PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

Regions at the Ready: Investing in Australia's Future

House of Representatives Select Committee on Regional Development and Decentralisation

June 2018
CANBERRA

ISBN 978-1-74366-842-9 (Printed Version)

ISBN 978-1-74366-843-6 (HTML Version)

Chair's Foreword

As Australia battles to deal with its centralised population and the congestion caused by having over 40 per cent of its population living in its two biggest cities, the realisation is stark; we have to take a different approach to growing our regions if we want to achieve a different outcome.

For many decades now, Melbourne and Sydney have dominated Australia's population. As these cities and our other capitals have grown and prospered, the demand for further infrastructure investment continues to grow. These endless demands from our capital cities for more lanes on the freeways, more trains running more often, bigger hospitals, universities and airports etc. puts the nation into a continuous need for more resources.

Once these infrastructure projects are completed, these capital cities continue to thrive and become more liveable, and then more and more people make the decision to live in these capitals and the congestion cycle starts all over again.

Until we have a fundamental shift in spending priorities away from our congested capital cities and share the infrastructure spending with regional Australia, we cannot expect the current imbalance to correct itself.

As a result of this cycle, more and more Australians are growing tired of congestion in our capital cities, despairing at the inability to enter the housing market and generally struggling to get ahead while living in these growing suburban based cities.

The regions of Australia have never been in a better position to take advantage of an Australian population that is looking away from our capital cities, looking to the regions for a better all-round life.

Regional Australia is ready to welcome these people with open arms. To live five to ten minutes from work, to own your own home, to have space for children to

grow and play, these are the benefits our regions have over our capitals. We just need a greater share of the funding pie invested in regional Australia.

While the quantum of spending in regional Australia is a critical factor, it is also important that our funding be more targeted. The Committee continually heard that the most important issues are around making our regional cities, towns and communities more connected. Connectivity can be described as having better roads, better rail services, mobile phone coverage and access to quality broadband internet. Especially important is that those living in regional Australia have access to a reasonable base level of services such as health and education.

The final piece of the puzzle that influences people's decision to live in the regions is that of amenity. The amenity of a city, town or community can be in the visual aesthetics, the buildings, the parks, theatres, the access to shops, recreational facilities etc. While amenity is a broad and wide reaching category, if we fail to invest in amenity, we will also fail to entice people to live in regional Australia.

The Government's decentralisation agenda was warmly welcomed by every regional city that the Committee visited. At every regional hearing, witnesses espoused the advantages of relocating government agencies or parts thereof from capital cities out to regional cities where their performance and outcomes would improve due to either a natural geographical advantage or advantages gained from creating a cluster and critical mass of like agencies or businesses.

While it is undeniably the preference of government to move government agencies to regions where there will be a natural advantage, the Committee saw a number of successful examples of relocated government agencies where there was no natural advantage to speak of, other than the benefit of having well paid government employees living and working in regional towns and cities.

In these instances, I believe that there should never be any disadvantage to the efficiency of a government agency when a potential relocation is being considered.

We also heard evidence that even when the positives associated with moving an agency far outweigh the perceived negatives, there will always be an element of 'push-back' from public servants who would much prefer to stay in their current location.

Australia now has nearly 50 years of history of various forms of decentralisation. We have many examples of successful relocations of both government agencies and private companies – too many to name. There is a very strong sense within regional Australia that all governments can and should be more aggressive with its decentralisation of government agencies wherever it is appropriate.

It must also be noted that while government agencies being relocated from capital cities out to regional cities become the face of decentralisation policy it is, however, the private sector that has the ability to dwarf the benefits that will be delivered from relocating government sector positions.

Private sector decentralisation is often dependent on the decisions of government that set the environment for private sector movements.

It is also abundantly evident that we need to categorise our investment in regional Australia into four discernible categories. First, there is what we would all acknowledge as investments that maintain the status quo; these projects are necessary as they assist in enabling regional towns and cities to provide that universal base level of service and amenity.

Second, and perhaps more importantly, is catalytic investment. These investments attract further investments and they help create and build on a critical mass in a particular sector. These catalytic investments which lure other businesses into a co-location should be given greater priority within government decision making.

Third, is investment in capacity building of our rural communities particularly education and training and leadership development.

And finally, there is investment in human capital. This includes the employment of people to design and deliver services in rural communities. It is this investment that provides the greatest opportunity for government decentralisation policy.

The role of identifying the catalytic type investments is one that would be well served by our Regional Development Australia Committees into the future.

There is so much work yet to be done in this space. Regional development and decentralisation will play an ever increasing role in growing the national economy and creating a more even spread of Australia's population.

The Committee strongly agrees that the Australian Parliament create a *Joint Standing Committee on Regional Development and Decentralisation* to continue this work into the future.

The Committee would like to thank everyone who participated in this inquiry, in particular, the members of our informal expert panel:

- Mr Jack Archer;
- Professor Andrew Beer;
- Professor John Cole;
- Ms Anne Dunn;
- Professor Robyn Eversole;

- Professor Fiona Haslam-McKenzie; and
- Professor Tony Sorensen

all of whom made an outstanding contribution not just as witnesses to our public hearings but also through submissions and other written contributions.

I would like to thank members of the Committee, especially the former Chairs, the Hon Dr John McVeigh MP and the Hon Darren Chester MP, and Deputy Chair, Ms Meryl Swanson MP, for her professionalism and bipartisan approach. I would also like to thank members of the secretariat: Ms Fran Denny; Ms Lynley Ducker; Dr Andrew Gaczol; Mr Danton Leary and Ms Kelly Burt.

Hon Damian Drum MP

Contents

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Hon Damian Drum MP	(from 28 March 2018)

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Secretary	Ms Julia Agostino	(1 June 2017 – 25 January 2018)
	Ms Lynley Ducker	(8 August – 1 September 2017)
		(from 26 January 2018)
Inquiry Secretary	Ms Fran Denny	
Senior Research Officer	Dr Andrew Gaczol	
Research Officer	Mr Danton Leary	
Administration Officer	Ms Kelly Burt	

Terms of Reference

The inquiry's Terms of Reference are included in the Committee's Resolution of Appointment. They are:

1 This House establish a select committee, to be known as the Select Committee on Regional Development and Decentralisation, to inquire and report on the following matters:

a. best practice approaches to regional development, considering Australian and international examples, that support

i. growing and sustaining the rural and regional population base;

ii. the benefits of economic growth and opportunity being shared right across Australia;

iii. developing the capabilities of regional Australians;

iv. growing and diversifying of the regional economic and employment base;

v. an improved quality of life for regional Australians;

vi. vibrant, more cohesive and engaged regional communities;

vii. leveraging long-term private investment; and

viii. a place-based approach that considers local circumstances, competitive advantages and involves collective governance;

b. decentralisation of Commonwealth entities or functions, as a mechanism to increase growth and prosperity in regional areas, considering Australian and international examples, including:

i. examining the potential for decentralisation to improve governance and service delivery for all Australians, considering the administrative arrangements required for good government;

ii. identifying the characteristics of entities that would be suited to decentralisation without impacting on the ability to perform their functions;

iii. identifying the characteristics of locations suitable to support decentralised entities or functions, including consideration of infrastructure and communication connectivity requirements;

iv. considering different models of decentralisation, including:

relocation of all or part of a Commonwealth entity to a regional area;

decentralisation of specific positions, with individual employees telecommuting, considering any limitations to this in current Australian Public Service employment conditions and rules; and

co-location of decentralised Commonwealth entities or employees in existing regionally based Commonwealth or State Government offices; and

examining the family, social and community impacts of decentralising;

c. actions of the Commonwealth that would encourage greater corporate decentralisation and what can be learned from corporate decentralisation approaches, including:

i. considering the role of the private sector in sustainably driving employment and growth opportunities in regional areas in both existing and new industries;

ii. comparing the access to early stage equity and or debt finance of metropolitan and regional businesses for both start up and established businesses;

iii. examining access to capital for regional business, including agribusiness, manufacturing and technology;

iv. considering the adequacy of regional businesses access to early stage accelerators and incubators, including access to business mentors, business networks and capital (debt or equity);

v. considering the adequacy to support the private sector to attract and retain skilled labour to regional areas; and

vi. examining the extent to which employment and growth can be supported by growing existing and new industries in regional areas, leveraging strong transport and communications connectivity; and

d. any related matters.

Abbreviations

ACT	Australian Capital Territory
ALPA	Arnhem Land Progress Aboriginal Corporation
APS	Australian Public Service
APSC	Australian Public Service Commission
APVMA	Australian Pesticides and Veterinary Medicines Authority
BITRE	Bureau of Infrastructure Transport and Regional Economics
CENTROC	Central New South Wales Regional Organisation of Councils
CEO	Chief Executive Officer
CPSU	Community and Public Sector Union
CSIRO	Commonwealth Scientific and Industrial Research Organisation
EL	Executive Level
FECCA	Federation of Ethnic Communities' Councils of Australia
FERs	Functional Economic Regions
FIFO	Fly-in, Fly-out
GDP	Gross Domestic Product
ICF	Intelligent Community Forum
ICT	Information Communication and Technology
IGU	International Geographical Union
IRU	Innovative Research Universities
NBN	National Broadband Network

NSW	New South Wales
NT	Northern Territory
QLD	Queensland
RAI	Regional Australia Institute
RAPAD	Remote Area Planning and Development Board
RCA	Regional Capitals Australia
RDA	Regional Development Australia
RDA-SW	Regional Development Australia South West
RDCs	Regional Development Australia Committees
REDS	Regional Economic Development Strategies
SA	South Australia
SES	Senior Executive Service
SPARN	Sustainable Regions Applied Research Network
TAFE	Technical and Further Education
TAS	Tasmania
TMA	Ticket Master Australia
VIC	Victoria
WA	Western Australia

List of Recommendations

Recommendation 1

9.21 The Committee recommends that the Federal Government increase its investment in building enabling infrastructure to improve connectivity, key services and amenity through coordinated regional plans.

Recommendation 2

9.25 The Committee recommends that each Regional Development Australia (RDA) Committee develop a coordinated regional strategic plan.

9.26 Developed in consultation with State and Territory governments, these regional strategic plans will identify a pipeline of infrastructure projects and priorities. It is expected that the regional strategic plans will identify potential Regional City Deals.

9.27 The regional strategic plans should be published, and will act as the evidence base for catalytic federal investment that will trigger further state, local and private investment.

Recommendation 3

9.35 The Committee recommends that the Federal Government's City Deals program should be extended to provide development and opportunity to cities, towns and regional communities. Each new deal is to be approved by Cabinet, and evaluated after five years. The evaluation is to include an assessment of the social, economic and environmental outcomes for the region.

Recommendation 4

9.40 The Committee recommends that the Federal Government strengthen the role of the Regional Development Australia (RDA) program. This includes, but is not limited to:

- lead cross government collaboration and build strong bipartisan partnerships between the RDA Committee and key stakeholders in the region;
- where appropriate, redistributing the RDA network to map across state and territory boundaries to develop practical and effective economic zones;
- giving RDA Committees specific responsibility for attracting catalytic investment from state and federal governments that are likely to lead to further regional investment;
- giving RDA Committees shared responsibility for advocating and coordinating Regional City Deals at the local level;
- increasing the resourcing of RDAs to fulfil their role and functions; and
- develop regional strategic plans to drive social, economic and environmental outcomes for the region. It is expected the strategic plans will be flexible and continually updated to reflect changing circumstances.

Recommendation 5

9.47 The Committee recommends that every Federal Government agency should assess the possibility for relocation whenever appropriate, but always when one of the following occurs:

- a new unit, agency or organisation is created;
- an organisation is merged or reorganised; or
- a significant property break occurs such as the termination of a lease.

Recommendation 6

9.48 The Committee recommends that:

- decisions as to whether to decentralise an agency should be part of a broader strategy for regional development; and
- the objectives and reasons for any decentralisation decision are clearly stated and publically available.

Recommendation 7

9.49 The Committee recommends that decisions on a gaining location for a Federal Government agency should include assessment of the following factors:

- employee career opportunities;
- amenity of the gaining location;
- opportunity for family employment;
- existing workforce capacity in the proposed location;
- physical and digital connectivity of the gaining location;
- access to higher education opportunities and opportunities for local workforce development; and
- risks associated with overloading existing services.

Recommendation 8

9.50 After a decision to decentralise an agency has been made, the Committee recommends that the process of relocation includes:

- strategies for communicating the relocation process to staff;
- consideration of short-term incentives to relocated staff;
- support for flexible working arrangements including teleworking; and

- close collaboration with the local organisations of the gaining area.

Recommendation 9

9.51 The Committee recommends that the Federal Government does not apply any limits on numbers of Senior Executive Service staff in agencies when those Senior Executive Service positions are located in regional areas.

9.52 The benefits of decentralisation for policy design and program implementation is to provide flexibility and understanding at a regional level. This requires decision makers to be located, as much as possible, close to those impacted by their decisions while still ensuring that the regulating agency maintains its independence and impartiality.

Recommendation 10

9.53 The Committee recommends that every decentralised agency conduct an evaluation of the decentralisation at one year, five year and ten year points; and publish the results of that evaluation.

Recommendation 11

9.56 The Committee recommends that the Federal Government strengthen the role of, and better support, regional universities as pivotal institutions for social and economic development in regional areas.

Recommendation 12

9.64 The Committee recommends that the Federal Government state its regional development policy through a comprehensive Regional Australia White Paper, following a Green Paper public consultation process.

The Green Paper process should include, but not be limited to the following issues:

- consider regional Australia's population needs as part of the broader national context. This includes urbanisation, ageing, depleting populations in smaller towns, and migration;

- the use of the skilled migration program to support regional development;

- improving education and training of young people – in particular Year 12 completion rates – in regional areas;
- the development of a national regional higher education strategy;
- the need for access to information technology, strong and reliable communication, specifically mobile phone and NBN;
- the need for strong and reliable transport infrastructure to support passenger and freight requirements;
- the role of amenity and social infrastructure, specifically the cultivation of social, cultural and community capital in supporting regional development;
- incentives and strategies to improve private sector investment in regional areas; and
- the role and funding of local governments to better support regional areas.

Recommendation 13

9.68 The Committee recommends that the Federal Government establish a *Joint Standing Committee on Regional Development and Decentralisation*. The role of the Committee will include but not be limited to:

- monitor and report on the strengthened Regional Development Australia program including the revised role of the Regional Development Committees;
- monitor and report on the implementation of the Regional City Deals program;
- examine incentives and strategies to improve private sector investment in regional areas; and
- review existing decentralisation of both public and private sector entities and identify further potential opportunities.

Executive Summary

Nearly 9 million people live in rural and regional Australia. Employing around one third of Australia's workforce, Australia's regions produce approximately 40 per cent of the national economic output.

Undoubtedly, the economic success of Australia relies on the economic success of Australia's regional areas. Australia's national economic prosperity is underwritten by investment in rural and regional economies. This government investment must be informed by well-coordinated national and regional development strategies.

With increasing pressures on Australia's capital cities, investment in rural and regional economies may also help to address many of the problems experienced in metropolitan areas. This includes population growth, congestion, and high cost-of-living expenses.

On 1 June 2017, the House of Representatives established the Select Committee on Regional Development and Decentralisation to inquire into and report on best practice approaches to regional development, the decentralisation of Commonwealth entities and supporting corporate decentralisation. The aim of the inquiry was to examine ways to build the capacity of rural and regional Australia, and to unlock its latent potential.

21st century Australia

Regional Australia, like the rest of the nation, exists within a world of increasing complexity, uncertainly and change. Much of which is the result of globalisation.

The impact of globalisation is a number of so-called 'megatrends'. These 'megatrends' include increasing urbanisation, the ageing of populations, increasing connectivity between and among countries and regions, and rapid technological change.

This changing modern world has ramifications for the way regional development policy is conceptualised, formulated, and implemented.

Challenges

The Committee found that rural and regional Australia is currently challenged by two key issues: the *perception* of regions as 'second rate,' and the ongoing trend of people moving to the state capitals.

The Committee strongly rejects the perception of Australia's rural and regional communities as inferior to capital cities. Rather, the Committee promotes the value, and advantages of living and working in regional Australia. Far from being a deficit to the nation, Australia's regions may well hold the answers to many of Australia's social, economic and environmental challenges. To this end, rural and regional communities must be supported as sustainable, vibrant and enjoyable places to live and work.

Opportunity

There are clear opportunities presented by our regions. These are broadly encapsulated in the following: people and human capital; capacity and desire to contribute to and share in the nation's output and growth; natural assets including resources such as land and water; environment and amenity; strong sense of community and identity; uniqueness and diversity.

Regional investment

Collaborative investment – by the three tiers of government, private sector and community groups – and improving the amenity of rural and regional towns is needed to attract and retain people in regional areas.

Investment in rural and regional communities is four-fold. The first is investment that maintains the infrastructure of towns and cities and provides a basic level of universal services. For example, investment in roads, education and training, information technology, and recreation facilities. This is investment that maintains the status quo of an area.

The second is catalytic investment. This type of investment drives development and growth, and leads to further investment. For example, the presence of an airport, hospital, university or government department. These investments can set off a chain of related outcomes including population growth, education and employment opportunities, improved social and cultural capital, and related infrastructure investment. All of which can markedly influence and transform the economic and social prosperity of regional towns.

The third is investment in capacity building of our rural communities particularly education and training and leadership development.

The fourth is investment in human capital; the employment of people to design and deliver services in rural communities. This investment provides the greatest opportunity for government decentralisation policy.

Governments have a responsibility to provide and facilitate all types of investment. They have a responsibility to provide adequate services and opportunities for all its citizens regardless of where they live. They also have a responsibility to facilitate catalytic investment, by providing such investment or by creating the conditions for it to occur.

Decentralisation

It is the Committee's view that decentralisation – corporate and Commonwealth – must be part of a broader regional development strategy. The Committee found that decentralisation of public and private entities has many advantages, including alleviating congestion and pressure on capital cities.

Commonwealth decentralisation must work to attract further investment and 'clustering' opportunities within towns and communities. For example, the presence of a government agency or function should work to attract relevant industry and businesses, the establishment or expansion of services, and education and training opportunities. To this end, decentralisation should act as a catalyst for social and economic change.

The Committee recognises that decentralisation may be met with initial resistance by those having to relocate from a capital city to a regional area. It also acknowledges however, that in the long run, decentralisation can result in positive outcomes for government, rural and regional locations, and employees.

The Committee has set out the basis of a solid Commonwealth decentralisation policy. It insists that any decentralisation of Commonwealth entities must balance the benefits of decentralisation with the requirement for efficient government. In other words, it must not take away from an agency's ability to perform its functions.

It also advocates for decentralised Commonwealth agencies or functions to be a 'good fit' for the new location. Elements that give rise to a 'good fit' include those that give a location a natural advantage for a particular agency. For example, the physical environment, the presence of existing industry or businesses, or the availability of a skilled workforce make a rural or regional town a sensible choice for a Commonwealth entity.

For the private sector, the Committee asserts that the best way for governments to support corporate decentralisation is to create the policy conditions and framework for private entities to invest in rural and regional areas. Collaboration, the identification of regional development priorities, and investment in rural and regional amenity are ways to do this.

Regional development principles

The Committee presents 12 principles for building and sustaining regional Australia. These principles challenge traditional thinking about regional development, and set a new foundation for developing the regions, particularly in a modern, globalised and mobile era. The 12 principles emphasize the importance of:

- long term, flexible, and committed policy making;
- decentralised government and corporate entities;
- identified national regional development priorities;
- local education and training to build human capital;
- collaboration between all levels of government, the private sector and community; and
- universal access to reasonable services.

It is the Committee's view that all regional development policy should be based on these principles.

The strategy

Australia as a nation will do best when its regional economy is strong. Strong national growth is dependent on strong regional growth. The Committee sets out a strategy for developing and sustaining regional Australia. The strategy, underpinned by the regional development principles, consists of six elements:

1 build the enabling infrastructure for regional development;

2 identify national regional development priorities;

3 establish a Regional City Deals program;

4 strengthen the Regional Development Australia network;

5 establish a public sector decentralisation policy; and

6 strengthen the role of regional universities.

The Committee also calls for the preparation of a consolidated government policy on regional Australia; a Regional White Paper, and the establishment of a Joint Standing Committee on Regional Development and Decentralisation.

The Committee's call to establish a Joint Standing Committee on Regional Development and Decentralisation recognises the need for an ongoing committee dedicated to examining and progressing the broad issues affecting rural and regional Australia. The Committee should also have responsibility for overseeing the Commonwealth's decentralisation program.

The Committee is proud of Australia's rural and regional communities. In particular, it is proud of the people living and working in these areas, and their attitude and determination to build sustainable regional futures. The Committee shares some of these stories in case studies throughout the report.

1. Introduction

1.1 This chapter sets out the background to the Committee's inquiry, and describes how this report is structured.

Background

1.2 On 1 June 2017, the House of Representatives established the Select Committee on Regional Development and Decentralisation. It was only the second House Select Committee to be established in 15 years.[1]

1.3 The Committee was asked to inquire into and report on best practice approaches to regional development, the decentralisation of Commonwealth entities and supporting corporate decentralisation. The Terms of Reference for the Committee's inquiry are on page xiii.

1.4 In launching the inquiry, the then Chair of the Committee, Dr John McVeigh MP, highlighted the value of regional Australia. He said:

> So much of our economic success rests in the resources and work of our regional towns and cities. It is important that we examine ways to better support these communities and to strengthen their social and economic future.[2]

1.5 Australia's regions make an invaluable contribution to the nation. Investing in rural and regional Australia is for the long-term benefit of Australia as a

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1 The House of Representatives established a Select Committee on the Recent Australian Bushfires on 26 March 2003.

2 Media Release, 'Committee launches inquiry into regional development and decentralisation', issue date 27 July 2017, <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_and_Decentralisation/RDD/Media_Releases>, viewed 18 December 2017.

whole. For regional development policy to be effective, it must build the capacity of rural and regional Australia, and unlock their latent potential.

Australian Pesticides and Veterinary Medicines Authority

1.6 The Committee is aware that the relocation of the Australian Pesticides and Veterinary Medicines Authority (APVMA) from Canberra to Armidale has attracted a great deal of media attention and interest. It is also aware that this relocation is still in progress.

1.7 Although this inquiry did not specifically review the transfer of the APVMA from Canberra to Armidale, the Committee did receive evidence about this relocation.

1.8 Evidence received by the Committee which was critical of the APVMA relocation argued that the move has:

- resulted in a loss of experienced staff thus making it less effective;[3]
- resulted in unacceptable personal costs for affected staff and their families;[4]
- generated high relocation costs;[5]
- generated concern that key approvals for agricultural chemicals will be delayed;[6]
- seen insufficient engagement with and "buy-in" from the local council;[7] and
- been the result of political objectives.[8]

1.9 For example, the Eurobodalla Shire commented:

> As has been the experience with the Australian Pesticides and Veterinary Medicines Authority (APVMA) relocation to date, a major potential cost is the loss of employees who are unwilling to relocate. This can particularly affect agencies which are reliant on a skilled workforce, and for which training replacement staff can be time consuming and expensive.

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3 Ms Madeline Northam, Assistant Regional Secretary, Community and Public Sector Union (CPSU) (Tasmania), *Committee Hansard*, Launceston, 10 October 2017, p. 28; and Dr William Peter James Oliver Holm, President, Burnie Chamber of Commerce and Industry, *Committee Hansard*, Burnie, 11 October, 2017, p. 12.

4 CPSU, *Submission 162*, p. 3.

5 CPSU, *Submission 162*, p. 3.

6 National Farmers' Federation, *Submission 168*, p. 3.

7 Victorian Local Governance Association, *Submission 136*, p. 6.

8 NSW Farmer's Association, *Submission 142*, pp. 11-12.

> There may also be additional costs associated with redundancy payments for those staff who do not wish to relocate, loss of corporate knowledge, and high incentive payments to attempt to entice staff to relocate.[9]

1.10 The Community and Public Service Union (CPSU) also argued that:

> There is no doubt that APS [Australian Public Service] jobs deliver important economic benefits to a community, particularly so in regional Australia but the process used for the re-location of the APVMA is not an appropriate template for achieving this…[10]
>
> CPSU does not support the relocation of existing APS agencies, functions or jobs:
>
> - Relocation does not provide the net increase in APS employment needed to rebuild policy development and service delivery capacity.
> - The high transaction costs of relocation, including the risk of damage to agency and APS capacity, makes it a less cost effective and less efficient method of increasing APS employment in regional locations. Indeed, the cost benefit analysis for the relocation of the APVMA showed an overall net economic loss.
> - Relocation can also involve unacceptable personal costs for affected staff and their families.[11]

1.11 Evidence supportive of the APVMA relocation argued that:

- relocation will enhance and encourage clustering of complementary agencies and organisations;[12] and
- it may assist in strengthening the regional economy and generating regional investment and employment opportunities.[13]

1.12 The Armidale Regional Council was very supportive of the move. It noted:

> The relocation of APVMA is a perfect example of where the establishment of government offices within our region will provide opportunities for genuine partnerships to be forged with locally based organisations including the

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9 The quote is taken from the SGS Economics and Planning 'Case for Relocating Government Agencies to Eurobodalla', p. 7, included in Eurobodalla Shire's *Submission 137*.

10 CPSU, *Submission 162*, p. 21. (Attachment letter to the Senate Finance and Public Administration Committee)

11 CPSU, *Submission 162*, p. 3.

12 Livingstone Shire Council, *Submission 132*, p. 4.

13 Regional Universities Network, *Submission 79*, p. 12.

> University of New England, to create a centre for excellence in Agriculture within our Region…
>
> Our regional economy is underpinned by education, agriculture and technology, and this will enhance the delivery of services from the APVMA over time and will attract ancillary and like businesses to the region notwithstanding the partnerships which will evolve with UNE.[14]

1.13 The Committee notes that while the evidence received on the APVMA was in some cases critical, this should not detract from the benefits that decentralisation can offer regional Australia. Much of the criticism of the APVMA has focused on the short-term challenges. The Committee's inquiry has found however that in the long term, decentralisation can have positive outcomes for rural and regional towns, and for government. The transfer of the New South Wales (NSW) Department of Primary Industries from Sydney to Orange is a good example.

1.14 Irrespective of the APVMA's particular experience, the purpose of this inquiry and report is to examine these issues so that the lessons of decentralisation can be learned, and mistakes can be avoided. Further discussion on decentralisation is included in Chapter 7.

Other Committee APVMA inquiries

1.15 The Committee's inquiry followed a Senate inquiry into the operation, effectiveness, and consequences of the *Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016*.[15] This order was made by the Minister for Finance, Senator the Hon Mathias Cormann which provides for the APVMA to be relocated to Armidale, NSW.

1.16 The Senate's inquiry brought into focus the issue of decentralisation, more generally. In particular, it brought into focus Commonwealth decentralisation as part of a broader social and economic development strategy for regional Australia.

1.17 The Standing Committee on Agriculture and Water Resources conducted an inquiry based on the Auditor-General's Report No. 56 (2016-17) Pesticides

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14 Armidale Regional Council, *Submission 102*, p. 4.

15 Senate Committee Report, Finance and Public Administration References Committee, *Operation, effectiveness and consequences of the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016*, 9 June 2017, *201*<www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/PublicGovernance/Report>, viewed 18 January 2018.

and Veterinary Medicine Regulatory Reform. Its report and findings were published on 21 May 2018.[16]

Standing Committee on Infrastructure, Transport and Cities

1.18 The Committee's inquiry took place while the Standing Committee on Infrastructure, Transport and Cities was conducting its inquiry into the *Australian Government's role in the development of cities*. Both inquiries share similar themes.[17] The Committee looks forward to the tabling of this report.

Final report

1.19 This report is the third and final report of the House Select Committee on Regional Development and Decentralisation. The Committee tabled an Issues Paper on 24 August 2017 and an Interim Report on 8 December 2017 in accordance with the Committee's Resolution of Appointment. These reports are discussed further in Chapter 2.

1.20 This report is structured into nine chapters:

- The first chapter provides the background to the Committee's inquiry.
- Chapter two sets out how the Committee conducted its inquiry.
- Chapter three lists 12 principles of regional development. These principles were formulated by the Committee after careful consideration of the evidence presented to the inquiry. The principles underpin the Committee's report and provide the foundation for building and sustaining regional Australia.
- Chapter four highlights the value of rural and regional Australia and discusses the new global environment. It also discusses two predominant challenges faced by regional Australia – the movement of people to the state capitals, and the mistaken perception of regional areas as 'second class' towns and cities.
- Chapter five highlights key elements identified by people living and working in rural and regional communities to facilitate growth and

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16 See <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Standing_Committee_on_Agriculture_and_Water_Resources/AGreportNo562016-17/Report>, viewed 31 May 2018.

17 See Terms of Reference can be found at: <www.aph.gov.au/Parliamentary_Business/Committees/House/ITC/DevelopmentofCities/Terms_of_Reference>, viewed 19 March 2018.

development. The elements have been grouped into five areas including connectivity, human capital, specialisation, amenity and institutions.

- Chapter six describes the current framework of regional development in Australia. It also discusses two Commonwealth programs raised consistently in evidence – the City Deals program, and the Regional Development Australia network.
- Chapter seven focuses on the decentralisation of Commonwealth entities. It provides a brief overview of the Australian Public Service (APS), and the Australian Government's current decentralisation program. Key factors for relocating Commonwealth agencies to rural and regional areas are also discussed.
- Chapter eight discusses corporate decentralisation, and more broadly, private investment in regional Australia. It provides examples of private companies that have relocated from a capital city to a regional area, or have established themselves from the outset in a regional town.
- Chapter nine is the final chapter of this report. It sets out the Committee's strategy for building and sustaining regional communities.

1.21 Case studies from each state and territory are presented in this report. These case studies highlight good examples of individuals, businesses and towns that have a positive story to tell about regional Australia. Case studies that show the challenges faced by people and businesses in regional towns across Australia are also presented.

1.22 Five appendices accompany this report. They include:

- Appendix A: Submissions to the inquiry;
- Appendix B: Witnesses at public hearings;
- Appendix C: Exhibits;
- Appendix D: Expert panel members; and
- Appendix E: List of Australian Public Service agencies.

1.23 This final report represents a consensus of the Committee. It represents a consensus on the value and strength of regional Australia, and the principles that underpin its development. More importantly, it represents a consensus on the best way forward for building and sustaining rural and regional communities.

Acknowledgements

1.24 The Committee would like to thank everyone who participated in this inquiry. Over 300 people and organisations provided evidence to the Committee – either by written submission or in person at public hearings. The Committee greatly appreciates these contributions, and the interest in the Committee's work.

2. Inquiry Process

2.1 This chapter sets out how the Committee conducted its inquiry. It provides an overview of the type of evidence received, where public hearings were held, and how the final report was considered by the Committee.

Launch of inquiry

2.2 The Committee launched its inquiry into regional development and decentralisation on 27 July 2017 and said that it would hold public hearings across rural and regional Australia. It encouraged interested people and organisations to provide submissions by 15 September 2017.[1]

Issues paper

2.3 On 24 August 2017, the Committee tabled an Issues Paper in accordance with its resolution of appointment. A copy of this paper can be found on the Committee's website.[2]

2.4 The purpose of the Issues Paper was to identify some of the issues and themes arising from the Committee's preliminary research on the Terms of Reference. The paper was also designed to stimulate thinking and generate ideas about regional development and decentralisation in Australia.

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1 Media Release, 'Committee launches inquiry into regional development and decentralisation', issue date 27 July 2017, <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_and_Decentralisation/RDD/Media_Releases>, viewed 18 December 2017.

2 See: *Inquiry into Regional Development and Decentralisation,* <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_and_Decentralisation/RDD>, viewed 9 April 2018.

2.5 The Issues Paper was based largely on desk-top research. It contained useful reference material including a list of Australian experts identified by the Committee, a list of major research on regional development and decentralisation, a list of parliamentary reports, and some examples of regional development projects.

2.6 The Committee notes that many people referred to the Issues Paper in written submissions or in their evidence at public hearings; highlighting the value of the publication to the inquiry process.

