5

Strengthening Australia's regions

5.1   The GFC is one event in a history of continual demographic, environmental and economic change in Australia's regions. Various governments have responded to these changes by implementing policies designed to develop the regions into strong, vibrant places to live. The GFC may 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.

5.2   This chapter will apply some of the evidence noted in the previous chapters by framing the Committee's position on regional development policy within a discussion about current policy settings and possible future direction.

Regional development policy in Australia

5.3   Governments in Australia and around the world have long recognised the importance of regional communities within the fabric of their societies. Since the beginning of the 20th century, regional policy has undergone several ideological progressions. This section will only note Australia's regional development experience from the mid-1980s until the present— what has been described by the Bureau of Transport and Regional Economics (now Bureau of Infrastructure, Transport and Regional Economics (BITRE) as the post-trade liberalisation era.[1] It will then discuss current policy settings before concluding with an outline of the Committee's preferred approach to regional development policy.

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1   Bureau of Transport and Regional Economics, *Working Paper 55, Government Interventions in Pursuit of Regional Development: Learning from Experience*, June 2003, p. 17.

Regional development and the post-trade liberalisation era

5.4   Regional Australia was sheltered from global trends and international
        market conditions until the mid-1980s when the Australian Government
        began a policy of trade liberalisation. BITRE explains that this new policy
        'meant that regional disparities [could] be felt more sharply in regions
        particularly vulnerable to the pressures of international competitiveness
        and global market shocks'.[2] Certainly the GFC has confirmed this
        assertion.

5.5   The Commonwealth Government responded to the disparate effects of
        trade liberalisation in regional Australia by introducing regional
        development policies aimed at encouraging community driven solutions,
        private sector participation and reduced unemployment through business
        incubators and regional employment initiatives and incentives. These
        initiatives were undertaken by the Country Centres Project and the Office
        of Labour Market Adjustment.[3]

5.6   Nevertheless, persistent unemployment in Australia's regions remained.
        The Commonwealth Government responded with an expanded Regional
        Development Programme, which provided funding for regional
        infrastructure projects and the establishment of community based
        Regional Development Organisations supported by Area Consultative
        Committees.[4]

5.7   These policies were a reflection of regional development theory which
        stressed rapid regional growth through:

        ■ a relatively large stock of capital;

        ■ a highly educated population; and

        ■ an economic environment that favoured knowledge–intensive
           industries.[5]

5.8   This approach to regional development remained relatively consistent
        throughout the 1990s until 2001, when the Commonwealth Government

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2   Bureau of Transport and Regional Economics, *Working Paper 55, Government Interventions in
     Pursuit of Regional Development: Learning from Experience*, June 2003, pp. 17-18.
3   Bureau of Transport and Regional Economics, *Working Paper 55, Government Interventions in
     Pursuit of Regional Development: Learning from Experience*, June 2003, p. 24.
4   Bureau of Transport and Regional Economics, *Working Paper 55, Government Interventions in
     Pursuit of Regional Development: Learning from Experience*, June 2003, p. 24.
5   Bureau of Transport and Regional Economics, *Working Paper 55, Government Interventions in
     Pursuit of Regional Development: Learning from Experience*, June 2003, pp. 24-25.

released a regional policy statement titled Stronger Regions, A Stronger Australia which outlined the following broad goals for regional Australia:

- strengthen regional economic and social opportunities;

- sustain productive natural resources and environment;

- deliver better regional services; and

- adjust to economic, technological and government–induced change.[6]

5.9   One of the strategies for achieving these goals included taking a whole-of-government approach to regional development that promoted 'coordination between departments and agencies in implementing Commonwealth programmes'.[7] This approach was taken in recognition of the benefits which could be derived from coordinating regional policy across the federal government.

5.10   For the remainder of the period prior to 2007, regional development policy promoted partnerships between communities, industry and government under programs such as Regional Partnerships. The Area Consultative Committees, established in 1994 to develop local training, eduction and employment initiatives[8], gained a more prominent role, focusing on the 'dissemination of information on Government priorities and programmes for the benefit of business and the community'.[9]

5.11   After 2007, regional development policies began to mix previous theory with some new approaches. Like its predecessors, the current government continues to stress the importance of delivering quality regional services, while enhancing the economic viability of regional communities.

5.12   Education has once again been highlighted as an important driver of regional development as has the provision of 'nation-building' infrastructure, including a national broadband network. A whole-of-government approach to regional development is supported but the philosophy has been extended to include cooperation between federal, state/territory and local governments as well as intra-departmental cooperation at the federal level. Local government, in particular, has been

6   Bureau of Transport and Regional Economics, *Working Paper 55, Government Interventions in Pursuit of Regional Development: Learning from Experience*, June 2003, p. 25.

7   Bureau of Transport and Regional Economics, *Working Paper 55, Government Interventions in Pursuit of Regional Development: Learning from Experience*, June 2003, p. 25.

