



**SACOSS Submission to Senate Standing Committee on
Economics Regional Inequality Inquiry
November 2019**

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Contents

Executive Summary.....	4
Introduction	6
Indicators of Regional Inequality	7
Particularities of SA.....	7
Poverty in Regional Areas	10
The Digital Divide	10
Issues from Regional Consultations	13
Policies and Recommendations	14
Regional Population	14
Poverty	14
Digital Inclusion.....	16
Service Provision	17
References	18

Executive Summary

Regional inequality in South Australia has particular features because the state population is dominated by Adelaide and there are no other large population centres – meaning that regional South Australia is characterised by small communities and populations often at significant distance from the capital and from the central services. This creates additional difficulties and cost in accessing markets and services – much more than for many regional communities in eastern states.

Regional South Australia also has significant levels of poverty with over 23,000 regional households below the state poverty line and a rate of poverty more than twice that of the greater Adelaide area. This poverty impacts on many aspects of life. It is evident in energy disconnections which are also markedly higher in regional areas, and in data from the Australian Digital Inclusion Index which shows a digital divide between Adelaide and regional South Australia (although slightly less than the national average).

SACOSS also wishes to highlight key issues which have been raised in regional consultations we have done with our members, including the lack of employment and training paths and the overlooking of local expertise in service provision in regional areas.

To address the issues above, SACOSS makes the following recommendations:

Regional Population Patterns – Term of Reference (a)

1. That the Committee notes the importance of the principle of Horizontal Fiscal Equalisation and the loadings in the Regional Costs Assessment in the sharing of GST funds between states to provide a (potential) funding base for vital services in regional areas.

Poverty – Terms of Reference (a),(f),(d)

2. That given the extent of poverty in regional areas and the potential local economic boost from increasing social security payments, the Committee endorses the call for Newstart and other base-level allowances to be increased by a minimum of \$75 per week.
3. That the Committee calls on energy retailers to use a debt trigger as a means of identifying customers in payment difficulty.

Digital Inclusion – Term of Reference (c), (d), (f)

4. That the Committee:
 - recognises the importance of digital inclusion as a key issue in regional inequality,
 - notes the importance of the NBN in helping bridge the digital divide, but also
 - notes that infrastructure alone will not deliver digital inclusion.
5. That the Committee recommends that the federal government adopt the ACCAN proposal for a \$20 subsidy on NBN regional and remote services.

6. That the Committee inquire into the implications of 5G networks for equitable regional access to telecommunications and digital platforms.

Service Provision in Regional Australia – Term of Reference (i)(I)

7. That the Committee recommends that government procurement operations acknowledge the importance of long term community presence and on-ground knowledge and that this be given explicit weight in tender processes.

Introduction

The South Australian Council of Social Service (SACOSS) is the peak body for the non-government health and community services sector in South Australia, and has the constitutional objective of the eradication of poverty and to work for justice, opportunity and shared wealth. While the SACOSS Secretariat is small and Adelaide-based, we have a significant number of member groups who are regionally based or who provide community services in regional areas. We also have representatives of two regional organisations on our Policy Council which informs SACOSS' policy development, and we do regional consultations as time and resources permit.

In preparing this submission we have seen the submission from Uniting Country South Australia. Their submission, coming from a respected organisation with a long history of support for vulnerable and disadvantaged people in regional South Australia, highlights a range of issues and economic barriers facing regional communities. SACOSS supports that submission, and will focus our submission on more macro-level issues. The submission is divided into 3 parts:

- measures and indicators of regional inequality,
- issues which our regional members raise with us,
- policies and initiatives which could address regional inequality.

Indicators of Regional Inequality

SACOSS knows that the Committee will be familiar with the national data around regional inequality in Australia and the Committee will have received several submissions that deal with different aspects of this data. We do not wish to rehash that data, but would like to draw the Committee's attention to three key aspects of the data:

