

**SUBMISSION TO THE FEDERAL GOVERNMENT**

**ON**

**THE PROVISION OF REGIONAL  
INFRASTRUCTURE**

**From the regional development organisations  
of the Hunter Region.**

## History

The Hunter Region is located 130 kilometres north of Sydney, encompassing a diverse range of geographic landforms, environments, industries and population centres.

Prior to white settlement the area was primarily inhabited by the peoples of the Awabakal, Worimi, Wonnarua, Geawegal, Birppai and Darkinung aboriginal tribes. Permanent white settlement began in 1804.

## Economic Growth

Since that time, Newcastle and the Hunter Region have developed a population and economic base which ranks the area as one of the major economic regions of Australia. The discovery of coal, the accessibility of timber and the rich agricultural land laid the building blocks for the development of business and industry which have formed the image of Newcastle and the Hunter over the last century. However significant changes have been taking place over the last two decades which are transforming the face of region and the nation.

Within the last few years these changes have been reflected in events such as BHP's decision to close its steelmaking operations in Newcastle, the closure of Rundles, a major clothing manufacturer of 90 years, and the rationalisation now being experienced in the coal industry. While these industries have had a major impact in the past, the changing nature of the regional economy has seen the increasing influence of the tertiary sector. As advances in technology result in capital being substituted for labour in primary and secondary industries, even though they too are subject to major changes as the use of technology develops new ways of doing business.

Notwithstanding these developments, manufacturing industries remain a vital component of the regional economic landscape. The region continues to produce approximately 40% of Australia's aluminium and 60 % of the state's coal, and it will still produce rod, bar and wire products even after BHP closes its steelmaking facilities. The Hunter remains the major producer of power in New South Wales, although the new electricity generation companies are now competing with Victorian generators as the industry is opened up to national competition.

The agricultural sector, while being a small employer has also been actively involved in adding value to traditional commodities. In the Upper Hunter livestock breeding programs, particularly in thoroughbred horse studs, have produced a reputation for high quality animals. Similarly, the planting and further development of many vineyards has continued to promote the Region's reputation for high quality wines. Such industries have been able to complement the growth of other sectors in the regional economy: for example the vineyards and wineries have become a key tourist attraction in the region.

The education sector is also an important feature of the regional economy, providing many jobs and services to the region. Specifically, the Hunter is served by the University of Newcastle, the Hunter Institute of Technology, Tocal Agricultural College and numerous public and private primary and secondary schools. The skills base of their region is further assisted through group apprenticeship programs.

## Population

As the economic structure of the Hunter evolves, the population continues to grow, with the most recent census indicating a regional population of 540,499. The region encompasses 13 local government areas: Cessnock, Dungog, Gloucester, Great Lakes, Lake Macquarie, Maitland, Merriwa, Murrurundi, Muswellbrook, Newcastle, Port Stephens, Scone, Singleton.

The majority of the population (449,773 or 83%) is located in the five lower Hunter Local Government Areas (LGA's): Cessnock, Lake Macquarie, Maitland, Newcastle and Port Stephens.

## Employment

Traditionally, employment in the Hunter Region has been dominated by steel, heavy engineering and resource-based industries such as coal and agriculture. It is now undergoing less a transition than a structural transformation, which is reflected in the rapid rise of knowledge based industries and services, including high value added, export oriented manufacturing firms. This results to some extent from the decline in terms of trade for Australia's primary commodities and from government policies such as financial and product market reform and industry adjustment programs. However, it is also driven, more fundamentally, by the global shift from large scale, high volume, mass production industries to smaller, more flexible, specialised and interdependent production units, where technologies and skills make the difference.

Clearly, this transformation is not without its drawbacks and difficulties. The region has experienced unemployment consistently several points higher than the national and State average, especially in low skill occupations and industries, while at the same time it is hampered by skill gaps and shortages in the fast growing sectors.

In March 1999 approximately 223,800 people were employed in the Hunter and 29,600 were unemployed. The regional unemployment rate was 11.7% and the participation rate was 57.4%.

Employment growth in the Hunter Region is more volatile than that recorded at State or national levels. While the volatility can reflect statistical fluctuations in data from the Labour Force Survey, it also reflects the dynamic nature of the Region's economy.

The dominant trend in the Hunter labour market is the shift in the composition of employment to services, particularly tourism and hospitalities and business services. However since total employment is also growing, this shift has not taken place at the expense of manufacturing. The most profound change is occurring within the sector itself, with a shift from low skill, repetitive manufacturing, including some but not all areas of textiles and clothing and wood products, to high value adding, more knowledge intensive activities , such as chemicals, transport equipment, food and fabricated metal products.

The transformation of the Hunter's industry profile is also reflected in changes in the occupational structure, particularly the 'professionalism' of the workforce, as the disappearance of some traditional jobs such as labourers and production workers is more than offset by the growth of professional groups. However, this 'upskilling' of the region has also brought with it an expansion of new low skill jobs in retail trade, hospitalities and personal services, which along with social exclusion poses a serious danger already evident in some other countries of a division into a 'two tier' labour market.