Interim report

2.7 On 8 December 2017, the Committee tabled an Interim Report in accordance with its resolution of appointment. A copy of this report can be found on the Committee's website.[3]

2.8 The Interim Report provided an overview of the Committee's progress, including the submissions it had received and the public hearings it had held across the country. The Interim Report also foreshadowed the Committee's work in 2018.

2.9 Copies of the Interim Report were emailed to organisations and individuals who made a submission to the inquiry, and all witnesses who appeared at public hearings.

Media and communications

2.10 As set out in the Interim Report, the Committee developed a working plan to guide its media and communication activities in consultation with the Parliamentary Business and Information Service.

2.11 The Committee advertised and promoted its inquiry using a range of media to reach a cross section of the community. This included through the Committee's website, press releases, and social media.

2.12 In particular, the Committee:

- issued 14 media releases;
- sent ten tweets on twitter;

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[3] See: *Inquiry into Regional Development and Decentralisation,* <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_and_Decentralisation/RDD>, viewed 9 April 2018.

- posted four Facebook posts;
- featured an article in *About the House Magazine*; and
- produced a video with the former Chair regarding the inquiry.

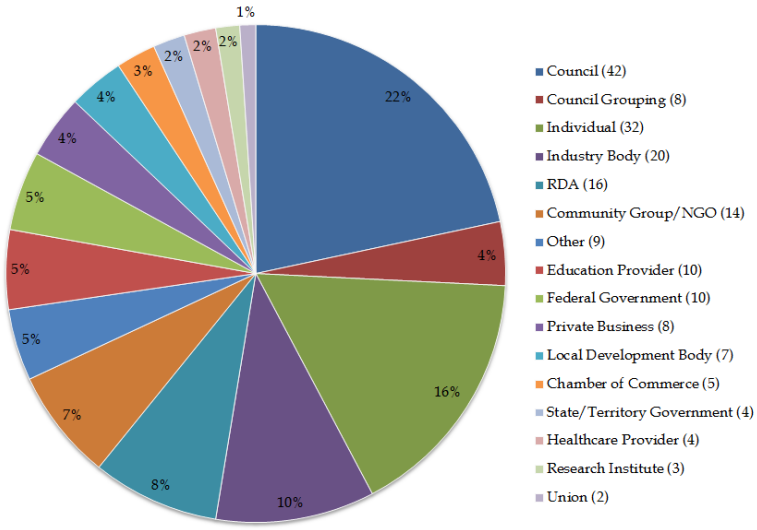
2.13 In addition, Committee Members engaged with local radio, print, and television media at public hearings across the country, and connected with interested people through their own social media accounts and networks, and promoted the inquiry and its findings in speeches made to Parliament.

Submissions

2.14 The Committee called for written submissions when it launched its inquiry on 27 July 2017. The Committee received a total of 196 written submissions. A list of these submissions can be found at Appendix A.

2.15 Analysis of the written submissions shows that the majority were submitted by local councils (22 per cent) and individuals (16 per cent), followed by industry bodies (10 per cent).[4] This breakdown is shown in Figure 2.1.

Figure 2.1 Written submissions by type of submitter

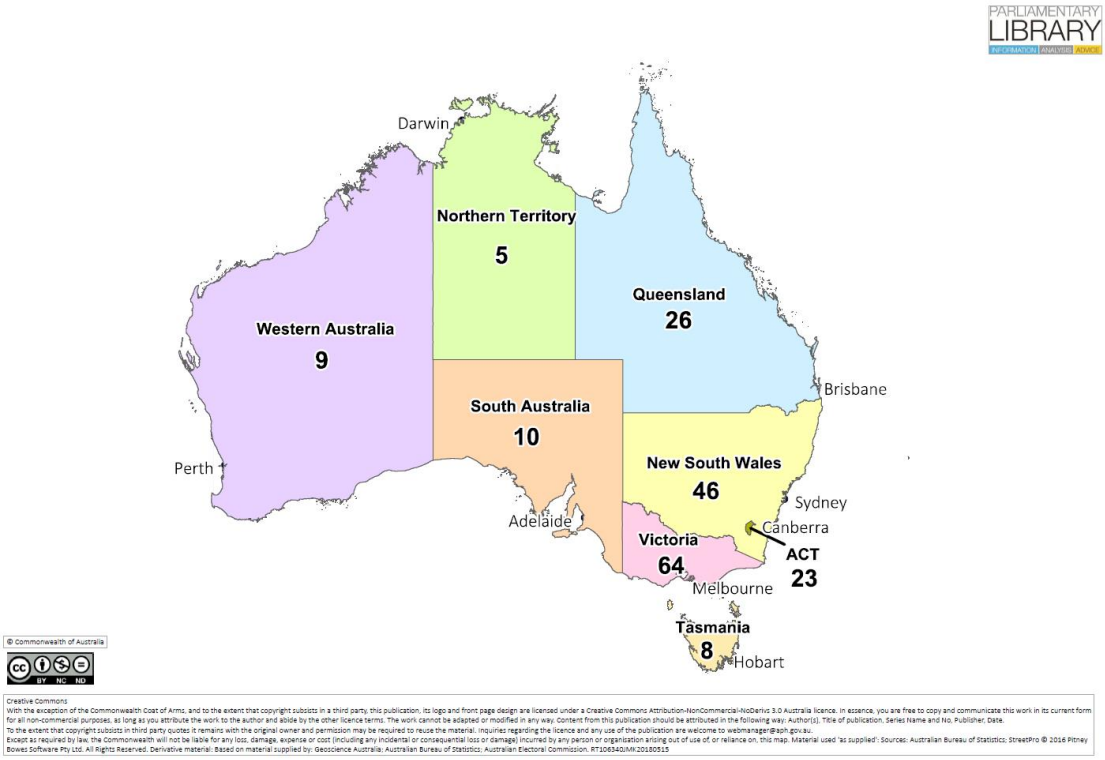


2.16 Figure 2.2 provides a breakdown of submissions by state and territory. It shows that 64 submissions (32 per cent) came from Victoria, 46 submissions (23 per cent) from New South Wales, 26 submissions (13 per cent) from

[4] This information was not available for two submissions to the inquiry.

Queensland and 23 submissions (12 per cent) from the Australian Capital Territory.[5] State and territory information is not available for six submissions as this information was not provided by the submitter.

Figure 2.2 Number of submissions by state and territory



Public hearings

2.17 The Committee held public hearings in every Australian state and territory. Table 2.1 lists the dates and locations of these hearings. Transcripts for all public hearings can be found on the Committee's website.[6]

[5] Albury City and City of Wodonga provided a joint submission. It has been counted (twice) as a submission from New South Wales and a submission from Victoria for this graph only.

[6] See: *Inquiry into Regional Development and Decentralisation,* <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_and_Decentralisation/RDD>, viewed 9 April 2018.

Table 2.1 Public hearing schedule

Location	Date
Canberra, ACT	7 August 2017
Orange, NSW	18 September 2017
Bendigo, Vic	9 October 2017
Launceston, Tas	10 October 2017
Burnie, Tas	11 October 2017
Wodonga, Vic	12 October 2017
Geraldton, WA	30 October 2017
Kalgoorlie, WA	31 October 2017
Newcastle, NSW	2 November 2017
Murray Bridge, SA	6 November 2017
Darwin, NT	9 November 2017
Canberra, ACT	16 February 2018
Toowoomba, Qld	13 March 2018
Canberra, ACT	28 March 2018

Source: Regional Development and Decentralisation Committee

2.18 The Committee's public hearing program provided the Committee with an opportunity to directly discuss with witnesses, the key issues affecting regional and rural Australia. It also provided the Committee with opportunities to promote the inquiry across the country.

Witnesses

2.19 The Committee heard from 138 individual witnesses. A list of these witnesses is at Appendix B.

Exhibits

2.20 The Committee accepted one exhibit to its inquiry. This was a document, *Alliance for a Smarter Bendigo: Towards our City Deal*, presented by Be.Bendigo at a public hearing on 9 October 2017. It is also referenced at Appendix C.

2.21 Many other documents, reports and publications were provided to the Committee during its inquiry. As this information tended to be publically available, the Committee did not formally accept them into the Committee's records. Rather, in keeping with parliamentary practice, these documents were noted for the Committee's information and consideration.

Site visits

2.22 The Committee conducted two site visits while in Toowoomba – to the Pulse Data Centre, and Interlink SQ. Both represent examples of private infrastructure investment in regional Australia. Evidence provided by the Pulse Data Centre at the Toowoomba public hearing, and the submission from Interlink SQ can be found on the Committee's website.[7]

Expert panel

2.23 The Committee began its series of public hearings with a round table in Canberra on 7 August 2017. At this hearing, the Committee heard from a number of Australian experts working in the field of regional development. A list of the expert panel members can be found at Appendix D.

2.24 The Committee chose to engage with an informal expert panel at the onset of the inquiry to help it identify some of the broad issues related to regional development and decentralisation, and to guide the way forward with the Committee's evidence gathering.

2.25 A second round table was held in Canberra on 28 March 2018 to conclude the Committee's public hearing schedule. This round table was convened to obtain the panel's views on the evidence presented throughout the inquiry. It was also an opportunity to obtain the panel's feedback on the Committee's principles for regional development, and solidify some thinking about possible recommendations. A transcript of this discussion is available on the Committee's website.[8]

2.26 Some of the expert panel members also appeared at public hearings in respective states and territories.

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7 See: *Inquiry into Regional Development and Decentralisation,* <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_and_Decentralisation/RDD>, viewed 9 April 2018.

8 See: *Inquiry into Regional Development and Decentralisation,* <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Regional_Development_and_Decentralisation/RDD>, viewed 9 April 2018.

2.27 The Committee is most grateful to the expert panel for assisting the Committee with its inquiry – both through the provision of evidence at its public hearings, and with the provision of written submissions and answers to questions on notice.

Private briefings

2.28 The Committee held private briefings with three Commonwealth departments throughout the inquiry, including the:

- Department of Infrastructure and Regional Development on 7 September 2017;
- Australian Public Service Commission (APSC) on 26 October 2017; and
- Productivity Commission on 1 March 2018.

2.29 The transcript of evidence from the APSC briefing was subsequently published by the Committee with the agency's agreement.

Final report

2.30 In late 2017, the Committee resolved to request an extension to its final reporting date from *'by 28 February 2018'* to *'by 31 May 2018'*. This extension was sought to allow the Committee sufficient time to complete its public hearing schedule, and to carefully consider the volume of evidence it had received to its inquiry. On 7 February 2018, the House of Representatives granted this extension.

2.31 In May 2018, the Committee resolved to ask for a further extension to its final reporting date from '*by 31 May 2018'to* 'by *28 June 2018'* to finalise its report and recommendations. On 30 May 2018, the House of Representatives granted this extension.

Committee consideration

2.32 Over several private meetings, the Committee considered the evidence and information it had received. This included from written submissions, evidence at public hearings and round tables, questions on notice, private Committee briefings, reference material provided by witnesses, and its own desk top research.

2.33 Through this analysis, the Committee identified 12 key principles to underpin this report. These principles, which are set out in the following

chapter, challenge traditional thinking about regional development, and set a new foundation for building and sustaining regional Australia.

2.34 With the presentation of the Committee's report, the Select Committee on Regional Development and Decentralisation has discharged its responsibilities as set out in the Committee's resolution of appointment. In doing so, the Committee no longer sits as a Committee of the Parliament.

3. Principles of Regional Development

3.1 This chapter lists 12 principles of regional development. These principles were formulated by the Committee after careful consideration of the evidence presented to the inquiry. The principles underpin the Committee's report and provide the foundation for building and sustaining regional Australia.

Principles for building and sustaining regional Australia

- Regional Australia requires a long term, flexible strategy and commitment to meet the needs of a modern, globally connected and changing environment.
  - The rate of social, economic and technological change has accelerated in recent decades. Any regional plan or policy framework must be flexible enough to accommodate and even pre-empt such changes.
- The key to regional development across Australia is to facilitate and secure sustainable economic development.
  - Regional development facilitates economic development not only in the regions, but Australia as a whole. The whole nation will benefit from unlocking the potential of regional areas by growing regional economies.
- All Australians should have access to reasonable services including health, education, transport and connectivity.

  - All Australians have a universal right to basic services. Ensuring that regional Australia enjoys equitable access to services and amenities will encourage both regional growth and increased mobility to regional centres.

- Public sector decentralisation needs to be part of a broader regional development strategy.
  - Shifting agencies or parts of agencies to regional Australia will be most effective if it is part of an integrated strategy for regional development. Decentralisation must include decentralised policy and decision making as well as decentralised Commonwealth functions and services.
- Local education and training that is engaged with its community is pivotal to regional development and decentralisation.
  - Local education and training both attracts and retains a capable workforce in regional areas. Engaged regional education and training – which includes school, university and TAFE sectors – can respond to local needs and build human capital.
- The Commonwealth Government has an obligation to create conditions for the private sector to thrive and to invest in regional Australia, including the provision of enabling infrastructure.
  - The Commonwealth should provide the basic infrastructure and services needed to support private sector investment and development in the regions. This particularly applies to transport infrastructure and digital connectivity which is essential for connecting regional areas to national and global markets.
- The Commonwealth Government has a leadership role to identify national regional development priorities.
  - Knowing the priorities and commitments of government will assist corporate Australia to make investment decisions. Providing such information will attract further investment, associated business, and infrastructure development, which creates increased opportunities for growth.
- Regional Australia has to be an integral part of a national population strategy.
  - There is no overarching national approach to address Australia's population issues. This includes urbanisation, ageing, depleting

populations in smaller towns, and migration. Regional Australia's population needs must be considered in this broader national context.

- Collaboration between all levels of government, the private sector and community is fundamental to regional development.
  - Collaboration is an essential precondition of successful regional development. The principle of subsidiarity must also underpin regional development. Subsidiarity requires that any program, policy or project is the responsibility of the best level of government possible. That level of government must also be adequately funded and resourced to perform that function.
- Regional development includes the liveability and amenity of regions. It includes the cultivation of social, cultural and community capital.
  - For regions to attract people and fulfil their potential, they require a significant population base. This will only be achieved if those regions can provide a good quality of life. Rural and regional towns must offer an environment that makes them attractive places to live and work.
- Regions that can lead their own development will do better. Regions have an obligation to develop the leaders of the future.
  - Regions must take responsibility for their own development and growth. This includes developing leadership capabilities, and a population that can innovate, adapt and change.
- It is more effective and efficient to maintain existing services and infrastructure in regional areas than allow significant deterioration that requires further investment.
  - Well-maintained infrastructure and services assists in retaining populations and improving the liveability of a regional area. This compares favourably to rebuilding deteriorated infrastructure that generally needs large investments over short timeframes.

4. Regional Australia

4.1 This chapter highlights the value of rural and regional Australia and discusses the new global environment. It also discusses two predominant challenges faced by regional Australia – the movement of people to the state capitals, and the mistaken perception of regional areas as 'second class' towns and cities. Despite these challenges, regional Australia provides the majority of Australia's merchandise exports and regional cities generate over 15 per cent of Australia's national output.

Defining rural and regional Australia

4.2 The Committee is aware that different definitions and criteria are used to identify Australia's regions. These definitions are largely shaped by the purpose for which the distinction is required. For example, the purpose could be to capture data, to make policy and investment decisions, to secure funding, or to meet particular administrative needs.

4.3 For this inquiry, the Committee has adopted a broad and inclusive definition of rural and regional Australia, similar to that used by the Regional Australia Institute (RAI). It includes all the towns, cities, and areas outside Australia's largest capital cities; Sydney, Melbourne, Brisbane, Adelaide, Perth and Canberra.

4.4 The rationale for using this definition is that the focus of the Committee's inquiry has been on those towns and cities where the majority of Australians are not concentrated. Those areas that are usually excluded from general discussions of Australia, its population, its economy and the policy options for securing continued growth and prosperity.

Definitional limitations

4.5 The Committee recognises that regional Australia is not a homogeneous category defined simply by what it is not—a major capital city. Regions are diverse, each holding unique potentials and challenges, and regional development policy must be tailored to address this diversity.

4.6 As Professor Robyn Eversole informed the Committee:

> Regional Australia is a cultural imaginary: in practice, every region is different.[1]

4.7 The Committee also recognises the complexities in identifying appropriate regional units to which policy responses can be developed, co-ordinated and managed. While some types of units—functional economic regions (FERs), local government areas or Regional Development Australia (RDA) Committees – may be appropriate for some purposes, they might not work for others.

4.8 The Committee believes that for the purposes of policy development, a fluid and flexible definition of region is needed. Regional definitions need to shift to suit local conditions and economic realities.

4.9 Further, the Committee is aware that community consultation and input is vitally important to defining the target area for regional development projects and strategies. Communities are usually best placed to demarcate the appropriate boundaries and parameters to frame such policy.

Value of rural and regional Australia

4.10 Rural and regional Australia makes a marked contribution to the well-being of the entire country. They provide many of the basics of Australian life – food, clean water, energy, building materials, and places for recreation. They are the gateway to Australia's iconic outback, national parks and wilderness, countryside, and most coastal areas. They are also integral to the nation's economy and the nation's defence.

4.11 The regions are the backbone of Australia's exports sector. The major industries of regional Australia—agriculture, forestry, fishing and mining—accounted for nearly 60 per cent of Australia's merchandise exports in 2016.[2]

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1 Professor Robyn Eversole, *Submission 169*, p. 1.

2 Senator the Hon. Fiona Nash in: *Regions 2030: Unlocking Opportunity*, Department of Infrastructure and Regional Development, 2017, p. 2.

Seven out of ten of Australia's top exports are primarily produced in the regions.[3]

4.12 According to the RAI, regional Australia's 31 'great small cities' alone—home to 4.6 million people—produced $229.5 billion gross value added in 2013. This is 'over 15 per cent of Australia's national output and internationally is comparable with the national output of Finland'[4], a country of over 5.5 million people.[5]

4.13 The economic and social contribution of rural and regional Australia is set out below.

Economy and employment

4.14 Regional Australia is a driving force to the prosperity of the country, adding strength, vitality and diversity to the nation's economic performance. The regions are home to nearly 9 million Australians (around 35 per cent of the total population), produce approximately 40 per cent of the national economic output, and employ around one third of Australia's workforce.[6]

4.15 These regional cities had higher growth rates than the metropolitan areas between 2002 and 2010, with long-term growth rates matching those in metropolitan cities. They also share comparable economic performance with the major capitals in output, participation and productivity, with comparable unemployment levels.[7]

Case Study: SA – Exporting hay from the Eyre Peninsula

Kimba brothers and farmers Matthew, Andrew and Josh Vandeleur successfully entered into an arrangement with hay retailers Balco Australia to supply more export hay from the Eyre Peninsula region.

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3 Treasury, *Submission 148*, p. 4.

4 RAI, 'Australia's Small City Economies', <http://www.regionalaustralia.org.au/home/2016/04/australias-small-city-economies/>, viewed 28 March 2018.

5 Central Intelligence Agency, *The World Factbook*, 'Finland', <https://www.cia.gov/library/publications/the-world-factbook/geos/fi.html>, viewed 28 March 2018.

6 Regional Australia Institute (RAI), *Submission 175* (Appendix 1), p. [1].

7 RAI, *Lighting Up our Great Small Cities: Challenging Misconceptions*, <http://www.regionalaustralia.org.au/home/wp-content/uploads/2017/06/Lighting-Up-our-Great-Small-Cities_Report.pdf/>, viewed 28 March 2018, pp. iv-1; Treasury, *Submission 148*, p. 4.

The brothers bought first-class hay-making equipment and drop-deck semitrailers, and managed to engineer a $25 premium per tonne for that particular line of hay, because it was grown in a drier, tougher environment.

Matthew Vandeleur said the hay coming out of the region was a premium product.

> Just the shorter growing season, thinner stems and higher sugars, it is a lot more palatable. We have been growing hay over here for 10-odd years and it makes great hay and we want the world to know about it. [8]

Mr Vandeleur said it was about getting a regionalised brand with the hay that the Asian market loved.

> They love the digestibility and the fact that they do not have to feed the cattle as much as what they would on some of the lower quality stuff. [9]

Mining

4.16 Mining is not only the driver of many of Australia's regional economies, it contributes significantly to the national economy. For 2015-16, the mining industry contributed approximately $115 billion to the economy, ranking as the third highest contributing industry to Gross Domestic Product (GDP), at seven per cent. The annual growth of mining output was 6.2 per cent, representing the highest growth rate of all industries.[10] The industry also employs 216,500 people, or around 1.7 per cent of Australia's total workforce.[11]

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8 'Kimba brothers make hay shed while the sun shines on Eyre Peninsula premium hay', <http://www.abc.net.au/news/rural/2016-09-22/massive-hay-shed-in-kimba-to-stop-risk-in-paddock/7864738>, viewed 21 March 2018.

9 'Kimba brothers make hay shed while the sun shines on Eyre Peninsula premium hay', <http://www.abc.net.au/news/rural/2016-09-22/massive-hay-shed-in-kimba-to-stop-risk-in-paddock/7864738>, viewed 21 March 2018.

10 Department of Industry, Innovation and Science, *Australian Industry Report 2016*, <https://industry.gov.au/Office-of-the-Chief-Economist/Publications/AustralianIndustryReport/assets/Australian-Industry-Report-2016.pdf>, viewed 27 March 2018, p. 33 and p. 37.

11 Department of Jobs and Small Business, 'Labour Market Information Portal: Mining,' <http://lmip.gov.au/default.aspx?LMIP/GainInsights/IndustryInformation/Mining>, viewed 27 March 2018.

Agriculture

4.17 Agriculture has traditionally underpinned regional Australia's economies and remains important for both regional and national prosperity. Agriculture contributed $58.1 billion to the national economy in 2015-16, representing three per cent of GDP. This was an increase of $3.7 billion from 2014-15.[12]

4.18 Australia's regions are the breadbaskets of the nation, providing Australians with the vast majority of their foodstuff and underpinning the nation's high level of food security. Imported food products, primarily processed items, account for only 15 per cent of Australian household consumption.[13]

4.19 Agriculture contributes significantly to Australia's export sector. The industry exported $44.8 billion worth of product in 2015-16, or 77 per cent of the industry's total output.

4.20 Agriculture employed 304,200 people, as of 2017, or three per cent of the total Australian workforce. When the complete agricultural supply chain is included, this figure rises to 1.6 million people. Around 99 per cent of all agricultural businesses are wholly Australian owned.[14]

Case Study: NSW – Mr Ed Fagan, successful farming industry

At the Orange public hearing, Mr Reg Kidd, Deputy Chair of Regional Development Australia Central West, referred to a successful farmer exporting produce internationally from the Orange region. That farmer was Mr Ed Fagan, from Cowra.

Mr Fagan was awarded the NSW Department of Primary Industry's Farmer of the Year 2015. The Fagan family's 1600-hectare property produces lamb, grain, as well as horticulture crops such as asparagus. Mr Fagan's property was well suited to horticulture as well as broad acre

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12 National Farmers' Federation, *Food, Fibre & Forestry Facts: A summary of Australia's agricultural sector*, 2017, <http://www.nff.org.au/farm-facts.html?download=DOWNLOAD>, viewed 29 March 2018, p. 6.

13 Australian Bureau of Agriculture and Resource Economics and Sciences, Department of Agriculture and Water Resources, *Food demand in Australia: Trends and food security issues*, June 2017, <http://apo.org.au/system/files/92896/apo-nid92896-239621.pdf>, viewed 29 March 2018, p. 5.

14 National Farmers' Federation, 'Farm Fact', <http://www.nff.org.au/farm-facts.html>, viewed 29 March 2018.

farming:

> I know it sounds complex but it doesn't seem that complex from day to day running. A lot of the crops don't cross over, so you might have beetroot for a portion of the year and then we finish beetroot and then we can start onions, so it's not as though everything is colliding.[15]

Food processors approached Mr Fagan, and he was able to build his business around those initiatives. The judges highlighted Mr Fagan's use of innovation, management skills, environmental sustainability and community involvement as some of the reasons for his win. [16]

Tourism

4.21 Tourism is another major regional industry that adds to the overall prosperity of the nation. Tourism contributed $54.7 billion to the Australian economy in 2016-17, over three per cent of GDP, and accounted for 10 per cent of Australia's export earnings, at $37.2 billion. The industry employed nearly 600,000 workers, or around five per cent of the total workforce.[17]

4.22 Regional areas disproportionately contribute to the output of the Australian tourism industry. While one third of all tourism businesses were located in regional areas, these regional businesses accounted for 44 cents in every tourist dollar spent in Australia for 2015-16.[18]

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15 Mr Reginald Allan Kidd, Deputy Chair, Regional Development Australia Central West, *Committee Hansard*, Orange, 18 September 2017, p. 13, and 'Cowra farmer wins NSW Farmer of the Year with diversified enterprise', <http://www.abc.net.au/news/rural/2015-12-10/ed-fagan-win-nsw-farmer-of-the-year/7016774>, 10 December 2015, viewed 29 March 2018.

16 Mr Reginald Allan Kidd, Com*mittee Hansard*, Orange, 18 September 2017, p. 13, and 'Cowra farmer wins NSW Farmer of the Year with diversified enterprise', <http://www.abc.net.au/news/rural/2015-12-10/ed-fagan-win-nsw-farmer-of-the-year/7016774>, 10 December 2015, viewed 29 March 2018.

17 Tourism Research Australia, Austrade, 'Tourism Satellite Account: Summary of Key Results', 2016-17, <https://www.tra.gov.au/ArticleDocuments/254/Tourism%20Satellite%20Account%202016-17.pdf.aspx?Embed=Y>, viewed 29 March 2018, p. 1.

18 Tourism Research Australia, Austrade, 'Tourism Business in Australia: June 2012 to June 2016', September 2017, <https://www.tra.gov.au/ArticleDocuments/254/Tourism%20businesses%202017_FINAL.PDF.aspx?Embed=Y>, viewed 29 March 2018, p. 3. The Gold Coast is not included in this figure.

Case Study: Qld – the Gold Coast

The Gold Coast is a striking example of regional development over the post-war period. Its success has been driven by services including tourism and leisure, recreation, and lifestyle services.[19]

The Gold Coast is an internationally famous tourism destination and one of the fastest growing regions in Queensland. This significant growth has been ascribed to the city's natural attributes derived from its location between the coastline and hinterland as well as its lifestyle opportunities and affordable housing. The Gold Coast has developed from being essentially non-existent in the 1950s to becoming Australia's sixth largest city in 2017 with 576,000 residents.[20]

Defence and security

4.23 Australia is large and sparsely populated and its defence requires the deployment of Defence assets into, and significant engagement with, the regional Australia. In its submission to the inquiry, the Department of Defence emphasised the vital importance of the regions to Australia's defence, and noted that the 'location of Defence bases and facilities is determined in accordance with Australia's wider defence strategy as set out in successive Defence White Papers'.[21]

4.24 As an indicator of the strategic importance of the regions to Australia's defence, 34 per cent of Defence personnel, or 33,300 persons, are located in regional and rural areas.[22]

4.25 The value of rural and regional Australia to the nation can not be overestimated. It is the cornerstone of the nation's economic prosperity. As advanced by the RAI, 'promoting growth in all regions is crucial to optimising growth in the national economy and opportunity for all

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19 Professor Andrew Beer, Dean of Research Innovation, University of South Australia, and Chair, Regional Studies Association, *Committee Hansard*, Canberra, 7 August 2017, p. 14.

20 City of Gold Coast, *Submission 145*, p. 3.

21 Dr Nathan Church, 'The Australian Defence Force in northern Australia', Parliamentary Library Research Paper, 9 July 2015, <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1516/ADFNthAust>, viewed 17 January 2018.

22 Department of Defence, *Submission 172*, p. 2 and p. 4.

Australians'.[23] Rural and regional Australia must be supported to operate at its full potential.

Case Study: International – Boulder, USA

Thirty years ago, Boulder, Colorado in the US, was suffering economically. In response, the US Federal Government, in conjunction with the universities, invested significant resources in defence and defence innovation research. This has since turned Boulder from a backwater into one of the US's 'start-up' capitals.[24] According to the August 2013 Kauffmann Foundation Report, Boulder has the highest 'high-tech start-up density' of any metro area in the US.[25]

Globalisation and 21st century Australia

4.26 Twenty-first century Australia, and its regions, exists within a world of increasing complexity caused by the ongoing process of globalisation. This process is characterised by uncertainty and rapid change and has ramifications for the way regional development policy is conceptualised, formulated, and implemented.

4.27 The impact of globalisation is expressed in a number of so-called 'megatrends' which affect all areas of the world; Australia's regions included. Most significant of these megatrends are:

1 increasing urbanisation;

2 the ageing of populations;

3 increasing connectivity between and among countries and regions; and

4 accelerating technological change that is increasingly disruptive to established industries.[26]

4.28 The net impact of these megatrends is the emergence of a policy environment which is characterised by volatility, uncertainty, complexity,

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23 Regional Australia Institute, *Submission 175*, p. [2].

24 Mr Tim Holder, Chair, Launceston Chamber of Commerce, *Committee Hansard*, Launceston, 10 October 2017, p. 34.

25 Boulder Economic Council, <http://boulderеconomiccouncil.org/boulder-economy/innovation-economy/>, viewed 26 March 2018.

26 Mr Paul Collits and Mr James Rowe, 'Re-imagining the region', *Local Economy*, vol. 30, no. 1, 2015, pp. 78-97.

and ambiguity – also known as 'VUCA'.[27] These megatrends also contribute to decreasing liveability in major cities caused by population growth and consequent congestion.

4.29 Professor Anthony Sorensen, a member of the Committee's informal expert panel, elaborated on the impact of these trends.

4.30 Professor Sorenson described 'five tyrannies', or structural issues arising from globalisation, and related factors, that affect policy making generally but also specifically in rural and regional development. These five tyrannies include:

- The 'tyranny of the macro'; regional Australia is ever more impacted by national and international factors. These factors include Australia's international relations and trade agreements, various national-level policies, and the actions of foreign governments and markets, all of which are beyond the region's control.
- The 'tyranny of technology'; technological change could potentially re-write the geography of regional and rural Australia. For example, Treasury and the Productivity Commission have forecast that within the next 20 years, 40 per cent of existing jobs will disappear as a result of automation, including professional services such as accounting, legal and medical jobs.
- The 'tyranny of unknown futures'; not only will technological change majorly transform Australia's regions (and the nation more generally), the pace of such change is accelerating to the extent that predicting the future economic and social landscape is increasingly difficult. For example, it is possible that the rate of technological change over the next 30 years will match that of the past 300 years.
- The 'tyranny of expanding scale'; regional and rural areas will need to learn to better join the national and global economy to ensure their prosperity. Regional service centres have traditionally catered to their immediate rural hinterlands and will face increasing disruptions if they are unable to tap into national and global markets.
- The 'tyranny of geography'; rural and regional Australia is not one uniform social, economic and geographical area. Rural and regional communities can be very different in terms of their social complexions, resource bases, locations with respect to markets or major cities, infrastructure and other social services. Rural and regional Australia is

[27] Professor Anthony Sorenson, *Committee Hansard*, Canberra, 7 August 2017, p. 6.

diverse and complex, and this is another issue that requires recognition when forming policy.[28]

Case Study: NSW – Armidale named in the Top 21 Smart Communities

In 2016, Armidale received an international accolade from the Intelligent Community Forum (ICF) by being named in the Top 21 Smart Communities for 2016.

The ICF is an international think tank which studies and promotes the best practices of the world's most intelligent communities. Armidale was identified as a Smart21 Community for 2016. Through this accolade, Armidale has participated in international debate, intelligence sharing, ideas collaboration and 'future-proofing' discussions with some of the most intelligent minds and innovative cities in the world.[29]

Armidale was by far the smallest place to receive this accolade. Other communities included Kaohsiung and New Taipei in Taiwan; San Diego in California; Montreal, Toronto and Vancouver in Canada; and some of the large cities in Europe. This is a good example of how very small places, remotely located by global standards, can successfully participate on the global stage.[30]

4.31 The new conditions of 21st century Australia, sometimes referred to as the Second Machine Age, or the 4th/5th Industrial Revolution[31], require a flexible long-term approach to regional development policy.