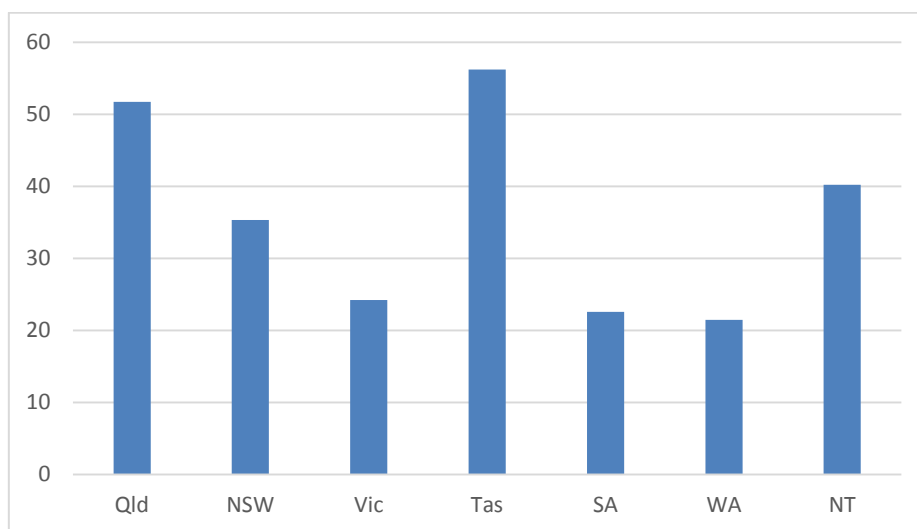
- The particularities of regional inequality in South Australia
- Poverty in regional South Australia
- Inequality across the digital divide

Particularities of SA

Adelaide and Regional SA

Regional inequality in South Australia has a particular element in that the state population is dominated by the capital city in a way that is very different to most other jurisdictions (except WA). The extent of this population skew is evident in the figure below with just 22.5% of South Australia's population living outside of the Greater Adelaide area.

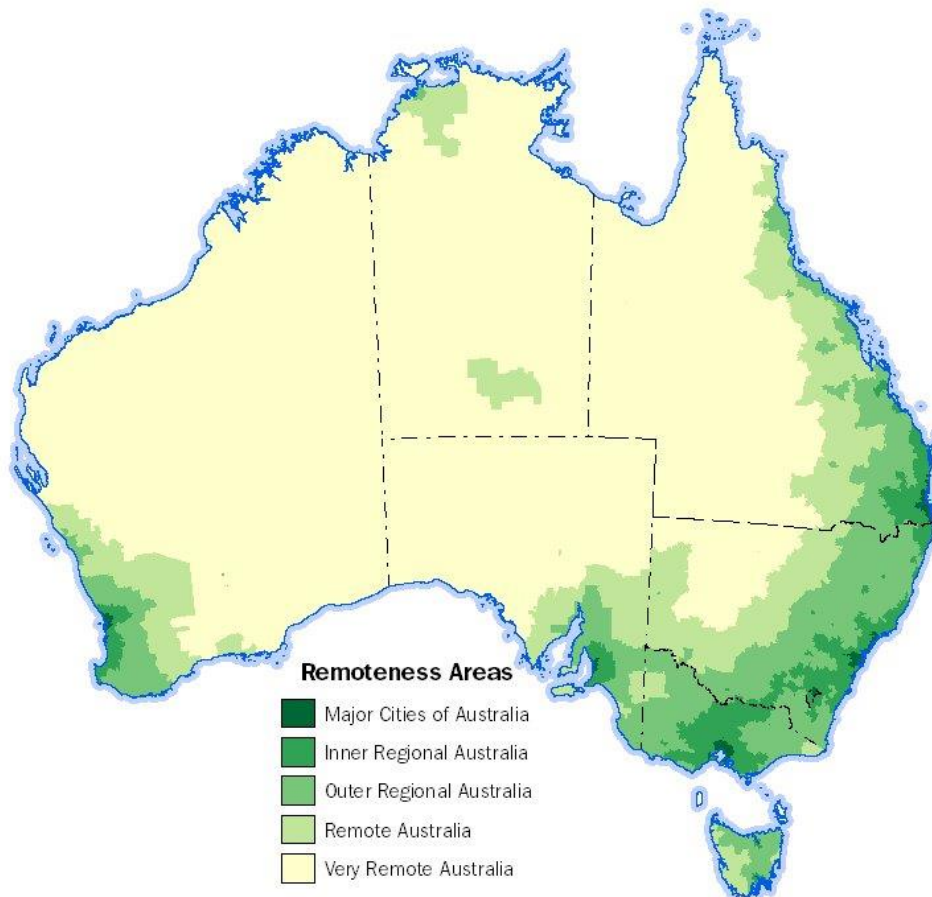
Figure 1: Regional (rest of state) population as a percent of whole state



Source: SACOSS calculation from ABS 2016 Census data (2019a)

Victoria should be discounted in these comparisons because it is geographically much smaller, and unlike South Australia it has a range of regional cities of reasonable size. By contrast, the largest centres outside of Adelaide are relatively small with the largest (Mt Gambier, Victor Harbor-Goolwa) having populations of around 25,000 people (each less than 2% of the state population).