8   Bureau of Transport and Regional Economics, *Working Paper 55, Government Interventions in Pursuit of Regional Development: Learning from Experience*, June 2003, p. 24.

9   Regional Development Australia website, About the ACC Network, http://www.rda.gov.au/about_the_acc_network/index.aspx, accessed 25 September 2009.

singled out as playing an important role in the development of Australia's regions. This has best been displayed by the direct funding provided to all local governments through the Regional and Local Community Infrastructure Program, increased funding through existing programs and the establishment of the first Australian Council of Local Government.

5.13   The Area Consultative Committees (ACC) have been dissolved and replaced by the Regional Development Australia (RDA) network. Like the ACCs, RDA will continue to advise regional communities about government programs and promote those programs in the regions. It will also:

  ■ provide advice to both Governments about regional issues;

  ■ provide strategic input into Australian and NT government programs;

  ■ help to coordinate regional planning and regional development initiatives; and

  ■ establish links and cooperative alliances as appropriate by closely working with other regional development organisations, neighbouring RDA committees and local governments to promote regional development.[10]

Three pillars of regional development policy

5.14   The Commonwealth Government was engaged in a significant re-alignment of regional development policy at the onset of the GFC. The crisis has highlighted the importance of regional development in abating the effects of economic downturns on regional communities and has made apparent the importance of continuing Commonwealth Government programs and policies that build infrastructure, encourage education and support the growth of business in regional Australia.

5.15   The Committee is supportive of a regional development policy underpinned by three pillars:

  ■ Infrastructure;

  ■ Education; and

  ■ Business.

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10   The Hon Maxine McKew MP, Media Release, *Regional Development Australia – NT Appointments*,
     http://www.minister.infrastructure.gov.au/mm/releases/2009/July/mm019_2009.htm,
     accessed 25 September 2009.

5.16   In employing the pillar metaphor—a common approach to articulating regional development strategy—the Committee is concerned that a pillar in this context does not become synonymous with a silo. Each of the three pillars noted above should not operate in isolation from one another, rather they should be viewed as the foundation of an integrated policy platform allowing government to coordinate and adapt a suite of regional development programs. Nor should these pillars form the basis of a series of programs under which the regions become passive recipients. Recent regional development approaches stress the importance of encouraging 'each individual region to reach its growth potential from within'[11]:

> Greater growth occurs when regions are able to mobilise their own local assets and resources, rather than depend on support from the national government.[12]

By presenting a range of programs focused on key economic drivers (pillars), the Government will act as a catalyst for local action as regions discover ways to harness the benefits of government programs to advance their own endogenous assets. This is a process which is expected to take time, but if executed correctly, will have a positive impact on regional communities and national output.[13]

Infrastructure

5.17   Amongst OECD countries, investment in public infrastructure has been a key policy response to the GFC[14] and there is evidence to suggest that the stimulatory effect of 'quick-starting mid-scale'[15] infrastructure spending in Australia has been of assistance in maintaining employment and business income during this period.[16]

5.18   If there are benefits to be derived from the GFC, one may be the increased investment in regional infrastructure by the Commonwealth Government. Shortfalls in infrastructure can have profound effects on the economic viability and liveability of a region.[17] Social infrastructure protects the

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11   OECD, *Policy Brief: How Regions Grow*, March 2009, p. 5.

12   OECD, *Policy Brief: How Regions Grow*, March 2009, p. 5.

13   OECD, *Policy Brief: How Regions Grow*, March 2009, p. 5.

14   OECD, *Policy Brief: How Regions Grow*, March 2009, p. 6.

15   Dr Steven Kennedy, *Australia's Response to the Global Financial Crisis: A speech to the Australia Israel Leadership Forum*, 24 June 2009, p. 11.

16   Mr Greg Evans, Senate Economics References Committee, Reference: Government Economic Stimulus Measures, Transcript 28 September 2009, p. 54.

17   Andrew Beer, Alarci Maude & Bill Pritchard, *Developing Australia's Regions: theory and practice*, UNSW Press, 2003, p. 199.

living standards of people in regional Australia and ensures the future viability of regional communities by attracting and retaining individuals and businesses.[18] Hard infrastructure, such as roads, railways, ports, airports and power stations, contributes directly to the functioning of the economy. Investment in hard infrastructure in regional Australia can improve competitiveness by reducing capacity constraints and making regions more attractive places to do business.[19] The provision of educational infrastructure serves both purposes, simultaneously raising the living standards of regional Australians and the competitiveness of regional businesses by improving access to education.