4.32 Paul Collits and James Rowe have discussed the implications of this environment on the factors necessary for good regional development policy. They argue that policy should focus on, among other things, connective infrastructure, facilitating all forms of mobility, opening regions to the world

28 Professor Anthony Sorenson, *Committee Hansard*, Canberra, 7 August 2017, p. 6.

29 See: <http://www.armidaleregion.com.au/why-armidale/smart21>, viewed 21 March 2018.

30 Professor Anthony Sorensen, *Committee Hansard*, Canberra, 7 August 2017, p. 9.

31 Professor Anthony Sorenson, *Submission 196*, p. [1].

and other regions, and strengthening ecosystems to allow regional players to better adapt to change.[32] These issues are discussed further in Chapter 5.

4.33 The authors also argue that our conception of region needs to shift to better enable policy discussion, formation and implementation. They contend that:

> … in a globalised and in many senses borderless word, "real" regions' boundaries are not fixed in place and time.[33]

4.34 Instead, regions are in constant flux due to the impacts of globalisation, the emergence and shifting of new economic activities and industries, and the constant churn of population.[34] As noted earlier, this requires a flexible definition of region and an on-going engagement with communities to identify the appropriate boundaries for regional development policy.

4.35 Similarly, Professor Sorenson submitted that this new globalised environment will require Australia's regions 'to become supremely agile'. He explained:

> Agility, in effect, requires a focus on the future; knowledge or emerging technologies and their likely economic and social impacts; willingness to discard existing thinking and even industries; greater risk acceptance; constant networking among peers and learning from experience; mutual assistance between business and community groups; and so on.[35]

4.36 Professor Sorenson advanced that in order to confront the rapidly changing environment of the 21st century, regional communities will need to engage with the so-called 'six Cs': capacity, choice, connection, collaboration, creativity, and change agility. Elaborating further, Professor Sorenson argued that policy should focus on:

> …how we change the ability of communities to perceive their operating environment and to change their behaviours in a way that are amenable to accelerating, say, the uptake of new ideas, the grabbing of opportunities; and,

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32 Mr Paul Collits and Mr James Rowe, 'Re-imagining the region', *Local Economy*, vol. 30, no. 1, 2015, p. 92.

33 Mr Paul Collits and Mr James Rowe, 'Re-imagining the region', *Local Economy*, vol. 30, no. 1, 2015, p. 92.

34 Mr Paul Collits and Mr James Rowe, 'Re-imagining the region', *Local Economy*, vol. 30, no. 1, 2015, p. 81.

35 Professor Anthony Sorenson, *Submission 196*, p. [1].

perhaps the obverse, to relinquishing the past and letting go of things that are no longer relevant.[36]

Rural and regional challenges

4.37 The Committee is aware that regions face constraints. Two are discussed here; the movement of people to the state capitals, and the mistaken perception of regional areas as 'second class' towns and cities.

4.38 The Committee sees these issues as intimately linked; regions may struggle to attract and retain population if they are perceived to be inferior to the capital cities. Similarly, if there is a perception that moving to the regions may be detrimental to people's careers and lifestyles.

4.39 The Committee rejects this notion. Rather, it is the Committee's view that the regions may well hold the answers to many problems faced by Australia, including overpopulation, congestion, and the expense of living in the major cities.

Perceptions of 'second rate' regions

4.40 The RAI recently asserted that Australia's regions are:

> … widely misunderstood. Portrayed in our national economic discussion as perpetual laggards, struggling to transition to services based new industries, too small to matter, and with little future potential.[37]

4.41 This, the RAI argues, is a myth:

> The evidence is clear that regional cities do NOT lag metropolitan outcomes.[38]

4.42 The economic performance of Australia's rural and regional areas is robust and of vital importance to the prosperity of the nation.

4.43 Despite this strong performance, myths about the regions as second-rate or inferior to the major cities persist. Professor John Halsey, from Flinders University, explained:

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36 Professor Anthony Sorenson, *Committee Hansard*, Canberra, 7 August 2017, p. 7.

37 RAI, *Lighting Up our Great Small Cities: Challenging Misconceptions*, <http://www.regionalaustralia.org.au/home/wp-content/uploads/2017/06/Lighting-Up-our-Great-Small-Cities_Report.pdf/>, viewed 28 March 2018, pp. iv-1. Emphasis in original.

38 RAI, *Lighting Up our Great Small Cities: Challenging Misconceptions*, <http://www.regionalaustralia.org.au/home/wp-content/uploads/2017/06/Lighting-Up-our-Great-Small-Cities_Report.pdf/>, viewed 28 March 2018, pp. iv-1. Emphasis in original.

> One of the struggles we have, I think, in terms of building a focus on rural and regional Australia in a proactive way is some of the wider discourse or the overall thinking that winners are those who go to the city and make good, and losers are those who stay in the bush and put up with what's there, which is totally wrong….
>
> You'll always read stories which push against that, but I think the dominant framing is around that sort of first class and second class or A team and B team. I've been hugely criticised for saying that, but it seems to me to be pretty pervasive.[39]

4.44 The RAI submitted that such perceptions have major ramifications for how regional development policy is conceived:

> A perception of wasted money patching up widespread regional decline has held Australia back from making smart investments in development in places that are home for 9 million people and 40 per cent of our economy.[40]

4.45 Professor Robyn Eversole, similarly, rejected this type of perception and asserted that Australia's regions are:

> … diverse, dynamic places populated by diverse, dynamic communities. The dominant way of 'seeing' regional Australia, as a cultural periphery beyond the capitals, causes Australians to regularly miss opportunities to achieve best-practice regional development.[41]

4.46 In his submission to the Committee, Mr Max Hardy highlighted a key principle for 'all effective engagement for regional development'. He noted that viewing the regions as a 'problem' to be fixed has serious ramifications for how regional development projects are funded and managed. Mr Hardy submitted:

> It focuses on **community and business assets and strengths** rather than problems and needs (strength based rather than deficit approach). The more inadequate a community is labelled, the more funds are invested and controlled by external agencies. Focusing on the strengths and assets of community…starts with what makes a community strong, and recognises that everyone has skills, interests, and experience that can contribute.[42]

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39 Professor John Halsey, Flinders University, *Committee Hansard,* Murray Bridge, 6 November 2017, pp. 4-5.

40 Regional Australia Institute, *Submission 175*, p. [2].

41 Professor Robyn Eversole, *Submission 169*, p. 1.

42 Mr Max Hardy, *Submission 185*, p. 4. Emphasis in original.

4.47 Ms Bridgette Bellenger, Regional Network Leader, Department of the Chief Minister, Northern Territory commented that in the Northern Territory, the focus is on opportunity rather than costs:

> In the Northern Territory our lens to this work is inseparable from the northern Australia policy framework. The northern Australia policy is critical to growing and developing the Territory, using an opportunity lens rather than a cost-benefit approach.[43]

4.48 Innovative Research Universities (IRU) suggested that some of these negative perceptions could be addressed by governments prioritising regional areas in the rollout of research infrastructure. In particular, the IRU recommended:

> Reverse the order of roll out of new services to start some in regional areas to alter the perception of being regularly last and create incentives to be in such regions.[44]

Case Study: Tas – Mountain bike riding

In northern Tasmania, the Blue Derby Mountain Bike Trails were established in Derby. Derby's social and economic indicators showed a low-waged community with a high reliance on social security. On the initiative of the Dorset Council, Derby was identified as the site for 80 kilometres of innovative mountain bike trails. The Federal Government also provided $3 million of support.

The trails have hosted a round of the Enduro World Series – the only time they been held in Australia. Derby expects around 30,000 visitors a year to its mountain bike trails, which are regarded as among the top five mountain bike experiences in the world. In the process, over 40 full-time, permanent jobs were created in Derby.[45]

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43 Ms Bridgette Bellenger, Regional Network Leader, Department of the Chief Minister, Northern Territory, Committee Hansard, Darwin, 9 November 2018, p. 1.

44 Innovative Research Universities, *Submission 73* (Appendix 1), p. 5.

45 Mr Neil Grose, Executive Officer, Launceston Chamber of Commerce, *Committee Hansard*, Launceston, 10 October 2017, p. 35. See also: <https://www.ridebluederby.com.au/>, viewed 22 March 2018.

4.49 The Committee unequivocally rejects the perception of regional areas as problems to be fixed. They are not. The Committee is convinced these areas can and must play an increasing role in Australia's development.

4.50 However, the Committee does acknowledge the risk that, if there is no significant investment in infrastructure and services in regional Australia, or a well-coordinated national and regional strategy to facilitate development and growth, this perception will become a reality.

4.51 It is the Committee's view that regional development policy needs to include Australia's major cities and rural and regional areas. This is about establishing a continuum that forms a symbiotic relationship. The growth and prosperity of one should entail the growth and prosperity of the other. The solutions to the problems of one can be found in the other.

Maintaining population

4.52 Demographic trends in rural and regional Australia are not simple or uniform. The regions show an overall trend towards steady population growth. This trend, however, is not shared across all regions, between larger and smaller regional areas, or between the coastal and inland areas.

4.53 Two trends however are worth noting here. First, there is a trend of capitals pulling people from smaller rural towns. Second, there is trend of population movement from inland to coastal locations.[46]

4.54 The Bureau of Infrastructure, Transport and Regional Economics (BITRE), recently examined the long-term evolution of Australia's towns. Key findings of the Bureau's study included:

- the decline in the number of small towns;
- the growth of regional centres; and,
- population movement to the coast.

4.55 In addition, it found that the change in settlement patterns across Australia over the century from 1911 reveals that: 'regional Australia is much more urbanised than it was a hundred years ago'.[47]

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46 These trends are explained in detail in: RAI, *Population Dynamics in Regional Australia*, January 2015, <http://www.regionalaustralia.org.au/wp-content/uploads/2015/01/FINAL-Population-Dynamics-in-Regional-Australia.pdf>, viewed 6 April 2018.

47 Bureau of Infrastructure, Transport and Regional Economies, Department of Infrastructure and Regional Development, *The Evolution of Australian Towns*, Research Report 136, 2014, <https://bitre.gov.au/publications/2014/files/report_136.pdf>, viewed 6 April 2018, p. 2.

4.56 Regional Capitals Australia (RCA) also noted that 'there has been a trend of consolidation from smaller towns to larger regional centres'.[48] Similarly, Centroc submitted that:

> Both Orange and Bathurst are growing at a greater rate than other LGAs in Central NSW and there is a perception that there is a drift from the region into the centres to access better services as the population ages.[49]

4.57 Growing, attracting and retaining population is paramount to regional development initiatives. Mildura Rural City Council explained this significance:

> The maintenance and renewal of existing communities is a key long term issue, as is building the lifestyle infrastructure required to service a growing regional city to attract future population growth…With the increase in population, jobs growth inevitably follows. Population increases the demand for more schools, hospitals, shopping centres and further expansion within the community.[50]

4.58 The Committee heard that regional development policy and the decentralisation of some government services and functions can help to curtail these population trends. Ms Catherine Murdoch, from the Tasmania Department of State Growth, commented:

> … we face population decline. We are implementing, as a state, a population growth strategy, and we really do believe there is a place for regional development and the movement of agency portfolios, rather than departments, potentially, that would enhance this current population decline but also potentially enable us to keep our skilled professionals, by providing a career path for them within Tasmania, particularly if we are looking at placing higher level positions within regions.[51]

4.59 The impact of population growth and decline in regional communities is multifaceted and interrelated. Population trends can readily impact on a range of services, facilities and opportunities in regional areas. Similarly, the availability of services can themselves impact on population trends.

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48 Regional Capitals Australia, *Submission 149*, p. 5.

49 Centroc, *Submission 81*, p. 5.

50 Mildura Rural City Council, *Submission 159*, p. 2.

51 Ms Catherine May Murdoch, Director—Northern Cities, Office of Coordinator General, Tasmanian Department of State Growth, *Committee Hansard*, Launceston, 10 October 2017, p. 1.

Young people

4.60 Australia's cities and regions are experiencing an ageing of their populations. This is exacerbated in regional areas due to the 'ubiquitous outmigration of young adults from regional areas'.[52] This trend is less pronounced in coastal regional areas. For example, Charles Sturt University submitted that:

> Whereas all regional areas have experienced a net decrease in young adults, coastal areas have seen net gains due to immigration of young families.[53]

4.61 The persistent loss of young people from much of regional Australia has serious ramifications for regional development. Ms Alexandra Gartmann, Managing Director and Chief Executive Officer (CEO), Rural Bank, told the Committee:

> We know that attracting and retaining young people in rural and regional communities is a key priority and focus area for government, business and community alike, because of the very clear benefits for regional development.[54]

Case Study: Tas – Burnie youth council

Burnie's youth council introduces young people to governance and local government, and encourages youth to be involved at a young age – i.e. primary school students and high school students. On the council is a newly formed group called 'the Coasters' that has been established on the north-west coast, and Burnie City Council has provided support and invested in that new organisation. The Coasters were established by a group of young professionals and it is being very well received right across the region.

Burnie City Council has a program called 'DreamBIG', which encourages aspiration among young school children at year 5 level. Children learn about employment opportunities across the region and approximately 70 employers volunteer their time to have those children come into their

52 RAI, *Population Dynamics in Regional Australia*, January 2015, <http://www.regionalaustralia.org.au/wp-content/uploads/2015/01/FINAL-Population-Dynamics-in-Regional-Australia.pdf>, viewed 6 April 2018, p. 9.

53 Charles Sturt University, *Submission 120*, p. 27.

54 Ms Alexandra Gartmann, Managing Director and Chief Executive Officer, Rural Bank, *Committee Hansard*, Bendigo, 9 October 2017, p. 14.

workplaces and learn about the key businesses along the northern Tasmanian coast.[55]

4.62 While it is largely accepted that many young people will leave regional areas for education, work, leisure, and lifestyle reasons, the challenge for regional communities is to get them back.

4.63 Providing motivation and support for the return of young adults and their families is an essential ingredient in sustainable regional development. Professor John Halsey, suggested that effort needs to be made to provide 'a pathway back' for young people. In the context of education and training, he said:

> Part of it, I think, is rethinking the role of schools and local communities and their engagement with young people in their formative years and trying to set up, if you like, a conversation which opens up opportunities and pathways. But the opportunities and pathways are not just pathways out. Noel Pearson talked to me about how what he's trying to work on is the orbiting of students. It's a pathway out but also a pathway back, for want of a better term.
>
> Part of the construction of the pathway out and the pathway back is not only a scholarship that goes out but also trying to think of something which can attract a young person back into the community by—it might sound a bit old fashioned—almost commissioning them to go and do something and then opening up the possibility to come back and build the capacity in their local area, whether it's around one of the, if you like, established professions like law or accounting or in other areas.[56]

4.64 Central to attracting and retaining young people in rural and regional communities is employment. Livingston Shire Council submitted that:

> Employment opportunities for youth and university graduates (outside of the capital cities) are critical for retaining young (energetic and innovative) talent in the region.[57]

4.65 The Committee also heard that if adequate support structures are in place, far from being a career set-back for young professionals, working in the regions can be a developmental experience that positively enhances career prospects. Professor Halsey explained this point:

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55 Alderman Anita Dow, Mayor, City of Burnie, *Committee Hansard*, Burnie, 11 October 2017, p. 28.

56 Professor John Halsey, Flinders University, *Committee Hansard*, 6 November 2017, p. 5.

57 Livingston Shire Council, *Submission 132*, p. 16.

> There is a different way of thinking about that, and that is that it is a rich, intense professional development and learning opportunity. But systems have to put around significant support. But one of the problems with the way funding and professional development are organised is that that support is not there. So instead of seeing this as a huge opportunity to develop your skill and knowledge and attitude and make a contribution and really develop your expertise, it is seen more in terms of problems and issues rather than opportunities for development and growth.[58]

Service delivery

4.66 With declining populations in smaller rural and regional towns, the provision of services becomes problematic for these communities. This is because it can be difficult to find personnel and funding to support services.

4.67 The RAI produced a report on regional services and concluded:

> While the number of service delivery professionals in some towns had greatly improved, this growth was limited mainly to inner regional areas. Efforts to increase the number of service delivery professionals in small towns in other areas were much less successful. Between 1981 and 2011, the number of professionals in inner regional small towns grew by 85 per cent, but there was growth of only seven per cent in small towns in remote and very remote areas. This is despite the fact that education and health outcomes are consistently worse in remote and very remote areas.[59]

4.68 A large number of service providers now rely on the internet as a means of delivery. In some cases this is not ideal – particularly with regard to older people less familiar with new technology, or in areas where adult literacy is not high. This point was made by the Community and Public Sector Union (CPSU) in Launceston:

> … when you talk about Centrelink management with service delivery they say they want 80 per cent to be online, with people self-servicing. We were at a recent thing where 26Ten, an adult literacy group within the state government, was saying there was 47 per cent digital illiteracy in Tasmania. And that's for all Tasmanians, not just Centrelink customers. The idea that you can today turn on a switch and have 80 per cent go online isn't going to

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58 Professor John Halsey, Flinders University, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 6.

59 RAI, 'Pillars of communities: Service delivery professionals in small Australian towns 1981 – 2011', <http://www.regionalaustralia.org.au/home/pillars-communities-service-delivery-professionals-small-towns/>, viewed 19 January 2018, p. 4.

> happen. It's just unrealistic. We would argue that you actually do need a higher level of face-to-face service delivery in Tasmania.[60]

4.69 The Committee is aware this can be a compounding issue for communities. Smaller populations may impact on the provision of service delivery. This may lead to a reliance or shift to online services, which can be challenging for communities with low levels of digital literacy or poor digital connectivity.

Technological innovation

4.70 Technological advancement and associated automation of industry have been a major boom for businesses in city and regional areas. These advancements, however, entail challenges for maintaining rural and regional populations. This is because fewer jobs are needed for more automated and efficient industries. For example, RCA submitted:

> … while there was growth in Australia's agricultural sector (a staple of the regional economy) the rise of automation and overall efficiencies in this sector meant there had been a decline in the number of people employed in this sector.[61]

4.71 The Committee also heard that while automation will lead to the loss of certain categories of jobs, changes in businesses processes and the structure of the economy will lead to the emergence of new job opportunities in the regions.

4.72 For example, Mr Tony Mahar, CEO of the National Farmers' Federation, informed the Committee:

> It's a conundrum, a dilemma. What I'd like to think is that, yes, as farms consolidate there might possibly be more automation and fewer traditional jobs, but that if you were successful there might be newer jobs not necessarily on the farm but in the region in terms of service and technology application.[62]

Case Study: NSW – Lack of infrastructure and connectivity hindering local business.

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60 Mr Paul Blake, Acting Regional Secretary, Community and Public Sector Union (Tasmania), *Committee Hansard*, Launceston, 10 October 2017, p. 27.

61 Regional Capitals Australia, *Submission 149*, p. 5.

62 Mr Tony Mahar, Chief Executive Officer, National Farmers' Federation, *Committee Hansard*, Canberra, 16 February 2018, p. 19.

> At the Orange public hearing, two examples were given that highlighted that lack of infrastructure and connectivity were hindering local business. In one case, a young woman setting up a catering business from her farm, had to meet clients in town at a coffee shop so that all concerned had internet access in what was still a professional environment.
>
> In the second case, a young man was setting up an engineering business on his farm approximately 40 kilometres from the city. Similarly, when he meets his clients it must be at a sporting club. That young man also commented that when he has to order steel he has to ask the delivery to be made in a city location as there's no available freight depot.[63]

4.73 A similar view was expressed by Mr Bradley Siddans, Human Resources Manager for Oakley Beef Exports. He noted that while technology may displace workers within the company, it may lead to opportunity and growth in other areas of the company.

> Its considered that in 10 years 40 per cent of the jobs in our industry won't be there in their current form. It's not necessarily that 40 per cent of the people won't be there. The expectation is that we will continue to employ the large numbers of people that we do, it's just that the work we ask them to do will change…
>
> We can put in a piece of equipment that costs $2 million, for example, and that might take us from five people down to one in that exact area, but it allows us to expand to employ another 50 people because the throughput of the company goes up at the same time. Those are the sorts of technological changes that we make, more than the machines and automation removing people from the industry altogether.[64]

4.74 The Committee is optimistic that the loss of jobs in regional industries due to technological innovation can be counterbalanced by job creation in emerging or associated services. The key is to ensure regional communities can develop this capacity and manage technological change.

4.75 In his evidence to the Committee, Professor Sorenson spoke broadly about the impact of technology and 'transformative industries' on regional

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63 Ms Kate Alexandra Lorimoer-Ward, Acting Deputy Director General, Agriculture, New South Wales Department of Primary Industries, *Committee Hansard*, Orange, 18 September 2017, p. 30.

64 Mr Bradley John Siddans, Oakley Beef Pty Ltd, *Committee Hansard*, Toowoomba, 13 March 2018, p. 51.

communities. In particular, he advanced that regions need to develop a 'local culture of innovation':

> …the critical issue for regions is the ability to, at a very early stage, understand and recognise the technologies coming on stream and be able to assess how those technologies might be able to be used to sustain the local community and local circumstances. To do this requires a cultural background grounded in innovation.[65]

4.76 Professor Sorenson identified education and training, networking, and community engagement as means to building this capacity.

Population distribution

4.77 Australia will increasingly have to come to grips with the impact of national population growth and managing increasing congestion in the major cities. The nation's population is set to grow to over 40 million people over the next 50 years. Most of this growth will be in the major capitals. The four largest cities will grow by 45 per cent by 2031.[66]

4.78 Regional centres will continue to experience steady growth rates. However, these rates will not match that of the major capital cities nor will they be uniform across the regions. This will lead to an unbalanced population growth picture. The Committee for Gippsland submitted:

> Although the population in regional Australia is predicted to rise at about 26% through to 2030, this rate of population rise in regional areas is substantially slower than that predicted for this period within our capital cities.[67]

4.79 Australia's regions have a significant role to play in taking population pressures off the major capital cities and helping rebalance the growth of the nation's population. Innovative Research Universities commented:

> The concentration of Australia's population in a few major cities poses major challenges. There is an urgent need to make better use of the potential from the breadth of the country, for example from its northern regions, to reduce the pressure on the major cities and create positive outcomes for all current and future Australians.[68]

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65 Professor Anthony Sorenson, *Committee Hansard*, Canberra, 28 March 2018, p. 2.

66 Regional Capitals Australia, *Submission 149*, p. 11.

67 The Committee for Gippsland, *Submission 62*, p. 3.

68 Innovative Research Universities, *Submission 73*, p. 6.

4.80 Promoting the movement of population out of the cities will also have benefits for the nation's economy in general. The RAI explains:

> …for every 100,000 Australians who choose to live in growing regional cities rather than our big five cities, an additional $50 billion will be released into the economy over 30 years in reduced congestion costs and increased consumption.[69]

4.81 Encouraging the re-location of people from the cities to regional areas requires the regions to be seen as attractive locations to live and work. As noted by RCA:

> … regional cities have the capacity to absorb more population growth but ensuring these cities are seen as the liveable and investable alternative needs more assistance and planning is the key.[70]

4.82 The Committee notes that this is an issue that requires active and creative solutions. Solving problems caused by congestion in the cities may be counterproductive in the long term unless it is combined with programs to encourage population growth in regional areas.

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69 Regional Australian Institute, *Submission 175*, p. 9.

70 Regional Capitals Australia, *Submission 149*, p. 11.

5. Elements of Regional Development

5.1 This chapter highlights key elements identified by people living and working in rural and regional communities to help facilitate growth and development. The elements have been grouped into five areas; connectivity, human capital, specialisation, amenity and institutions. Cutting across these five areas are four types of investment;

- maintenance of services and facilities;
- catalytic investment that stimulates further growth;
- investment in capacity building of our rural communities; and
- investment in human capital.

Introduction

5.2 The Committee was pleased to hear witnesses talk proudly about the development of their rural and regional towns, and frankly about the impediments to future growth.

5.3 These discussions left the Committee with the strong impression that regional towns and cities across the country have a good understanding of what is influencing change, what is needed, and how to get there. It also gave the Committee a useful list of elements for regional development.

5.4 The elements identified in the Committee's evidence are consistent with the 'essential ingredients' identified by the RAI that 'enable small cities to succeed and grow'.[1] These essential ingredients include:

[1] Regional Australia Institute, *Deal or No Deal? Bringing Small Cities in the National Cities Agenda*, April 2016, <http://www.regionalaustralia.org.au/home/wp-content/uploads/2016/04/Deal-or-

- high rates of **connectivity** through physical and digital infrastructure so that firms and people can readily connect with others outside the city;
- strong **human capital** able to support a density of **high paying jobs** that attracts the best talent and ensures that businesses and institutions in the region are capably led;
- one or more **globally competitive specialisations** that enable the city to become embedded in domestic and global supply chains and develop groups of firms and innovation orientated organisations that enable the city to capture growth opportunities over time;
- the type of **amenity** that makes a city 'sticky' or a place that people want to be for the long term so that existing citizens remain committed to spending their lives and careers in the city and others are attracted to join them; and
- a **network of high capacity institutions** so that a city can capably and proactively act to develop itself.[2]

5.5 These ingredients will be familiar to those interested in the development of towns and cities. The Committee has used these concepts to group the key elements presented in evidence.

5.6 The Committee is aware that many of the elements are interrelated. They represent a complex set of dependencies and connections that characterise the development of regions and towns, and drive social and economic growth.

5.7 Nonetheless, the Committee considers that the main elements can be separated and described. The following discussion represents the common threads identified by people working and living in regional areas about what is facilitating and constraining growth in their communities.

Connectivity

5.8 The Committee consistently heard that the success of any regional town depends on connectivity. That is, how it connects to the rest of the world. Here, connectivity – also referred to as *hard infrastructure* – includes:

- Physical connectivity – by air, road, rail and ports – to capital cities, to economic markets, to governments and services, and to each other; and

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No-Deal-Bringing-Small-Cities-into-the-National-Cities-Agenda_April-2016_FINAL.pdf>, viewed 4 April 2018

2 Regional Australia Institute, *Deal or No Deal? Bringing Small Cities in the National Cities Agenda*, April 2016, p. 14.

- Digital connectivity such as mobile phone and internet networks, including the National Broadband Network (NBN).

5.9 In a competitive and globalised world, the importance of capacity to be connected to other towns and cities cannot be overestimated.

5.10 Connectivity is the foundation for both traditional and modern business. For example, the availability of effective transport infrastructure allows for fresh produce, livestock, resources, manufactured goods, and retail stock to be transported more easily and efficiently to its market. It also allows people to travel more readily.

5.11 The Committee heard how the presence of and upgrades to regional airports, major roads, and rail links will improve connectivity and provide social and economic opportunities for regional towns.

5.12 For example, in its submission to the inquiry, Regional Development Australia Central West described the estimated economic impact of the inland rail project to Central West New South Wales. It stated:

> A multitude of business and growth opportunities arising from the development of the Inland Rail have been identified…
>
> The Inland Rail could create 491 potential new jobs in the Central West during the construction phase alone, 154 more regional jobs within Parkes, Forbes and Lachlan LGA's post -construction, and an overall $216 million economic impacts to the Central West over 60 years.[3]

5.13 Potential opportunities for intermodal hubs, a distribution centre, and business relocations and clusters were also identified.

5.14 Similarly, in its submission, the Illawarra Business Chamber cites research estimating that the construction of a South West Illawarra Rail Link – to improve the capacity and standard of passenger and freight access to the region – would return a $2.6 billion increase in gross regional product, and create over 1 100 permanent new jobs.[4]

Information technology

5.15 Information technology has changed the way people live and engage with each other. It has also significantly changed how businesses and markets operate.

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3 Regional Development Australia, Central West, *Submission 76,* p. 6.

4 Illawarra Business Chamber, *Submission 96,* p. 6.

5.16 Being connected gives people greater flexibility in how they engage in the workforce, and where they do business. This includes greater opportunities for teleworking or working remotely.

5.17 In its submission, the Blue Mountains Living Lab discusses the shift to a more 'digitally enabled economy and society' where broadband is considered a utility much like water, electricity and gas.[5]

5.18 It proposes establishing a network of public and private sector hubs in regional areas. This would not only offer a digital approach to decentralisation and regional development but would accommodate the modern preference for flexible, remote, and freelance work arrangements.

5.19 The Blue Mountains Living Lab further proposes 'Australian Government Hubs' co-locating public servants from different Commonwealth entities in regional towns. There are advantages of this teleworking model:

> If Australian Government Hubs were established in select regional towns, then this would provide remote workers with a collegiate work environment that met this social need, while at the same time bringing employment opportunities closer to where people live. This in turn would have the spill-over effect of stimulating economic activity among local service providers meeting the needs of this workforce, and enable more engagement in local community and volunteer activity by skilled public sector employees.[6]

5.20 The above example highlights the potential of reliable and effective telecommunication networks to facilitate public and private sector decentralisation. It is dependent however on fast and reliable digital connections.

5.21 The importance of digital connectivity is not restricted to traditional office based occupations. The National Farmers Federation highlighted the importance of telecommunications to the day-to-day business of the agriculture sector, particularly in the 21st century. It stated:

> …reliable telecommunications infrastructure, particularly for broadband, must be a priority. Quality telecommunications underpin not only basic communications (including emergency calls), but other everyday activities such as online banking, weather information, trading crops and livestock,

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5 Blue Mountains Living Lab, *Submission 2*, p. 6.

6 Blue Mountains Living Lab, *Submission 2*, p. 11.

> online learning, webinars and the maintenance of livestock traceability systems.[7]

5.22 The Committee was not surprised to hear that the quality and reliability of internet connections varied markedly across the country, particularly in regional areas. The importance of improving digital connectivity in rural and regional areas was a strong message to the Committee. Professor John Halsey stressed this point:

> First of all, in an absolutely fundamental sense, we've got to do a whole lot better than we are at the moment in ensuring connectivity wherever you are. It's hugely patchy at the moment. I know there's a lot of debate around the quality of the NBN et cetera, but in looking to the future one of the critical things we're going to have to continue to build is high-quality, affordable ICT connectivity.[8]

5.23 Ms Narelle Martin, an active member of Landcare, highlighted the lost opportunities that can follow poor connectivity:

> …the ability to have fast, reliable and secure internet connection is a business imperative. I have had discussions with economic development officers in rural communities who have been approached by entrepreneurs with good businesses that could relocate to a different area, away from a capital city. One of the first questions asked is what sort of connectivity is available through the internet, both in terms of speed and band width. Unfortunately, the response continues to be that the standard service offered in rural communities is significantly below that of the well-connected urban areas. These potential businesses then do not relocate, taking their economic opportunities elsewhere.[9]

5.24 The Committee acknowledges the provision of physical and digital connectivity remains primarily the responsibility of governments. Evidence to the Committee reinforced how such infrastructure can vastly improve liveability, and economic and social development in regional areas.

Human capital

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7 National Farmers' Federation, *Submission 168*, p. 3.

8 Professor John Halsey, Flinders University, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 2.

9 Ms Narelle Martin, *Submission 111*, p. 2.

5.25 The best asset of any region is its people. The Committee heard how the skills and experiences of people living in a region can solve challenges and create growth. In order to take full advantage of this human capital, the Committee heard that people in the regions need to be properly supported to work together and generate local solutions.

5.26 Leadership and capacity building was a particular theme at the Committee's public hearing in Bendigo. The Committee heard how community and business leaders work together to create meaningful change. Mayor Margaret O'Rourke from the City of Greater Bendigo told the Committee:

> …one of the things that is quite different in Bendigo is that collaboration. There is that deep DNA of bringing people together really easily and quickly, and that is business leaders or government officials. When there is an opportunity for something to be done on that stage from a collaborative point of view, we have always been able to pull people really closely together.[10]

5.27 Ms Leah Sertori, CEO of Be.Bendigo, also described how developing leadership capacity has fostered partnerships in Bendigo:

> I think that comes back to leadership. Within Bendigo we've got a number of different leadership development initiatives underway that have been able to develop the capability and capacity of business leaders to work together. We partnered with Rob Hunt, who was the founding managing director of Bendigo Bank and, really, the architect of Community Bank, to develop our own leadership program. From that we developed the relationship with Committee for Greater Shepparton and Committee for Echuca Moama. We developed a focus around regional export, looking at how we could collaborate to increase our supply, in particular into China.[11]

5.28 Much of the evidence to the Committee emphasised the necessity of leadership within communities. Building leadership capacity was also a common feature of local training and education programs.