This geographic pattern is also evident in the 2016 remote areas map.



Source: ABS (2018)

The result is that when talking about regional South Australia, we are often talking about small communities and populations at great distance from the capital and from the central services, a fact which creates additional difficulties and cost in accessing services – much more than for many regional communities in eastern states. And of course adding to this picture of far-flung regional populations are the very remote communities and in particular Aboriginal communities in the far north and west of the South Australia where lack of basic services or the cost of essentials is a real marker of inequality.

This population skew not only means greater concentration of population and services in the capital city, but it also translates to a lessened political voice for regional South Australia. There are only really 3 federal electorates in South Australia that cover regional areas: Grey, Barker and Mayo with the later including the Adelaide hills and a part of the greater Adelaide area where many of the issues of remoteness do not arise in the same way. SACOSS is not making any comment on MPs past or present who have represented the two key regional seats of Grey and Barker, nor are we arguing for malapportionment in electorates. We are simply pointing out that the particular population pattern in South Australia translates to a lessened political voice for regional areas.

Regional Income Inequality

As is the case in the rest of Australia, South Australian regional households on average have lower income and less net worth than their city counterparts. Households in regional South Australia receive 79.4% of the income of Adelaide households, and have 78.5% of the

median net worth of Adelaide households (SACOSS calculation from ABS (2019b)). The magnitude of these differences is similar to the national average capital city-region comparison.

The ABS data also usefully quantifies the difference in provision of services between capital cities and the rest of the state. This can be thought of as part of the social wage and is captured in the ABS data on “social transfers in kind”. These transfers consist of goods and services provided free or at subsidised prices by all levels of government, not including government pensions and allowances paid in cash and minus government revenue from the sale of goods and services. The result is expressed in dollars per week per household, showing an inequality of spending in regional South Australia in education, social security and overall. The biggest difference is in education, and tertiary education in particular where the regional benefit is just 40% of the Adelaide figure.

Table 1: Social Transfers in-kind, South Australia

Social Transfers in kind	Adelaide \$pw	SA Rest of State \$pw	SA Regional % of Adelaide
• Education	146	111	76.0
• Health	257	274	106.6
• Social Security	80	70	87.5
• Housing	5	5	100.0
• Electricity Concessions	3	3	100.0
Total	488	449	92.0

Source: ABS (2019b)

The overall disparity in social transfers in kind in South Australia is slightly more marked than the national average which is a regional spend of 95.7% of capital cities, and these differences are evidence of a different form of regional inequality – an inequality of services, expressed as a social wage.

A final note on the data around regional income inequality is that income inequality is less *within* regional Australia than within in capital cities. The share of income of the lowest income quintile in all capital cities is 4.1%, while it is 4.7% for regional areas. Similarly Gini Coefficient for all capital cities is 0.440, by comparison with 0.413 for all regional area. South Australia follows a similar pattern (ABS, 2019b).

However, as with all of the above figures, some level of caution is required because the ABS “rest of state” figures aggregated very different communities with very different economies, income levels and income distribution. The South East of SA is very different to the far west, and again, very different to the remote Aboriginal communities of the APY lands. Further, SACOSS’ consultation with its regional members also often highlights the differences between communities in the same regions.

Nonetheless, we can say in summary that South Australia fits the national pattern of income inequality between the capital city and regional areas, but has some specific features in the

sparsity of population in many regional areas, the lack of major cities outside of Adelaide, and some consequential differences in service delivery options.

Poverty in Regional Areas

As a Council of Social Service, SACOSS is particularly focused on the prevention and alleviation of poverty. In August 2018 we made a major submission to a state parliamentary Select Committee inquiry on poverty in South Australia (SACOSS, 2018). For that submission, SACOSS calculated a poverty line based on South Australian incomes. Because average income in South Australia is lower than the national average, so too the poverty line (set at 50% of household disposable income) was lower than the national average reflected in others studies (e.g. ACOSS, 2016). Our figures then were inherently conservative.