5.19   The Committee has witnessed first hand how infrastructure can increase economic activity and protect regions from sharp economic declines. The Northern Territory has been impacted less by the GFC than other areas of the country. There are several reasons for this, one of which is the Territory's investment in strategic infrastructure prior to the GFC:

> …we have been developing strategic infrastructure for a number of years in terms of East Arm Port, the railway, the business park and bulk mineral loading. The government has been investing in key infrastructure to grow our trade capacity…for a small jurisdiction that is a real leap of faith particularly going back 10 years ago when we were looking at spending $200 million on a port where we had small trade areas. It was one of those 'build it and they will come' projects and they certainly have…there has been that investment to ensure that we were able to grow during the good times, which we certainly have.[20]

5.20   Evidence from around Australia points to the important role infrastructure provision plays in the development of regions. For example, access to high-speed broadband has been cited as a 'fundamental element to the attraction and retention of individuals and industry migrating to rural and regional areas':

> …Critical services including emergency management, health services, and education are increasingly provided 'online'…For regional communities, broadband encourages innovation through development of new industries, encourages new investment as it

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18   Mid-Western Regional Council, *Submission No. 60*, p. 3.

19   Andrew Beer, Alarci Maude & Bill Pritchard, *Developing Australia's Regions: theory and practice*, UNSW Press, 2003, p. 199; and Mayor David Smith, *Transcript 30 April 2009*, pp. 5-6; Councillor Steven Dilley, *Transcript 30 April 2009*, p. 7; Councillor Steven Harrison, *Transcript 30 April 2009*, p. 9; Councillor Wesley Hartley, *Transcript 30 April 2009*, p. 18.

20   Mr Jeff Steward, *Transcript 28 September 2009*, p. 3.

> becomes viable for existing industries to move to areas outside metropolitan centres therefore creating new jobs. Broadband allows regional businesses access to new (world) markets and assists in addressing population decline by enabling services such as education and training to be delivered anywhere, anytime. This allows people to remain well skilled and able to move freely and work (telecommuting) whenever they wish from wherever they are, meaning people do not have to reside in major cities for employment.[21]

5.21   In Geraldton, access to high-speed broadband may help the community secure a bid to build the world's largest radio telescope array. If they are successful, the project is expected to grow the region through the creation of more industry and enhanced competitiveness:

> Broadband… is critical for us…there is the proposal for the square kilometre array radio telescope, which is proposed to be the largest radio telescope array in the world [SKA project]. That is to be built 350 kilometres east of here…[but]…needs connectivity back to Perth. Our broadband is pretty well non-existent…[and]…there is an opportunity to actually connect us to the rest of the world via Western Australia, and that can lever off the SKA project and make us more competitive. Broadband is very important. The SKA, for us, is one of those other elements in terms of creating a new industry here. It is all based on scientists, new technology and creative people. If you ever had a classic study on how to diversify an economy, then that project is it for us.[22]

5.22   The call for high-speed broadband was echoed by numerous witnesses and submitters to the inquiry throughout Australia, many of whom acknowledged the importance of the Government's National Broadband Network (NBN) initiative. The Committee understands that the NBN is 'expected to include a significant number of premises located in rural and regional Australia'[23] with those people who may not have access to the NBN, having 'access to the best new fixed, wireless and satellite technology'.[24] This is a significant step towards growing Australia's regions and **the Committee wishes to reiterate the importance of telecommunications infrastructure, and specifically access to high-speed**

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21   Municipal Association of Victoria, *Submission No. 26*, p. 11.

22   Mr Anthony Brun, *Transcript 29 April 2009*, pp. 14-15.

23   Department of Broadband, Communications and the Digital Economy, *Submission No. 25*, p. 2.

24   Department of Broadband, Communications and the Digital Economy, *Submission No. 25*, p. 4.

broadband services, to the growth and sustainability of regional Australia.

5.23   Continued investment in regional infrastructure by all levels of government will assist in the development of Australia's regions, but infrastructure alone 'has no impact on regional growth unless regions are endowed with adequate levels of human capital and innovation'.[25] As one OECD policy brief succinctly states:

> …infrastructure is a necessary, but insufficient, condition for growth.[26]

In other words, one pillar is unlikely to support an entire platform. More will be required. Education, therefore, represents the second pillar and the path to increasing the levels of human capital and innovation in Australia's regions.

Education

5.24   All levels of education need to be supported regionally and nation-wide, however, it has been found that regions with a low rate of tertiary education uptake amongst their population are less economically vibrant than those with a high rate.[27] This may be because regional universities are 'makers of place' that have a role in 'actually constructing communities and bringing [them to] life'.[28] They are:

> …centres of critical mass because intellectual inquiry and industry centres around them…they attract skilled people to [a] region, they promote innovation and…they are lubricants and catalysts of social endeavour.[29]

5.25   This evidence was consistently presented by regional universities around Australia. Deakin University advised that regional universities:

■ generate economic activity;

■ build skills for the future of their regional economies;

■ form a connection to national and international ideas and knowledge and serve as a catalyst for innovation, and

25 OECD, *Policy Brief: How Regions Grow*, March 2009, p. 6.

26 OECD, *Policy Brief: How Regions Grow*, March 2009, p. 6.

27 OECD, *How Regions Grow: trends and analysis*, 2009, p. 69.

28 Professor Andrew Vann, *Transcript 3 September 2009*, p. 14.

29 Professor Andrew Vann, *Transcript 3 September 2009*, p. 14.

- contribute to the cultural and civic life of regional Australia.[30]

