
The Parliament of the Commonwealth of Australia

The Global Financial Crisis and regional Australia

House of Representatives
Standing Committee on Infrastructure, Transport, Regional Development &
Local Government

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Foreword

The effects of the global financial crisis (GFC) have been felt around Australia and certainly regional Australia has not been immune. Major export industries located in the regions have suffered, as have small and medium sized regional businesses. Working hours have reduced and job losses have been incurred.

The Committee acknowledges the economic importance of regional Australia and has undertaken this inquiry in order to assist the Government to better understand how economic downturns affect regional Australia, so that it will be in a better position to formulate regional development policy aimed at strengthening the economic resilience of our regions.

Examining an issue which continues to unfold has presented some challenges. The changing nature of the crisis has impacted the Committee's evidence, much of which is anecdotal and does not provide a complete record of the impact of the GFC on regional Australia. The Committee has reported on the evidence it received, noting the effects of the crisis on key sectors in regional economies as well as the impact of the crisis on local communities and government. The GFC has also highlighted the importance of regional development in abating the effects of economic downturns on regional communities. Therefore, the report concludes with a discussion about the importance of continuing Commonwealth Government programs and policies that build infrastructure, encourage education and support the growth of business in regional Australia.

The Committee has made comments and recommendations where appropriate. Some have been more general in nature while others more specific. The Committee has recommended that the Government examine the use of structural adjustment funds as a response to economic downturns and their ability to assist small business. Increased funding for the TQUAL Grants program and increased cooperation in identifying key tourism markets and setting priorities for marketing those locations has also been recommended as part of the Committee's investigation into regional tourism. Discussion about the Government's Bank

Guarantee Scheme has led the Committee to support a review of its differential pricing structure and comment on banking competition in regional Australia.

Should unemployment continue to rise, the Committee believes there may be a case for the introduction of a national unemployment mortgage assistance program, providing its impacts have been fully considered by government. The GFC has demonstrated a need in regional Australia for the provision of localised, collective social services and so the Committee has recommended increased funding to the Department of Human Services in order to expand its co-location site trials and increase its local service provision activities. It has also recommended that the Government examine options for locating government departments or functions of government departments into regional areas to increase regional employment opportunities.

Support for small business is particularly important during these periods and, as such, the Committee believes that the Small Business Advisory Service should continue to operate beyond its current two-year funding commitment. Small business can be further assisted by an increase in the number of AusIndustry representatives in regional Australia.

The GFC has not been the first, nor will it be the last economic challenge regional Australia faces. Its ability to respond in the future will depend on individual regions reaching their growth potential. The Committee believes this will only occur if local strategies are underpinned by Commonwealth Government policies focusing on infrastructure, education and businesses support.

The Regional Development Australia network presents the best possible option through which governments can assist in the development of regional Australia. Its success will be based in part on its ability to generate region specific community and economic development planning that is supported by the region; maintain productive levels of cooperation between the three tiers of government; and facilitate cooperation between various agencies and government programs in the regions.

The GFC should be seen as an opportunity to examine the impact of change on regional Australia and test policy responses. The lessons learned will assist in strengthening existing regional development policy, which will help regional Australia withstand future downturns.

Ms Catherine King MP
Chair



Membership of the Committee

Chair Ms Catherine King MP

Deputy Chair Mr Paul Neville MP

Members Mr James Bidgood (from 17/6/09
until 22/10/09)

Ms Jodie Campbell MP

Mr Darren Cheeseman MP

Mr Jason Clare MP (until 15/6/09)

Mrs Joanna Gash MP

Mr Robert Oakeshott MP (from 19/3/09)

Ms Melissa Parke MP (from 19/3/09)

Mr Brett Raguse MP

Mr Don Randall MP

Hon Andrew Robb AO MP

Mr Jon Sullivan MP

Committee Secretariat

Secretary	Mr Peter Keele (to May 09) Ms Julia Morris (from May 09)
Inquiry Secretary	Mr Michael Crawford
Research Officers	Ms Sophia Nicolle (to June 09) Ms Adrienne Batts (from June 09)
Administrative Officers	Ms Kane Moir Ms Alison Wardrop



Terms of reference

The Committee is to inquire into the impact of the current global financial crisis on regional Australia and the role of the Commonwealth Government in ensuring that regional Australia is equipped to respond, with particular focus on:

- the encouragement of economic development and employment; and
- the development of sustainable essential services and social infrastructure designed to enhance the liveability of regional Australia.