The reasons for these statistical choices are set out in the SACOSS submission to the Select Committee (SACOSS, 2018), but crucially in terms of regional inequality we found that in 2015-16 there were some 23,657 households in poverty in regional South Australia. While this was less than half all households in poverty in the state, the *rate* of poverty in regional South Australia was significantly higher. Households outside of the Greater Adelaide area were twice as likely to be in poverty than those in Adelaide:

- 7.1% of households in Greater Adelaide were below poverty line
- 14.8% were below the poverty line in the rest of the state.

This poverty manifests itself in a variety of ways, including in lack of access to basic services. In August this year St Vincent de Paul released a report on electricity disconnections for non-payment – noting that disconnection is a last resort and the ultimate manifestation of a household's inability to afford electricity supply. The Report found that:

In terms of completed disconnections, rural postcodes in South Australia have the highest proportion. From the 'top' 30 postcodes, 20 are located in rural areas, five are regional, and one is an outer suburb. Postcode 5731 (north-eastern part of South Australia, which includes the towns of Leigh Creek and Lyndhurst), has the highest proportion of completed disconnections per households (dwellings) between July 2015 and June 2018. It is estimated that the equivalent of more than 12% of dwellings were disconnected from their electricity supply, on average, each year (SVdP, 2019).

The Report only looked at AGL disconnections of 'on grid' customers - so doesn't highlight the disconnection numbers of other 'off-grid' remote energy users supplied by small scale networks – so the numbers of disconnections in regional South Australia are likely to be much higher.

Obviously, the inability to afford electricity is not only a stark manifestation of poverty, but it impacts on the ability of those households to maintain themselves and participate in regional communities and the regional economy.

The Digital Divide

Another particular area of disadvantage and inequality is the digital divide between those who have access to and utilise digital telecommunications and devices, and those that do

not. SACOSS believes that the digital divide is a new frontier of poverty as those who are not digitally enabled are increasingly unable to access work, education, culture and government services. Regional businesses in particular will increasingly rely on telecommunications and digital access to connect to distant markets and services, and will require digital savvy staff (and customers). As such, the access, affordability and ability to use telecommunications and digital technology (i.e. digital inclusion) is relevant to a number of the committee’s terms of reference, including (e) education, (f) building human capital, and (g) enhancing local workforce skills and also (d) infrastructure, as that is crucial in delivering digital access in regional areas.

SACOSS relies heavily on the Australian Digital Inclusion Index (ADII) (Thomas, 2019) to track access, affordability and digital ability across geographic areas and different population groups. The Index, which compares digital inclusion against a benchmark score of 100, shows that South Australia is significantly below the national average in digital inclusion and is second-worst performing state or territory in Australia. Crucially, in the context of this submission, it also shows that both nationally and in South Australia digital inclusion is lower in regional areas than in the capital city.

Table 2: Australian Digital Inclusion Index – Regional Aggregates

	Australia		South Australia	
	Capital Cities	Rural	Adelaide	Rural SA
Access				
Internet Access	89.3	83.9	88.9	84.1
Internet Technology	81.2	77.3	81.2	78.5
Internet Data Allowance	60.5	53.1	58.0	53.0
	77.0	71.4	76.0	71.9
Affordability				
Relative Expenditure	56.7	47.1	54.6	45.2
Value of Expenditure	65.5	58.3	63.1	56.7
	61.1	52.7	58.8	50.9
Digital Ability				
Attitudes	53.3	44.2	49.6	45.5
Basic Skills	60.9	50.1	59.0	48.6
Activities	45.7	35.1	42.3	33.3
	53.3	43.1	50.3	42.4
DIGITAL INCLUSION INDEX	63.8	55.7	61.7	55.1

Source: Thomas et al, (2019)

The ADII data is fairly thin in some regional areas and “averages out” some critical differences within regional areas. For instance, townships like Roxby Downs, although isolated are well-connected, while the Uniting Country SA Submission to this inquiry highlights the town of Koolunga (not far from Port Pirie and Clare) as having weak and often no mobile phone connection and having to pay for their own tower.

Nonetheless, the overall gap between capital cities and regional areas is particularly concerning given that digital technology has the capacity to overcome many of the disadvantages of distance in regional areas. The 2018 Regional Telecommunications Review (RTIRC, 2018) outlines the economic potential of digital technology in regional areas, but the ADII numbers show that the city-country gap remains significant.