Skilled workforce

5.29 Having access to strong human capital in the form of a skilled workforce is also directly related to the growth of regional communities. Conversely, the absence of a skilled workforce is one of the main constraints on regional

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10 Cr Margaret O'Rourke, Mayor, City of Greater Bendigo, *Committee Hansard*, Bendigo, 9 October 2017, p. 22.

11 Ms Leah Sertori, Chief Executive Officer, Be.Bendigo, *Committee Hansard*, Bendigo, 9 October 2017, p. 4.

growth. A common theme in the Committee's evidence was a lack of skilled people to do the work available in regional areas.

5.30 This point was highlighted by Ms Jo Podoliak from Regional Development Australia (RDA) Murray Lands and Riverland, who commented that a lack of skilled staff is inhibiting the growth of businesses in the region:

> Unlike other regions, we have not a shortage of jobs but a shortage of skilled available workforce. That is a key significant factor for us. What keeps our business owners up at night is the lack of skilled available staff. That is limiting their expansion capability and the wealth in our region. One of the strategic directions for our region is to increase the capability of our commercial, community and government organisations in our region.[12]

5.31 Similarly, in Kalgoorlie, the Committee heard that while 'the next five years [will be] very, very strong for the area in a regional sense' due predominantly to mining, they are struggling to find a workforce to support it:

> We have 51 working mines in the City of Kalgoorlie-Boulder area, and there are some 600-odd that are in some form of exploration or early start-up. We are enjoying an unemployment rate of just 2.7 per cent at the moment, and there are hundreds of jobs available today for people with skills of various types, if only we could get the labour.
>
> Most of our firms are struggling to find labour.[13]

5.32 The Committee heard that factors contributing to this skills shortage include a general decline in population, gaps in education and training, reliance on fly-in-fly-out (FIFO) workers, and limited access to skilled migration. Two of these – education and training, and skilled migration – are discussed further below.

Case Study: WA – Goldfields Women's Health Care Centre

The Goldfields Women's Health Care Centre has been providing health services to women in the region for well over 30 years. Statistics from 2012 show that approximately 13 000 females residing in Kalgoorlie-Boulder receive direct benefit from the service and there is an indirect benefit to

12 Ms Podoliak, Regional Development Australia – Murray Lands and Riverland, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 8.

13 Mr John Walker, Chief Executive Officer, City of Kalgoorlie-Boulder, *Committee Hansard*, Kalgoorlie, 31 October 2017, p. 1.

approximately 29 000 women. Also in 2012, a survey conducted by the City of Kalgoorlie-Boulder reported: 'the Goldfields Women's Health Care Centre provides amazing support to all cultural and family groups and is an invaluable service in our community.'

The centre provides services to new and expecting mums, parents, teenagers and women of all ages with broad based needs and cultural backgrounds. Services include self-development courses, general counselling, unplanned pregnancy counselling, grief and loss counselling and infancy and post-natal counselling, to include couples and families. There is also life coaching. There is a well women's clinic, featuring menopause and sexual and reproductive health and also complementary wellbeing services—such as massage and meditation.

In keeping with the centre's vision and mission to advocate and to provide services for women in the regions and their families, the Centre has also focused on expanding its service delivery to new markets. A partnership with Goldfields Centacare facilitates the centres delivering a stepped-care model of service and wraparound services in regard to clients with mild to severe mental health issues.[14]

Education and training

5.33 The importance of leadership and human capital is reflected in the Committee's principle that regional development requires significant investment in the education and training of people within regional communities, particularly young people. Such investment will build strong skilled workforces to meet the needs of regional areas. It may also lead to better population retention outcomes.

5.34 In its submission to the inquiry, the Regional Universities Network (RUN) highlighted the value of local regional education and training opportunities:

> People who study in the regions largely stay in the regions to work. A study undertaken for RUN demonstrated that 60-80 per cent of employed, recent graduates of RUN universities were employed in regional Australia. A report by Cadence Economics for Universities Australia has estimated that for every 1000 university graduates entering the workforce 120 new jobs are created for

[14] Ms Gloria Moyle, Chief Executive Officer, Goldfields Women's Health Care Centre, *Committee Hansard*, Kalgoorlie, 31 October 2017, p. 31.

> people without a university degree. Regional universities therefore boost regional employment more broadly than just through their graduates. [15]

5.35 Professor David Adams from the University of Tasmania clearly articulated the value of investing in human capital for regional areas when describing partnership approaches in Tasmania. He stated:

> The broad principle that underpins the significant Commonwealth, state and university investment… is an assumption that a significant investment in regional human capital will convert over time to significant learning outcomes but also significant growth, innovation and productivity gains to justify the investment. That's the broad value proposition, and the nuance there is the notion of specifically investing in human capital and its future growth.[16]

5.36 The Commonwealth Department of Education and Training made a similar point in its submission, highlighting the value of school education to regional Australia:

> Providing quality and accessible school education in regional Australia underpins regional development, sustaining rural and regional populations and developing the capabilities of young regional Australians. Regional and rural schools are also a significant part of local/regional economies and employment bases, both generating jobs and attracting people to the region.[17]

5.37 The Committee heard that some regional communities had low Year 12 completion rates. Mr Brett Smith, CEO, Cradle Coast Authority, observed that around 72 per cent of adults in north-west Tasmania had not completed year 12.[18]

5.38 Such poor educational attainment levels were challenging regional areas to improve social and employment prospects for young people. For example, in Burnie, the Committee was told the University of Tasmania has entered into a Memorandum of Understanding with the State Government to improve education and training outcomes for Tasmania.

5.39 Highlighted as a best practice model, Professor Adams described the significance of the university's role:

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15 Regional Universities Network, *Submission 79,* p. 2.

16 Professor David Adams, Pro Vice-Chancellor, Community, Partnerships and Regional Development, University of Tasmania, *Committee Hansard,* Burnie, 11 October 2017, p. 23.

17 Department of Education and Training, *Submission 45,* p. 4.

18 Mr Brett Smith, Chief Executive Officer, Cradle Coast Authority, *Committee Hansard*, Burnie, 11 October 2017, p. 2.

> …most of us have observed in Tasmania in the last five years is the university taking a leadership role in making this an urgent state issue. The issue of poor participation, retention and completion rates in Tasmania and in many regional areas of Australia has been around for a very long time. The difference in Tasmania is a public civic institution—the university—saying, 'We're going to make this central to our business.' That's what's changed the conversation in that a public institution that is also apolitical has been able to bring the parties together, which may have been difficult for a particular government of the day to do. In that sense, the urgency has increased but in a very cooperative way.[19]

5.40 The Committee was impressed by this placed-based partnership approach and the active leadership taken by the University of Tasmania.

5.41 In his evidence to the inquiry, Professor Halsey identified three key areas – education resourcing, Cabinet consideration and RDA engagement – where the Commonwealth could intervene to better support education and training in rural, regional and remote areas. Specifically, Professor Halsey submitted:

1. Review, and where necessary amend, key legislation which frames and impacts on rural, regional and remote Australia to ensure there is an authorising element in the heads of Acts which recognises place and location as legitimate bases for the calculation and allocation of resources including an insistence on the provision of essential services.
2. Every Cabinet submission needs to include an assessment of the likely impact of it on rural, regional and remote locations and communities.
3. There should be concerted effort by all RDCs [Regional Development Australia Committees] to engage with education as an active partner, rather than a stakeholder. Achieving this requires modifying- perhaps expanding- the role for RDCs to include driving greater collaboration/connection between education (schools through to vocational education and universities) and local governing bodies as well as industry, other essential human services, ICT [Information Communication and Technology] infrastructure and also philanthropy.[20]

5.42 The Committee supports Professor Halsey's observations.

5.43 In 2017, the Commonwealth Government commissioned Professor Halsey to conduct an *Independent Review into Regional, Rural and Remote Education.*

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19 Professor David Adams, *Committee Hansard,* Burnie, 11 October 2017, p. 23.

20 Professor John Halsey, *Submission 184,* pp. 1-2.

Professor Halsey's report was finalised and presented to the Commonwealth Government in January 2018.[21]

5.44 The Government accepted all 11 recommendations made by Professor Halsey.[22]

5.45 The Committee also supports these recommendations. In particular, the Committee notes recommendations designed to establish a national focus for regional, rural and remote education; to improve ICT; and to enhance transitions into and out of school.[23]

Skilled migration

5.46 There are many factors that attract people to places. Education, employment, family, amenity, and lifestyle all influence personal choices about where to live.

5.47 Sustaining and maintaining populations in regional areas is multifaceted. It includes efforts to:

- Retain locals by giving them reason to stay;
- Attract former locals by giving them reason to come back; and
- Welcome new residents either through inter- and intrastate movement or international migration.

5.48 The Committee was told that migration could be used more effectively to support rural and regional communities, particularly skilled migration. In its evidence to the inquiry, the Federation of Ethnic Communities' Councils of Australia (FECCA) promoted the value of migration to stimulate regional economies and reinvigorate industries:

> Many regional areas rely on the influx of new people to maintain job supply and to rejuvenate or maintain certain industries. Well planned and thoughtful regional development relies on the ability to meet the needs of employers seeking to fill positions with qualified overseas skilled migrants. ABS data shows that 75 per cent of all recent skilled migrants were employed as at

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21 For more information, see: <https://www.education.gov.au/independent-review-regional-rural-and-remote-education>, viewed 5 April 2018.

22 'Better outcomes, more opportunities for regional, rural and remote students', Media Release, The Hon Dan Tehan MP, <https://ministers.dss.gov.au/media-releases/3141>, viewed 31 May 2018.

23 'Independent Review into Regional, Rural and Remote Education', <https://docs.education.gov.au/node/50281>, viewed 31 May 2018.

November 2016 and of the recent skilled migrants who were the main visa applicant, 82 per cent were employed.[24]

Case Study: Vic – Luv-a-Duck

In 2010, Luv-a-Duck, the largest commercial business in Nhill, was seeking to expand in response to increased market demand but was unable to do so because of a lack of potential employees. This was the result of a declining working-age population, in a context of relatively low unemployment. A Karen community was relocated to Nhill to address the labour shortage and has contributed to the successful expansion of the business. With the inclusion of the Karen community into the local community significant growth was experienced in a range of areas, including but not limited to, health and education.[25]

5.49 In his evidence, Mr Mark Glazbrook from Migration Solutions advocated for the better use of skilled migration to support regional areas. In particular, he said:

> … there should be a greater focus on demand driven migration, which is where there is an employer who has a genuine need for someone who meets the skills requirement to fill a vacancy, especially in regional areas.[26]

5.50 Mr Glazbrook noted that this has worked well for Murray Bridge in recent times, with an increase in population and decrease in unemployment.

> I think that Murray Bridge is a really good example to look at how employers can use the Migration Program to attract the staff they need. People might come in on a temporary 457 visa or a temporary visa of some other description and then get residency and then go on to get citizenship but still staying in the regional area. Having a program that facilitates that is very important. But it is also important to make sure we are selecting the right people from the right places who are likely to remain in regional areas and not just use a regional area for a backdoor opportunity to get to a larger, more populated centre.[27]

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24 The Federation of Ethnic Communities' Councils of Australia (FECCA), *Submission 23*, p. 3.

25 North Victoria Refugee Support Group, *Submission 14*, p. 3.

26 Mr Mark Glazbrook, Chief Executive Officer, Migration Solutions, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 21.

27 Mr Mark Glazbrook, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 21.

5.51 The RAI made similar comments, recommending an increase in migration to redress population loss and support private enterprise:

> Increase international migration to rural and remote Australia through visa reforms and secondary migration support to stabilise population loss and facilitate business growth.[28]

5.52 Filling skills shortages in rural and regional areas is one area where Commonwealth immigration policy can play a vital role. Treasury, for example, highlighted that:

> … immigration policy provides a potential platform. Regional settlement programs have proven valuable in providing short-term relief to labour shortages especially in providing essential health services.[29]

5.53 International migration is also crucial for some regional industries, in particular agriculture. The Australian Dairy Industry submitted:

> Permanent and temporary migrants are also an important and integral part of creating and maintaining vibrant agricultural communities, and will continue to play an important role in meeting skills shortages.[30]

5.54 FECCA explained how agriculture-centred temporary migration can act as a pathway for permanent settlement, adding to population stability and the prosperity of local communities:

> Migrant groups in the agriculture industry have been identified as a significant part of the seasonal agricultural workforce. Temporary skilled migrants could also contribute to the further development of the agriculture industry, contributing expertise and diverse skills. Most often, temporary skilled migrants will go on to become permanent residents and citizens. The skills that they bring subsequently remain in Australia and can further contribute to the industries that they are working in. Ensuring that all visas have a pathway to permanency is crucial in attracting migrants to rural and regional Australia.[31]

5.55 In some cases, finding agricultural jobs for international immigrants and facilitating their movement into the regions can be the best fit for both

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28 Regional Australia Institute, *Submission 175*, p. [7].

29 Treasury, *Submission 148*, p. 10.

30 Australian Dairy Industry, *Submission 22*, p. 1.

31 FECCA, *Submission 23*, pp. 1-2.

regional communities and immigrant groups. The Refugee Council of Australia highlighted successful examples of such an approach:

> The secondary migration of Rwandan families from Sydney to Mingoola and the case of a Burundian family who moved from Brisbane to Gracemere in Central Queensland were considered successful because all families who were involved had agricultural backgrounds. None could find suitable employment in capital cities and were feeling isolated. Opportunities to work on farms offered by regional Australian towns assisted them to prosper, become self-sufficient and contribute to their communities.[32]

5.56 The more remote areas of the Northern Territory (NT) and Kalgoorlie also told the Committee about the benefits migrant populations have brought to their communities.

5.57 For example, the NT Government noted:

> …we've seen that if it wasn't for migration from offshore we would actually be suffering a loss of population across the Northern Territory at the moment. We see migration as a very important component of Northern Territory growth going forward. We've been successful over the years. The Northern Territory was involved in advocating for the regional skilled migration scheme back in the nineties, which was a very successful scheme that bought permanent migrants into the Northern Territory.[33]

5.58 Similarly, the Kalgoorlie Boulder Chamber of Commerce and Industry observed the value of migrants in bringing much-needed skills to reduce labour shortages in regional areas. The Chamber said:

> The multicultural composition of this community is now a primary strength. The relatively new migrant population is very diverse and their skills cover the majority of primary industries. More of these valuable people are needed, however getting them has become difficult due to recent changes to government policy.[34]

5.59 Policies that sustain and maintain population are vital for regional areas. The Standing Committee on Infrastructure, Transport and Cities is examining the issue of population distribution as part of its inquiry into the development of cities.

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32 Refugee Council of Australia, *Submission 55*, p. 6.

33 Mr Greg Bicknell, Chief Executive Officer, Chamber of Commerce Northern Territory, *Committee Hansard*, Darwin, 9 November 2017, p. 11.

34 Goldfields Business Report, cited in the Kalgoorlie Boulder Chamber of Commerce and Industry, *Submission 177*, p. 2.

5.60 The Committee looks forward to the findings of the Committee's inquiry.

Specialisation

Strategy

5.61 One of the most fundamental elements to any concerted regional development effort is a strategy. That is, knowing what you want to achieve and how you will achieve it.

5.62 Many government and industry groups shared with the Committee their strategic plans and road maps for regional development, clearly articulating a vision and plan for their regional areas. For example, the Mayor of Newcastle City Council, Councillor Nelmes, described the process of creating a vision for Newcastle:

> The 2030 vision is our road map for the next decade. We've already undergone very broad community consultation to get to this initial document, and we're doing another 12-month process to update it to make sure our vision is in line with the broader community.[35]

5.63 In his evidence to the inquiry, Mr Stewart Webster from the NSW Department of Premier and Cabinet, drew the Committee's attention to NSW Regional Economic Development Strategies (REDS). REDS are a 'bottom up' approach to regional development aimed at driving sustained economic growth across the state's regional communities.[36]

5.64 Mr Webster explained to the Committee how the initial stages of the REDS process involves working collaboratively with regions to help articulate their vision:

> What the [REDS] aim to do is for each functional economic region to identify what their vision is, which could go out to a number of decades. It should be based on what their endowments are, both physical and nonphysical. Leadership and institutional endowments are quite important….
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> …They need to identify the strategy they will need to pursue the vision over two or three decades and then work out what the action plan needs to be to

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35 Councillor Nuatali Nelmes, Mayor, Newcastle City Council, *Committee Hansard*, Newcastle, 2 November 2017, p. 9.

36 For more information, see: *Submission to the Productivity Commission Inquiry into Transitioning Regional Economies,* NSW Department of Premier and Cabinet, August 2017, <https://www.pc.gov.au/__data/assets/pdf_file/0018/220725/subdr071-transitioning-regions.pdf>, viewed 29 March 2018.

> implement that strategy over the next four or so years. As I said, the plan is not for these strategies to just sit on the shelf. [37]

5.65 REDS are an example of setting a vision and strategy for the long term based on regional strengths.

Regional strengths

5.66 The Committee frequently heard that regions need to work out what they are good at and build on their strengths. To do this, regions should identify endogenous factors or endowments and ascertain the factors that make that area competitive.

5.67 For many rural and regional areas, endogenous strengths and endowments may come from the history and natural resources of an area – such as agriculture, minerals, ports, or tourism – and related industries and skills that have developed over time. For example:

> Endowments can be natural such as superior agriculture land, mineral deposits, temperature climates or scenic attraction, or built such as roads or hospitals and can even be borne out of distance to other centres (and influenced by transport infrastructure). Human endowments, such as access to skilled or unskilled labour can also confer advantage, however labour is more mobile than natural or built endowments.[38]

5.68 The Committee heard that regions that take advantage of their endogenous strengths and endowments are well placed to succeed. Professor Andrew Beer highlighted the link between a region's endogenous strengths and its economic development capacity:

> Good practice in regional economic development is accepted as focusing upon endogenous growth—that is, growth that takes place because of the assets, abilities and talents of the region and the people that live within it.
>
> Government has an important role to play in mobilising those capacities by providing low-interest loans, by providing grants, by ensuring that infrastructure, telecommunications and other services are adequate for the

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37 Mr Stewart Webster, Director of Economic Appraisal and Evaluation, Department of Premier and Cabinet, *Committee Hansard*, Orange, 18 September 2017, p. 20.

38 New South Wales Department of Primary Industry, Centre for Economic Development, *Regional Economic Growth Enablers,* December 2016, p. 71.

> task ahead, and by providing the encouragement and political leadership to deliver change.[39]

5.69 Mr Webster also highlighted the importance of understanding a region, its strengths, and tailoring an approach to support its economic development.

> So, if you actually believe that endogenous growth theories are the way to go—that that's actually why regions develop —then it …follows that you really need to have a good handle on what each little economy within a state or the country specialises in, the kinds of investments they need and the kinds of endowments they have or could have. It's got to be a horses-for-courses approach. It can't just be a cookie cutter across any state or any country.[40]

Clustering

5.70 Strategies which build on the strengths of regional communities will maximise the growth and prosperity of rural and regional communities. The Committee heard that in some rural and regional towns, clustering has been used to do this, and improve competitive advantage.

5.71 Professor Michael Porter pioneered the concept of 'clusters' in 1998 to describe 'geographic concentrations of interconnected companies and institutions in a particular field…important to competition'.[41]

5.72 The Committee heard that clustering is a feature of many rural and regional communities, driving efforts to work more closely and collaboratively across industries.

5.73 Mr Garry Styles, General Manager of the Orange City Council, observed that clustering can act as a catalyst for further development – particularly with regard to decentralisation of government agencies:

> … if you look at that sort of cluster and opportunity arrangement and you start to try to put a focus around what the federal government might decentralise, you can get linkages. We've seen the Paraway company move to Orange. That's an offshoot of Macquarie Bank and it's focused on

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39 Professor Andrew Beer, Dean of Research Innovation, University of South Australia, and Chair, Regional Studies Association, *Committee Hansard*, Canberra, 7 August 2017, p. 3.

40 Mr Stewart Webster, *Committee Hansard*, Canberra, 7 August 2017, p. 21.

41 See Michael E Porter, *Clusters and the New Economics of Competition*, Harvard Business Review, November-December 1998, pp. 77-90, <http://clustermapping.us/sites/default/files/files/resource/Clusters_and_the_New_Economics_of_Competition.pdfclustermapping.us/sites/default/files/files/resource/Clusters_and_the_New_Economics_of_Competition.pdf>, viewed 29 March 2018.

> agribusiness. We've got this large cluster of specialist professionals—scientists and things like that – who are starting to aggregate and drive that cluster forward in Orange.[42]

5.74 At its public hearing in Geraldton, the Committee heard that clustering was central to the region's plan for growth; by 'bringing industry together to actually lead developing industry'.[43] Geraldton is piloting three cluster projects focused on tourism, horticulture and marine services. Ms Palmonari from Plan Midwest explained:

> The clustering work is very much around making those connections. …quite often we get stuck in our own little businesses or in our own offices when we really should be out there speaking with one another.[44]

Case Study: International – Silicon Valley, USA

US research universities, both private and public, produce most of the country's science and engineering graduates, and are often major drivers of economic development in the areas in which they are located. Silicon Valley is a successful innovation cluster that brings together local universities with a longstanding aim of stimulating economic development by developing technology and then transferring that technology to local industry. This in turn stimulates the creation of new businesses in university-centred science parks. Technology companies commonly locate their operations near the best universities in order to enable their own research departments to work with leading scientists and to recruit promising students.[45]

5.75 Mr Todd West from Mid West Development Commission provided further evidence of the horticulture cluster as an excellent example of success in the Geraldton region:

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42 Mr Garry Styles, General Manager, Orange City Council, *Committee Hansard*, Orange, 18 September 2017, p. 2.

43 Ms Trish Palmonari, General Manager, Progress Midwest, *Committee Hansard*, Geraldton, 30 October 2017, p. 38.

44 Ms Trish Palmonari, *Committee Hansard*, Geraldton, 30 October 2017, p. 39.

45 Research-Asset Assessment, Study for Commonwealth of Virginia: <http://www.schev.edu/docs/default-source/VRIC/Asset-Assessment-Study-Reports/detailed-analysis-1---environmental-scan-of-university-tech-transfer-commercialization-industry-partnership-activities.pdf>, p. 2., viewed 10 April 2018.

> A classic example of that would be our horticulture cluster. We've taken a very fragmented industry locally here with a number of Vietnamese families and, through this entity that we've got called Progress Midwest, which is specifically setup at arms-length from government to help facilitate these conversations, we've got these guys around the table, they've got a board together and they are starting to talk export and what they can do to grow and expand. So we've gone from an inward-facing community to an outward-facing community.[46]

5.76 Similarly, in Tasmania:

> Tasmania did clustering a long time before it was popular to call it that. That is what I feel has happened. I think it has strengthened identity within these regions. In some ways, because of downturns in some industries, we are developing new clusters and differentiations across those regions. Certainly, education pathways and the university transformation are what we are looking to regionally to transform the north and the north-west again to get ready for the knowledge industry. Creative industry booms—innovation and technology—are where we are now heading. Yes, it has been absolutely the policy of the state government to do that and that is how we are differentiating ourselves.[47]

5.77 In central west NSW, the health care and aged care sector is a dominant employment sector and an important industry. RDA Central West noted that there is a clustering opportunity for this sector:

> There is a strong case for encouraging greater public and private sector relocation in the health industry to the Central West, and in particular the health precinct developing around Bloomfield and Orange Base Hospital on Forest Rd. Bloomfield Hospital and many other health services provide a referral centre not only for the region but much of Western NSW.
>
> Greater collaboration between these existing services and University Schools of Rural Health, with biomedical and health companies that could be encouraged to move to the area would likely benefit not only the region but much of regional NSW through outreach, product and service improvement.[48]

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46 Mr Todd West, Chairperson, Mid West Development Commission, *Committee Hansard*, Geraldton, 30 October 2017, pp. 29 – 30.

47 Ms Catherine May Murdoch, Director Northern Cities, Office of the Coordinator General, Tasmanian Department of State Growth, *Committee Hansard*, Launceston, 10 October 2017, p. 2.

48 Regional Development Australia, Central-West, *Submission 76*, p. 8.

5.78 The theory of clustering holds that the concentration of industry and associated entities offer three competitive advantages:

- increasing productivity of local companies;
- stimulating innovation; and
- prompting the creation of new businesses within the cluster.[49]

5.79 A further benefit identified in the Committee's evidence is that clustering – or areas of specialisation – can help to establish career paths for people. This occurs when there is a wider range of employment opportunities in similar or like-skilled industries that allow for promotion or lateral movements of people.

Amenity

5.80 Amenity refers to those characteristics of a town that attract people to it, and give them reason to stay. In other words, amenity refers to a town's liveability, and what makes a town a good place to live, work and do business. It can also be described as a town's 'soft' infrastructure.

5.81 Witnesses at hearings and those who made submissions to the inquiry talked passionately about the amenity of their local communities and why regional towns are great places to live. In particular, the Committee heard about:

- housing affordability;
- the ease of traffic;
- proximity to major centres and capital cities;
- access to good schools, health and community services;
- arts, dining and entertainment precincts;
- recreational and sporting facilities; and
- the natural landscape.

5.82 In short, many people promoted the advantages of living in rural and regional towns across Australia.

Case Study: SA – The James Morrison School

Internationally renowned jazz musician, James Morrison, has a 30 year association with Mount Gambier through an event called Generations In Jazz, which is an annual student competition. Each year, over a weekend

[49] See Michael E Porter, *Clusters and the New Economics of Competition*, Harvard Business Review, November-December 1998, pp. 77-90.

in May, 6,000 people attend. The James Morrison School is a faculty of University SA's school of music, who do all the accreditation.

The James Morrison School has a close relationship with Julliard jazz academy in New York and the institutions have a student exchange program. The school has performed in New York and New Orleans. The school has 100 students, all jazz musicians, who are all highly focused. They have their own jazz club, the Morrison Jazz Club and Mr Morrison also brings over specialists to Mount Gambier from Melbourne when they are touring Australia.

Mr Morrison chose Mount Gambier as he wanted somewhere where his students wouldn't be distracted; where they would be wholly and solely focused on their studies and their art. Of course, he had the connection to Mount Gambier through Generations In Jazz.

Through this academy, Mount Gambier has attracted more than 100 people to Mount Gambier and this provides a financial and cultural benefit to the city.[50]

5.83 Professor Anthony Sorenson spoke about the importance of amenity for regional towns in attracting and retaining population. He commented:

> …I think it's indubitable that those places with high environmental amenity and infrastructure amenity, in terms of accessibility, good water supply and that sort of thing, which perhaps have cultural diversity—there is certainly a cultural component to amenity—all of these dimensions can make places that people want to live in and can bring in migration from outside.[51]

5.84 The importance of amenity is not just about attracting workers to regional communities; it is about attracting their families as well.

5.85 As mentioned earlier, Kalgoorlie has a significant FIFO workforce and is struggling to attract permanent residents due to the perception of a lack of amenity in the city. Mr Ron Mosby, Executive Member of the Kalgoorlie-Boulder Chamber of Commerce and Industry, explained:

> The challenge is to get people to come to Kalgoorlie to have a look. When they do see the amenity that we have—the beautiful roundabouts and

50 Mr Mark McShane, Chief Executive Officer, City of Mount Gambier, *Committee Hansard*, Murray Bridge, 6 November 2017, pp. 48 – 50.

51 Professor Anthony Sorenson, *Committee Hansard*, Canberra, 28 March 2018, p. 9.

> infrastructure like the Oasis swimming pool and waterpark activity area, the parks and gardens and the sporting facilities—they are actually amazed. The challenge is to get people here to see that sort of amenity and get past the perceptions of living in regional WA.[52]

5.86 The quality of life in the regions may be their greatest future asset. The amenity of a town will attract human capital, and private investment, which will lead to economic development and prosperity. Development will then create greater amenity, ensuring an upward spiral of growth.

Marketing and promotion

5.87 As noted in Chapter 4, one of the challenges for regional towns is changing fixed ideas about non-metropolitan communities. Many misconceptions stem from the perception that regional and rural towns are inferior to capital cities, and that people within these communities are living with second class services and amenities.

5.88 The Committee shares the frustration of communities attempting to challenge these views, and acknowledges that the advantages of living in these communities must be better promoted.

5.89 At its hearing in Wodonga, the Committee heard about the Evocities program. This is a marketing campaign established by seven NSW regional cities – Albury, Armidale, Bathurst, Dubbo, Orange, Tamworth and Wagga Wagga – that aims to 'educate metropolitan residents about what regional NSW has to offer and to combat long held misconceptions about regional city living'.

5.90 The success of Evocities is measured by the number of relocations to regional towns, inquiries to the program, and job advertisements. Cr Kevin Mack, Chairman of the Evocities Steering Committee discussed the success of the program:

> … we've seen significant results. Since September 2010, [3,100] households have relocated to one of the seven Evocities. The campaign has generated over 6,200 relocation inquiries. The Evojobs website, which was launched in 2016, has advertised over 37,000 local jobs resulting in two million sessions on the site. Evocities has generated 2,694 media placements, and that's across the media outlets in New South Wales, including Sydney, and across a whole

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52 Mr Ron Mosby, Executive Member, Kalgoorlie-Boulder Chamber of Commerce and Industry, *Committee Hansard*, Kalgoorlie, 31 October 2017, p. 10.

> range of outlets, including *Domain* and tourism magazines—they include all the things that we want this exposure to be part of.[53]

5.91 The Committee is impressed by the Evocities model of engagement, and the collaborative nature of the advertising campaign. It encourages similar initiatives by other regional centres to attract new residents to its towns.

Institutions

Regional universities

5.92 The presence of regional universities in rural and regional communities facilitates more than just the provision of tertiary courses to students. As a central institution, regional universities can provide the mechanisms needed for regional towns and cities to thrive. They are well positioned to:

- bring together people who can think strategically and critically, make decisions based on evidence, and solve problems;
- draw on national and international experience and networks;
- create local centres of research and development to drive innovation and change;
- directly link new ideas with regional industries and investment;
- provide the foundation for government, industry and business to work collaboratively and in partnership; and
- develop necessary education, training and skill courses to support the region's needs.

5.93 The Committee held one of its public hearings at the NeW Space campus of the University of Newcastle; a new $95 million development in Newcastle's CBD. Professor Caroline McMillen, Vice Chancellor and President of the University of Newcastle highlighted the important role regional universities can play in the economic and social transition of regional areas:

> I'm particularly passionate about the role of universities as partners in the process of regional transition. It's particularly clear to me that, where regional transition effectively occurs, where regions develop those wonderful, vibrant, strong communities, strong cultures and a strong jobs base that is going to be resilient in the future workforce; where they are 'sticky' and hold their young people; and where they are very much seen and clearly not only part of the

[53] Cr Kevin Mack, Chairman, Steering Committee, Evocities; and Mayor, Albury City Council, *Committee Hansard*, Wodonga, 12 October 2017, p. 49.

