

14 February 2019



Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

To Whom It May Concern

Inquiry into Parliamentary Joint Committee on the Australia Fund Bill 2018

Regional Development Australia Barwon South West (RDA BSW) welcomes the opportunity to provide a submission to be considered in the *Inquiry into Parliamentary Joint Committee on the Australia Fund Bill 2018*. The submission is responding to the inquiry's key objective to '*investigate the establishment of an Australian Fund to provide support and reconstruction for rural and manufacturing industries in times of crisis, including natural disasters (such as drought, floods and bushfires) or in cases of a world financial crisis or unfair market intervention or manipulation, including the review of bankruptcy and insolvency laws in relation to businesses in times of crisis*'.

Australia's regions produce approximately 40 per cent of the national economic output¹. The Australian Government plays an important role in building resilience and flexibility to support this significant national economic contribution. Whilst regional and rural economies may suffer disproportionately during adverse external shocks, with exacerbated negative effects on employment security, income and living standards, there are also implications for the national trade balance. If, for example, productive capacity is reduced by disaster damage, exports decrease, the trade balance may weaken, and localised inflation may increase.

Historically, the high economic losses inflicted by natural hazards and man-made threats in the recent times together with the expected impacts of future potential events, make resilience against disasters a key policy objective.

RDA BSW is committed to improving and maintaining a strong regional economy in the Barwon South West and supports the establishment of the Australia Fund to support regional businesses to respond or adjust to economic shocks as a result of crisis events.

Key Recommendations

RDA BSW would like to submit the following recommendations to be considered in the review:

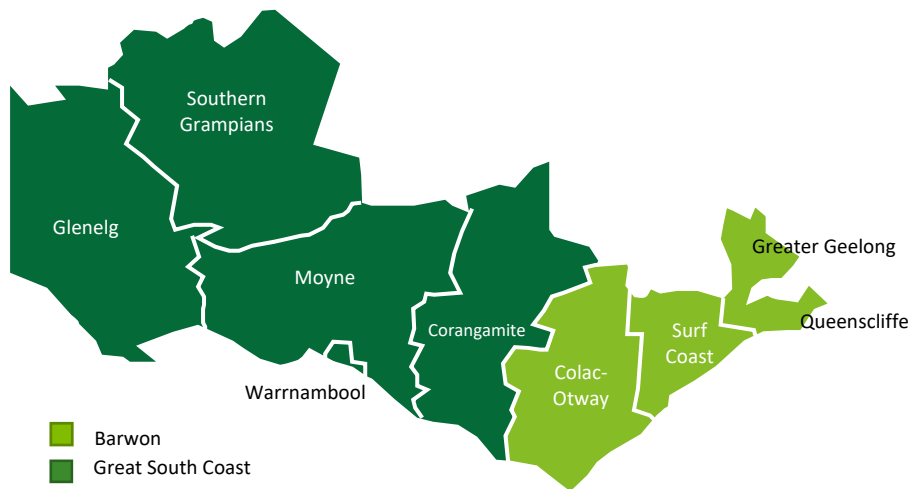
1. Whether the focus on rural and manufacturing needs to broaden to allow other industries and geographic areas, such as those defined as regional, to access the Australia Fund in times of crisis.
2. That clear policy is developed to enable the Australia Fund to provide flexible and agile responses to reduce the direct and indirect impacts of economic shock during and after crisis events in Australia.
3. That supporting policy and initiatives are developed which focus on reducing economic vulnerability and improving economic diversification in regional Australia.
4. That a hearing is undertaken in the Barwon South West region to gain firsthand insight from affected industries and communities on the economic impacts as a result of a crisis event.

¹ Regions at the Ready: Investing in Australia's Future, June 2018



Context and Mission

The RDA BSW region is made up of the area from Queenscliff to the South Australian border and includes two state regions (Barwon and Great South Coast) and nine local government areas, as shown below:



Like other RDA Committees, RDA BSW Committee's core responsibilities are: to be a key facilitator of strategic change and economic, social and environmental development in the region; to be the link between government, business and the community; and to facilitate whole of government responses to opportunities in the community.

The RDA BSW executes its core responsibilities by:

1. Enabling and encouraging regional prosperity, monitoring progress in key areas
2. Leveraging regional advantages and build sector strengths
3. Promoting regional capabilities/investment opportunities
4. Supporting increase in exports/greater Asian presence
5. Reducing barriers to job/economic growth i.e. infrastructure development, policy alignment

Economic shock in the Barwon South West

Over the last five years, regional and rural communities in the Barwon South West have experienced the negative impacts of natural disasters, structural adjustment, changes in macroeconomic conditions, supply disruptions and market intervention or manipulation.

Susceptibility and impact are further exacerbated in our region due to the relatively narrow economic base concentrated on a number of significant sectors such as agriculture, manufacturing and the visitor economy.

Agriculture, forestry, fishing and food processing industries are significant contributors to the BSW economy. In the Great South Coast the region's strength in food and fibre is also identified as one of its weaknesses with 30% of the region's Gross Value Add coming from Agriculture/ Forestry/ Fisheries.