5.26   Regional universities are employers that create full-time and part-time jobs and their infrastructure spending injects capital into the regions, helping to boost local economies.[31] They provide sporting and cultural facilities that are available to the public and contribute to the human capital of a region through the development of local skills and a better educated workforce[32] by strategically engaging with regional industry and government. Deakin University, as a member of the Committee for Geelong and G21[33], engages on regional planning and development issues in order to 'meet current and future regional skills needs through offering relevant courses'[34] and has linked with the Commonwealth Government on a number of skills development projects.[35] In Townsville, James Cook University is working collaboratively with the TAFE and VET sectors as well as local schools in order to raise participation rates and enhance the skills of the region.[36]

5.27   There cannot be a substantial university campus in every community across Australia; therefore, the development of partnerships between various education sectors also serves to deliver the benefits of a university to smaller communities, where there may be a TAFE presence. That is why Deakin University is in the process of developing study centres with a number of regional campuses that will deliver associate degrees.[37]

5.28   These kinds of collaborations may increase participation rates in regional universities as students are given study options which focus on local needs and allow them to stay in regional centres.[38] Participation rates in higher education by students in regional and remote areas have worsened in the last five years[39] and this decline needs to be arrested. In addition to

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30 Deakin University, *Submission No. 11*, pp. 1-2.

31 Mr Colin Dwyer, *Transcript 3 September 2009*, pp. 13-14.

32 Professor Sue Kilpatrick, *Transcript 22 April 2009*, p. 23.

33 G21 is a company established in 2003 by an alliance of five local government authorities (City of Greater Geelong, Colac Otway Shire, Golden Plains Shire, Borough of Queenscliffe and Surf Coast Shire) with the support of the State Government of Victoria and a wide range of local organisations. Membership spans all three levels of government, non-government organisations, commercial companies and community groups.

34 Deakin University, *Submission No. 11*, p. 2.

35 See Deakin University, *Submission No. 11*, p. 2.

36 Professor Andrew Vann, *Transcript 3 September 2009*, p. 15.

37 Professor Sue Kilpatrick, *Transcript 22 April 2009*, p. 24.

38 Professor Andrew Vann, *Transcript 3 September 2009*, p. 21.

39 Review of Higher Education: Final Report, p. 31, http://www.deewr.gov.au/highereducation/review/pages/reviewofaustralianhighereducationreport.aspx, accessed 21 October 2009.

the benefits students derive from a higher education, increased participation rates grow regional universities, making them viable entities which can contribute to the development of regions. For example, 'regions where universities, business and industry collaborate are more likely to be innovative and prosper'.[40] Several regional universities, including the University of Ballarat, have technology parks or precincts which further enhance regional innovation and skills leading to the creation of industry and jobs:

> …some 1,350 people are employed in the Technology Park, half of whom hold University of Ballarat degrees. The strong associations between the University and prominent industry tenants—iconic tenants include IBM Ballarat; Emergency Services Telecommunication Authority; Rural Ambulance Australia; State Revenue Office; Global Innovation Centre; ID Research; IBM Regional Software Solutions Centre; etc—has won for Ballarat a national reputation as a telecommunication and IT hub. In this direct and very practical association with the development and application of needed skills, is found the strongest expression of regional, dual-sector education: it offers academic competency; vocational opportunity; skills-based applicability, community engagement; social responsibility; and economic leadership…in a regional setting.[41]

5.29   The Commonwealth Government recognises the economic and social contribution of regional universities to Australian communities:

> Sustainable higher education provision, which is responsive to the specific needs of regional Australia, is essential to Australia's social and economic prosperity. Institutions have a vital role to play in local communities and economies, and students who study in regional areas are much more likely to stay in those areas, providing a vital skilled workforce in the regions.[42]

5.30   The Government is undertaking a series of higher education reforms, some of which are intended to strengthen regional education provision—a positive step supported by the Committee; however, some commentators have suggested that 'there needs to be a much stronger link between the

40   Deakin University, *Submission No. 11*, p. 3.

41   University of Ballarat, *Submission No. 77*, p. 5.

42   Department of Education, Employment and Workplace Relations, *Strengthening Regional Higher Education Provision*, http://www.deewr.gov.au/HigherEducation/Documents/PDF/Pages%20from%20A09-303%20Budget%20Fact%20Sheets-11_webaw.pdf, accessed 6 October 2009.

resolution of issues about tertiary education provision and delivery in regional Australia with state and federal government policy on regional development'.[43]

5.31   This will occur once there is a recognition of the various ways in which universities contribute to the wellbeing and development of regional Australia. **The Committee acknowledges the importance of education to regional development and strongly urges the Government to view higher education reform as part of its regional development objectives**.