> national landscape but, equally, often connected through to global supply chains and have a global view, that's a remarkable future.[54]

5.94 In her submission to the inquiry, Professor Robyn Eversole succinctly described the importance of regional universities to regional communities:

> Universities and other knowledge institutions are widely recognised as key players in regional development and drivers of regional innovation systems internationally. Universities' role in regional development includes, but goes well beyond, their [research and development] role. It includes the roles universities play in developing human capital and leadership, and catalysing 'knowledge spillovers' and cross sector innovation in particular regions.[55]

5.95 Similarly, the RUN made the direct link between regional institutions, innovation and economic outcomes:

> Universities' education and research functions make them central components of the innovation system. They produce the graduates and postgraduates required to support high skill, knowledge-based jobs and industries, and generate much of the nation's world class research. Universities Australia has estimated that Australia's graduates are worth $188 billion to the Australian economy annually and that a third of jobs will require a university degree in the coming years.[56]

5.96 Notwithstanding the potential of regional universities, the Committee heard that many 'are not resourced to play this regional development role'. Furthermore, in Australia there is 'almost no attention to the internationally recognised importance of regional innovation as a driver of national innovation'.[57]

5.97 Professor Andrew Beer, a member of the Committee's expert panel, suggests that regional universities should and could do more to drive regional development. He questioned:

> …is it possible to assign additional roles and associated funding for universities that have a presence outside of the metropolitan regions so they can grow and perform a service function that does not sit with their current

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54 Professor Caroline McMillen, Vice-Chancellor and President, University of Newcastle, *Committee Hansard*, Newcastle, 2 November 2017, p. 19

55 Professor Robyn Eversole, *Submission 169*, p. 2.

56 Regional Universities Network, *Submission 79,* p. 10.

57 Professor Robyn Eversole, *Submission 169*, p. 2.

corporate models, that goes beyond their corporate model and public service?[58]

Case Study: Tas – University of Tasmania

A new, international cross-disciplinary project aimed at improving sustainable regional development outcomes in Australia and South America is being led by the University of Tasmania. Associate Professor Robyn Eversole, Director of the Institute for Regional Development, has received more than $50,000 in federal funding to establish the Sustainable Regions Applied Research Network (SRARN). SRARN brings together university researchers and academics from across Argentina, Australia and Chile and is supported by the Australian Government through the Council on Australia Latin America Relations of the Department of Foreign Affairs and Trade.[59]

5.98 Professor Eversole, also a member of the Committee's expert panel, proposes establishing Regional Development Centres within existing regional universities. Regional Development Centres are defined as:

> … place-based, cross-sector university units that work with communities and organisations in and beyond particular regions to create sustainable regional development outcomes.[60]

5.99 Drawing on international experience, Regional Development Centres have the following characteristics:

1. they are part of university infrastructure, located within an institution that gives them access to scientific and technical expertise across disciplines and globally;
2. they are part of regional community infrastructure, located 'in place' and able to draw on embedded local relationships and expertise across sectors and communities;
3. they deliver tailored teaching and research programs that are co-designed with regional partners, relevant to local industries and organisations, and inclusive of local knowledges (including Indigenous knowledges);

58 Professor Andrew Beer, *Committee Hansard*, Canberra, 28 March 2018, p. 2.

59 See: <www.utas.edu.au/students/student-news/university-academic-forges-international-links-for-regional-development>, viewed 20 March 2018.

60 Professor Robyn Eversole, *Submission 169*, p. 3.

4 they are resourced specifically to act as regional development catalysts and deliver impact, rather than being resourced solely for traditional academic activities;

5 centre directors are senior people based in the region, with considerable autonomy to co-design and co-deliver place-based solutions; and

6 centre staffing is generally small and comprises a mix of engaged academics and professional staff with strong cross-sector community links.[61]

5.100 Professor Eversole also sets out the type of activities that could be undertaken by Regional Development Centres:

- informing policy with local and academic knowledge;
- brokering linkages between universities' specialised capabilities and practical on-the-ground opportunities;
- leading cross-sector cross-disciplinary research and development initiatives to create innovative solutions; and
- offering relevant capacity development opportunities for regional leaders.[62]

5.101 The Committee acknowledges the importance of regional universities as pivotal to regional innovation, change and growth. It supports efforts to extend their capacity beyond education provision to being a more central driver of regional development. This is set out in Chapter 9.

Partnerships

5.102 Rural and regional Australia is ideal for fostering collaborative partnerships. A strong sense of community, shared priorities, and close government, business and community relationships position regional communities to mobilise regional development efforts.

5.103 Coordination and partnership between all three levels of government – Commonwealth, state and territory – and local – the private sector, and community groups – was promoted as pivotal to facilitating public and private investment in regional communities.

5.104 The more successful projects are those that can bring all key stakeholders to the table. This maximises the potential of available investment by pooling resources and directing them to significant projects. It also strengthens the

61 Professor Robyn Eversole, *Submission 169*, pp. 3-4.

62 Professor Robyn Eversole, *Submission 169*, p. 4.

likelihood of real action when all the key stakeholders have a collective willingness and commitment to invest in particular projects.

Case Study: International – Maastricht, The Netherlands

Professor John Cole observed that the Netherlands works corporately as a society to optimise their limited resources. The value of their exported agricultural produce is enhanced by value-adding further along the production process. Maastricht, for example, is an example of a place which has local government, businesses—including Global 500 businesses—leaders in complex technologies, and the universities working collectively.[63]

5.105 Ms Kathryn Woolley from the Orange City Council, explained this point:

> The airport project is a good example where the three tiers of government have worked very well together. We've had a $19 million expansion to our airport that enables us to land hundreds of jets in there now. That, for a regional airport, is really a big investment, and there was private sector and government investment in it. With that kind of forward planning and doing that in a collaborative sense, I think there's a real opportunity there, because it means we're not sprinkling the money in various places where, frankly, they probably won't survive.[64]

5.106 The advantage of partnership approaches is two-fold. First, it brings people together to generate ideas and determine a plan. Second, it brings people together who have the financial support to implement the plans.

5.107 The Committee consistently heard that the Commonwealth City Deals program is a good model for regional towns to work in partnership with key stakeholders, particularly government. This is discussed more fully in Chapter 6.

Case Study: Qld – Queensland Remote Area Planning and Development Board (RAPAD)

The Central Western Queensland Remote Area Planning and Development Board (RAPAD) was established in 1992 and is a regional development organisation and regional organisation of councils. It aims to foster, facilitate and promote the sustainable growth and development

63 Professor John Cole, *Committee Hansard*, Canberra, Monday, 7 August 2017, p. 9.

64 Ms Kathryn Woolley, *Committee Hansard*, Orange, 18 September 2017, p. 2.

in Central Western Queensland. RAPAD has been working with government and non-government stakeholders at the local, state and federal level.[65] In evidence to the Committee, Professor John Cole of Resilient Regions acknowledged:

RAPAD, the Remote Area Planning and Development Board, for example, in central western Queensland is probably one of the better examples of local, collective, shared activity with a strategic vision for a region. That is 12,000 people in an area the size of Germany, doing good things and recognising that they engage most effectively when they work together and they engage most effectively outside the region when they work as one.[66]

Resilience of communities

5.108 Regional communities that have the elements discussed in this chapter are more likely to succeed socially and economically. The combination of these factors creates a virtuous cycle from which regional growth and prosperity flow. These regional communities are also more likely to be resilient, and be able to withstand future challenges.

5.109 As outlined in Chapter 4, rural and regional Australia now operate in a modern connected world characterised by 'mega trends', uncertainty and change. Much of this change is outside the control of governments, let alone small regional communities.

5.110 For communities to prosper in this new environment, they must be able to manage and adapt to change. Communities need to be well placed to minimise any negative consequences of change. This point was highlighted in evidence to the Committee in Orange, where the local council acknowledged that the community was able to withstand the loss of jobs from the closure of a manufacturing company:

> We have proven we are a very, very resilient community. We've had some closures with changes to manufacturing in Australia, but our job growth has

65 See: <https://www.rapad.com.au/about/>, viewed 10 April 2018.

66 Professor John Cole, *Committee Hansard*, Canberra, Monday, 7 August 2017, p. 3.

> been good. It might have flattened us for 12 months, but we keep going and going.[67]
>
> …our largest employer, Electrolux, closed, and the council's specific jobs-growth strategy has meant that our unemployment rates are actually really low. So we've managed. That was an impact of about 540 direct jobs and about 800 indirect jobs in one go, and the unemployment stats are showing that we have filled some of those sorts of jobs, and we haven't seen what you would expect in a structural adjustment like that. A major spike in unemployment didn't occur.[68]

5.111 In order to manage and adapt to change, communities need to know what change is occurring. The Committee heard from the Hunter Research Foundation Centre that change resulting from specific events can be measured by sets of publically available data. The Hunter Research Foundation Centre was funded to look at the social and economic changes in Queensland towns after investment in coal seam gas development.

5.112 Professor Will Rifkin explained to the Committee the negative and positive effects on the town of Chinchilla as shown by rental costs, drug offences, number of businesses and wage and salary earnings. This information can then be used to inform future decisions:

> We took our results back and looked at whether we ticked the box and captured their story. Then we represented this to the industry and the state government. So it helps people in capital cities to understand what they're hearing from the regions. Within about a month of launching this website, it was being used by the managing directors of the gas companies.[69]

5.113 This information will show not only how a region tends to respond to change, but can also be a tool for creating a shared strategy. Professor Rifkin explained how the process of measurement can bring together the varying stakeholders, by requiring alignment of values and aims:

> One of the ways to get them aligned is to have them agree on how to measure what's going on and how to measure the changes that are occurring. That's an

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67 Mr Garry Styles, General Manager, Orange City Council, *Committee Hansard*, Orange, 18 September 2017, p. 5.

68 Ms Kathryn Woolley, Director, Corporate and Commercial Services, Orange City Council, *Committee Hansard*, Orange, 18 September 2017, p. 5.

69 Professor Will Rifkin, Director and Chair in Applied Regional Economics, Hunter Research Foundation Centre, Faculty of Business and Law, University of Newcastle, *Committee Hansard*, Newcastle, 2 November 2017, p. 3.

> initial step. So rather than getting them to agree on what to do, get them to agree on what they're measuring. It's called shared measurement and it emerged out of the shared value movement in business and corporate social responsibility.[70]

5.114 The Committee was told that the most important thing governments can do to help build resilient regions, is to support communities to help themselves. In its submission to the inquiry, the Institute for Resilient Regions noted:

> If there are to be resilient regions, government should not do for us what we can do ourselves – individually or by working together cooperatively and collaboratively. Personal responsibility, private sector initiative and innovation and civic-mindedness are the attitudes and behaviours of social and economic resilience.
>
> …the most constructive thing to be done by government in regional development will be to help our regions challenge themselves, think new things, explore possibilities unimagined and renew on their own particular pathways to the future.[71]

5.115 The Institute of Resilient Region's submission is consistent with the prevailing view shared by regional communities with the Committee. Rural and regional communities do not want to be 'saved' by government or given a hand out. For example, some witnesses stressed to the Committee:

> [In Tasmania] In the first instance, we're not asking for government to do anything for us. We're prepared to do [that] for ourselves; we're looking to the government to assist us to achieve what we want to achieve. I think we've been our own enemies and have been at fault ourselves by relying others to try to fix out problems.[72]
>
> [In Western Australia]…we took the view in Kalgoorlie-Boulder that we really had to be strong in ourselves. We had to be independent again. We had to develop a program that would look at development on an economic basis ourselves.'[73]

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70 Professor Will Rifkin, *Committee Hansard*, Newcastle, 2 November 2017, p. 4.

71 Institute for Resilient Regions, *Submission 166*, p. 9.

72 Mr Brett Smith, Chief Executive Officer, Cradle Coast Authority, *Committee Hansard*, 11 October 2017, p. 7.

73 Mr John Walker, Chief Executive Officer, City of Kalgoorlie-Boulder, *Committee Hansard*, 31 October 2017, p. 2

> [In Queensland] Imagine a regional community in distress where local leaders decide to start seeking solutions rather than asking government to fix it and working from within their own community to develop an idea that responds to local values, aligns with government policy and is attractive to corporate investors. This is what the application of the Regional Solutions framework has created for Highfields and other regional communities.[74]

5.116 The Committee is proud of Australia's rural and regional communities, and in particular the attitude of people living and working in these areas. It was clear to the Committee that these communities want to be supported to set their own direction and develop their own solutions.

Investment in regions

5.117 The Committee acknowledges that investment in rural and regional communities is four-fold. The first is investment that maintains the infrastructure of towns and cities and provides a basic level of universal services. For example, investment in roads, education and training, information technology, and recreation facilities. This is investment that maintains the status quo of an area.

5.118 The second is catalytic investment, which drives development and growth and leads to further investment. For example, the presence of an airport, hospital or university, or government department. These investments can set off a chain of related outcomes including population growth, education and employment opportunities, improved social and cultural capital, and related infrastructure investment. All of which can markedly influence the economic and social prosperity of regional towns.

5.119 The third is investment in capacity building of our rural communities particularly education and training and leadership development.

5.120 The fourth is investment in human capital; the employment of people to design and deliver services in rural communities. This investment provides the greatest opportunity for government decentralisation policy.

5.121 Highlighted below are three examples of successful regional towns that have benefited from public and private catalytic investment. They are Toowoomba, Orange and Geelong.

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74 Mr Robert Prestipino, *Committee Hansard*, 13 March 2018, p. 22.

Toowoomba

5.122 Toowoomba finds itself in the enviable position of possessing intergenerational wealth, partly driven by its location and historic economic development based on timber, coal and grains production. Indeed:

> Growth took place during the late 1800s, with land also becoming used for cereal growing and dairy farming, with some timber-milling in the northern areas, and some coal mining. Growth took place through to the early 1900s, particularly along the railway lines. More substantial development took place from the post-war years, with the population of the Council area growing… to 92,000 in 1976. Significant development occurred from the 1980s, with the population rising from about 95,000 in 1981… to about 149,000 in 2011.[75]

5.123 In more recent times, Toowoomba also finds itself the beneficiary of private investment by the Wagner family – a local family with significant business interests in the Toowoomba region. The Wagners led the drive towards establishing a regional airport.

> But we're seeing significant private investment, which is a clear indication to me that judgements have been made by people with money to invest. Look at the likes of Wellcamp airport, which currently has 80 flights a week, including one freight flight going into Hong Kong. Look at the Pulse Data Centre, which, once again, is a local investment company. Wellcamp airport, of course, has been funded by the Wagner family. Nobody's public money has gone into that. Look at the QIC development, which is just over here beside us and which is the biggest shopping centre built by QIC, who are a significantly capable investment group. It's the biggest shopping centre built in a regional capital. We have New Hope's Acland coalmining, which certainly keeps the rail line going with about seven million tonnes per year making its way to the Port of Brisbane.[76]

5.124 Toowoomba airport is an excellent example of private, catalytic investment that has produced positive business investment.

5.125 Public investment has also helped facilitate this private investment, and contributed to Toowoomba's development more generally. For example, Toowoomba will be the beneficiary of further public investment in the Melbourne to Brisbane Inland Rail project. A 126 kilometre section of rail

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75 'Toowoomba Regional Council economic profile', <https://economy.id.com.au/toowoomba/about>, viewed 26 March 2018.

76 Councillor Richard Antonio, Mayor, Toowoomba Regional Council, *Committee Hansard*, Toowoomba, 13 March 2018, p. 2.

from Toowoomba to Kagaru, including large scale tunnelling, will be delivered through a public/private partnership.[77]

Orange

5.126 Orange is a success story, having re-invented itself over the past few years and attracted new investment. Mr Garry Styles from the Orange City Council, spoke to the Committee about their methodology. It included placed-based approaches and a mix of public and private sector employment:

> Orange is an example where you can see successful investment in decentralisation from both a government and a private sector perspective. In terms of what we view as best practice approaches, we take a locational preference approach in building those factors that make us attractive for the location of businesses, the creation of jobs. Our community has steady growth and a very good spread across the demographic, with a bit of a bias towards younger children, which tends to indicate that we've got a lot of job based growth.
>
> On locational preference factors, we refer to the economic capacity and infrastructure, whether it be from a federal perspective, telecommunications, or roads and transport, and the amenity of the area if you're starting to look at decentralisation and supporting workforce. We have a very strong and diverse range of skills in our town. I think that has arisen because of, in part, the investment in public sector employment here as well as what we see from the business sector.[78]

5.127 As a result, the tourism and health sectors have been growing. The liveability of the town has attracted more people and lifted the permanent population.[79]

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77 '$20 billion investment in rail', *Media Release*, 9 May 2017, the Hon Darren Chester MP, <http://minister.infrastructure.gov.au/chester/releases/2017/may/budget-infra_03-2017.aspx>, viewed 27 March 2018.

78 Mr Garry Styles, General Manager, Orange City Council, *Committee Hansard*, Orange, 18 September 2017, p. 1.

79 'Orange economy growth thanks to young professionals keen to escape the city', *ABC website*, 23 June 2016, <http://www.abc.net.au/news/2016-06-22/orange-economy-grows/7533420>, viewed 27 March 2018.

Geelong

5.128 The city of Geelong is a successful case study of decentralisation with the creation of a specialised hub for social insurance. The Transport Accident Commission, WorkSafe Victoria, the National Disability Insurance Agency and the Australian Bureau of Statistics Data Acquisition Centre have all been relocated to or were established in Geelong.

5.129 Three levels of government, working with industry, have made significant investment into Geelong to drive decentralisation success. Geelong's size, proximity to Melbourne, labour force reach and infrastructure and services, provide, in the City of Geelong's view, solid advantages and opportunities.

5.130 The City of Geelong believes that the relocation to Geelong of the Transport Accident Commission, and more recently WorkSafe and the establishment of the National Disability Insurance Agency have been catalysts for lifting Geelong's profile and credentials as a social insurance hub.[80] It argued:

> Given Geelong's strong social insurance eco system, there is merit in exploring the potential national and regional benefits of an agency such as Comcare being earmarked as an ideal fit for Geelong (Canberra headquarters and Melbourne based office). Geelong has the expertise, benefit of experience, talented labour force, lifestyle advantages and the supporting infrastructure to make such a relocation successful.[81]

5.131 Having previously been a manufacturing centre, Geelong has successfully transformed itself and continues to seek opportunities for further development.

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80 City of Geelong, *Submission 126*, p. 4.

81 City of Geelong, *Submission 126*, p. 19.

6. Framework of Regional Development

6.1 This chapter describes the current framework of regional development in Australia. It also discusses two Commonwealth programs raised consistently in evidence – the City Deals program, and the Regional Development Australia (RDA) network.

Commonwealth Government

6.2 The current framework for rural and regional development in Australia is complex and interrelated. It includes different levels of government, funding programs, partnerships, and eligibility criteria.

6.3 For example, the framework of regional development in Australia contains a myriad of small to medium to large size projects aimed at improving community amenity and facilities, providing essential services such as education, training, health, and community services, and building significant infrastructure such as airports, roads, rail and the NBN. These projects vary from short to long term, and range from closely targeted to very flexible. They have differing funding cycles, timeframes and criteria.

6.4 The current framework also includes a variety of investment and partnerships with any or all of the three tiers of government, as well as the private and community sector.

6.5 At the Commonwealth level, the Department of Infrastructure, Regional Development and Cities has primary responsibility for policies and programs relating to rural and regional Australia. Some current key programs and initiatives administered by the department include the:

- Building Better Regions Fund;
- Regional Growth Fund;
- Regional Jobs and Investment Packages;
- Stronger Communities Program; and
- Community Development Grants Fund.[1]

6.6 While the Department has specific portfolio responsibility to support regional development and local communities, all Commonwealth departments and agencies develop and administer policies that directly affect the development and growth of regional Australia; for example, education, health, employment, home affairs, defence and treasury.

6.7 This report does not provide an exhaustive list of these policies and programs. It does however discuss two key programs that were consistently raised in evidence as being directly relevant to regional communities – City Deals and RDA.

City Deals

6.8 City Deals are a long term, place-based approach to driving economic and social development in cities across Australia. The program was introduced in 2016 by the Turnbull Government.

6.9 City Deals offer a bespoke model of infrastructure funding and delivery by bringing together the three levels of government, the community and private sector. The program aims to align 'planning, investment and governance' to drive, among other things, economic growth, employment, affordable housing, urban renewal and environmental sustainability. It aims to 'secure the future prosperity and liveability of Australia's cities'.[2]

6.10 As a bespoke model, the program's funding is tailored to suit local circumstances, objectives and opportunities. To date, the Commonwealth Government has entered into six City Deals with Townsville, Launceston, Hobart, Western Sydney, Darwin and Geelong. Some of these City Deals have been negotiated with larger regional cities.

6.11 City Deals represent the type of arrangement that rural and regional communities have been advocating as fundamental to drive regional

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1 For more information about the Department of Infrastructure, Regional Development and Cities, see: <http://regional.gov.au/>, viewed 28 March 2018.

2 For more information, see: *City Deals* at <https://cities.infrastructure.gov.au/city-deals>, viewed 28 March 2018.

development across Australia. That is, a partnership approach that is strategic, long term, place-based, and supported by key stakeholders.

6.12 The Committee is aware that the City Deals program is open to all Australian towns and cities. While there are no strict eligibility criteria to apply for a City Deal, the Department of Prime Minister and Cabinet offers the following three criteria for maximising success:

> **Willing and capable partners:** The jurisdictions involved need to be willing and able to negotiate and deliver a City Deal. All levels of government must dedicate the resources needed for effective negotiation and implementation, as well as the political capital to drive difficult reforms and investments in the long-term interest of the City.
>
> **Opportunities to unlock economic potential and transform the City:** There must be real opportunities to unlock economic potential in the City. City Deals are best suited to improving larger complex economic systems rather than simply providing an area assistance package.
>
> **Alignment with broader investment and policy priorities:** City Deals should leverage government investment to further national policy goals, such as economic reform, rather than simply improving one location.[3]

6.13 In her evidence to the inquiry, Ms Catherine Murdoch, from the Office of Coordinator General in Tasmania, told the Committee that having a direct line to Canberra, and aligning policy between the three levels of government was the 'greatest outcome' of the City Deal in Launceston:

> Because I now have the City Deal, we are able to have these conversations at all the right levels. You'll notice that there are a lot of apprenticeships identified in here and new jobs through the university. …We had a meeting between the federal Department of Employment and Education, Skills Tasmania, our Department of Education, the Launceston Chamber, me and the councils about how, collectively, we're going to pull all of our programs together to achieve that.
>
> So for me the City Deal is actually about policy alignment. That is its greatest outcome, because of those relationships that will be built, those conversations that we can now have because we have a mandate to collaboratively work together. I am a big fan. I think it's been missed sometimes because you're looking at the infrastructure. They may seem a little mundane in here, but all

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[3] See: *Delivering City Deals* fact sheet: <https://s3-ap-southeast-2.amazonaws.com/ehq-production-australia/f0ed0033fc68b40c4e159571f9c1c06d28263535/documents/attachments/000/064/895/original/Att_A_-_City_Deal_Process_Fact_Sheet.pdf?1508278056>, viewed 28 March 2018.

> the initiatives are going to take us over the next five years—all three levels of government coming together across policy. It is going to be a whirlwind five years. I honestly can't wait to see the results.[4]

6.14 It was a sentiment shared across the country. Rural and regional towns would like to enter into City Deals to facilitate the development and growth that regions have themselves identified.

6.15 At its hearing in Newcastle, the Committee heard how City Deals not only benefit those areas where the components of the City Deal are located, but the region as a whole. Mayor Bob Pynsent and Mr Stephen Glen from Cessnock City Council explained:

> I think that the greatest opportunity that we have as a local government area is the concept of the city deal that the chair referred to before. We're part of the proposal with the implementation of the regional plan. We're one of the five councils, there being Newcastle, Port Stephens, Lake Macquarie, Cessnock and Maitland as part of that. That is a great opportunity for all levels of government to work together for the benefit of the wider Hunter region.[5]

> I would just add that the city deal is important. Whilst there might be some suggestions of activities within that city deal, they may not relate directly to the Cessnock LGA. But they would relate to the area as a whole, and the Cessnock LGA would benefit from whatever happens in the other areas as well. So, it's about the whole region—those five council regions. That's what we see as really important.[6]

6.16 The Launceston City Deal in particular is a very positive story and one which stands as an example on how such deals can be successfully implemented. It's not just about funding, but policy alignment and cooperation with the City Deal acting as the catalyst:

> I think the city deal is the absolute catalyst. And, by going through it, we've realised—all of us—the benefit of actually aligning and working together. I think some sectors are better and more used to it. In education and employment, I do believe there is that conversation between the state and the federal government. I think what this city deal does for them is actually give

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4 Ms Catherine Murdoch, Director from the Office of Coordinator General in Tasmania, *Committee Hansard*, Launceston, 10 October 2017, p. 3.

5 Councillor Bob Pynsent, Mayor of Cessnock, *Committee Hansard*, Newcastle, 2 November 2017 p. 15

6 Mr Stephen Glen, General Manager, Cessnock City Council, *Committee Hansard*, Newcastle, 2 November 2017 p. 15

> them a project to proactively work on together to demonstrate the alignment and be able to pull in new businesses and things around how they can work together.[7]

6.17 New City Deals and Regional City Deals can be built on the lessons learnt through the experience of Launceston and elsewhere.

Competitiveness

6.18 Notwithstanding the benefits of City Deals, the Committee heard that Commonwealth funding processes can have the unintentional consequence of creating competition rather than collaboration between regions.

6.19 Ms Leah Sertori from Be.Bendigo highlighted this point when explaining the importance of regions sharing 'knowledge, skills and capability' to develop a regional strategy:

> The barriers to that at the moment are a competitive bid environment with the Commonwealth. Just as an example, the way in which the City Deals have been floated by the Commonwealth creates a competitive tension between, say, Bendigo, Ballarat, Geelong and Albury. We're not going to share our intellectual property with a competitor at a time when we're seeking investment to get something off the ground. So I think being mindful of the culture that Commonwealth programs unintentionally influence is also important.[8]

6.20 The Committee recognises this as an unintentional consequence of any program offering targeted funding to regions and communities.

Regional Development Australia committees

6.21 RDA was established in 2012 by the Gillard Government as a network of 55 (now 52) RDA Committees across the country. The program brings together all levels of government, the private sector and community groups to support the development of Australia's regions.

6.22 RDA Committees are made up of local leaders who work with the three levels of government, as well as with business and community groups, to support the economic development of their regions. The New RDA Charter,

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7 Ms Catherine Murdoch, Director from the Office of Coordinator General in Tasmania, *Committee Hansard*, Launceston, 10 October 2017, p. 4.

8 Ms Leah Sertori, Chief Executive Officer, Be.Bendigo, *Committee Hansard*, Bendigo, 9 October 2017, p. 5.

which was released in August 2017 by the then Minister for Regional Development, Senator the Hon Fiona Nash, states:

> RDA Committees have an active and facilitative role in their communities and a clear focus on growing strong and confident regional economies that harness their competitive advantages, seize on economic opportunity and attract investment.
>
> Working in close partnership with fellow RDA Committees, all levels of government, and the private sector, RDA Committees will:
>
> 1 collaborate with relevant stakeholders to identify economic opportunities and leverage private and public sector investment to the regions;
>
> 2 connect regional businesses, councils and industry sectors with international trade partners, financial markets and potential investors;
>
> 3 promote and disseminate information on Australian Government policies and grant programs to state and local governments and industry, business and community sectors;
>
> 4 support community stakeholders to develop project proposals to access funding;
>
> 5 develop and maintain positive working relationships with the local government bodies in their regions;
>
> 6 facilitate public and private sector decentralisation;
>
> 7 assist in the delivery of Australian Government programs, where relevant and where requested by the Minister;
>
> 8 engage with regional entrepreneurs and emerging business leaders to explore new opportunities to grow local jobs in their regions;
>
> 9 provide information on their region's activities and competitive advantages to all levels of government, industry, business and community sectors; and
>
> 10 provide evidence-based advice to the Australian Government on critical regional development issues positively and negatively affecting their regions.[9]

6.23 Each RDA Committee is guided by a locally developed regional plan which outlines the priorities for that area. The effectiveness of RDAs to drive local and regional development is dependent on a number of factors, including the:

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[9] Department of Infrastructure and Regional Development and Cities website, <https://rda.gov.au/files/Charter-for-RDA-20170816.pdf>, viewed 4 April 2018.

- skills, experience and drive of staff engaged by the RDA;
- resourcing available to RDAs to implement plans; and
- the capacity of RDAs to establish and maintain productive partnerships with key stakeholders.

RDA performance – mixed success

6.24 The Committee received evidence from seventeen RDAs across Australia – either in writing or in evidence provided at public hearings. The performance of some RDAs has been strong.

6.25 RDA South West (RDA-SW) from Western Australia listed some of its successes in its submission:

> … RDA-SW has become skilled at developing partnerships, since it does not have the funding to do anything independently. For example, RDA-SW is a significant contributor to funding the South West (WA) China Business Office (with five other partners); an independent NBN Advisor service (with three other partners); and, a subregional tourism strategy (with 10 other partners).
>
> … Regional services in some states are a co-operation between the Commonwealth and State Government, but in Western Australia RDAs stand apart from the WA Development Commissions. To rectify the problem, RDA-SW and SWDC have jointly prioritised and worked together to produce an investment blueprint that has yielded more than $300m in infrastructure funding over the past three years.
>
> A great deal of the successes that have been achieved have been down to what has occurred at the grassroots level – goodwill, significant trust, a common vision, full collaboration and parked egos.[10]

6.26 RDAs have assisted regional businesses and, through them, regional development. An example from South Australia describes coordinating assistance for the unemployed:

> …we run the jobs for Murraylands program, which is in its second year and having unbelievable results. What we have is an unavailable workforce. People who are unemployed may have generational unemployment issues in their families, and they need specific help. They need to be able to have an integrated program to help them get a job. The program that we've been running now with the benefit of some state government funding is a 16-week program. We've got federal government approval in terms of an approved

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10 Regional Development Australia – South West, *Submission 16*, p. 4.

> provider, so we're not actually competing against Work for the Dole. Very much up front, people are given resilience training in terms of how you actually turn up for work every day, and the importance of those soft skill sets is just so critical.[11]

6.27 It must also be noted that despite some success by the RDAs, they have also attracted criticism. Some of the feedback shared with the Committee included:

- the lack of an overarching framework guiding the operation of RDAs;[12]
- RDAs are politically contrived, reflecting neither the regional economies nor regional communities and there are too many of them;[13]
- RDAs lack adequate resourcing;[14] and
- RDAs experience administrative uncertainty.[15]

6.28 The Committee received evidence on the lack of consistent benchmarks across the 52 committees. Representatives from RDA Murraylands commented:

> We benchmarked ourselves against our buddies—we did that internally—but we know because we used ABS census data so we had an absolute stick because what we need to do is be able to measure again our progress. That's the most important piece. We also had a quick look interstate—into Victoria and New South Wales—and neighbouring RDAs to see what they were doing, and there was some really interesting stuff happening out of those areas. However, it would be fabulous to be able to have those benchmarks, especially when you have like-minded regional economies across Australia.[16]

6.29 RDA South-West, notwithstanding its successes, noted that 'RDAs often stand as very small and poorly-funded operations' despite being expected to be the government 'brand' for its regional engagement.[17]

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11 Ms Jo Podoliak, Chief Executive Officer, Regional Development Australia – Murraylands and Riverland, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 9.

12 Ms Jo Podoliak, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 14.

13 Professor John Cole, OAM, Executive Director, Institute for Resilient Regions, University of Southern Queensland , *Committee Hansard*, Canberra, 28 March 2018, p. 14.

14 Ms Julia Andrews, Executive Officer, Regional Development Australia – Central West, *Committee Hansard*, Orange, 18 September 2017, p. 10.

15 Regional Development Australia – Far North, *Submission 100*, p. 6. This section refers specifically to the newly created position of 'Director of Regional Development'.

16 Ms Jo Podoliak, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 14.

17 Regional Development Australia – South West, *Submission 16*, p. 13.

6.30 RDA Loddon Mallee was critical of the government's lack of utilisation of the RDA network:

> The Commonwealth Government does not utilise their network of RDAs to hear what issues or opportunities might exist in each region. The regional voice is not being heard in Government and as a result there is little empathy for the aspirations of a region, and little ability to impact decision making.[18]

6.31 Finally, the Committee was given the strong impression that RDAs are working better and more effectively in some states and territories than others. Mr Bryan Gray, from RDA Darling Downs and South-West Queensland, commented:

> … there is no official relationship between the state and the Queensland RDA. So the model in our state is different. I think the state government has pulled out of that model in New South Wales as well. South Australia, to us, is always the pre-eminent role and the model we look to in RDA. However, we do work with predominantly our local governments and we do work with our state government. But, as I touched on before in terms of infrastructure funding, there's no communication.[19]

> … we've got a nation that is disjointed in terms of the RDA model. There is a very effective one in South Australia and in Victoria, where it all began, but in Queensland we are under-resourced.[20]

RDA reform

6.32 An independent review of the effectiveness of the RDA program was commissioned by the then Minister for Regional Development, Senator the Hon Fiona Nash, in September 2016. The report and government response were published in December 2016[21] and August 2017[22] respectively.

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18 Regional Development Australia – Loddon Mallee, *Supplementary Submission 125.1*, p. 1.

