

Latrobe*City*

INQUIRY INTO REGIONAL DEVELOPMENT AND DECENTRALISATION

LATROBE CITY COUNCIL SUBMISSION

2017





CR KELLIE O'CALLAGHAN
MAYOR

Background - Latrobe City

Latrobe City Council thanks the Regional Development and Decentralisation Committee for the opportunity to make this submission.

Latrobe City is the only regional city in Gippsland and is one of Victoria's four major regional cities. It is the service, commercial and residential hub for Gippsland, which has a population of over 270,000.

Latrobe City is resource rich with abundant forests, rich agricultural land, water resources and large deposits of brown coal.

Latrobe City is a major centre for Health Services with the Latrobe Regional Hospital Gippsland's pre-eminent regional health facility and our largest employer.

Latrobe City is a major centre for education services with Federation University's Churchill Campus providing access to tertiary education and Federation Training, through its Campuses at Morwell, Sale, Traralgon and Yallourn providing access to vocational training across the Latrobe Valley.

Latrobe City is a major industrial centre:

- generating 85% of Victoria's electricity;
- with Australia's largest integrated pulp and paper mill;
- home to Australia's largest yoghurt manufacturing facility; and
- Australia's only manufacturer of commercial aircraft.

Latrobe City is home to 73,240 people, 4,480 businesses, and a labour force of 35,550. Its Gross Regional Product is over \$4.34 billion per annum.

Latrobe City is known for its excellence in engineering capability, health care, education and public administration, - and as a cultural and commercial centre for Gippsland. It is home to a highly skilled and diverse workforce.



Best Practice approaches to regional development

REGIONAL CITIES - NATIONAL CONTEXT

Population growth in Australia's regional capital cities has outpaced the national average. In ten years there will be additional one million people living in these cities. The challenges posed by the expected doubling of Australia's population by 2075 cannot be addressed through ever expanding the existing metropolitan agglomerations.

Regional capital cities have the capacity to accommodate further growth; these cities are a viable and immediate option to address the crippling congestion issues in the major metro cities. Regional capital cities are well placed to accommodate growth from new migrants. 35% of the population growth in these cities was from new migrant arrivals.

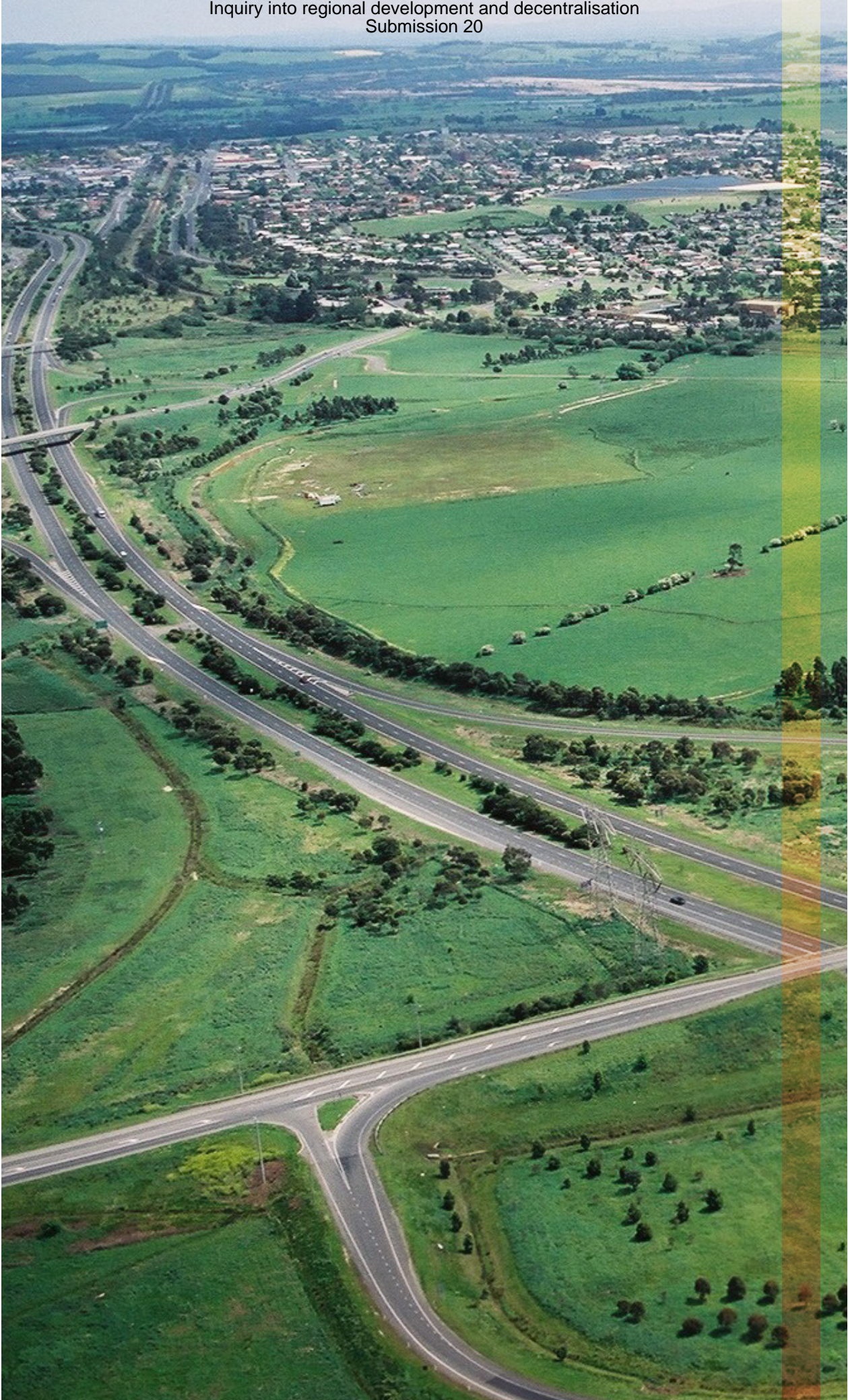
Regional capital cities contribute \$225 billion every year to Australia's economy. This represents approximately 16% of total national economic output. There are 300,000 active business located in regional capital cities, which represent 15% of all Australian-based businesses.