- In 2016, the dairy industry experienced significant disruption and economic instability associated with global trends and market intervention.
- Dairy farmers affected across Australia were impacted by the global fall of milk prices and the decision by Murray Goulburn and Fonterra to retrospectively cut the prices paid to producers.
- In the Great South Coast region, on-farm recovery from the industry downturn has been slow with many farms still carrying significant amounts of debt. Pasture damage caused by dry conditions has intensified cashflow issues.

Recent extreme weather events have impacted our region's agriculture industry and visitor economy.

- The South West Complex Fires in March 2018 caused extensive damage to farming communities in parts of the region. Properties and livestock were lost, and subterranean peat fires emitting gases caused continuing disruption for almost a month. A combination of the fires and low feed stocks have had significant impacts to the productivity of dairy herds and the recovery for the affected farmers is an estimated 2 – 3 years.
- In December 2015, the Wye River-Jamieson Track Bushfire destroyed 116 houses, the majority of which were holiday homes. The fire also closed a section of the Great Ocean Road between Christmas Day and 6 January 2016. This event was further exacerbated by more road closures due to flooding and landslides in September 2016, causing significant economic loss during peak periods for the small towns on the Great Ocean Road that are heavily reliant on the visitor economy.
- The 2016 Spring Floods in Glenelg and Southern Grampians Shire Councils also caused extensive damage to the road network and associated road infrastructure which impacted several inland communities across our region.

Economic shock due to structural adjustment has been a constant and ongoing feature of our region's economy over the last decade. Geelong has undergone significant economic shocks due to the closures of large manufacturing businesses.

Portland, another significant regional economy within the Barwon South West, is heavily reliant on a single employer. The Alcoa Aluminium Smelter employs more than 650 direct full-time equivalents (FTEs) and supports up to 1600 indirect FTEs. The smelter injects more than \$120 million annually into the Portland region and about \$386 million of broader economic benefit.

- The future of the Alcoa Aluminium Smelter was at risk following a catastrophic power outage on 1 December 2016 that damaged the majority of the smelter's pots. This was compounded by the cessation of a 30-year power purchase agreement with the Victorian Government on 31 October 2016.
- A joint State and Federal Government support package for Alcoa Portland Aluminium Smelter was negotiated in January 2017 to secure the smelter's future in Portland until at least 2021.

Economic recovery intervention and supporting policy

All the above highlighted examples required government intervention to support the recovery of businesses and communities following a crisis.

Both the Australian Government and the Victorian Government have administered a number of economic recovery responses and reconstruction efforts after crisis events in our region. The support was aimed at alleviating immediate economic impacts and contributing to reducing indirect economic impacts and secondary consequences, enabling businesses to continue operations to earn revenue, employ workers and pay taxes during crisis events.

The Victorian Government recognises the importance of developing recovery responses in a resilience framework which builds capacity to adapt and withstand future shocks. Regional Development Victoria (RDV) and other agencies within the Department of Jobs, Precincts and Resources have economic recovery responsibilities under state emergency management arrangements. While the Department recognises that the primary onus is on businesses to manage risk, and that market mechanisms exist that enable businesses to do so, it sees a role for government in providing economic recovery support to individuals, businesses and communities following significant natural disasters, emergencies and acute shocks. RDV works closely with

affected local councils, communities and businesses to identify and implement appropriate activities to strengthen the economic and social base of communities effected by crisis events.

Economic diversification remains a priority for our region and in the development of economic recovery policy, vulnerability and preparedness needs to be considered. Government investments and initiatives need to continue to focus on improving human capital, digital/physical connectivity, liveability, investment attraction/retention and innovation in regional Australia to reduce vulnerability in regional and rural Australia.

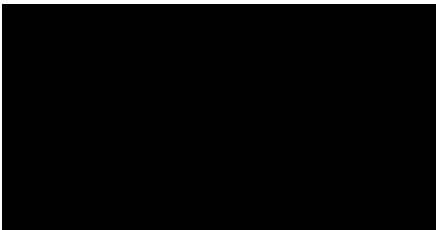
RDA BSW is committed to facilitating investment into industry diversification initiatives and projects that strengthen our region's adaptive capacity to structural change and economic shocks.

Conclusion

RDA BSW welcomes a hearing in our region to gain firsthand insight from affected industries, businesses and communities on the economic impacts during and after a crisis event, and on the impacts of the various economic recovery responses undertaken in these communities. The RDA BSW Committee would be happy to assist the Senate Standing Committees on Economics to coordinate a hearing in the Barwon South West region.

RDA BSW supports the establishment of the Australia Fund to support regional businesses to respond and adjust to economic shocks as a result of a crisis events, and thanks the Senate Standing Committees on Economics for the opportunity to provide input to the Inquiry into Parliamentary Joint Committee on the Australia Fund Bill 2018.

Yours sincerely



Bruce Anson

Chair

Regional Development Australia Barwon South West