Almost the entirety of jobs growth in the region since 1981 has taken place in part-time and casual work, particularly for women, and has been accompanied by a collapse in the full time labour market for young people. The participation rate for women in the regional labour force, while starting from a very low base, has been increasing faster than the State and national average. However, this has not overcome the entrenched occupational segregation of women into predominantly lower paid positions in retail trade and community services.

In summary, the region has a broad diverse, and sophisticated skills base, which should enable it to compete in leading edge global and domestic markets. The training and education system, while of a high standard, must continue to adapt to this new, more challenging environment.

# Responses to the terms of reference

***“Deficiencies in infrastructure which currently impede development in Australia’s regional areas.”***

The Hunter Region’s development organisations have identified priority areas in hard and soft infrastructure which could assist the development of the region and increase employment. These are:

## ***1. Telecommunications and information technology infrastructure.***

The establishment of high speed information technology and telecommunications infrastructure is vital for the development of a sophisticated, globally competitive region.

Many regions in Australia however lack this critical infrastructure in all but the largest townships. The Hunter reflects this national trend with a recent audit of IT&T infrastructure in the Hunter conducted by the Hunter Economic Corporation reporting the following findings:

- Patchy to non-existent mobile phone coverage outside of the immediate area of the main towns.
- Noisy telephone lines that cause faxes to drop out and computer modems to run at very slow speeds.
- STD call rates charged to destinations that are commonly used for business or social needs.
- Not all townships are able to take advantage of the full range of facilities, such as call waiting on small exchanges.
- The comparative costs of having an ISDN line installed in the country, when compared to that of Sydney makes it difficult for regionally based businesses to compete with city based enterprises.
- Not all townships have local call internet access.

Other needs identified were:

- Internet awareness programs.
- E-commerce training programs.
- Tourist access to email facilities.
- Video conferencing facilities for education, tele-medicine and industry training.

A strategic plan has been developed to address these issues and should be funded as a matter of urgency.

Highlights of this plan include:

- Equity of access to the internet for all communities within the region.
- Upper Hunter communities to develop internet systems and services appropriate to their constituencies (eg Telecottages or Technology Training Centres).
- Facilitate adoption of E-Commerce strategies by Hunter businesses.
- Encourage further development of the IT Industry Cluster

## ***2. The enhancement of transport infrastructure to facilitate development of trade through the Port of Newcastle.***

For the Port of Newcastle to achieve its aim of being competitive with Sydney, it is imperative that efficient, developed modern transport links are in place. This would include the development of improved rail linkages between north, north-west and western New South Wales to the Port of Newcastle, and the upgrading of the north coast rail line between Sydney and Brisbane, including the Fassifern-Hexham link. The region is being hampered by the discord between rail passenger and freight services using the same rail infrastructure. The availability of a rail freight line would alleviate this congestion.

The growth and diversification of trade through the Newcastle Port should also be enhanced by the better co-ordination and use of existing infrastructure and unused capacity. For example, the cessation of steelmaking at BHP provides an opportunity to develop this port related land for enhanced trade. Federal Government support for such initiatives would be encouraged.

## ***3. The enhancement of aircraft servicing and facilities for the region's airport.***

Newcastle has a major regional airport, jointly owned and managed by Newcastle and Port Stephens Councils.

The airport is handling 160 000 passenger movements per year – 45 000 more than its forecast for the year 2000. The Airport is currently investing in infrastructure to cater for this demand and future growth.

In order to continue its development, Newcastle Airport Ltd, requires significant support to attract increases in companies operating passenger and freight aircraft, and undertaking defence aerospace manufacture. Impulse Airlines currently operates from Newcastle Airport, and the Airport sees itself as a hub for a number of regional services. British Aerospace have a manufacturing and assembly facility at the Airport, providing employment for large numbers. This continued value adding of the regional airport's facilities needs to be maintained in order to maintain valuable, high skilled employment in the region. For example, the Airport is planning to double apron size, increase carparking by 50%, increase its terminal size and increase the provision of utility services to open up development land. Eastern and Sunstate also operate through Newcastle Airport catering for 50% of all passengers.