Regional leadership education

5.32   The growth of regional education also aids in the development of effective leadership. 'Leaders need realistic visions and these, in turn, require an understanding of situation, process, opportunity and competition' which can be gained through education.[44]

5.33   Community leaders can be found in a range of different quarters from local government and regional development associations to educational institutions and industry. Their presence and activity within communities is vital to the development of a region. For example, in Western Victoria a growing tourism industry has the potential to expand the economic viability of the region but is lacking the leadership to do so:

> …one of the gaps that we have is leadership…Across the industry, we have a lot of networks that relate to local tourist organisations. There is a network of event managers. There are local town tourist organisations. At the moment, despite their best endeavours, they are often lacking leadership and also an understanding of the big picture and where they are meant to be paddling to. We are certainly looking at opportunities to provide leadership and governance training so that, as a total industry, we have a capacity to raise our professionalism, to have far more of our total population resource base going in the same direction and to have the tools that we need.[45]

5.34   Local Government is often viewed as the logical body to provide leadership within communities, particularly small ones. Many local governments have regional development staff and participate in regional collaborative bodies intended to grow and diversify a particular region.

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43   Professor David Battersby, *False start for national university*, Campus Review, 3 August 2009.

44   Professor Tony Sorensen, Parliamentary Library, Research Paper 26: 1999-2000, *Regional Development: Some Issues for Policy Makers*, 27 June 2000, p. 10.

45   Mr Chris Burchett, *Transcript 23 April 2009*, p. 40.

The capacity of local governments to provide the necessary regional development leadership varies, and therefore the Commonwealth Government has helped establish the Centre of Excellence for Local Government. The Centre will deliver leadership and development training[46] and encourage a focus on 'regionalisation, regional approaches and collaboration between councils'.[47] A consortium of organisations including several regional universities has been chosen to establish the Centre, which will provide its courses and services across urban, rural and regional Australia.

5.35   The establishment of the Centre of Excellence for Local Government is a positive step towards enhancing leadership capacity in the regions, but will need to be augmented by local leadership development opportunities. The Committee is aware that in at least one region, the Commonwealth Government, through the local RDA has partnered with local government to offer a community leadership program designed to enhance the leadership skills of people active in the sectors of environment, youth, sport and recreation, cultural or community development.[48] Local programs such as this are important and the Committee encourages the state, territory and Commonwealth Government, through RDA to continue promoting leadership development opportunities.

Business

5.36   In the early 1990s, Burnie lost a pulp mill, Tioxide, the North West Acid plant, Tasmeats and Blue Ribbon. Four thousand jobs were lost.[49] The same region now faces a loss of about 800 jobs as Caterpillar scales back its workforce. While a substantial amount, 800 jobs is not 4000 jobs. What has changed in Burnie between the recession of the early 1990s and the GFC that has reduced the impact of economic downturns on the region?

5.37   Representatives in Burnie attribute the comparatively reduced impact of the GFC on their community to economic diversification and a more skilled workforce.[50] Evidence suggests that the impact of the GFC has been lessened in areas where either the major industries have not been

46   Prime Minister of Australia, Media Release, *New Australian Centre of Excellence for Local Government*, 24 June 2009.

47   Mr Adrian Beresford-Wylie, *Transcript 14 August 2009*, p. 64.

48   The program is offered by Volunteering Queensland and is supported by the City of Ipswich and RDA SEQ West. See, www.qorf.org.au/_.../CLP%20Nomination%20Form%202009.pdf, accessed 22 October 2009.

49   Mr Paul Arnold, *Transcript 20 April 2009*, p. 2.

50   Mr Rodney Greene and Mr Paul Arnold, *Transcript 20 April 2009*, p. 7

affected or where the region has a diverse enough economy to withstand a downturn in one sector.

5.38   In order to diversify a regional economy, existing businesses in a region must grow and expand and new businesses need to emerge. The Committee's third pillar of regional development supports regional communities through the growth and diversification of regional business.

5.39   Expansion and diversification of business in regional Australia can occur organically as various entrepreneurs seek to grow their businesses or create new ones. By limiting the amount of available credit to these entrepreneurs, the GFC has revealed that private enterprise alone may not sufficiently drive business growth and diversification in regional Australia, proving there is a role for government in supporting regional business.

5.40   This is a lesson that was not lost on Burnie's local government after the recession of the early 1990s. There, the local council undertook a series of actions designed to stimulate the local economy and increase the liveability of the city:

> We had no cinema. The cinema we did have had failed; the private marketplace had failed miserably, so we built a cinema. We leased it out and then we sold it off. After we built it and operated it for a couple of years, we sold it off. We tried to stimulate the local economy with some entrepreneurial activities. For example, we got involved and bought the local airport and generated a lot of industrial land sales off that. In fact, the Vestas renewable energy company was based out there. We did everything we could to facilitate growth of opportunity—business, commercial, whatever.[51]

5.41   State and Territory governments have a number of business support programs and so too does the Commonwealth Government. This report has already noted some of the past and current Commonwealth Government programs intended to assist small, medium and large enterprises in regional Australia. As part of its deliberations, the Committee canvassed witnesses about Commonwealth Government support for businesses in their area, in an attempt to measure the effectiveness of government support. In response, the Committee was advised that the services offered by Enterprise Connect and the BECs were valued but in need of extension, particularly in light of the current situation:

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51   Mr Paul Arnold, *Transcript 20 April 2009*, p. 10.