Infrastructure Australia puts the cost of addressing the national infrastructure deficit anywhere between \$450 billion and \$700 billion. Federal and State governments cannot afford to allow this gap to widen. As the nation's \$53 billion congestion bill spirals out of control, it is clear Australian businesses also need a new a solution that moves past the capital city thinking that historically has been engrained in our national leadership.

The Regional Australia Institute has found that, for every 100,000 Australians who choose to live in regional capital cities instead of the five big cities, approximately \$50 billion will be released into the national economy over 30 years in reduced congestion costs.

Investments in regional capital cities will undoubtedly ease the squeeze on Australia's largest metropolitan agglomerations as people and business look for liveable and investable alternatives. This investment will also create a level playing field for those Australians who have already made the move.

More than four million Australians live in regional capital cities. An additional four million people in surrounding areas access the services, infrastructure, jobs and education in these cities. Each day eight million Australians rely on regional capital cities for their everyday needs.



Best Practice approaches to regional development

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STRATEGIES FOR TRANSITIONING COMMUNITIES

The report – *Local Government Strategies for Transitioning Communities* (Agostino, February 2013) was written following a Churchill study tour to a number of international communities, who, it transpired, were taking innovative steps to transition to a sustainable future.

Key learnings in the *Transitioning Communities* report are:

- Relationships are essential because local government are not generally equipped with the knowledge or resources to deal with every problem in their communities;
- Liveability is extremely important in attracting and retaining people because people want more than a job;
- A big challenge to local governments in transitioning their community tends to be lack of resources. This occurs across the globe, regardless of the size of the local government or its community. This is a key reason why partnerships and collaboration between local government and private sector are becoming more prevalent; and
- Universities occupy a unique place in a local economy and can help a community achieve a successful transition. Linking University assets to industry needs can lead to new products, improved processes and expanded services.

The *Transitioning Communities* report concludes:

Successful sustainable change must come from within the community. Local governments that appreciate local context, culture and an understanding of local drivers have a better chance of delivering sustainable transition strategies that actually work;

Stakeholders must be involved at the start. Not involving them early opens up government to the risk of producing work that does not achieve outcomes because it is not supported and misses important information;

It is most important to get the right people for the right task; and

Given tight financial resources, local government needs to look elsewhere for funding. Strategic public/private partnerships should be considered.

THE LATROBE VALLEY: A REGION IN TRANSITION

The privatisation of the electricity industry in the 1990's led to a significant reduction in workforce with little or no structural adjustment assistance provided by either the State or Commonwealth Governments. This has led to inter-generational issues and entrenched disadvantage.

