	
Pacific Highway – Woolgoolga to Ballina – Planning and Preconstruction	Investment Road and Rail Programme	In planning	Road	\$282,300,000	\$564,600,000
Total Australian Government contribution direct to Coffs Harbour:				\$1,298,265	