19 Mr Bryan Gray, Executive Officer, Regional Development Australia, Darling Downs and South-West Queensland, *Committee Hansard*, Toowoomba, 13 March 2018, p. 12.

20 Mr Bryan Gray, *Committee Hansard*, Toowoomba, 13 March 2018, p. 14.

21 The Hon Warwick Smith AM, *Independent Review of the Regional Development Australia Programme, Final Report*, 12 December 2016, <http://regional.gov.au/regional/publications/files/Final_Report-RDA_Independent_Review_12_December_2016.pdf>, viewed 25 January 2018.

22 'Australian Government Response to the Independent Review of the Regional Development Australia Program', <http://regional.gov.au/regional/publications/files/Australian_Government_response_to_the_Independent_Review_of_the_RDA_program.pdf>, viewed 25 January 2018.

6.33 The independent review recommended the government 'cease Regional Development Australia programme operations on 30 June 2017' in favour of new arrangements.[23] A similar recommendation was made by the Productivity Commission in December 2017 when it said the government should 'abolish' the program.[24]

6.34 The government did not support the recommendation of the 2016 review. Rather, reforms were introduced to strengthen the program, and extend funding for RDA Committees to 31 December 2020.

6.35 A number of RDA program reforms were announced on 18 August 2017. The key reforms are:

- RDA Committees will operate under a new charter that focusses their work on facilitating economic development by creating local jobs, attracting investment and driving innovation;
- the four Melbourne RDA Committees will be consolidated into one, consistent with other capital city RDA Committees. The existing boundaries of all other RDA Committees are expected to be maintained;
- geographic coverage of the RDA network will be expanded to the external territories of Christmas, Cocos (Keeling) and Norfolk Islands and Jervis Bay Territory;
- a more rigorous merit-based RDA Chair, Deputy Chair and Committee member appointment process will be implemented; and
- new performance measures will be established to ensure that the outcomes of RDA Committee activities are properly monitored and measured.[25]

6.36 Each RDA Committee will also have a dedicated Director of Regional Development with direct responsibility for delivering the objectives and outcomes required under the RDA charter. The role will be covered by existing funding provided by the Commonwealth Government.[26]

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23 The Hon Warwick Smith AM, *Independent Review of the Regional Development Australia Programme*, Final Report, 12 December 2016.

24 Productivity Commission, *Transitioning Regional Economies, Study Report,* 15 December 2017. See: <http://www.pc.gov.au/inquiries/completed/transitioning-regions/report>, viewed 29 March 2018.

25 'RDA reform', Regional Development Australia website: <https://rda.gov.au/review/>, viewed 3 April 2018.

26 'RDA reform', Regional Development Australia website: <https://rda.gov.au/review/>, viewed 3 April 2018.

6.37 The Committee acknowledges the limitations and challenges of the RDA program as presented in the evidence. It also acknowledges the response of the government to reform the program.[27]

6.38 Nonetheless, the Committee supports the RDA program, and the network of RDA Committees that is already in place. The Committee sees the potential of RDAs to have a more specific and focused role, particularly in identifying local priorities, attracting catalytic investment, and coordinating the Regional City Deals process. This is discussed further in Chapter 9.

[27] See: Department of Infrastructure, Regional Development and Cities, *Australian Government Response to the Independent Review of the RDA Program*, <http://regional.gov.au/regional/publications/australian_government_response_rda_program.aspx>, viewed 29 March 2018.

7. Decentralisation of Commonwealth Entities

7.1 This chapter discusses the decentralisation of Commonwealth entities. It provides a brief overview of the Australian Public Service (APS), and the Australian Government's current decentralisation program. Key factors for relocating Commonwealth agencies to rural and regional areas are also discussed.

Background

7.2 The APS was established in 1901, at federation, and consists of Commonwealth Government departments and agencies where staff members are employed under the *Public Service Act 1999.*

7.3 The functions of the APS are broad, giving effect to the responsibilities of the executive government. This includes policy development and advice, revenue collection, and the provision of Commonwealth Government programs and services.

7.4 As at 31 December 2017, the APS consisted of 105 separate agencies. A list of these can be found at Appendix E.

7.5 As at 30 June 2017, there were 152,095 people employed in the APS under the *Public Service Act 1999*. This includes staff engaged on an ongoing and non-ongoing basis.[1]

[1] Australian Public Service Commission, *Australian Public Service State of the Service Report 2016-17,* Canberra, November 2017, p. 5.

7.6 Over half (57 per cent) of all APS staff are employed by four Commonwealth Government agencies:

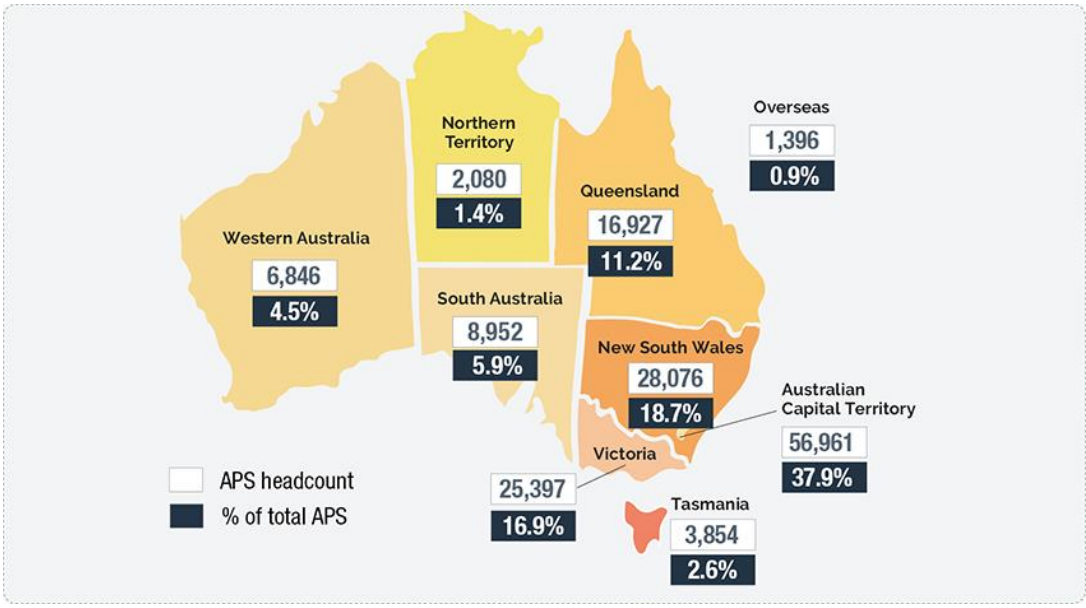
- the Department of Human Services (22.4 per cent);
- the Australian Tax Office (13.6 per cent);
- the Department of Defence (12.1 per cent); and
- the Department of Immigration and Border Protection (9.1 per cent).[2]

7.7 The employment figures do not include contractors, staff hired through a labour hire firm, or members of the Australian Defence Force.

Geographic footprint

7.8 The Australian Capital Territory (ACT) has 37.9 per cent of the total APS workforce. This is followed by New South Wales (18.9 per cent) and Victoria (16.8 per cent). Figure 7.1 provides a break- down of APS employees by state and territory.

Figure 7.1 Location of APS workforce by state/territory, 31 December 2017



Source: Australian Public Service Commission Statistical Bulletin December 2017

7.9 Only a small percentage of APS employees are located outside the metropolitan areas of each state and territory. The state with the highest

[2] The Department of Immigration and Border Protection is now the Department of Home Affairs, as established on 20 December 2017.

proportion of APS employees in regional areas is New South Wales, with six per cent. The lowest is South Australia, with only 0.2 per cent.[3]

7.10 The proportion of APS employees in regional areas has remained largely constant over the past ten years; rising from 13.38 per cent in 2007 to 14.13 per cent in 2017.[4]

7.11 Most of the senior positions in the APS are located in Canberra. As at December 2017, 1,959 of the 2,078 Senior Executive Service (SES) Bands 1 – 3 were in Canberra. Of the 37,292 Executive Level (EL) 1 – 2 staff, 22,024 (59%) were in Canberra.[5]

History of Commonwealth decentralisation

7.12 The earliest example of Commonwealth decentralisation in Australia is the establishment of Canberra as the nation's capital and seat of federal Parliament. In its submission, the ACT Government states:

> The Australian Capital Territory was established on the traditional land of the Ngunnawal people on 1 January 1911, as a political, regional and geographic compromise between Sydney and Melbourne.
>
> Canberra itself is the single greatest example of a successful decentralisation model, unparalleled anywhere in the world.[6]

7.13 The Australian Constitution provides for the establishment of a territory 'not less than one hundred miles from Sydney' as the seat of the Commonwealth Government.[7] Following completion of (Old) Parliament House in 1927, the Commonwealth Government moved from Melbourne to its new seat in Canberra. Over the next several years, the Commonwealth public service also relocated from Melbourne to Canberra.

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3 Australian Public Service Commission, *Australian Public Service Statistical Bulletin 2016-17*, Canberra, September 2017, p. 34.

4 Australian Public Service Commission, *Australian Public Service Statistical Bulletin 2016-17*, Canberra, September 2017, p. 36.

5 Australian Public Service Commission, <http://www.apsc.gov.au/__data/assets/excel_doc/0012/103080/Master-Version_December-2017-tables.xlsx>, viewed 29 March 2018.

6 ACT Government, *Submission 156*, p. 2.

7 Section 125, Seat of Government, Australian Constitution, <https://www.aph.gov.au/About_Parliament/Senate/Powers_practice_n_procedures/~/link.aspx?_id=C35446C31199453CA339251CE317C7B1&_z=z#chapter-07_125>, viewed 10 May 2018.

7.14 Today, most Commonwealth Government departments and agencies are in Canberra, although some agencies have since re-located out of the Australian Capital Territory. Examples of Commonwealth decentralisation out of Canberra are at pages 14 – 16 of the Committee's Issues Paper.

7.15 Many Commonwealth Government organisations have a decentralised workforce, with employees based at locations around Australia. These include the Departments of Defence[8] and Human Services, the ATO and the Treasury. In all these examples, the head office and most of the senior staff are located in Canberra.

7.16 Decentralisation in this chapter refers to a complete relocation; where a department or agency–including the head office–is moved from a capital city to a regional area.

Current decentralisation program

7.17 As set out in the Committee's Issues Paper, the Commonwealth Government embarked on a decentralisation program in early 2017.

7.18 The rationale for the program was to provide people in regional and rural communities with opportunities to access secure, well paid, public sector jobs, and to enjoy the benefits that flow from the presence of a Commonwealth department or agency in the region.

7.19 In announcing the government's policy, the then Minister for Regional Development said:

> Moving government functions to the regions means more people in our towns, more customers in our shops, more students in our schools, and more volunteers for the local fire brigade.
>
> … It's important for government to lead by example and invest in rural, regional, and remote Australia, creating long-term careers and breeding confidence in those communities...[9]

7.20 All portfolio Ministers were asked to report to Cabinet by August 2017 on which of their departments or functions are suitable for a regional move. More substantial business cases were required by December 2017.

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8 Department of Defence, *Submission 172*, p. 5.

9 Senator the Hon. Fiona Nash, Media Release, 'Coalition begins decentralisation process', April 2017, <http://minister.infrastructure.gov.au/nash/releases/2017/April/fn054_2017.aspx>, viewed 4 April 2018.

7.21 The Committee requested further information from the Minister for Regional Development on the progress of this program. In his response, Minister McVeigh advised the Committee that 'Ministers are working through a structured process to determine the most suitable entities and functions for decentralisation from their portfolios, and the most suitable locations to host them'. Minister McVeigh also advised that 'the Australian Government will announce further decentralisation initiatives throughout 2018'.[10]

7.22 The Committee notes the decentralisation announcements made as part of the 2018-2019 budget.

Advantages of decentralisation

7.23 The purpose of decentralisation is two-fold:

- to facilitate better government through the improved provision of services and development of policy; and
- to create social and economic opportunities for communities.

7.24 The Committee's Issues Paper sets out some of the benefits of decentralising government agencies. It noted that in addition to addressing population imbalance and providing employment opportunities in the regions, decentralisation of government sector jobs may:

- bring government services closer to the people;
- better align government agencies to specialist regional areas and resources;
- tap into specialist skills and experience of people living in regional areas; and
- reduce operating costs for government.

7.25 It is the Committee's view that public sector jobs should be more widely distributed throughout the country, particularly in rural and regional areas. Furthermore, Australians should not be prevented from joining the public service or having access to government career opportunities because of where they live.

7.26 A collateral advantage of decentralisation is reducing the congestion and population pressure on capital cities. Increased population creates a cost. The Australian Infrastructure Audit 2015 identified:

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[10] Correspondence from Minister for Regional Development Dr John McVeigh, received 31 May 2018.

> … capacity constraints along the [M80] corridor as a significant problem, and found that, without additional investment, the annual cost of congestion along the corridor is projected to grow from $86 million in 2011 to $161 million in 2031.[11]

7.27 Centroc, in its submission to the inquiry also identified $16.1 billion in 'avoidable cost[s] of congestion in Australia's capital cities'[12] while Latrobe City Council identified a $53 billion congestion bill.[13]

7.28 There is general agreement with the principle of Commonwealth decentralisation. However, the Committee's support is qualified. Any decentralisation has to balance the benefits of decentralisation with the requirement for efficient government.

7.29 Many people who gave evidence to the inquiry told the Committee they did not expect whole government departments or agencies to be 'picked up and moved' to a regional town. For example, Ms Crisp from Spencer Gulf Cities said:

> We often find that there are some pretty big myths about decentralising the public service. From our perspective in Spencer Gulf Cities, this is not necessarily just about picking up a whole department and plonking it somewhere else. Some of the successful examples globally point to starting small and being pretty niche in some ways about how you do that.[14]

7.30 The Committee heard consistent evidence on the need for considered, strategic decision making supported by a long term commitment.

Timing of decentralisation decisions

7.31 The Committee heard that any successful decentralisation strategy should also include *when* to consider decentralisation.

7.32 The Committee's attention was drawn to the decentralisation model used in Scotland. This includes the points which trigger consideration of relocation, such as when:

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11 Infrastructure Australia, *Infrastructure Priority List, Australian Infrastructure Plan, Project and Initiative Summaries*, March 2018, p. 30.

12 Centroc, *Submission 81*, Attachment 2, p. 2. Centroc cites this figure from the Regional Australia Institute Report, *Deal or No Deal*.

13 Latrobe City Council, *Submission 20*, p. 4.

14 Ms Anita Crisp, Executive Officer, Upper Spencer Gulf Common Purpose Group, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 36.

- a new unit, agency or organisation is created;
- an organisation is merged or reorganised; or
- a significant property break occurs such as the termination of a lease.[15]

7.33 Similarly, the CPSU noted that an optimal time to consider decentralisation of Commonwealth entities might be when a new agency, function or service is introduced by government. The introduction of the National Disability Insurance Scheme was a good example:

> When the new function is needed, that's a really great opportunity to consider where it is. The prime example is the NDIA having its headquarters in Geelong. That's the easiest opportunity for creating jobs. Some people move to set it up and you can train locals to do a lot of the head office functions.[16]

Deciding whether to decentralise

7.34 The Committee was encouraged by the consistency of evidence about the factors that would facilitate successful decentralisation. It was also encouraged by the consistent acknowledgement that decentralisation is more than just moving Commonwealth agencies and Commonwealth employees. Rather, decentralisation is about people. It is about their families, and it is about communities.

7.35 The Committee has identified an essential range of factors for successful decentralisation. These factors have been grouped into two areas; those affecting the employee and those affecting the agency.

For the employee

7.36 The Committee heard that for employees, important considerations include a good job with career prospects, employment opportunities for partners and spouses, and the amenity of the city or town. Ms Stephanie Foster drew on the APSC's experience of relocating Commonwealth public servants to summarise the considerations for employees:

> What we find when we are relocating people—whether it is from capital city to capital city or anywhere—is that there are three or four things on their mind. There is the quality of the job experience. […] What opportunities are going to be there for my family? I know I'm not saying anything new here but

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15 Northern Ireland Assembly, *The Relocation of Public Sector Jobs in England, Scotland and the Republic of Ireland*, Research and Library Services Research Paper 05/08, 2008.

16 Mr Paul Blake, Acting Regional Secretary, Community and Public Sector Union (Tasmania), *Committee Hansard*, Launceston, 10 October 2017, p. 29.

> spousal employment is an enormous issue for people, as is the quality of education for kids. After those things, which are really red-line issues, they start to think about the quality of life in that area.[17]

Career opportunities

7.37 Employees need to not only have a good position, but also opportunities for career advancement. This could include lateral transfers, learning new skills, and promotions.

7.38 A number of witnesses told the Committee that often, people in regional towns need to move to capital cities to take up a public sector position or a promotion.

> At the moment, if you want to work in government, you leave your small town, you leave your communities and you have to go.[18]

7.39 A number of witnesses also highlighted the lack of SES positions in the regions. In responding to a question about what the Commonwealth could do to continue the strong position of NT on women in leadership in the public service, Ms Bellenger from the NT Government stated:

> I think we need more opportunity here for women….It's definitely about having more jobs and a diverse ecology of jobs available. For instance, you might get to the top of the post in your area. I could give you my example. I was the state manager for Centrelink, looking after the Territory, the Kimberley and the APY Lands, but my next step had to be Canberra. […]We only go to an SES band 1 in most jobs in the Territory and then you have to go.

7.40 Mr Jack Archer from the Regional Australia Institute also raised the impact on local decision making of few SES positions in the regions. He said:

> …..17 per cent of Commonwealth jobs are outside the big five cities and Canberra, but very, very few of them are SES level, so there are virtually no decisions being made in regional areas about regional issues, whether that is in Indigenous affairs, which is overwhelmingly focused on remote challenges, or other areas. How do we give more flexibility in decision-making to people actually on the ground doing work and less consistency being driven out of Canberra?[19]

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17 Ms Stephanie Foster, Deputy Commissioner, APSC, *Committee Hansard*, 26 October 2017, p. 5.

18 Ms Anita Crisp, *Committee Hansard*, Murray Bridge, 6 November 2017, p. 37.

19 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard,* Canberra, 7 August 2017, p. 5.

Partners and spouses

7.41 Individual decisions to relocate are also based on whether there are employment opportunities for partners and spouses. The Committee heard that often partners and spouses will require the same calibre of employment as the relocated employee. Decentralisation is more likely to be successful where towns have employment for both the government employee and their partner.

Amenity

7.42 The Committee acknowledges the number of submissions that promoted their regional town and community as an ideal location for a Commonwealth Government department. These submissions were a valuable source of data for the Committee on the amenity of regional areas.

7.43 The Committee received evidence on house prices, connectivity to town centres, facilities, dining and entertainment, and the liveability of towns. Many submissions also compared the experience of living in these regional and rural towns to living in cities; noting the expense, time, and congestion associated with more populated capital cities.

7.44 For example, the RDA Grampians Committee quantified the savings that could be made by government organisations:

> Ballarat, like all comparable regional cities has a considerable lower rental cost than metropolitan equivalents. With existing A-grade office space available at between $280 - $320m2…if a 500 person decentralisation activity were to occur, then a 6000m2 space would be required. Decentralising this to a regional area would save between $7.3m and $17.7m over a 15-year commercial lease term.[20]

7.45 Others pointed out the potential of an area to become a specialist hub or cluster. For example, in Bundaberg:

> Companies compete while at the same time learning from one another about changing markets and technologies through informal communication and collaborative practices.[21]

7.46 It was clear from the submissions that many regional areas are already able to support additional employees. The Cowra Council explained:

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20 Regional Development Australia – Grampians, *Submission 5*, p. 11.

21 Bundaberg Regional Council, *Submission 19*, p. 4.

> With ample affordable residential land, and sufficient water, sewer and NBN infrastructure to comfortably house 2,000 plus residents in Cowra without having to add to said infrastructures, Cowra has the spare capacity to feasibly support a decentralised government workforce.[22]

7.47 Many submissions promoted the amenity – or liveability – of their towns, and what the town can offer employees and their families. For example, the Lockhart Shire Council advised:

> Community facilities and sporting activities are an important part of the community, with numerous facilities, parks and reserves catering for the community. These places create a strong sense of community connection and strengthen the relationships held within the community.[23]

7.48 Amenity was raised as a key consideration, particularly for employees who have children. Education opportunities, access to sporting and recreational facilities, and lifestyle factors such as the arts, dining and entertainment, all play an important part in a person's decision to move.

7.49 The Committee heard that without a high level of amenity, the success of a town to attract and retain public sector staff would be limited.

7.50 In its submission to the inquiry, Orange City Council discussed its experience of the decentralisation of 430 positions in the NSW Department of Agriculture in 1992. Orange City Council identified many key factors that the city provided to create a successful decentralisation:

- access to high quality health care;
- good quality schools;
- higher education and ongoing learning;
- access to childcare;
- lower cost of living, including housing;
- police, law and order;
- career opportunities for spouse, partner or children;
- access to Sydney, Canberra and other capital cities;
- cultural amenity;
- retail options available;
- visual attractiveness of the location;
- digital connectivity; and

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22 Cowra Shire Council, *Submission 84*, p. 2.

23 Lockhart Shire Council, *Submission 26*, p. 1.

- sports and other activities outside of work.[24]

For the agency

7.51 The Committee has identified a number of factors affecting the agency when considering whether to locate that agency to a regional town.

Good fit

7.52 The Committee was consistently told that any Commonwealth Government agency or function needed to be a 'good fit' for the location to which it was being moved.

7.53 The concept of 'good fit' is more relevant to those Commonwealth organisations that have specialist functions. These can often be linked to a regional town or location that would support those specialist requirements – either due to the natural environment, presence of existing infrastructure or industry, or an available workforce. For example, a natural fit would include relocating agriculture to a farming area, fishing to a coastal area, or space research to more remote landscapes.

7.54 There are also generalist Commonwealth entities or functions that could be relocated to any regional town or city. The nature of the work is not dependant on the endogenous factors of the town or city. For example, the work of the Australian Taxation Office or the Department of Human Services, which is not closely linked to local resources. In these cases, the key consideration is that the work of the agency not be diminished or affected by the location chosen.

7.55 Some submitters contended that non-policy entities or functions are best suited to regional locations because there is no need for close proximity to Ministers or other senior decision makers. These submissions specifically identified functions that are more administrative in nature, such as call centres.

7.56 Others however, identified the value of having policy positions and decision makers in the regions. The argument is that it enables policy to be made more closely to, and with, those affected by it. Spencer Gulf Cities stated:

> Similarly, at a Commonwealth level, wholly Canberra-based departments formulating and implementing policy in areas such as agriculture, animal services, water, regions and environment, often with little practical experience

[24] Orange City Council, *Submission 181,* pp. 3-4.

> and high rates of employee turnover, generates scepticism and disillusionment in communities upon which these policies are imposed.[25]

7.57 The Commonwealth Scientific and Industrial Research Organisation (CSIRO) provided evidence to the Committee of its experience as a decentralised organisation of 58 sites across Australia, including 793 staff in regional locations.

7.58 For the CSIRO, 'good fit' requires an assessment of the industry, research and local community aspects of a site. Ms Hazel Bennett, Chief Operating Officer, advised the Committee that deciding on locations is driven by the core business of the organisation:

> It starts with the aspiration of doing the research, which itself may already be shaping the fact that we need to be embracing and working with regions. Our process for that determination is absolutely made by the science. [26]

Accessible workforce

7.59 Employees of a department or agency may be current staff who move to the new location, locals who live in the town, or people who work remotely and are not physically located in the new area.

7.60 The Committee is mindful that one of the aims of decentralisation is to provide employment opportunities for people within the regions. It is therefore important that a Commonwealth organisation can access a skilled local workforce.

7.61 Ms Crisp from Spencer Gulf Cities acknowledged that it is imperative that regional communities are able to 'grow their own' workforces rather than rely on public servants who are relocated to a town. She stated:

> We can't rely on a little dribble of people from the cities every five years when they're forced out into the regions. Over time, regions need to build their own capability and workforce with education and training around the Public Service as a career option as well—growing their own workforce. That way they are helping to retain people in their own communities but giving them legitimate career paths in the Public Service as well.[27]

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25 Spencer Gulf Cities, *Submission 12*, p. 2.

26 Ms Hazel Bennett, Chief Operating Officer, CSIRO, *Committee Hansard*, 16 February 2018, p. 4.

27 Ms Anita Crisp, *Committee Hansard*, 6 November 2017, p. 37.

Connectivity

7.62 Here, connectivity refers to both physical and digital connectivity. Physical connectivity requires easy access – by air, road, rail – to those places that facilitate business and keep regions connected to the broader operating environment. For example, being able to travel to a capital city, access a port to import and export goods, or commute to the home or head department relatively quickly.

Case Study: NT – Lack of economies of scale hinders economic development

Although Darwin airport's runway is sufficiently long for large wide-bodied passenger and freight aircraft, local agricultural producers are not able to export directly from Darwin to southeast Asia and beyond.

Lack of ticket sales to sufficient numbers of passengers has resulted in commercial passenger carriers not using wide-bodied jets. As a result agricultural producers need to transport their goods to Brisbane or Sydney prior to export which is both expensive and time consuming.[28]

> We have no wide-bodied aircraft travelling out of here north, so any perishables that are exported go through Sydney or Brisbane. All those sorts of things hamper industry development and cut into the margins for producers here. We don't have the economies of scale to grow a manufacturing sector here in the food area.[29]

7.63 In addition to physical proximity, connectivity also refers to technological connectivity; internet access and the NBN.

7.64 The Committee heard a range of evidence on the NBN. While some shared their experiences of great speeds and connectivity, others relayed different experiences of slow speeds, expense, and inequality between neighbouring towns and regions. They all agreed that good connectivity is vital to building and sustaining rural and regional towns, particularly in a global market.

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28 Mr Greg Bicknell, Chief Executive Officer, Chamber of Commerce Northern Territory, *Committee Hansard*, 9 November 2017, p. 15.

29 Mr Greg Bicknell, *Committee Hansard*, 9 November 2017, p. 15.

Challenges and risks

7.65 The Committee's Issues Paper identified some of the risks associated with decentralising public sector agencies. For example, the potential loss of experienced and skilled staff, the costs associated with staff separation or recruitment and training, and agency establishment costs. The Committee notes these challenges, and sets out below some additional risks that have arisen during the inquiry.

No net benefits

7.66 The Committee notes that the relocation of Commonwealth agencies or entities may result in no net benefit. This is particularly evident when an agency is taken from one town and moved to another. Jobs are merely moved from one city to another, with no overall gain. With specific regard to the agricultural sector, the National Farmer's Federation observed:

> We agree that regional Australia deserves its fair share of jobs, government services, opportunities and development. Having said that, we are conscious that some jobs are best done in the cities. Because of this, NFF supports the relocation of government agencies to rural and regional Australia where there's a net benefit, it's practical and it's the best fit for regional and rural Australia… It's critical that the relocation of any agency does not result in the ongoing disadvantage of this sector.[30]

7.67 The Committee notes that the benefits should include the benefits of decision makers being located close to the people that will be impacted by policy decisions. These benefits are real but difficult to measure.

Negative impact

7.68 There is a risk that decentralisation will have a negative impact on the local area if suitable infrastructure investments are not made. If a town has limited capacity to support the influx of new employees and their families, decentralisation can create additional pressures. These could include an increase in house prices, overcrowding of schools, and overloading of health and community services.

7.69 Some witnesses disputed the potential negative impact of decentralisation. For example, in Orange, Ms Julia Andrews from RDA Central West stated:

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30 Mr Tony Mahar, Chief Executive Officer, National Farmers' Federation, *Committee Hansard*, Canberra, 16 February 2018, p. 18.

> We are not aware of any major government decentralisation events in the central west that have ever left the region worse off. Decentralisation overwhelmingly results in regional economic social and cultural growth. So the key messages that we provided in our submission were, firstly, that careful and considered relocation of government bodies -and it doesn't have to be the whole department; it can be an arm of it - results in significant economic growth and stronger regional communities, greater synergies and better partnerships for the government body as well as for the community.[31]

Dependency

7.70 There is another risk of a town becoming dependent on the Commonwealth agency or service as its main economic driver. This makes a town vulnerable to machinery of government changes, or policy changes, which could relocate the agency away from the town. For example:

> Benalla was a community that was very dependent on government departments—the department of education and a number of government departments were relocated there, and it was a strong community. Over a period of time, as Wangaratta became stronger in its own right, those government agencies moved to Wangaratta, leaving quite a hole in Benalla.[32]

7.71 This challenge aligns with the principle that underpinned much of the evidence the Committee heard through the inquiry; the principle that long-term regional development requires a regional area to be resilient and self-sufficient.

Regional capture

7.72 The Committee heard evidence that choosing the right regional location can create a perception of the organisation favouring that region. Although the Murray Darling Basin Authority considers the current program of increasing their regional presence to be successful, representatives of the Authority identified the risks of choosing a regional location:

> If you go to the Riverland region, they'd really like to have the office up there. But the people at the Murray Mouth, in the Coorong, go, 'That looks like

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31 Ms Julia Andrews, Executive Officer, Regional Development Australia Central West, *Committee Hansard*, Orange, 18 September 2017, p. 11.

32 Ms Susan Benedyka, Acting Chair, Regional Development Australia Hume, *Committee Hansard*, Wodonga, 12 October 2017, p. 21.

> you're favouring the irrigation industry.' If we locate the office down in the Coorong, then it looks like we're doing that.[33]

7.73 The Committee notes a related risk in locating regulators close to the industry being regulated. Close relationships, and a small regional employment market, can potentially lead to government employees being unduly influenced by industry priorities.

Successful implementation

7.74 If the decision to relocate an agency is made–taking into account the risks and benefits outlined above–there are a number of steps that can be taken to ensure successful implementation. The Committee heard evidence that successful decentralisation requires a long term commitment, planning and communication, and supporting staff.

Long term commitment

7.75 The Committee appreciates that the prospect of decentralisation and relocation can be daunting and stressful for public sector employees. It is also aware that, over time, there are many examples of successful moves for individuals, for families, for communities, and for government.

7.76 Decentralisation of a Commonwealth entity or function needs to be a long term commitment. This is important for two reasons. It provides staff with certainty that they will not need to move again in the short term. It also gives the relocation time to take effect; for communities to adjust and build, and to take advantage of the opportunities.

7.77 This point was made by Mr Jack Archer, CEO of RIA:

> … If you decide to move some elements of administration to a regional area and you stick to that for 10 years or more, you will change things in that place for the better usually, particularly if that decision to move people is made with some sense of what that region can offer existing labour markets and what else is happening there. The international and local benefits of that approach are pretty clear. If you chop and change all the time, and governments change and we bring things back and we move things around, then it does not go very well.[34]

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33 Mr Phillip Glyde, Chief Executive, Murray Darling Basin Authority, *Committee Hansard*, Canberra, 16 February 2018, p. 12.

34 Mr Jack Archer, *Committee Hansard*, Canberra, 7 August 2017, p. 5.

7.78 The Committee heard that although there had been initial resistance by some staff to the relocation of Commonwealth agencies, in the long run these relocations have been beneficial. Many relocated staff still remain in the new location.

Planning and communication

7.79 The basic principles of managing change also apply to relocation. It is important for a relocating agency to make thorough plans, to communicate with staff and the community, and to work in stages with a reasonable timeframe.

7.80 The Committee heard about the experience of relocating the head office of the NSW Department of Primary Industry to Orange. Mr Garry Styles from Orange City Council, summed up the experience:

> It's been enormously successful in Orange. There is a large cohort of scientists and managers that work there who are part of our community. It's been in place for lots and lots of years. It's almost generational now that it's part of Orange.[35]

7.81 The importance of communication with staff was emphasised by Mr Reg Kidd, Deputy Chair, RDA Central West:

> You have to give them that opportunity to get rid of the fear factor.[36]

Supported transition

7.82 The Committee heard evidence about how best to support employees who relocate with an agency to a regional town. These included multiple visits for employees to a prospective town to see what the town has to offer.

7.83 There was also some discussion about the use of incentives for employees to relocate. These include flights back to employees' home towns, relocation allowances, or extra leave.

7.84 There was general agreement that while this may be useful in the short term, it would probably not be enough to sustain a relocation over the longer term. Several witnesses noted that such incentives tend to disappear over the years as budget priorities alter.