The good news here is that the city-regional gap is actually slightly less in South Australia than the national average, and the NBN is a significant part of this outcome. According to the ADII authors,

Mirroring national rural results, SA's rural community has made substantial gains on the Access and Digital Ability sub-indices since 2014. Access improvements over the past year based on NBN uptake have driven up fixed broadband data allowances in Rural SA resulting in some improvement to the value of expenditure score (up from 47.7 in 2018 to 56.7 in 2019).

However, most of this gain has been confined to the measure of internet access and data availability. The gap on digital ability remains significantly higher (both nationally and in South Australia). This suggests that addressing digital inclusion is not simply about infrastructure (although that is crucial), but also requires support for people in regional areas particularly to develop and utilise digital skills.

The 2018 Regional Telecommunications Review made 10 recommendations to improve regional telecommunications access, although those relating to digital inclusion were sometimes generic (e.g. calling for a strategy, an information hub) and the government response to the review answered with reference to its Digital Transformation Strategy (Australian Government, 2019). However, the directions alluded to in the government response are largely technical and internal government-efficiency-related rather than focusing on the needs of the most excluded people. Further, the "robo-debt" disaster of mis-matching ATO and Centrelink records has caused great anxiety and hardship for people reliant on government support (ACOSS, 2019) and provides little confidence in the government's "decision-making ... through the use of data and analytics" (quote from Australian Government, 2019).

Moreover, as our colleagues in the Tasmanian Council of Social Service point out in their submission to this inquiry (Submission 96, TasCOSS, 2018), governments also need to be aware of the unintended consequences of digital technology. If digital services are simply used as a substitute for face-to-face service delivery, there will be a loss of service for those who remain digitally excluded and a further loss of crucial jobs in regional areas – which will heighten rather than reduce regional inequality.

In summary, digital inclusion has a crucial role in addressing regional inequality, but it should be driven by the needs of vulnerable and disadvantaged people in those communities, not by government efficiency and cost-cutting agendas.

Issues from Regional Consultations

Against the background of the above data on regional issues, there are a range of concerns related to regional inequality that arise regularly in SACOSS' consultations with regional members.

Employment and Training

One of the major concerns is around employment and ensuring there is a future for young people in those regional areas. If young people are to stay in those areas there needs to be role models in education and employment and there needs to be clear pathways to employment with training and support linked directly to job opportunities. Yet the differences noted above in relation to the social transfers in kind in education suggest that much of the regional post-secondary training path is via the city. Similarly, while infrastructure projects are welcome and may bring jobs to regional areas – these are often concentrated on the construction phase and we hear uncertainty around how local workers can secure those jobs in the first place and what happens when construction stops. The lack of job certainty and lack of local training paths contributes to loss of people in regional areas.

Provision of Health and Community Services

The other major issue that arises in SACOSS' regional consultations is the lack of appreciation of and rewarding of local knowledge in service delivery. Many non-government service organisations have long histories in their communities, have earned goodwill, and word of mouth strengthens connection and trust. Yet government tender processes do not place enough weight on this social capital and service contracts often go to bigger, Adelaide-run or national organisations better able to navigate the funding processes. The result is direction of service from afar and lack of career development opportunities in the regions. Similarly, in regional communities (as elsewhere), short-term approaches with pilot and one-off projects are damaging for both the service providers who lose community trust and for service recipients who have to navigate the comings and goings of new programs.

A particular version of these service delivery problems occurs in Aboriginal community services where Aboriginal community-run organisations are out-bid in the tendering processes by non-community organisations. This not only undervalues that local community-knowledge, but it is also likely to result in top-down service delivery from "outside" rather than a community development model which empowers and builds the community in the longer term.

In all these instances, the community knowledge and skill is undervalued and social capital is lost.

Policies and Recommendations

The previous section of this report provided key data and outlined some areas of SACOSS' concern about regional inequality, particularly in South Australia. This section seeks to outline some key policy recommendations in those areas of concern.

Regional Population

As noted above, the vast majority of the South Australians live in the Greater Adelaide area. Regional South Australia is characterised by fairly small towns, often at considerable distance from Adelaide, and there are large parts of the state which are remote. In relation to the Inquiry's Terms of Reference (a) this impacts on fiscal policies at the federal level because remoteness is taken into account in the formulas for the weighted distribution of GST to achieve horizontal fiscal equalisation. The Regional Costs Assessment undertaken by the Commonwealth Grants Commission (CGC) recognises that services are more expensive to provide in more remote regions.