> We have a good working relationship with the Innovative Regions
> Centre, for example, which has been excellent to deal with, but it is
> a matter of getting more resources on the ground.[52]

5.42   In Broken Hill, the BEC 'works in really well with the ACC/RDA,
        Business Broken Hill, the community foundation and the other partnering
        organisations' but it is not considered 'the direct linkage into business that
        [Broken Hill] needs'.[53] Business Broken Hill has suggested that while the
        BEC there is supportive of new businesses, it does not have the capacity to
        assist existing small businesses during this period.[54]

5.43   The Committee discussed the coverage of various business support
        programs with the Department of Innovation, Industry, Science and
        Research at its public hearing in Canberra. It highlighted the concerns
        noted above, particularly regarding support for small business, and was
        advised by the Department that support for business in regional Australia
        is provided by many different agencies across government and industry.[55]

5.44   That may be so, but the Committee is aware that some small businesses
        may have problems accessing government business support programs.
        For example, tailored advisory services from Enterprise Connect cost a
        business $20,000—an amount many small business owners are not able to
        produce.[56] The inability to access business support services may lead to a
        problem whereby some regional businesses that are either very small or
        not in a particular industry are able to receive support while others are
        not.

5.45   AusIndustry offers five programs designed to address the needs of small
        business, and of those five programs, three are targeted towards the
        commercialisation of innovative products, the clothing, footwear and
        textile industry or IT skills development.[57] Only the Small Business
        Advisory Service and the Small Business Support Line are sufficiently
        general enough in their coverage to address the needs of a range of small
        businesses in regional Australia and both programs have been instigated
        as a result of the GFC. The Small Business Advisory Service, for example,
        has a two-year funding commitment. If it can be shown that there is a high
        demand for this service and the Support Line, then funding support for

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52   Dr Andrew Scott, *Transcript 22 April 2009*, p. 19.

53   Robin Edgecumbe, *Transcript 7 July 2009*, p. 23.

54   Robin Edgecumbe, *Transcript 7 July 2009*, p. 24.

55   Mr Paul Sexton, *Transcript 14 August 2009*, p. 30.

56   Mr Clyde Humphries, *Transcript 23 April 2009*, p. 32.

57   See http://www.ausindustry.gov.au/SmallBusiness/Pages/home.aspx, accessed 21 October
     2009.

these initiatives should be continued. Therefore, the Committee encourages the Government to examine the uptake of its Small Business Support Line and Small Business Advisory Service with the intention of continuing funding support for these initiatives.

Recommendation 9

5.46   **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.**

5.47   Programs offered by AusIndustry provide various kinds of assistance to businesses ranging in size and across different industries. In regional Australia, AusIndustry has 15 representatives deployed to 'provide information, provide assistance awareness of AusIndustry business assistance programs'.[58] Nevertheless, not all are aware of the Commonwealth Government support available for small business.[59] This may be a result, in part, of the limited number of government representatives, such as those from AusIndustry, working in regional Australia.[60]

5.48   The Department of Innovation, Industry, Science and Research observed that AusIndustry representatives, operate in a manner intended to 'leverage off multiplier agencies':[61]

> We do not do it alone; we also work with Austrade, IP Australia, state government agencies, Enterprise Connect people who are on the ground. So we are providing a whole-of-government approach…[62]

5.49   Furthermore, the Department noted that it could always be argued that there should be two or three [AusIndustry] people rather than one, but the current representatives 'do a fairly comprehensive job, given the funding [the Department] has'.[63]

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58   Mr Paul Sexton, *Transcript 14 August 2009*, p. 30.
59   See for example, Mr Peter Gordon, *Transcript 30 April 2009*, pp. 43-44.
60   Dr Andrew Scott, Transcript 22 April 2009, p. 19.
61   Mr Paul Sexton, *Transcript 14 August 2009*, p. 30.
62   Mr Paul Sexton, *Transcript 14 August 2009*, p. 30.
63   Mr Paul Sexton, *Transcript 14 August 2009*, p. 30.

5.50   The Committee does not question the comprehensive efforts undertaken by the existing AusIndustry representatives, however, given that there are almost two million small businesses in Australia and 85 per cent of them are in regional Australia[64], it is questionable whether 15 representatives can provide the necessary coverage.

Recommendation 10

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

5.52   While the Government has acknowledged the importance of a whole-of-government approach to business support, it would be worthwhile ascertaining the degree upon which that support was coordinated in the regions as part of their regional development plans. Like higher education reform, business support in regional Australia will be more effective if it is undertaken within the framework of regional policy objectives.