### ***Deficiencies***

The region also believes the following areas have infrastructure deficiencies which hamper employment development:

- Research linkages
- Technology transfer
- Network broking and business support.
- The delay in developing the F3 extension to Great/Branxton.
- Lack of access to major infrastructure finance particularly from superannuation funds.
- Lack of co-ordination to make best use of available infrastructure
- Education and training infrastructure

***“Factors that would enhance the development in these areas, including provision of infrastructure such as energy, transport, telecommunications, water supplies, and facilities that deliver educational, health and financial services.”***

The Hunter development organisations believe there is an opportunity to increase employment in a number of sectors through the provision of hard and soft infrastructure in the following areas:

- Support of education, training and research, especially that which enhances the competitive advantages of the region and its identified industry clusters. This would involve public investment for regional potential and would benefit the economy as a whole.
- Assistance to regional communities to undertake pre-feasibility studies of projects identified by appropriate regional development organisations as critical success factors. For example, federal funding could be applied to pre-feasibility studies into the development of transport and telecommunications infrastructure. These would result in the determination as to whether projects should succeed.
- Consideration should be given to the allocation of a specific percentage of taxation revenue to regional infrastructure development, providing regions with a guarantee of support to boost their economies and the national economy, particularly in the global market place.
- Perhaps the single most important factor in developing regional areas is in government and corporate policy. It is imperative that the Federal Government and large corporations gain a much broader understanding of the advantages of supporting and developing business in regional Australia. This change in mindset would be supported by advances in technology. It is no longer necessary for large corporations to establish or maintain large facilities and numbers of people in capital cities. Business and government services can be delivered through technology, anywhere in the nation and the world from regional Australia.
- The location of Federal Government services in regional areas is successful and is demonstrated by the location of the Australian Taxation office in Newcastle and the recent announcement that the CSIRO will relocate services to the region.
- In terms of information gathering, the region holds the strong view that the Federal government’s collection of information on regions needs to be co-ordinated to enable regions and the Commonwealth to develop a greater and more current understanding of the regional resources. Information currently collected by the departments of Primary Industries and Energy, Transport and Regional Services, Education Training and Youth Affairs, Employment, Workplace Relations and Small Business, Centrelink, etc, is not collated and provided to regions for informed decision making. It is essential to regions to have access to available information, particularly in the economic and employment sphere on which to base local decisions for growth.

### ***“Potential for development in regional areas”***

There is a clear role for Federal Government leadership, co-ordination and funding for the development of telecommunications infrastructure to enable “on-line businesses and communities.”

Federal Government support is also sought for the continued development of mechanisms that support the development of skills and knowledge. This will enable regions like the Hunter to achieve competitive success and a prosperous regional economic future. Such support would be funding to foster the co-ordination and enhancement of skills development within the region.

### ***“The extent to which infrastructure development would generate employment in regional Australia.”***

Many regional areas, including the Hunter, have unacceptably high levels of unemployment. Appropriately investigated potential infrastructure development, once privately and/or publicly funded, has the capacity to reduce such levels of unemployment with all associated negative impacts.

Infrastructure development should also focus on creating a differential advantage for the region; this is what will attract business, industry and service providers.

The last OECD report on technology, productivity and job creation shows that nations and regions which lead in technology and knowledge intensive products and processes are those that lead in employment growth, and the Federal funding should be applied to developing these industries in the Hunter.

For example, the Hunter Medical Research Foundation is constantly requested to host international medical researchers in the Hunter because of its world-wide reputation. It is unable to do this because it does not have any physical infrastructure in which to house visiting researchers. The investment in the Hunter Medical Research Centre (buildings) would enable the Foundation to capitalise on its reputation and knowledge base and establish the Hunter as a world centre for medical research, bringing high skill, knowledge based jobs to the region.

### ***“The role of different levels of government and the private sector in providing infrastructure in regional areas.”***

- The priorities for regional development need to come from a process involving Federal, State and regional representation.
- The region believes that ownership of government assets should be examined on a case by case basis and decisions made on the basis of what is appropriate for each regional area. On the Fassifern rail proposal, for example, the Rail Access Corporation may fund the linkage, with both private and government-owned rolling stock on the line.
- In terms of education and training, the private sector has a poor record on training and research, and must be encouraged to do better. Government also has a



responsibility to provide a climate which encourages an investment in the skills development of regional communities, to enable them to compete in world markets.

***“Planning, co-ordination and co-operation in the provision of infrastructure in regional areas.”***

Regional bodies must have more funding and autonomy so that they can play a constructive role in regional development. This may include building the Commonwealth’s network of ACC’s as a regional policy instrument, in particular with responsibility for skills development, as well as enhancement of the Regional Assistance Program. This would include broadening of the guidelines, as well as a continued emphasis on the whole of government approach which is being advocated at Ministerial level.

Most regions have a plethora of regional development organisations making it difficult for either State or Federal governments to effectively negotiate. Regions have a responsibility to determine their representative organisations to effectively negotiate with governments. This process should be developed in conjunction with State and Federal governments.

***“The benefit to the national economy of developing regional infrastructure.”***

The future prosperity of nations depends increasingly on the performance of regions, since these are the level of effective clustering, innovation and the development of local supply chains for inward investors. A key ingredient for regional success is infrastructure, both physical and social, and this must be a priority of industry and regional policy.

Regional infrastructure provision would lessen the pressure on population growth in capital cities where the supply of basic services to expanded green belts may be many times more costly than in regional areas. Employment opportunities in regional areas reduce the economic and social burden in our capital cities. This is evident with 13 cities accounting for almost 90% of our population.

## **Participants to the submission**

(in alphabetical order)

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