SACOSS supports the principles in this policy as an important under-pinning of equitable service provision in regional areas. In this context we note that the Western Australian government has argued that the loadings for regional and remote areas are too low for post-secondary education, housing and welfare, justice and some other areas (WA Govt, 2019). WA is one of the primary beneficiaries of the assessment due to its above-average share of population in remote and very remote areas, but South Australia also has an above-average share of its population in outer-regional, remote and very areas (CGC, 2015).

While not wishing to comment on the technicalities of the CGC assessment, given the figures quoted above in relation to regional poverty and the inequality in social transfers in kind, SACOSS believes there is a need for more funding for regional services and that this could be assisted by increasing the CGC loading for service provision in regional and remote areas (recognising that it remains the responsibility of the state government to actually spend that money in those areas).

At a minimum, SACOSS asks the Committee to note the importance of the principle of Horizontal Fiscal Equalisation and the loadings in the Regional Costs Assessment in the sharing of GST funds between states to provide a (potential) funding base for vital services in regional areas.

Poverty

Social Security

The poverty levels highlighted above are unacceptable in a prosperous developed country, and the proportion of people in poverty in regional South Australia is particularly alarming. In SACOSS' Submission to the SA parliament Select Committee on Poverty (2018) we argued that raising the rate of Newstart would be one of the most effective practical interventions to directly alleviate poverty, both nationally and in South Australia. At the time of that submission the base rate of Newstart was \$135 a week below the poverty line in South Australia, and as is widely known the rate of Newstart has not increased in real terms in 25 years. The low rate of Newstart and other base level social security payments is a barrier to looking for and getting work, and participating in community life. The issue applies to all

those Newstart, but particularly to those in regional areas where job opportunities are more limited and people may spend longer looking for work.

SACOSS supports the national campaign to “Raise the Rate” of Newstart by a minimum of \$75 per week, and such a policy would obviously help address inequality within regional areas by increasing the base level income of those on the lowest incomes. However, the cumulative impact of a significant increase in the rate of Newstart is of magnitude that it would rates as a fiscal stimulus in those regional areas.

The following table focuses on the two federal electorates that cover most of regional South Australia and shows the number of people on the various base-level social security allowances where the Raise the Rate campaign is calling for increases. The table shows the total cost or immediate income increase in those electorates if those allowances were raised by \$75 per week. These are immediate “first year” figures and do not take account of multiplier effects from subsequent spending increases.

Table 3: Impact of Social Security Increase in Regional South Australia

	Barker	Grey	Total	Total Annual Cost/Income Increase
Abstudy	52	128	180	\$639,171
Austudy	99	95	194	\$688,884
Newstart	6453	9,034	15487	\$54,993,563
Sickness Allowance	50	59	109	\$387,054
Special Benefit	15	11	26	\$92,325
Widow Allowance	47	50	97	\$344,442
Youth Allowance	735	1090	1825	\$6,480,484
Total	7,451	10,467	17,918	\$63,625,922

Source: SACOSS calculation based on DSS (2019)

With a total of 17,918 people on these allowances, SACOSS calculates that a \$75 a week increase would provide an immediate annual injection of \$63m into regional South Australia.¹ Again, this is a conservative estimate in that, given the poverty of the people relying on those allowances, most of that money would be spent in the local community providing a significant additional boost to the local economy.

SACOSS therefore recommends that the Committee endorse the call for Newstart and other base-level allowances to be increased by a minimum of \$75 per week.

¹ This figure is calculated using the national percentage of recipients on full and part-allowances, and arbitrarily allocating a pro-rata rate increase of half of \$75 for those on part-payments.

Energy Disconnections

The poverty discussion in Section 1 noted the concerning high rates of electricity disconnections in regional South Australia. While part of the policy response to this is through better income supports and employment policies to give people more income to pay for essential services, SACOSS has also been calling for the adoption by energy retailers of a “debt trigger” to ensure appropriate support for households struggling with energy bills before disconnection.