5.53   In conjunction with a review into the success of the Small Business Support Line and Small Business Advisory Service and an increase in the number of AusIndustry representatives, the Government may also wish to 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.

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64   Mr Paul Sexton, *Transcript 14 August 2009*, p. 30 & ACC – South East NSW, *Submission No. 117*, p. 3.

Recommendation 11

5.54   **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.**

Facilitating regional cooperation

5.55   A recent OECD policy brief asked the question: how can regional policies mitigate the effects of the financial crisis?[65] Its answer stressed the importance of integrated regional policies based on 'well-developed mechanisms for co-ordination between the central and sub-national levels' that align local and national priorities.[66]

5.56   The question then for Australia is: how does the Commonwealth Government coordinate its infrastructure, education and business support programs on the ground in regional Australia and how does it ensure that those programs are working in collaboration with local and state objectives? One possible solution may be the better utilisation of Regional Development Australia.

5.57   The GFC has highlighted the importance of having a mechanism such as RDA, which can be used to facilitate better coordination between various government programs to achieve regional development objectives. Throughout the crisis, Commonwealth Government programs have been rolled out across Australia but administered by various departments.

5.58   In Canberra, the Committee was advised that cooperation amongst the departments responsible for regional programs is occurring. DEEWR is hosting an interdepartmental committee comprised of departments with funding programs, with the intention of 'pulling into one place information about all of the federal programs' so that the Department's LECs can relay that information in the regions.[67] The Department of

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65   OECD, *Policy Brief: How Regions Grow*, March 2009, p. 6.

66   OECD, *Policy Brief: How Regions Grow*, March 2009, pp. 6-7.

67   Ms Stephanie Foster, *Transcript 14 August 2009*, p. 9.

Infrastructure, Transport, Regional Development and Local Government (DITRDLG) has been running a forum 'which puts together all of the federal agencies with regional programs to share information' and a similar forum is being coordinated between state and federal deputy secretaries to 'agree on some priorities and ways of working together' to make sure that programs are being maximised.[68]

5.59   In the regions, departmental representatives such as LECs and AusIndustry managers have been working with local and state organisations and each other to raise awareness about federal programs and available assistance.[69] The picture which emerged as the Committee spoke with representatives from various federal departments was one whereby their regional staff—be they a LEC, AusIndustry manager or Centrelink officer—were working with each other and local and state representatives to ensure that the regions had access to the assistance offered by government agencies.

5.60   While their efforts are an attempt to coordinate a whole-of-government response to the GFC, they do not represent a coordinated response of integrated regional policies that align local and national priorities beyond those brought on by the GFC. Indeed, it is the Committee's view that some of their activities are the antithesis of what needs to be occurring in regional Australia. The role of the LEC is a good example.

5.61   The Committee was advised that the LECs:

> …have been tasked with developing a local employment plan for their region and, as part of that, they have been tasked with setting up a group within the local area to work together. They want representation on that group from various different bodies that would make it a functioning group within a region, who would then be able to work together to develop that plan. *Some of the regional development aspects will be key to developing that plan.*[70]

5.62   Rather than viewing regional development goals as a key component of a local employment plan, the Committee would argue that the local employment plan should be one component of an integrated development policy for the region. An approach of this nature requires a regional mechanism by which policies and programs can be coordinated to achieve

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68   Ms Stephanie Foster, *Transcript 14 August 2009*, pp. 9-10.

69   Mr Graham Carters, *Transcript 14 August 2009*, p. 20.

70   Mr Graham Carters, *Transcript 14 August 2009*, p. 20.

specific outcomes. RDA is well placed to be that mechanism because it brings all three tiers of government together.[71]

5.63   The need for such a mechanism predates the GFC. All around the country, local, state and federal representatives have long identified key priorities of development. In the North/East border region of Queensland and NSW, for example, 25 years of studies into the infrastructure needs of the region had not resulted in a coordinated plan. In the absence of a structure such as RDA, a consortium of 10 local governments from NSW and Queensland have finally 'aligned their objectives to pursue a cohesive and agreed regional plan'[72] called the Trans-Regional Amalgamated Infrastructure Network (TRAIN) project, which has the backing of state and federal members of parliament.

5.64   Similarly, transport in the Northern Territory has been identified as a key development issue and has been the focus of much state and shire planning; however, until the formation of RDA NT, there was not an opportunity to coordinate the plans into one Territory-wide strategy upon which to engage the Commonwealth Government.[73]

5.65   The tourism industry is seeking to engage in destination planning that requires the cooperation of federal, state and local governments across various industries and government portfolios.[74] The RDA network has the potential to be the gateway for coordinated planning of this nature.

5.66   RDA can also bring together different agencies and levels of government offering assistance to meet regional specific outcomes. In response to economic downturns, this could mean facilitating cooperation between the different agencies on the ground, rolling out the economic stimulus programs of the levels of government.