The recent closure of the Hazelwood Power Station confirms that the economy of the Latrobe Valley is changing. As with any significant structural change, there is considerable debate about the best ways for this transition to occur. In July 2016 Latrobe City Council held a Community Conversation entitled "*Securing our Economic Future*". Council is now working with the Latrobe Valley community to deliver on the vision and initiatives for transition which emerged from that conversation.

It is clear that this transition must be vastly different to that executed at the time of privatisation. Our view is that the key to success is a community led response which empowers, builds capacity, resilience and optimism within the community. This can only be done through an earnest desire to partner with the community in a process of co-design and collective engagement. Our document, *Latrobe City: a Strength-Led Transition* (Latrobe City Council, December 2016), is a co-designed roadmap produced with our community; rich with many community-led ideas and initiatives. It reflects our community's proud industrial heritage, engineering expertise and innovative thinking.



Best Practice approaches to regional development

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REGIONAL CITIES AND REGIONAL DEVELOPMENT

A key contention included in the report, *"Blueprint for investing in City Deals: Are You Ready to Deal?"* (Regional Australia Institute, June 2017) is that we need our regional cities to perform well if Australia is to prosper. That same report suggests that Regional Cities have the potential to produce \$375 billion in output, cementing their 15% contribution to the national economy.

Regional Cities are now explicitly part of the Australian Government's City Deals program, a cross portfolio, government investment approach with local transparency. (Regional Australia Institute, June 2017).

It is suggested that there are some essential ingredients which are required to enable regional cities to succeed and grow consistently over time. (Regional Australia Institute, April 2016). These include:

- High rates of connectivity through physical and digital infrastructure so that firms and people can readily connect with others;
- Strong human capital able to support a density of high paying jobs that attracts the best talent and ensures that business and institutions in the region are capably led;
- One or more globally competitive specialisations that enable the city to become embedded in domestic and global supply chains and develop firms and innovation orientated organisations that enable the city to capture growth opportunities over time;
- The type of amenity that makes a city a place where people want to be for the long term so that existing citizens remain committed to spending their lives and careers in that city and others are attracted to join them; and
- A network of high capacity institutions so that the city can capably and proactively act to develop itself.





Decentralisation of Commonwealth entities or functions

Regionalisation of Commonwealth Government agencies is a familiar tool to assist communities facing economic transition with the Commonwealth having relatively recently located the headquarters of the National Disability Insurance Scheme (NDIS) to Geelong.

Latrobe City's experience with Commonwealth Government agencies located within our municipality, notably the Australian Securities & Investments Commission (ASIC) Registry located in Traralgon and the Latrobe Smart Centre, also located in Traralgon, has been most positive. Our understanding is that that these Centres are amongst the best performing Commonwealth Agencies located anywhere in the nation. An expansion of these services and the decentralisation of other Commonwealth Government functions would anchor jobs in this transitioning economy.



LATROBE CITY'S ASIC EXPERIENCE

An excellent example is the Australian Securities & Investments Commission (ASIC) Registry, which was originally established in the 1990s at the time of the deregulation and privatisation of Victoria's power industry. There are now 346 people employed at the site (263 fulltime equivalent positions). Of those employed, 311 are ASIC employees and 35 are contract workers employed by agencies.

The 346 people employed at ASIC's Traralgon site are estimated to generate direct economic output worth \$67.051 million per annum. This direct economic activity is estimated to generate demand for intermediate goods and services from within the Latrobe City economy to the value of \$26.422 million. The consumption effects are estimated at \$32.953 million. Total output, including all direct, industrial and consumption effects is therefore estimated at up to \$126.427 million.

In 2014 Council commissioned a report on the direct and indirect contribution of ASIC's operations in Traralgon to the local economy (REMPAN, 2014).

GEELONG'S EXPERIENCE OF DECENTRALISATION

National Disability Insurance Authority

Geelong has had recent experience with the location of the National Disability Insurance Authority to that City. It employs 300 people in addition to 150 people in the regional office. This announcement was made in response to the closure of the Ford Manufacturing Plant.

The Commonwealth Government said: "This will have a significant ripple impact on our economy in the fullness of time. These are good jobs, they're well-paying jobs, and from these jobs people will be buying services, they'll be living in houses and that in turn creates a very significant ripple effect."

The Victorian State Government said of the announcement: "It would create hundreds of jobs in Geelong which would really be a great shot in the arm for Geelong, particularly at this time with the decision by Ford."