The Victorian Essential Services Commission’s new Payment Difficulty Framework (PDF) includes a requirement for energy retailers to proactively contact a customer to provide information about customers’ entitlements to assistance. This requirement is triggered when the customer has arrears of more than \$55 and has not paid a bill by its pay-by date. This retailer contact must be made within 21 days of that pay-by date. This debt trigger provides a far stronger and more timely requirement for support action than is currently contained in the National Energy Retail Rules. These rules (which apply in South Australia) simply require action when a retailer is informed by the customer or otherwise (magically?) becomes aware that the customer is having trouble paying their bill.

SACOSS therefore recommends that the Committee calls on energy retailers to use a debt trigger as a means of identifying customers in payment difficulty

Digital Inclusion

As was noted above, digital inclusion is a key area of economic inequality and the Australian Digital Inclusion Index shows the positive impact of the roll-out of the NBN in regional areas. There is little doubt that NBN and the full delivery of Sky Muster satellite connectivity has improved digital access in regional areas, improving or opening up new economic, training and service delivery possibilities. However, as was evident in the discussion above, the NBN is not a panacea for economic transformation and digital inclusion. Accordingly, SACOSS asks the Committee to *recognise the importance of digital inclusion as a key issue in regional inequality and to further note the importance of the NBN in helping bridge the digital divide, but also to note that infrastructure alone will not deliver digital inclusion.*

More specifically in relation to NBN, many households face affordability issues with the cost of NBN connection. Given the regional poverty figures and the lower affordability results for regional areas in the Australian Digital Inclusion Index, these affordability issues may also be particularly acute in regional areas. The Australian Communications Consumer Action Network’s analysis suggests that the most effective way to achieve affordable broadband for regional, rural and remote Australians is for the NBN to offer a reduction of \$20 per month on a specific service to households receiving financial support from government (ACCAN, 2019).

Essentially the ACCAN proposal is for a federal government concession of the type offered by state governments on energy and water and would apply in regional and remote Australia to either the NBN Fixed Wireless MAX service or Sky Muster Plus – whichever the household had access to. However, because of the large range of products and services in telecommunications packages, unlike state energy concessions the proposal here is that the NBN concession payment would apply to the wholesale price. This would allow retail service

providers the opportunity to sell low-priced (but high quality) broadband to consumers on income support.

ACCAN notes that safeguards would be required to ensure the full value of the price reduction flows to these low income consumers, but when it does it will reduce cost of living pressures, encourage the uptake of NBN and potentially support individuals and families to economically participate and support stronger regional communities.

The ACCAN proposal has the backing of a range of community groups across Australia, and in support of this call SACOSS asks the Committee to *recommend that the federal government adopt the proposal for a \$20 subsidy on NBN regional and remote services.*

The NBN is only part of the telecommunications networks of the future, and attention also needs to be paid to the mobile network. There have been and remain black spots in the mobile phone network in regional Australia which create problems in both phone communication and the full integration of technologies. Accordingly, SACOSS has supported proper funding for the mobile black spots program and has in the past been critical of the lack of matching investment from the South Australian government. That said, with the advent of 5G technology there will be new challenges to mobile connectivity.

As SACOSS understands it, 5G requires a denser network with small cells at much closer distances than the 3G and 4G towers. While SACOSS does not have particular technical expertise in this area, it is not clear to us how this denser 5G network will be possible or how it will roll out across the vast spaces of regional Australia. Given the black holes that characterised the simpler networks of previous generations, SACOSS is concerned to ensure that 5G does not increase the digital divide between capital cities and the regions. In this context, *SACOSS recommends that the Committee inquire into the implications of 5G networks for equitable regional access to telecommunications and digital platforms.*

Service Provision

As noted above, one of the issues identified to SACOSS in our regional consultations has been the importance of recognising local knowledge and the social capital held by non-profit organisations who have long histories in regional areas and in particular communities. These organisations are often far-better placed to deliver services to vulnerable and disadvantaged people than bigger state or national-based organisations. Again, this is often particularly the case in Aboriginal communities. However, we continue to see service provision tendered out to non-local organisations.

This suggests that government procurement operations are not properly valuing that local expertise and social capital. SACOSS therefore asks that the Committee recommends that *government procurement operations acknowledge the importance of long term community presence and on-ground knowledge and that this be given explicit weight in tender processes.* This weight could be done through threshold eligibility criteria that set out a requisite level of existing local engagement, or through specific selection criteria or weightings in other criteria.

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