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35 Mr Garry Styles, General Manager, Orange City Council, *Committee Hansard*, 18 September 2017, p. 9.

36 Mr Reg Kidd, Deputy Chair, Regional Development Australia Central West, *Committee Hansard*, Orange, 18 September 2017, p. 15.

7.85 The Committee heard that the move of the Rural Finance Corporation to Bendigo was supported through a staged transition:

> The move was done in a tiered approach: some staff moved first, to create the office here. Many of the team were provided the opportunity to move or choose to exit the business.[37]

Solutions other than whole-agency relocation

7.86 Much of the evidence to the Committee focussed on moving entire government organisations to regional areas. However there are other approaches that may achieve the benefits of decentralisation without the risks and costs of whole-agency relocation.

7.87 In its submission to the Committee, the CPSU offered three approaches to increasing the APS in regional areas without decentralising whole departments. This includes reversing regional job losses, adding new jobs to existing regional locations, and extending the existing regional footprint through new agencies or functions.[38]

7.88 A further option is to increase the number of public servants teleworking or remote working. As noted in Chapter five, the Blue Mountains Living Lab made a number of suggestions for increasing the number of government employees in the regions by 'taking a digital approach to regional development and decentralisation as opposed to a focus on physically relocating Commonwealth entities and their employees'.[39]

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37 Ms Alexandra Gartmann, Managing Director and Chief Executive Officer, Rural Bank, *Committee Hansard*, Bendigo, 9 October 2017, p. 20.

38 Community and Public Sector Union, *Submission 162*, p. 16.

39 Blue Mountains Living Lab, *Submission 2*, p. 16.

8. Corporate Decentralisation

8.1 This chapter discusses corporate decentralisation, and more broadly, private investment in regional Australia. It provides examples of private companies that have relocated from a capital city to a regional area, or have established themselves from the outset in a regional town.

Defining corporate decentralisation

8.2 Corporate decentralisation does not simply mean relocating from the cities to the regions. It can be much more complex and subtle and may involve:

- relocation of a private entity in its entirety from a capital city to a regional town;
- establishing a part of a private entity (office, branch, function) in a regional town, while retaining some presence in a capital city; and/or
- establishing and retaining a private entity in a regional town only.

Moving existing operations

8.3 *The Economist* observed that corporate decentralisation can mean either the transfer of an industry or business to a region in its entirety, or the decentralisation of divisions or sections while still maintaining a head-office in overall charge of the operation:

> Decentralisation is the process of distributing power away from the centre of an organisation. In the case of a corporation this usually means divesting authority away from the head office and out to operators in the field. Debate centres on which is the more efficient structure for an organisation that has a number of far-flung arms, especially a multinational with operations in several

different countries: one where decision-making is concentrated at the centre, or one where it is diffused around the organisation?[1]

8.4 In the context of this inquiry, corporate decentralisation is more about businesses re-locating to the regions or to regional cities rather than the major population centres of the state capitals.

8.5 However, it can also mean that a corporation maintains its head-office in a state capital but has decentralised some or all of its operations around the country. In each case, it is about corporations making investments in regional Australia that are of benefit to those regions not only in terms of direct employment, but also in terms of indirect employment and development as a result of those investments.

8.6 The key to regional development is to facilitate economic development and corporate investment in regional areas. Growing regional economies unlocks their potential from which the whole nation will benefit. While there may be a need for some government investment in terms of fundamental infrastructure, the best way of developing the regions is through the private sector rather than by relying on government agencies and/or public sector decentralisation.

'Home grown' regional businesses and industry

8.7 The Committee acknowledges private enterprises that have established themselves in a regional town or city, without any connection to a capital city. In other words, the private enterprise has always existed in a rural or regional location.

8.8 As an example of this natural, organically driven economic development, the Warwick Chamber of Commerce attributes much of its recent growth and development to private sector investment. Its submission also notes that private investment of $200 million in the Toowoomba airport has generated interest in development of infrastructure to support growth in local manufacturing and agribusiness for local, state, national and international export and trade.[2]

Conditions for corporate decentralisation

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1 'Decentralisation' *The Economist*, 5 October 2009, <http://www.economist.com/node/14298890>, viewed 8 January 2018.

2 Warwick Chamber of Commerce, *Submission 116*, p. 4.

8.9 The Committee was consistently told that the best thing the Commonwealth can do to facilitate corporate decentralisation is to create the right conditions and policy framework for private entities to invest in regional Australia.

8.10 The Committee shares this view. It will predominantly be the private sector that drives economic and social development in rural and regional communities. Government therefore needs to support the private sector to facilitate this development.

8.11 Many of the conditions necessary for rural and regional areas to develop have been canvassed in previous chapters. They include:

- strong physical and digital connectivity;
- quality amenity and reasonable services;
- human capital, including an educated and skilled workforce; and
- foundation institutions such as universities and government agencies.

8.12 The NSW Famer's Association highlighted this point in its evidence to the inquiry:

> Improving the general services and vitality of a town will help to attract greater regional investment and increase the sustainability of regional businesses and local entrepreneurial activity.
>
> There is a chicken and egg problem here which can be addressed by smart strategic initiatives. Corporate organisations just like regional communities require incentives, services and amenities to attract workers and private capital to areas of investment.[3]

Regional development priorities

8.13 The Committee heard that one strategy the Commonwealth can implement to strengthen private investment in rural and regional communities is to identify a list of regional development priorities. It was noted that while Infrastructure Australia publishes its infrastructure priorities, many are 'motorways in the already crowded metropolitan centres'.[4]

8.14 Instead, it was suggested that the Commonwealth consider prioritising and identifying, in consultation with state governments, investment that allows regional economies to grow. Mr Jack Archer told the Committee:

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3 NSW Farmers Association, *Submission 142*, p. 15.

4 Professor Andrew Beer, *Committee Hansard,* Canberra, Wednesday 28 March 2018, p. 3.

> We don't have an agreed set of development priorities for each region. It really is missing…. we need a simple set of top-three development priorities for each region, where there's some agreement between the Commonwealth and the state and where we're focusing investment where we know we're going to prioritise those things.[5]

8.15 Establishing a list of national regional development priorities would provide certainty for rural and regional Australia. This certainty would allow private companies to make the best decisions on how and when to invest in regional Australia. The Committee was told:

> It would send an enormous signal to the private sector to say, 'The government's making a long-term commitment to this pathway of development for this place.' If I put my capital in and the local government is committed too, things like that make an enormous difference to the extent to which the private sector is looking at these places and saying, 'This is somewhere I should be for 10 or 20 years.'[6]

8.16 The Committee supports this idea. It is included as part of the Committee's strategy for regional development discussed in the following chapter.

Successful corporate decentralisation

8.17 The Committee enjoyed hearing private entities talk about their experiences of corporate decentralisation. In particular, the subsequent relationships formed with rural and regional communities, and the value they bring to these regions. Set out below are some of the stories shared with the Committee.

Case Study: Vic – True Foods

True Foods is a 100 per cent Australian owned and operated family business that was established in 2001 as a specialist manufacturer of flatbread products. True Foods has grown to become the largest Australian owned manufacturer of tortilla wraps, flatbreads and bakery snacks. Innovation is a driving force of True Foods, and True Foods supplies a broad range of partners – from large multinational supermarket brands and international franchise groups to weight loss companies and health food chains.

[5] Mr Jack Archer, *Committee Hansard*, Canberra, Wednesday 28 March 2018, p. 5.

[6] Mr Jack Archer, *Committee Hansard*, Canberra, Wednesday 28 March 2018, p. 9.

In late 2011, True Foods purchased a major production facility in Maryborough, regional Victoria. The 27 acre site has 3 acres under roof, and has facilitated growth in the True Foods workforce and production capabilities.[7] True Foods now employs 250 people, and has an annual turnover of around $50 million.[8] True Foods continues to invest in new capabilities and capacity to bring innovative products to market.[9]

True Foods enjoys a strong working partnership with Laucke Flour Mills, with significant collaboration on many of the technical aspects of flour right across the supply chain.

Locality is a key factor in enabling strong collaboration between Laucke and True Foods. Laucke is located in Bridgewater on Loddon, which is only about 40 minutes by road from True Foods in Maryborough. This assists many areas of collaboration, including in product development.[10]

Hofmann Engineering

8.18 Hofmann Engineering is an example of a family business that initially established in a state capital before expanding and diversifying into the regions.[11]

8.19 Hofmann Engineering is a specialist engineering company that was started in Perth, Western Australia, in 1969 and now operates in five cities (including overseas), employing over 500 people. In 2010, the company established its eastern operations in Bendigo, Victoria. In doing so, it created approximately 65 local jobs in heavy engineering.[12]

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7 'Company profile', True Foods website, <http://www.truefoods.com.au/about-us/company-profile>, viewed 5 April 2018.

8 'True Foods sees the benefits of innovation', 19 February 2017, <https://foodmag.com.au/food-sector-innovation-on-show-at-ballarat/>, viewed 5 April 2018.

9 'Company profile', True Foods website, <http://www.truefoods.com.au/about-us/company-profile>, viewed 5 April 2018.

10 'True Foods sees the benefits of innovation', 19 February 2017, <https://foodmag.com.au/food-sector-innovation-on-show-at-ballarat/>, viewed 5 April 2018.

11 Hofmann Engineering homepage can be found at: <http://www.hofmannengineering.com/index.php>, viewed 10 January 2018.

12 '150 New Jobs', *The Bendigo Advertiser*, 1 March 2009, <http://www.bendigoadvertiser.com.au/story/699371/150-new-jobs/>, viewed 26 July 2017.

8.20 Hofmann Engineering was referred to in the Committee's Issues Paper. Mr Samuel White, General Manager of Hofmann Engineering, told the Committee that:

> … we are quite proud to be recognised for what we see as our day-to-day business.[13]

8.21 He then explained the company's business model which has a strong emphasis on return investment on profits and research and development:

> What differentiates us from a few others is that we have no debt. We only put out profit and we have always put the profit from the company back into growth. Normally we spend between a third and a quarter of our turnover on research and development—as I said: cutting edge.[14]

8.22 Mr White also emphasised the company's strong focus on training and retaining staff:

> Ten per cent of our workforce are and always have been some kind of trainee, apprentice, cadet or engineer... The reason why is that we have no future if we are not going to train others. Unless we can get others into that same mindset, then, don't complain in five years' time that you don't have the right tradespeople or the right mindset or culture, if you didn't teach it.[15]

> … How do we train middle management? In general, the best engineers we find are the ones who come through their trade and then go and study engineering. We have second and third generation employees where the supervisor might be grandad, the foreman is dad and the son is the apprentice. You don't hear about that in Australia any more, but the model is already there. The model is there in Europe. John Hofmann was taught the model in Europe and he brought the model here and kept it here in Australia.[16]

8.23 The model being described here is classic German *Mittelstand*. *Mittelstand* has a broad definition, but these mostly small to medium size businesses usually show the following characteristics:

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13 Mr Samuel White, General Manager, Hofmann Engineering, *Committee Hansard*, Bendigo, 9 October 2017, p. 38.

14 Mr Samuel White, *Committee Hansard*, Bendigo, 9 October 2017, p. 38.

15 Mr Samuel White, *Committee Hansard*, Bendigo, 9 October 2017, p. 38.

16 Mr Samuel White, *Committee Hansard*, Bendigo, 9 October 2017, p. 39.

- are generally private, family run companies that specialize in one product or service;

  – this strong family ownership structure enables companies to make decisions quickly when it comes to investment and devote a higher proportion of turnover on research and development;

- they are less driven by capital markets, therefore they invest in the longer term and tend not to be driven by short-term profit seeking;
- they may do only one thing, but do it very, very well;
- many place a strong focus on exports and will have offices and subsidiaries across the world; and
- they have deep ties with their local communities with a strong bond between employer and the employees.[17]

8.24 In the context of this inquiry, it is interesting to note that the bulk of such businesses in Germany are not located in the major metropolises of Berlin, Hamburg, Cologne or Munich. Rather, most were founded and are headquartered in small to medium sized regional cities. For example, Wertheim, a city of 24,000 people, has 11 companies which are ranked amongst the top three in the global market or are European leaders in their field.[18] Indeed:

> Over 70 per cent of *Mittelstand* firms are family owned and located in smaller cities or regional towns. Their average age since foundation is around 70 years. The annual growth rates in revenues for these firms over the past twenty years have generally been twice that of the larger listed German firms.[19]

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17 'Meet the *Mittelstand*', *CNBC* website, 24 October 2014, <https://www.cnbc.com/2014/10/24/meet-the-mittelstand.html> viewed 11 January 2018. See also 'Introducing the German Mittelstand', '*Make It In Germany* website, <http://www.make-it-in-germany.com/en/for-qualified-professionals/working/mittelstand>, viewed 11 January 2018.

18 'The strongholds of German SMEs', *Make it in Germany* website, <http://www.make-it-in-germany.com/en/for-qualified-professionals/working/mittelstand/fact-6-the-strongholds-of-german-smes>, viewed 11 January 2018. See also 'German support for small business has kept its economy thriving', *PRI* website, 11 September 2013, <https://www.pri.org/stories/2013-09-11/german-support-small-business-has-kept-its-economy-thriving>, viewed 11 January 2018.

19 'The missing middle: What could Australia learn from Germany?', *The Conversation*, 19 May 2012, <https://theconversation.com/the-missing-middle-what-could-australia-learn-from-germany-7119>, viewed 11 January 2018.

8.25 The *Mittelstand* model, while certainly successful, is a result of a particular business culture and mindset. The example of Hofmann Engineering shows that this model may be applicable to regional Australia.

Macquarie Bank's Paraway Pastoral Fund

8.26 The Committee's Issues Paper also noted that Macquarie Bank's Paraway Pastoral Fund was re-located to Orange, NSW, in 2015 taking staff from Sydney and across NSW, as well as employing people from Orange.

8.27 In explaining the relocation, Mr Jock Whittle, Chief Executive Officer of the Paraway Pastoral Fund, said Orange was chosen because the fund needed a regional presence. In identifying the strengths of the region, he said:

> It was a central location to where all our properties are located ... and it's allowed us to attract people with the right skills.
>
> …There are good education businesses here, really good health businesses and a really good food and tourism and winery industry makes it attractive, and it has good access to Sydney.
>
> …Obviously there are some other significant agricultural resources [like the Department of Primary Industries] and businesses that were part of our consideration.[20]

8.28 Reporting from April 2017 indicates that the fund's relocation has been a success and it is producing consistent profits. The *Australian Financial Review* reported:

> The Macquarie Group-managed Paraway Pastoral has attracted new capital from Australian superannuation funds after selling a major part of its portfolio and then rebuilding it during the 2016 calendar year and delivering a $39 million profit.
>
> Paraway Pastoral Chief Executive, Jock Whittle, confirmed the company would continue to expand following the deployment of more than $300 million for properties, including those from the Western Grazing Company in

[20] 'Company banking on regional move: 17 staff open Macquarie Bank office', *Central Western Daily*, 8 August 2015, <http://www.centralwesterndaily.com.au/story/3264736/company-banking-on-regional-move-17-staff-open-macquarie-bank-office/>, viewed 11 April 2018.

Queensland, Sundown Pastoral in the New England area of NSW and Beckworth Station outside Ballarat in Victoria.[21]

Goulburn-Murray Water

8.29 Goulburn-Murray Water is an example of an entity that was decentralised from a major city to the regions. It is Australia's largest rural water corporation managing around 70 per cent of Victoria's stored water resources, around 50 per cent of Victoria's underground water supplies and Australia's largest irrigation delivery network.[22]

8.30 At the Wodonga public hearing, the Committee received evidence from Mr Graeme Hannan of Goulburn-Murray Water who sees the company as a decentralisation success story:

> In the mid-nineties, all head-office functions from the previous Rural Water Corporation were transferred to regional Victoria, to be delivered by the newly created Goulburn-Murray Water. Those corporate functions included water resource management, dam safety and dam management functions, entitlement management, and water administration functions. There were many advantages of doing this, and the main ones were that staff were closer to our customers, in all aspects; staff were closer to the assets that they were managing; and staff were closer to the suppliers that we were buying the services from. I was not with the Rural Water Corporation but joined not long after Goulburn-Murray Water was established, and I relocated from Melbourne to undertake what I believed to be a fulfilling career move and also to enjoy the regional lifestyle benefits.[23]

8.31 Mr Hannan further explained the intent behind the decentralisation decision:

> This happened back in the mid-nineties and, at the time, the then Rural Water Corporation in Victoria was being regionalised. The largest irrigated region was in northern Victoria and the headworks' function went to the new entity, Goulburn-Murray Water, in northern Victoria. It happened because there was a view by state government that the management of water needed to be closer

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21 'Macquarie's Paraway Pastoral makes $39m profit', *Australian Financial Review*, 10 April 2017, <http://www.afr.com/real-estate/macquaries-paraway-pastoral-makes-39m-profit-20170410-gvhwn3#ixzz53qsJxZu5>, viewed 11 January 2018.

22 'About GMW', Goulburn-Murray Water website, < https://www.g-mwater.com.au/about>, viewed 12 January 2018.

23 Mr Graeme Hannan, Manager, Corporate and Sector Policy, Goulburn-Murray Water, *Committee Hansard*, Wodonga, 12 October 2017, p. 60.

> and more accountable to the customers and the people who paid for those services. That was the catalyst and the driver, and I think that has been a good move. It has certainly allowed a mature and comprehensive customer engagement model to function a lot better because we are in the community of the customer.[24]

8.32 The positive business and social outcomes of the relocation were also shared with the Committee:

> It's been a good move for regional Victoria insofar as there are more jobs in small towns like Echuca, Rochester, Kerang and Wangaratta that are good jobs. They are skilled jobs and they provide important linkages to universities and TAFEs and the like. We are able to engage with our local schools and our local regions. We get schoolchildren in to look at the diversity of jobs that they would otherwise be unaware of that exist right in their region. So the combined effect of all those activities make it a good move for people delivering services in the communities where those services are.[25]

8.33 Goulburn-Murray Water represents a good example of what can be achieved when a corporate entity successfully shifts its operations and decision making to regional Australia.

Arnhem Land Progress Aboriginal Corporation

8.34 Arnhem Land Progress Aboriginal Corporation (ALPA) was established in 1972. In contrast to Macquarie's Paraway Fund and Goulbourn-Murray Water, the ALPA is not a business that has been decentralised from a state capital to the regions. Rather, ALPA is decentralised across the NT.

8.35 ALPA is the largest Aboriginal corporation in Australia. Traditionally a retail enterprise, ALPA works across 1.2 million square kilometres of remote Australia.[26] Mr Chris Hayward, ALPA's Manager of Strategy, gave an overview of the organisation's success:

> In the last five years our workforce has doubled. Our turnover has increased significantly. But our key KPIs are really around sustainable Indigenous jobs. So, when it comes to regional economic development, you might say that we're champions of it and we engage very actively with governments at all

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24 Mr Graeme Hannan, *Committee Hansard*, Wodonga, 12 October 2018, p. 62.

25 Mr Graeme Hannan, *Committee Hansard*, Wodonga, 12 October 2018, p. 62.

26 Mr Chris Hayward, Manager of Strategy, Stakeholder Engagement and Business Development, Arnhem Land Progress Aboriginal Corporation, *Committee Hansard*, Darwin, 9 November 2017, p. 34.

> levels to further that and keep these regions thriving… Turnover is $95 million this year across the group.[27]

8.36 ALPA has a strong focus on employing Indigenous people, and women. In particular, it has:

> … 1,200 employees in total with about 1,050 of those Indigenous. So we are sitting on roughly 85 per cent Indigenous employment, which is something we are very proud of. It is a key KPI for us.[28]

> Half our board are women, which we're pretty proud of, and half our senior management team are women. The workforce varies, but I think it's actually about 52 per cent.[29]

8.37 Apart from encouraging education, ALPA also seeks to involve young people in business:

> To give you a good example, we've got a little furniture business that we've started, called Manapan Furniture. It's out on Milingimbi. It's probably the most ambitious business we've ever attempted. We're working with some of Australia's best designers… and we've got these two boys out of Milingimbi school, 20 and 21, and they're in there learning furniture making. We do support literacy and numeracy training on the ground, but their ability to learn is just amazing—the development of their hand skills in a relatively short time. That sort of thing exemplifies it.[30]

8.38 Given ALPA's apparent success, it is worth noting that the governance model is a mixture of traditional and modern western practices:

> The governance model is a meld of traditional Indigenous governance as well as Western governance practices, so it is very cross-cultural, and we are very much a cross-cultural partnership. I think that is a great part of that success story. I think that is a secret of success, if you like, that others should look to emulate—taking the best of both worlds and then putting them together.[31]

Bendigo and Adelaide Bank

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27 Mr Chris Hayward, *Committee Hansard*, Darwin, 9 November 2017, p. 34.

28 Mr Chris Hayward, *Committee Hansard*, Darwin, 9 November 2017, p. 34.

29 Mr Chris Hayward, *Committee Hansard*, Darwin, 9 November 2017, p. 39.

30 Mr Chris Hayward, *Committee Hansard*, Darwin, 9 November 2017, pp. 39 – 40.

31 Mr Chris Hayward, *Committee Hansard*, Darwin, 9 November 2017, pp. 35-6.

8.39 Bendigo and Adelaide Bank is headquartered in Bendigo, and is one of only a few top 100 ASX listed companies to base itself outside of a metropolitan city. The organisation was originally established in Bendigo and has successfully grown a national business from a regional location.[32]

8.40 In 2008, Bendigo and Adelaide Bank built its new headquarters in Bendigo's Central Business District – an investment that transformed the city and established it as the leading regional centre for financial services.

8.41 The bank reported that it employs about 1 300 people in Bendigo which makes a significant contribution to the diversity and strength of the local economy.[33]

8.42 In evidence to the inquiry, Ms Marnie Baker, Chief Customer Officer, told the Committee:

> We are the leading regional bank and the only bank with its headquarters in a regional community. We're also really good at what we do and we have leading customer satisfaction and trust scores as well as award-winning products and services. We're often recognised for the good that we do in our communities, and our most recent gong came from the US based Fortune magazine in their annual Change the World list, where our bank ranked 13th globally for creating economic opportunity and for financial inclusion. The ranking makes Bendigo and Adelaide Bank the leading Australian company on the list and second in the world for a commercial bank—so, no small feat.[34]

8.43 Bendigo and Adelaide Bank sees its decision to be regionally based as a positive one:

> For our own business, the experience of being regionally based has been a positive one. We've been able to attract and retain great talent. This has enabled the bank to create a unique culture that values people, has a strong sense of belief in community and is highly motivated to do the best it can for its customers.[35]

8.44 Being in touch with its customers is also seen by the bank as a key aspect of being regionally based:

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32 Bendigo and Adelaide Bank, *Submission 171*, p. 3.

33 Bendigo and Adelaide Bank, *Submission 171*, p. 3.

34 Ms Marnie Baker, Chief Customer Officer, Bendigo and Adelaide Bank, *Committee Hansard*, Bendigo, 9 October 2017, p. 12.

35 Ms Marnie Baker, *Committee Hansard*, Bendigo, 9 October 2017, p. 13.

> … the closer you are to your customers the truer you remain to the purpose that you are there for… By living in a town like Bendigo, I could be in a supermarket on the weekend or I could be at the local football match with my children and everyone knows where I work and they will tell me, good, bad or otherwise, exactly what the bank should be doing or should not be doing. You can't get that if you're sitting in a high-rise in a capital city. You do not have that connection to your customers. That's been a secret ingredient in our organisation: never losing connection with your purpose and the reason for being, and that is your customers.[36]

8.45 The Committee also heard about the Community Banks established by Bendigo and Adelaide Bank. In particular, the Committee heard how this model creates sustainable incomes for communities to be reinvested locally.

> Our shared value business model empowers the local community to own and operate its own branch and share the revenue generated by our customers' banking business with our bank, local shareholders and the community. This has created a sustainable income for these communities and generated capital that they can invest in local community-building initiatives. In the last financial year, community banking generated more than $224 million in revenue. Of this, more than $116 million was paid in salaries to Community Bank employees, many of whom call regional Australia home.[37]

8.46 These examples demonstrate that it is possible to establish regional enterprises, transfer existing enterprises into the regions, or relocate part of an existing business to a region or regional city successfully. The Committee believes that regional Australia is a good place to do business and that business investment into the regions should be supported.

8.47 The examples also show there is no universal model or structure for corporate decentralisation. Hofmann Engineering, the Paraway Pastoral Fund, Goulburn-Murray Water, ALPA and Bendigo and Adelaide Bank are different types of businesses with different business models. Nonetheless, they have been successful in generating profits, growing their businesses and bringing benefits to regional communities.

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36 Ms Marnie Baker, *Committee Hansard*, Bendigo, 9 October 2017, p. 17.

37 Ms Marnie Baker, *Committee Hansard*, Bendigo, 9 October 2017, p. 13.

Unsuccessful corporate decentralisation

Conoco-Phillips

8.48 In Darwin, the Committee heard about Conoco-Phillips, an energy and oil company that relocated part of its operations from Perth to Darwin.

8.49 Mr Greg Bicknell, Chief Executive Officer of the NT Chamber of Commerce, told the Committee that Conoco-Phillips relocated back to Perth after some challenges experienced by employees and their families. He said:

> [Conoco-Phillips] moved their engineering staff up here. That experiment lasted for several years, but in the end they have relocated their office back to Perth. It was an issue around holding people here, mainly around spouses. The people here were not content in their family lives because of the expectations around culture, shopping and all those sorts of things that aren't at the same levels in Darwin as they are in Perth. They tried very hard to maintain that presence up here, but now they've got to a stage where they can't do it in a place the size…
>
> I think everyone had the best intentions and worked as hard as they could to get them here. It was more social factors that really drove the change in the end. The previous government here put in place some incentive schemes to attract corporates to set up in the Northern Territory, but it's all about connectivity to peers in the industry and being able to get the right sort of people in those corporate head offices.[38]

8.50 The issue of lifestyle and the amenity of rural and regional towns, reflected in the example of Conoco-Phillips, was a consistent message received by the Committee.

Australian Paper

8.51 In her submission to the inquiry, Dr Amanda Wash summarised the experience of Australian Paper's operations in a globally competitive market:

> Beyond the loss of jobs and industrial diversity, the story of Australian Paper demonstrates another troubling aspect of regional development: the fundamental incompatibility between the modest scale of many regional operations and the pressing corporate drive to create economies of scale.

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38 Mr Greg Bicknell, Chief Executive Officer, Chamber of Commerce Northern Territory, *Committee Hansard*, Darwin, 9 November 2017, p. 12.

> The Shoalhaven Paper Mill had occupied a unique and important niche in Australian paper manufacturing: it specialised in making the security-grade paper for Australian passports and other sensitive documents. This specialisation 'suited small-scale production – but not the "bigger is better" mantra of modern manufacturing'… As a business strategy, specialisation should present opportunities for regional enterprises. In the case of the Shoalhaven mill, high-level manufacturing skills were not enough to outweigh the (necessarily) small-scale production in which the mill specialised. As a result of the closure of the Shoalhaven mill, paper for Australian passports and birth certificates is now imported.[39]

8.52 According to Dr Walsh, the lesson to be learnt from this experience is:

> … that, even where the necessary skills and resources are on offer in a regional community, there are no guarantees that a large enterprise will take them up or retain them. Any large, globally-integrated enterprise will inevitably seek to achieve economies of scale, and this is often incompatible with the establishment or maintenance of smaller regional operations.[40]

Ticket Master Australia

8.53 In its submission to the inquiry, the NSW Southern Tablelands highlighted the loss of jobs from NSW to Victoria and the impact of inconsistent local, state and federal government policies. In particular, it noted the inconsistencies of incentives for private businesses:

> In 2016 TMA (Ticket Master Australia) was seeking to relocate from metropolitan Sydney to regional NSW, bringing with it 400 local jobs. The Goulburn Mulwaree Council worked assiduously with the company to address its needs, and TMA sought assistance from the NSW government to help with relocation costs. The NSW Government's view was that there was no net gain to the state, so the company was ineligible for financial support.
>
> As a consequence, the company relocated to Victoria, resulting in a loss to NSW of significant revenues and 400 jobs. The Victorian Government is aggressively seeking to attract new investment with several supporting programs (Regional Jobs and Infrastructure Fund – 10 programs offering payroll tax rebates, infrastructure extensions, development support, etc). For example, the 2017/18 Victorian State budget allocates $173 million tax relief to regional businesses by reducing payroll tax.[41]

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39 Dr Amanda Walsh, *Submission 53*, p. 4.

40 Dr Amanda Walsh, *Submission 53*, p. 4.

41 NSW Southern Tablelands, *Submission 153*, pp. 14-15.

8.54 The unsuccessful examples set out above demonstrate the larger structural issues that may make it difficult for relatively small regional businesses and industries to survive in a competitive market place. Conoco-Phillips was undermined by the lack of amenities available to re-located staff and Australian Paper found itself subject to international competitive pressures which scuppered, at least in part, its regional operations. And for Ticket Master Australia, its relocation appeared largely determined by the financial incentives offered.

Financial incentives

8.55 The Committee received little evidence about the provision of incentives – financial or otherwise – to attract private entities to rural and regional locations.

8.56 In its joint submission to the inquiry, the Albury City and the City of Wodonga suggest that the Commonwealth provide 'funding support for relocating or newly establishing businesses in regional areas.' The Councils assert:

> It is here where relatively small incentives and grants for start-ups or relocating businesses can make a very significant and positive long term economic impact in a regional city.[42]

8.57 The Cessnock City Council also listed a number of financial incentives the Commonwealth 'can provide that would encourage greater corporate decentralisation to regional areas'. These incentives include:

> a. payroll tax reductions;
>
> b. cash rate loans for purchasing of buildings and renovations;
>
> c. easily accessible funding grants towards relocation costs;
>
> d. higher R&D tax-offsets if undertaken in a regional centre;
>
> e. tax-offsets for employee relocation costs;
>
> f. contributions towards salaries in the first 12 months post relocation to each employee, hired from the host community;
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> g. increased funding to the host community for local skill development.[43]

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42 Albury City and City of Wodonga, *Submission 158*, p. 4.

8.58 The Committee considers this an issue for further examination. It recommends incentives for private entities be included as part of a Green and White Paper process on regional development in Australia. This is discussed more fully in Chapter 9.

[43] Cessnock City Council, *Submission 117*, pp. 17 – 18.

9. Committee Strategy

9.1 This chapter sets out the Committee's strategy for building and sustaining regional communities.

A placed-based approach

9.2 The research literature and evidence to the Committee asserted that placed-based approaches are the best way to develop rural and regional Australia.

9.3 The Committee consistently heard that a 'one-size-fits-all' approach to the regions does not work. Indiscriminate policies fail to recognise the diversity and difference that characterise rural and regional communities across Australia.

9.4 Regional Australia requires a long term and flexible strategy that can adapt to meet the needs of individual regional areas. This point was made at the outset of the Committee's inquiry by Mr Jack Archer, Chief Executive Officer, RAI:

> When we're thinking about best practice approach[es] to regional development, it is about flexibility in the way we invest, in the way we undertake programs and in the way we regulate and putting some rigour around that so that it's not just a dog's breakfast and government can actually be responsive to regional need and to place based need.[1]

9.5 Ms Anne Dunn, a member of the Committee's expert panel, also acknowledged the diversity of rural and regional communities. Ms Dunn emphasised the need for differences to be considered when developing national policy:

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1 Mr Jack Archer, Chief Executive Officer, Regional Australia Institute, *Committee Hansard*, Canberra, 7 August 2017, p. 5.

> … there's a growing understanding, which is the place-based notion, that communities and local areas and regions have a story of their own around which they can build an identity, and around that they can build a future. More and more I hear people describing the unique characteristics of where they are and what their story is and what their strengths are. So I think there are real possibilities to build on that if we can move away from the idea that there is one solution for the whole of Australia.[2]

9.6 The Committee shares these views. A strategy for regional Australia must support communities to find their own way and address their own circumstances. This strategy must also allow for regional decision making.