WorkSafe Victoria

The Victorian State Government has determined to relocate the Worksafe Victoria to Geelong. 150 roles from across Worksafe Victoria, covering insurance, health and safety and support functions transitioned to Geelong in 2016. This included four members of the organisation's executive leadership team. WorkSafe will complete the transition to its new headquarters by mid-2018, taking up residence in a new purpose-built building.

The Victorian Treasurer Minister, Tim Pallas MP, said in July 2015: "WorkSafe's new headquarters will strengthen Geelong's economy, bringing jobs and growth to the region. As a key public employer, WorkSafe will boost the region, while continuing to keep our workplaces safe and ensuring workers return."

Decentralisation of Commonwealth entities or functions

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Traffic Accident Commission (TAC) - Victoria

The Victorian State Government previously determined to relocate the Traffic Accident Commission (TAC) to Geelong. The TAC's Geelong headquarters was officially opened in February 2009, which was built at a cost of \$8 million. Today, 750 staff are located in the headquarters building, which has a five star Green Star rating and a 4.5 star Australian Building Greenhouse Rating; in recognition of the building's low impact on the environment. At the opening the then Premier, John Brumby, said the new office would help create new jobs and drive economic growth in the region.

The State Government said, at the time (Feb 2009): "The Transport Accident Commission's (TAC) Geelong headquarters was the largest relocation of a government body in Victoria's history. Premier John Brumby said the new office would help create new jobs and drive economic growth in the region. We are taking action to deliver jobs and lock in the future of Geelong," Mr Brumby said, "In a major boost to the local building industry activity, more than 800 people worked on the construction and fitout of the new TAC facility over the past two years."

Commonwealth Government out-posting

An alternative to the relocation of agencies and corporate entities is out-posting. Out-posting is a form of teleworking where an employee has a formal agreement with their employer to work in a location other than the office. Out-posting and teleworking uses information and communications technology to stay connected to other employees and work systems.

In 2013, the majority of Australian Public Service (APS) agencies (78%) had fully developed telework strategies in place, with only a small proportion (8%) reporting they had no policy in place.

Approximately 25% of APS agencies reported they had approved all applications for teleworking and approximately another 26% of APS agencies had approved more than half of applications. The most common reason for not supporting an application for telework was that the nature of the work was not suitable for telework.

Latrobe City's proposition is that Latrobe City be identified as a preferred out-post location and calls upon each Commonwealth Government Department and Agency to identify at least ten positions for re-location to Latrobe City as an out-post opportunity.

Staff could be co-located in one building; and that facility could become the out-post Hub for the Commonwealth Government — further reinforcing the Commonwealth Government's footprint in and commitment to building the economic resilience of Latrobe City.

***Conclusions -
decentralisation of
Commonwealth entities or
functions***

In our view the best chance of success for any decentralisation of Commonwealth entities or functions is if existing Centres are expanded or new Commonwealth agencies are located in regional areas from inception.

In addition, regional centres need to have the necessary scale, capacity and service infrastructure. Certainly this has been Latrobe City's experience.

In addition, we believe that establishing a CSIRO – Centre of Excellence in Brown Coal Innovation, to explore, examine and consider alternative uses of brown coal in the Latrobe Valley - would support industry advancement and secure the long term future of this rich and abundant resource.

We believe there to be opportunities to relocate the Australian Transport Safety Bureau to the Aviation Precinct within Latrobe Regional Airport.





Actions of the Commonwealth that would encourage greater corporate decentralisation

It is suggested that the best way for the Commonwealth to encourage greater corporate decentralisation is for it to put supporting policy and incentives in place to ensure that our regional cities perform well.

In summary the five keys to regional city success are (Regional Australia Institute, April 2016):

- Connectivity
- Training and development of skills to utilise technology infrastructure
- Human Capital
- Utilise strong lifelong learning and bi-modal age profile to innovate in skills, training and workforce management
- Specialisation
- Build on strengths of each city to develop competitive advantage
- Amenity
- Strengthen local employment opportunities in innovative and culturally diverse industries
- Institutional
Mobilise strong local leadership.

In the report to the Property Council of Australia “Introducing UK City Deals – A smart approach to supercharging economic growth and productivity” (KPMG, June 2014) it is suggested that lessons be learned from the UK City Deal approach to infrastructure funding, which has proven successful in delivering increased economic activity, infrastructure funding and development certainty. The report argues that the turning point for the UK City Deal model was the inclusion of an earn-back incentive, which provided the basis for a sustainable revenue stream to reinvest in the City Deal.

Latrobe City Council
August 2017

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