5.67   At the time of writing, the RDA network was in the process of being finalised nationwide. Its stated objective is to 'provide a strategic framework for economic growth in each region' and is underpinned by four key functions:

■   provide advice on consultation and community engagement;

■   regional planning;

71   Ms Stephanie Foster, *Transcript 14 August 2009*, p. 1.
72   Mr Mark Salmon, *Transcript 4 August 2009*, pp. 63-64.
73   Mr Damien Ryan, *Transcript 28 September 2009*, p. 30.
74   Mr Evan Hall, *Transcript 6 July 2009*, pp. 78-79.

- ■ promoting whole-of-Government programs, policies and initiatives; and

- ■ community and economic development.[75]

5.68   The Committee is supportive of these objectives and encourages the Government to utilise RDA in generating region specific community and economic development planning that is supported by the region; maintaining productive levels of cooperation between the three tiers of government; and facilitating better cooperation between various agencies and government programs in the regions.

5.69   While the network has yet to fully function, indications to date suggest that RDA is intended to perform in a manner similar to the Committee's expectations. The Committee has been advised that 'RDA is meant to be a ground up initiative… [with]…the ability…to identify what is important in the community as part of [its] work program'. It is not intended to be 'rigorously prescriptive' and will allow regional development objectives to be 'tailored regionally as is appropriate, given different economic and social circumstances'.[76]

5.70   RDA has led to increased cooperation with the states, territories and local governments[77], which are 'genuinely seeking to find arrangements which will incorporate federal interests.'[78] This level of cooperation must continue and be constantly reassessed to ensure that no one level of government dominates the agenda of an RDA board.

5.71   There will also be a challenge in ensuring that RDA, as regional representatives, are able to facilitate better cooperation between Commonwealth Government programs in the regions. DITRDLG has recognised that coordination amongst Commonwealth Departments is a challenge[79] but noted that there have been 'very positive responses from the other departments about their capacity to use RDA':[80]

> There have been some discussions about the location of LECs potentially with RDAs. Broadband have been speaking to us about various program initiatives that can be assisted by the RDA

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75   Role of RDA, http://www.rda.gov.au/index.aspx, accessed 8 October 2009.

76   Mr Marcus James, *Transcript 14 August 2009*, p. 5.

77   Ms Stephanie Foster, *Transcript 14 August 2009*, p. 6 & Mr Adrian Beresford-Wylie, *Transcript 14 August 2009*, p. 62.

78   Ms Stephanie Foster, *Transcript 14 August 2009*, p. 6.

79   Mr Marcus James, *Transcript 14 August 2009*, p. 10.

80   Ms Stephanie Foster, *Transcript 14 August 2009*, p. 10.

> network, because it will be a national network that will be available to help with programs.[81]

5.72 It would appear that some departments view RDA as an entry point into the regions. As a national network, RDA can be a useful tool through which various Commonwealth Government programs can access regional Australia. This should not, however, be its only role. **RDA should be utilised to facilitate better cooperation between various government departments in the regions to further local and national objectives.**

5.73 Having RDA undertake a facilitating role will ensure better coordination of government programs for region specific outcomes over the long term. For example, LECs have a two-year mandate to undertake their work and once that two-year period is up, it is not clear what will happen to the regional employment plans they have created, or the Keep Australia Working Advisory Committees they have established.[82] The Committee believes that the creation of employment opportunities in regional Australia should be closely linked to the ongoing business development and diversification plans of a region, and although RDA representatives sit on Keep Australia Working Advisory Committees,[83] there is a danger that LEC initiatives will lapse in two years time. In order to avoid this, the regional employment plans of LECs should be integrated into the regional development plans of specific RDAs, thereby allowing RDA to capitalise on the work of LECs well into the future. In those areas where a LEC has not been deployed, RDA should be developing regional employment plans.

Recommendation 12

5.74 **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.**

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81 Mr Marcus James, *Transcript 14 August 2009*, p. 10.

82 Local Employment Coordinator Fact Sheet, http://www.deewr.gov.au/Employment/Pages/JobsFund.aspx, accessed 19 October 2009.

83 Keep Australia Working, Final Report, p. 17, http://www.deewr.gov.au/Employment/KeepAustraliaWorking/Pages/home.aspx, accessed 19 October 2009.

Conclusion

5.75   The GFC is a reminder of the importance of regional development policy. Regions which grow and diversify their economies and provide the social conditions which lead to greater liveability are in a better position to withstand the effects of a crisis such as this.

5.76   A regional development policy which focuses on building infrastructure, encouraging education and supporting the growth of business will assist in this regard and will be most effective if the Commonwealth Government can coordinate its infrastructure, education and business support programs in regional Australia in a way which ensures that those programs are working in collaboration with local and state objectives.

5.77   The GFC has highlighted the importance of having a mechanism such as RDA, which can be used to facilitate better cooperation between various government programs to achieve regional development objectives. If this occurs and regional policy is sufficiently coordinated across all three tiers of government, then there is real scope for growth in Australia's regions.

Catherine King MP

Chair

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