List of abbreviations

ABS	Australian Bureau of Statistics
ACC	Area Consultative Committee
ADI	Authorised Deposit-taking Institution
APRA	Australian Prudential Regulation Authority
ASX	Australian Stock Exchange
BEC	Business Enterprise Centre
BITRE	Bureau of Infrastructure, Transport and Regional Economics
CBD	Central Business District
CDO	Collateralised Debt Obligation
CDS	Credit Default Swaps
CMB	Canadian Mortgage Bond
CMHC	Canadian Mortgage Housing Corporation
DEEWR	Department of Education, Employment and Workplace Relations
DHS	Department of Human Services
DITRD LG	Department of Infrastructure, Transport, Regional Development and Local Government
GDP	Gross Domestic Product

GFC	Global Financial Crisis
HECS	Higher Education Contribution Scheme
LEC	Local Employment Coordinator
LNG	Liquefied Natural Gas
NBN	National Broadband Network
NHAMBS	National Housing Act Mortgage-Backed Securities Program [Canada]
NSW	New South Wales
NT	Northern Territory
NUMAP	National Unemployment Mortgage Assistance Program
OECD	Organisation for Economic Cooperation and Development
QLD	Queensland
RBA	Reserve Bank of Australia
RDA	Regional Development Australia
RET	Department of Resources, Energy and Tourism
RMBS	Residential Mortgage Backed Security
SA	South Australia
TAC	Victorian Transport Accident Commission
TQUAL	Not an acronym. A competitive funding program formerly known as the Australian Tourism Development Program
TRAIN	Trans-Regional Amalgamated Infrastructure Network
VET	Vocational Education and Training
WA	Western Australia



List of recommendations

2 Impact of the GFC on regional business

Recommendation 1

The Committee recommends that the Government evaluate and report on the potential use of structural adjustment funds as a response to economic downturns such as the global financial crisis.

Recommendation 2

The Committee recommends that the Government, in examining the use of structural adjustment funds, consider the flexibility and ability of structural adjustment funds to assist small enterprises in addition to larger companies.

Recommendation 3

The Committee recommends that the Government increase the quantum of funding for the TQUAL Grants program, while ensuring that regional tourism businesses receive a proportionate share of the grant funding, provided the applications adhere to the program guidelines.

Recommendation 4

The Committee recommends that the National Long-Term Tourism Strategy should consider how states and regions can further improve their cooperation on identifying key tourism markets and setting priorities for marketing those locations.

3 Impact of the GFC on regional populations

Recommendation 5

The Committee recommends that the Government examine in detail the potential impact of a national unemployment mortgage assistance program as a means of responding to rising unemployment and mortgage stress in regional Australia, should unemployment and mortgage default levels continue to rise.

Recommendation 6

The Committee recommends that the Government evaluate the work of the Local Employment Coordinators with particular focus on their ability to act as a conduit between local, state and the Commonwealth Government to promote coordinated human service provision, with a view to utilising the evaluation as a basis upon which greater coordinated action and information sharing about available services can occur in the future.

Recommendation 7

The Committee recommends that the Government increase funding to the Department of Human Services in order to expand its co-location site trials and increase its local service provision activities.

Recommendation 8

The Committee recommends that the Commonwealth Government examine options for locating government departments or functions of government departments into regional areas.

5 Strengthening Australia's regions

Recommendation 9

The Committee recommends that the Government examine the uptake of its Small Business Support Line and Small Business Advisory Service with the intention of continuing funding support for this initiative.

Recommendation 10

The Committee recommends that the Commonwealth Government increase the number of AusIndustry representatives in regional Australia.

Recommendation 11

The Committee recommends that the Government examine the manner in which various government business support programs worked together in particular regions during the GFC and the potential role RDA may play in facilitating greater coordination between business support programs and integrating them into wider regional development frameworks in future.

Recommendation 12

The Committee recommends that the regional employment plans of Local Employment Coordinators should be integrated into the regional development plans of Regional Development Australia. In those areas where a Local Employment Coordinator has not been deployed, Regional Development Australia should be developing regional employment plans.