9.7 The Committee heard that while placed-based approaches have been introduced in various forms across the country, they have not always been effective. Local solutions can be 'very difficult to achieve in the current Australian context'.[3] Much of this is due to a lack of decision making power in the regions, with decisions often undermined by a lack of coordination of government activity.

9.8 This point was made by Professor Robyn Eversole in her submission:

> Currently, nearly all significant decision making is driven centrally from Australia's capital cities. Everything we know about regional innovation systems assumes that regional decision-makers can work together across sectors in a particular place to drive change. Yet in Australia there are no regional decision-makers. There are regional committees, groups, offices, and influencers, but they have few resources and little clout. They may strategise and plan, yet they are decision-takers, not decision-makers.[4]

9.9 Professor Eversole described this as a 'governance problem', noting the concentration of decision making is in the capital cities. This is not only true for Commonwealth and state governments, but also the majority of universities and private and community sector organisations. The result can be described as 'poorly connected' decision-making for regional areas.

> As a result, government decision-making overall is poorly connected to the realities of particular places. Policy action is sectoral rather than place-based, and made with little or no understanding of regional attributes, regional

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2 Ms Anne Dunn, Director, Every Voice Inc., *Committee Hansard*, Canberra, 7 August 2017, p. 7.

3 Professor Robyn Eversole, *Submission 169*, p. 1.

4 Professor Robyn Eversole, *Submission 169*, p. 1.

> systems, or the on-the-ground impacts of decisions. This is not a policy environment that enables – or even allows – place-based innovation.[5]

9.10 The Committee agrees with this assessment, and recognises the need for decision making to be regionally driven.

9.11 Having considered all of the evidence presented, the Committee recommends the following strategy for building and sustaining Australia's rural and regional communities.

9.12 The Committee would like to acknowledge the discussions and input of the informal expert panel in developing elements of this strategy, particularly at the Committee's final public hearing in Canberra.[6]

Future strategy

9.13 The Committee considers that Australia as a nation will do best when its regional economy is strong. Strong national economic growth is underpinned by a foundation of strong regional growth. The strategy set out below has been developed against this principle.

9.14 The Committee's strategy for developing and sustaining regional Australia consists of six elements:

1 build the enabling infrastructure for regional development;

2 identify national regional development priorities;

3 establish a Regional City Deals program;

4 strengthen the RDA network;

5 establish a public sector decentralisation policy; and

6 strengthen the role of regional universities.

9.15 In addition, the Committee calls for the preparation of a consolidated government policy on regional Australia; a Regional Australia White Paper. This policy should be prepared through a comprehensive Green Paper process.

9.16 Finally, the Committee acknowledges the need for ongoing parliamentary inquiry and examination of regional development issues. The Committee

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5 Professor Robyn Eversole, *Submission 169*, p. 2.

6 See: *Committee Hansard*, Canberra, Wednesday, 28 March 2018.

recommends the introduction of a *Joint Standing Committee on Regional Development and Decentralisation* to progress matters arising from this report.

Build enabling infrastructure

9.17 The Committee acknowledges the RAI's view that governments have diminishing control over many of the factors affecting regional Australia; particularly in a modern, globally connected and mobile world. These factors, which are described in Chapter four, include the global nature of the modern economy, technological change, changes to the environment and urbanisation.

9.18 The Committee also acknowledges that the basic responsibilities of government are unchanged. Governments have a responsibility to ensure adequate services and opportunities – such as education and training, employment, health services and basic infrastructure – for all its citizens regardless of their location.

9.19 Chapter five of the Committee's report sets out some of the challenges faced by rural and regional communities in developing local economies. This includes attracting a skilled workforce, improving regional amenities, and improving digital and physical connectivity. These issues are correlated with the adequacy of government services and the degree of investment within regional communities.

9.20 The Committee believes that sustainable regional development must be primarily driven by local groups and businesses. However, it is the view of the Committee that governments are primarily responsible for building the enabling infrastructure needed to support regional growth and development.

Recommendation 1

9.21 The Committee recommends that the Federal Government increase its investment in building enabling infrastructure to improve connectivity, key services and amenity through coordinated regional plans.

National regional development priorities

9.22 The Committee heard that the best way for the Commonwealth to grow regional economies is to create the conditions for corporate Australia to thrive. Private sector investment will be more attracted to regional Australia if it knows the development and infrastructure priorities of government.

9.23 Establishing a list of national regional development priorities would provide certainty for rural and regional Australia. This certainty would allow private companies to make the best decisions on how and when to invest in regional Australia.

9.24 It would also increase the potential for catalytic investment within rural and regional areas. This occurs when knowledge of development priorities attracts investment, associated business, and further infrastructure development. This in turn improves the social and economic prosperity of regional communities, and creates more opportunities for growth.

Recommendation 2

9.25 The Committee recommends that each Regional Development Australia (RDA) Committee develop a coordinated regional strategic plan.

9.26 Developed in consultation with State and Territory governments, these regional strategic plans will identify a pipeline of infrastructure projects and priorities. It is expected that the regional strategic plans will identify potential Regional City Deals.

9.27 The regional strategic plans should be published, and will act as the evidence base for catalytic federal investment that will trigger further state, local and private investment.

Regional City Deals

9.28 City Deals are a strong mechanism to facilitate change through partnerships. City Deals bring together the three levels of government, the private sector and community groups to set priorities and direction in regional areas. They also bring together these groups to provide infrastructure investment and capital.

9.29 The Committee has consistently heard that rural and regional communities would like to negotiate City Deals with the Commonwealth to facilitate development and growth. While the Committee acknowledges the current City Deals program is open to all communities across Australia, it notes that the City Deals currently in place are with larger cities.

9.30 The Committee considers City Deals to exemplify a long term, flexible, placed-based approach to regional development. In particular, City Deals bring in those stakeholders who are best placed to affect real social and economic development.

9.31 The City Deals also provide regional communities with certainty about the future. This certainty will assist in attracting further investment and associated business to these areas.

9.32 It is the Committee's view that the Federal Government's City Deals program be extended to provide development and opportunity to cities, towns and regional communities. Furthermore, it is the Committee's view that these Regional City Deals be the primary mechanism for driving all investment and policy in regional areas.

9.33 With a Regional City Deal at the core, the broader regional value of the deal must be considered as part of the planning, implementation and assessment process at hand.

9.34 An increase in APS resources would also ensure timely implementation of these deals.

Recommendation 3

9.35 The Committee recommends that the Federal Government's City Deals program should be extended to provide development and opportunity to cities, towns and regional communities. Each new deal is to be approved by Cabinet, and evaluated after five years. The evaluation is to include an assessment of the social, economic and environmental outcomes for the region.

RDA network

9.36 The Committee supports the RDA program, and the existing network of RDA Committees. RDA Committees have the potential to identify regional priorities, work across all levels of government, and collaborate with community, education and industry. However, the role of RDA Committees should be more specific and focused.

9.37 It is the Committee's view that the role of RDA Committees be redefined to include two primary responsibilities. The first is to adopt a more specific role in attracting catalytic investment. The second is to advocate for and coordinate Regional City Deals at the local level.

9.38 The Committee recognises the independent review of the RDA program, and the reforms announced by government. In particular, it supports the new performance measures to ensure the activities of RDAs are monitored and measured.

9.39 It is the Committee's view that the RDA network should be able to work across state and territory boundaries. This would foster more strategic regional development in these areas, not constrained by geographic borders or local politics.

Recommendation 4

9.40 The Committee recommends that the Federal Government strengthen the role of the Regional Development Australia (RDA) program. This includes, but is not limited to:

- **lead cross government collaboration and build strong bipartisan partnerships between the RDA Committee and key stakeholders in the region;**
- **where appropriate, redistributing the RDA network to map across state and territory boundaries to develop practical and effective economic zones;**
- **giving RDA Committees specific responsibility for attracting catalytic investment from state and federal governments that are likely to lead to further regional investment;**
- **giving RDA Committees shared responsibility for advocating and coordinating Regional City Deals at the local level;**
- **increasing the resourcing of RDAs to fulfil their role and functions; and**
- **develop regional strategic plans to drive social, economic and environmental outcomes for the region. It is expected the strategic plans will be flexible and continually updated to reflect changing circumstances.**

Decentralisation

9.41 The Committee acknowledges that there are considerable benefits to locating more government agencies to regional areas. Relocation can benefit the regional area, the employees of the agency, and improve the effectiveness and efficiency of the government agency itself.

9.42 Decentralisation can also assist to alleviate congestion and pressure on capital cities.

9.43 The Committee acknowledges that there are risks to relocation. Any decentralisation decision has to be made at the right time and for the right reasons. In particular, the choice of a location for any government agency must be carefully considered. Where possible, it should be a natural fit with the rural and regional area. For example, the natural environment, presence of existing industry or businesses, or the availability of a skilled workforce must provide advantages for the relocated entity.

9.44 The Committee also notes however that a natural link between the nature of the agency's work and the local area is not a necessary precondition for successful relocation. In these cases – that is, where the work of an agency is not dependent on the environment – the location chosen must not reduce the efficiency of the agency.

9.45 The Committee also notes that in some cases, it may not be appropriate to have the regulator too close to those industries it is overseeing lest the regulating agency be compromised in terms of its independence and impartially.

9.46 Once a decentralisation decision is made, the process should be well planned and communicated to staff. Agencies should consider targeted incentives to encourage employees to relocate over the short term.

Recommendation 5

9.47 The Committee recommends that every Federal Government agency should assess the possibility for relocation whenever appropriate, but always when one of the following occurs:

- **a new unit, agency or organisation is created;**
- **an organisation is merged or reorganised; or**
- **a significant property break occurs such as the termination of a lease.**

Recommendation 6

9.48 The Committee recommends that:

- **decisions as to whether to decentralise an agency should be part of a broader strategy for regional development; and**

- **the objectives and reasons for any decentralisation decision are clearly stated and publically available.**

Recommendation 7

9.49 The Committee recommends that decisions on a gaining location for a Federal Government agency should include assessment of the following factors:

- **employee career opportunities;**
- **amenity of the gaining location;**
- **opportunity for family employment;**
- **existing workforce capacity in the proposed location;**
- **physical and digital connectivity of the gaining location;**
- **access to higher education opportunities and opportunities for local workforce development; and**
- **risks associated with overloading existing services.**

Recommendation 8

9.50 After a decision to decentralise an agency has been made, the Committee recommends that the process of relocation includes:

- **strategies for communicating the relocation process to staff;**
- **consideration of short-term incentives to relocated staff;**
- **support for flexible working arrangements including teleworking; and**
- **close collaboration with the local organisations of the gaining area.**

Recommendation 9

9.51 The Committee recommends that the Federal Government does not apply any limits on numbers of Senior Executive Service staff in agencies when those Senior Executive Service positions are located in regional areas.

9.52 The benefits of decentralisation for policy design and program implementation is to provide flexibility and understanding at a regional level. This requires decision makers to be located, as much as possible, close to those impacted by their decisions while still ensuring that the regulating agency maintains its independence and impartiality.

Recommendation 10

9.53 The Committee recommends that every decentralised agency conduct an evaluation of the decentralisation at one year, five year and ten year points; and publish the results of that evaluation.

Strengthen regional universities

9.54 The Committee stresses the pivotal role regional universities play in regional development. This extends beyond the provision of tertiary courses and conducting research. Regional universities drive innovation and change, connect well informed people and groups, develop local leadership and human capital, and enhance the social and cultural capital of regional towns and cities.

9.55 The Committee was impressed by evidence of catalytic projects in regional universities. Such initiatives highlight the potential of regional universities to design and deliver local strategies, and attract regional investment.

Recommendation 11

9.56 The Committee recommends that the Federal Government strengthen the role of, and better support, regional universities as pivotal institutions for social and economic development in regional areas.

Green and White Paper

9.57 Regional development, and in particular, growing regional economies is a complex policy area. The Committee is aware that it includes federal, state and territory, and local government responsibilities. Regional development involves complicated and interrelated economic, social, and environmental factors. All of these factors will combine to present a set of different circumstances for every different regional area.

9.58 The Committee received a large body of evidence during its inquiry – in 14 public hearings across the country and almost 200 written submissions. The inquiry has been a rewarding and enlightening experience for each member

of the Committee, and we are very grateful for the input from regional communities, as well as our informal expert panel.

9.59 It has become clear to the Committee that the large number of issues affecting the regions and regional development require further investigation to develop a coherent, carefully considered set of policy approaches.

9.60 During our Darwin public hearing, the Committee heard how the government White Paper and its accompanying processes provided a foundation for the Office of Northern Australia's work:

> That's one mechanism which certainly helps, because it gives us a place to start. There's been the consultation, engagement with the broader public and communities and regions about what they see as priorities, and there are some agreements generally across government about where we start from. So, the white paper was great. We had 51 hard commitments that we could go forth on. As I said, now we're actually having that next sort of discussion, about what next.[7]

9.61 Accordingly, the Committee considers that the Federal Government should prepare a White Paper, as a consolidated statement of regional development policy.

9.62 Given the complexity of the issues, the Committee considers that the White Paper should be preceded by a comprehensive consultation process, informed by a Green Paper. Green Papers are discussion papers prepared at the direction of a Minister for the purposes of public discussion and comment.

9.63 This process will inform a White Paper, approved by Cabinet. The Committee considers a White Paper is necessary to comprehensively state government policy in this area.

Recommendation 12

9.64 The Committee recommends that the Federal Government state its regional development policy through a comprehensive Regional Australia White Paper, following a Green Paper public consultation process.

The Green Paper process should include, but not be limited to the following issues:

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[7] Mr Mark Coffey, Head, Office of Northern Australia, *Committee Hansard*, Darwin, 9 November 2017, p. 25.

- **consider regional Australia's population needs as part of the broader national context. This includes urbanisation, ageing, depleting populations in smaller towns, and migration;**
- **the use of the skilled migration program to support regional development;**
- **improving education and training of young people – in particular Year 12 completion rates – in regional areas;**
- **the development of a national regional higher education strategy;**
- **the need for access to information technology, strong and reliable communication, specifically mobile phone and NBN;**
- **the need for strong and reliable transport infrastructure to support passenger and freight requirements;**
- **the role of amenity and social infrastructure, specifically the cultivation of social, cultural and community capital in supporting regional development;**
- **incentives and strategies to improve private sector investment in regional areas; and**
- **the role and funding of local governments to better support regional areas.**

Joint Standing Committee on Regional Development and Decentralisation

9.65 It is the Committee's view that the Federal Government establish a *Joint Standing Committee on Regional Development and Decentralisation* to continue the Committee's work. The Standing Committee should be a joint committee of the Parliament and consist of Members and Senators.

9.66 Rural and regional Australia is fundamental to the economic success of the nation. An ongoing committee dedicated to examining and progressing the broad issues affecting rural and regional Australia would keep these issues

at the forefront of national policy development. This includes policies related to public and corporate decentralisation.

9.67 The Committee sees value in a joint standing committee having oversight of the Commonwealth decentralisation program. It also suggests that the joint standing committee continue to engage with the informal expert panel engaged for this inquiry.

Recommendation 13

9.68 The Committee recommends that the Federal Government establish a *Joint Standing Committee on Regional Development and Decentralisation.* The role of the Committee will include but not be limited to:

- **monitor and report on the strengthened Regional Development Australia program including the revised role of the Regional Development Committees;**
- **monitor and report on the implementation of the Regional City Deals program;**
- **examine incentives and strategies to improve private sector investment in regional areas; and**
- **review existing decentralisation of both public and private sector entities and identify further potential opportunities.**

Hon Damian Drum MP

Chair

A. Submissions

1 Central Highlands Regional Council

2 Blue Mountains Living Lab

3 Mr David Price

4 Alpine Health Board of Management

5 Regional Development Australia – Grampians

6 Cotton Research and Development Corporation

7 Regional Development Australia – Murraylands & Riverland

8 Clarence Valley Council

9 Wodonga Technical and Further Education (TAFE)

9.1 Supplementary submission

10 Townsville City Council

11 Rural Australians for Refugees

12 Spencer Gulf Cities Association

13 Central Highlands Development Corporation

14 Northern Victoria Refugee Support Network

15 Southern Downs Regional Council

16 Regional Development Australia – South West

17 Meat & Livestock Australia

18 Warrnambool City Council

19 Bundaberg Regional Council

20 Latrobe City Council
21 Mr David Corben
22 Australian Dairy Industry Council Inc. and Dairy Australia
23 Federation of Ethnic Communities' Councils of Australia
24 Goulburn-Murray Water
25 Broken Hill City Council
26 Lockhart Shire Council
27 Miss Edith Peters
28 Evocities
29 Regional Development Australia – Barwon South West
30 Winemakers' Federation of Australia
31 Maitland City Council
32 Regional Development Australia – Illawarra
33 Northeast Health Wangaratta
34 City of Kalgoorlie-Boulder
35 Benalla Rural City Community Plan Implementation Steering Committee
36 Wangaratta Rural City Council
37 The Rail Futures Institute Inc
38 Wyndham City
39 Alpine Shire Council
40 Moira Shire Council
41 Mr Bruce Pennay OAM
42 Department of Agriculture and Water Resources
43 City of Mount Gambier
44 Huon Resource Development Group Inc.
45 Department of Education and Training
46 University of Wollongong
47 Ms Bronwen Martin
48 Tolmie Sustainable Transport Group

49 Charles Darwin University

50 Mr Jarvis Petrisevac

51 Miss Grayce Knight

52 Mr Corey Fallon

53 Dr Amanda Walsh

54 Mr Sam Ratcliffe

55 Refugee Council of Australia

56 Brown Brothers Milawa Vineyard Pty Ltd

57 Central Hume Primary Care Partnership

58 Townsville Enterprise Limited

59 Blue Mountains Economic Enterprise

60 Colac Otway Shire

61 Tomorrow Today Foundation

62 Committee for Gippsland Inc

63 Ms Ant Packer

64 John Hine

65 Voices for Indi

66 Parklands Albury Wodonga

67 Consult Australia

68 Kallista Services Group P/L

69 Mr John Morandini

70 Launceston Chamber of Commerce and the Northern Tasmania Development Corporation

71 Animal Medicines Australia

72 Bunbury Wellington Economic Alliance

73 Innovative Research Universities

74 Bathurst Regional Council

75 Port Macquarie-Hastings Council

76 Regional Development Australia – Central West

76.1 Supplementary submission

77 Central Queensland University

78 Regional Development Australia Committee – Hume

79 Regional Universities Network

79.1 Supplementary submission

80 Regional Development Australia – Northern Rivers

81 Central NSW Regional Organisation of Councils (CENTROC)

82 Telstra Corporation Limited

83 Indigo Shire Council

84 Cowra Council

85 AgForce Queensland Farmers Ltd

86 Australian Local Government Association

87 UNSW Grand Challenge on Inequality

88 Burnie Chamber of Commerce

89 Mr Jordan Wilson

90 Queensland Tourism Industry Council

91 Rockhampton Regional Council

92 Committee for Ballarat

93 ACON

94 Wollongong City Council

95 Mr Brian Vial & Ms Andrea Stevenson

96 Illawarra Business Chamber

97 Committee for Greater Shepparton

98 Regional Development Australia Sunshine Coast

99 Tasmanian Federal Parliamentary Labor Party

100 Regional Development Australia – Far North

101 City of Greater Bendigo

101.1 Supplementary submission

102 Armidale Regional Council

103 Capricorn Enterprise

104 Ms Tara Cheyne MLA

105 Regional Arts Australia

106 Mr Russell Sully

107 The University of Queensland

107.1 Supplementary submission

108 AgriFutures Australia

109 InterLinkSQ

109.1 Supplementary submission

110 Australian Learning Communities Network

111 Ms Narelle Martin

112 Regional Development Victoria

113 Ms Gai Brodtmann MP

114 Hinchinbrook Shire Council

115 Department of Infrastructure and Regional Development

116 Warwick Chamber of Commerce Inc.

117 Cessnock City Council

117.1 Supplementary submission

118 Rivers and Ranges Community Leadership Program

119 Mr Peter Kenyon

120 Charles Sturt University

121 Beverley Dick

122 Murray Hume Business Enterprise Centre

123 Alice Springs Town Council

124 Australian Major Performing Arts Group

125 Regional Development Australia – Loddon Mallee

125.1 Supplementary submission

126 City of Greater Geelong

127 Murray–Darling Basin Authority

127.1 Supplementary submission

128 Mr Allan Brown

129 Longreach Regional Council

130 Business Council of Co-operatives and Mutuals

131 Buloke Shire Council

132 Livingstone Shire Council

133 Riverina and Murray Regional Organisation of Council

134 Commonwealth Scientific and Industrial Research Organisation (CSIRO)

135 University of Western Australia

136 Victorian Local Governance Association

137 Eurobodalla Shire Council

138 Limestone Coast Local Government Association

139 Shoalhaven City Council

140 Bland Shire Council

141 Murrindindi Shire Council

142 New South Wales Farmers' Association

143 Regional Development Australia – Mid-West Gascoyne

144 Progress Midwest

145 City of Gold Coast

146 Regional Development Australia – Tasmania

147 City of Greater Geraldton

148 The Treasury

149 Regional Capitals Australia

150 Group of Eight

151 Finance Sector Union

152 La Trobe University

152.1 Supplementary submission

152.2 Supplementary submission

153 New South Wales Southern Tablelands

154 SMART Infrastructure Facility – University of Wollongong

155 Grain Growers Limited

156 ACT Government

157 Mr Phil Constable

158 Albury City and City of Wodonga

159 Mildura Rural City Council

160 Tasmanian Government

161 Wimmera Development Association

162 Community and Public Sector Union

163 Regional Aviation Association of Australia

164 Griffith City Council

165 Regional Development Australia – Barossa

166 Institute for Resilient Regions

167 Migration Solutions

- 167.1 Supplementary submission
- 167.2 Supplementary submission

168 National Farmers' Federation

169 Professor Robyn Eversole

170 Mayor Ken Clarke

171 Bendigo and Adelaide Bank Submission

- 171.1 Supplementary submission

172 Department of Defence

173 Mr Michael Gobel

174 Confidential

175 Regional Australia Institute

176 Senator Jonathon Duniam

177 Kalgoorlie-Boulder Chamber of Commerce and Industry

178 Murraylands & Riverland Local Government Association

179 Office of Northern Australia

179.1 Supplementary submission

180 Geraldton Universities Centre

181 Orange City Council

182 University of Newcastle

183 Regional Development Australia – Murrylands and Riverland

184 Professor John Hasley

185 Mr Max Hardy

186 Office of the Tasmanian Coordinator-General

187 Northern Territory Government

188 Regional Solutions

189 Bus Industry Confederation

190 Toowoomba and Surat Basin Enterprise

191 Heritage Bank

192 Confidential

193 Darling Downs Health Service

194 Mr Peter Burke

195 Australian Public Service Commission

196 Professor Anthony Sorensen

B. Public Hearings

Monday, 7 August 2017

Parliament House, Canberra - Committee Room 2R1

Mr Jack Archer, Chief Executive Officer, Regional Australia Institute

Professor Andrew Beer, Dean of Research Innovation, University of South Australia, and Chair, Regional Studies Association

Professor John Cole, Executive Director, Institute for Resilient Regions University of Southern Queensland

Ms Anne Dunn, Director, Every Voice Inc

Professor Fiona Haslam McKenzie, Director, Centre for Regional Development, University of Western Australia (appearing in a private capacity)

Professor Tony Sorensen, appearing in a private capacity

Monday, 18 September 2017

231-243 Anson Street, Orange NSW, Orange Ex-Services' Club (Moresby Room)

Ms Julia Andrews, Executive Officer, Regional Development Australia Central West

Mr Ash Brown, President, Orange Business Chamber

Mr Michael Bullen, Deputy Director General, Investment and Business Development, NSW Department of Primary Industries

Mr Reginald Kidd, Deputy Chair, Regional Development Australia Central West

Ms Kate Lorimer-Ward, Acting Deputy Director General, Agriculture, New South Wales Department of Primary Industries

Ms Alicia McDonell, Executive Officer Orange Business Chamber

Mr John Newcombe, Director, Rural Assistance Authority, NSW Department of Primary Industries

Mr Garry Styles, General Manager Orange City Council

Mr Stewart Webster, Director of Economic Appraisal and Evaluation, Department of Premier and Cabinet – Centre for Economic and Regional Development

Ms Kathryn Woolley, Director, Corporate and Commercial Services, Orange City Council

Monday, 9 October 2017

Bendigo Town Hall, 189-193 Hargreaves St (Reception Room) Bendigo

Ms Marnie Baker, Chief Customer Officer, Bendigo and Adelaide Bank

Ms Linda Beilharz, OAM, Chair, Regional Development Australia Loddon Mallee

Mr Sam Birrell, Chief Executive Officer, Committee for Greater Shepparton

Mr Daryl Buckingham, Chief Executive Officer, Mildura Regional Development

Ms Alexandra Gartmann, Managing Director and Chief Executive Officer, Rural Bank

Mr Gerard Jose, Chief Executive Officer, Mildura Rural City Council

Mr Conor King, Executive Director, Innovative Research Universities

Mr Colin Lambie, Treasurer, Bendigo Sustainability Group

Mr Stan Liacos, Executive Director, Regional Development Australia Loddon Mallee and Regional Director, Regional Development Victoria

Mr David Matthews, Director, Bendigo and Adelaide Bank

Mr Robert Musgrove, Executive Engagement Innovation, Bendigo and Adelaide Bank

Mr Craig Niemann, Chief Executive Officer, City of Greater Bendigo

Ms Margaret O'Rourke, Mayor, City of Greater Bendigo

Ms Leah Sertori, Chief Executive Officer, Be.Bendigo

Mr Damien, Tangey, Director, Be.Bendigo

Mr Samuel White, General Manager, Hofmann Engineering

Tuesday, 10 October 2017

29 Cameron Street Launceston, Hotel Grand Chancellor (Chancellor 6) Launceston

Mr Tom Black, Chair, Regional Development Australia Tasmania

Mr Paul Blake, Acting Regional Secretary, Community and Public Sector Union (Tasmania)

Mr Josh Dolega, Workplace Delegate, Community and Public Sector Union (Tasmania)

Mr Neil Grose, Executive Officer, Launceston Chamber of Commerce

Mr Paul Hodgen, General Manager, Launceston Airport

Mr Tim Holder, Chair, Launceston Chamber of Commerce

Ms Leanne Hurst, Director of Development Services, City of Launceston

Ms Catherine Murdoch, Director—Northern Cities, Office of Coordinator General, Tasmanian Department of State Growth

Ms Madeline Northam, Assistant Regional Secretary, Community and Public Sector Union (Tasmania)

Mr Michael Tidey, Acting General Manager, City of Launceston

Mr Kevin Turner, Community and Strategic Development Officer, Regional Development Australia Tasmania

Dr Bruce Williams, Economic Development Officer, City of Launceston

Wednesday, 11 October 2017

8 Bass Hwy, Parklands Tasmania, University of Tasmania, Domestic Arts Building (103 Lecture Room), West Park Campus, Burnie

Professor David Adams, Pro Vice-Chancellor, Community, Partnerships and Regional Development, University of Tasmania

Professor Janelle Allison, Principal, University College, University of Tasmania

Alderman Anita Dow, Mayor, City of Burnie

Mr Rodney Greene, Director, Community and Economic Development, Burnie City Council

Dr William Holm, President, Burnie Chamber of Commerce and Industry

Ms Justine Keay, Member for Braddon, Commonwealth Parliament

Mr Brett Smith, Chief Executive Officer, Cradle Coast Authority

Thursday, 12 October 2017

158 Lawrence Street, Wodonga TAFEspace, Strategic Planning Room, Wodonga, Victoria

Councillor Barbara Alexander, AO, Chair, Benalla Rural City Community Plan Implementation Steering Committee

Mrs Emma Avery, Private capacity

Ms Susan Benedyka, Acting Chair, Regional Development Australia Hume

Mr Ross Brown, Executive Director, Brown Brothers

Councillor Kenneth John Clarke, Mayor, Rural City of Wangaratta

Mr Mark William Dixon, Chief Executive Officer, Wodonga Institute of TAFE

Mr Denis Ginnivan, President, Voices for Indi

Mr Graeme Hannan, Manager, Corporate and Sector Policy, Goulburn-Murray Water

Miss Jacqui Hawkins, Voices for Indi

Mr David Kidd, Director Community Health, Partnerships and Well Ageing, Northeast Health Wangaratta

Councillor Kevin Mack, Chairman, Steering Committee, Evocities; and Mayor, Albury City Council and, Mayor, Albury City Council

Mr Matthew James Nelson, Executive Officer, Regional Development Australia Hume

Mr Douglas Sharp, Member, Regional Development Australia Hume

Mr Eric Siegers, Economic Development Coordinator, Rural City of Wangaratta

Councillor Anna Speedie, Mayor, City of Wodonga

Ms Tracey Squire, Member, Steering Committee, Evocities; and Director, Economic Development and Tourism, Albury City Council

Dr Guinever Threlkeld, Head of Campus, Albury-Wodonga Campus, La Trobe University

Monday, 30 October 2017

Ocean Centre Hotel (Albrohlos Room), Cnr Foreshore Drive & Cathedral Avenue, Geraldton, Western Australia

Mr Alan Bradley, Executive Officer, Regional Development Australia Midwest Gascoyne

Mr Steve Douglas, Chair, Geraldton Universities Centre

Professor Fiona Haslam-McKenzie, Co-director, Centre for Regional Development, University of Western Australia

Mr Stuart MacDonald, Department of Primary Industries and Regional Development

Ms Patrizia (Trish) Palmonari, General Manager, Progress Midwest

Mr Tim Shanahan, Principal Adviser, University of Western Australia

Mr Shane Van Styn, Mayor, City of Greater Geraldton; and Chair, Regional Capitals Australia

Mr Todd West, Chairperson, Mid-West Development Commission

Mrs Angela West, Pollinators Spaces Lead, Pollinators Inc.

Tuesday, 31 October 2017

Quest Yelverton Kalgoorlie, 210 Egan Street, Kalgoorlie, Western Australia

Ms Simone de Been, Chief Executive Officer, Kalgoorlie-Boulder Chamber of Commerce and Industry

Ms Kate Fielding, Private capacity

Ms Kate Mills, Acting Executive Officer, Regional Development Australia Goldfields-Esperance

Mr Ron Mosby, Executive Member, Kalgoorlie-Boulder Chamber of Commerce and Industry

Ms Gloria Moyle, Chief Executive Officer, Goldfields Women's Health Care Centre

Mrs Julia Shadlow-Bath, Chair, Regional Development Australia Goldfields-Esperance

Mr John Walker, Chief Executive Officer, City of Kalgoorlie-Boulder

Mr Alexander Wiese, Executive Manager, Economy and Growth, City of Kalgoorlie-Boulder

Thursday, 2 November 2017

The NeW Space University City Campus Newcastle, Room-X703-Moot Court, 7th floor, 409 Hunter Street, Newcastle

Dr Peter Cock, Chief Executive Officer, Newcastle Airport Pty Ltd

Mr Peter Gesling, Chair, Newcastle Airport Pty Ltd

Mr Stephen Glen, General Manager, Cessnock City Council

Mr Hilton Grugeon, AM, Executive Member, Maitland Business Chamber

Ms Kerry Hallett, President, Kurri Kurri District Business Chamber

Professor Caroline McMillen, Vice-Chancellor and President, University of Newcastle

Councillor Nuatali Nelmes, Mayor, Newcastle City Council

Councillor Bob Pynsent, Mayor of Cessnock

Professor Will Rifkin, Director and Chair in Applied Regional Economics, Hunter Research Foundation Centre, Faculty of Business and Law, University of Newcastle

Ms Susan Wilson, Chief Executive Officer, Regional Development Australia Hunter

Monday, 6 November 2017

Murray Bridge RSL, 2 Ross Road, Murray Bridge

Mr Peter Bond, Chief Executive Officer, Murraylands and Riverland Local Government Association

Dr Jennifer Ann Cleary, Chair, Regional Development Australia Far North

Ms Anita Crisp, Executive Officer, Upper Spencer Gulf Common Purpose Group

Mr Mark Glazbrook, Chief Executive Officer, Migration Solutions

Mr Craig Grocke, Economic Development Executive, Regional Development Australia Barossa

Professor John Halsey, Flinders University

Mr Budrish Kapoor, Adelaide Smart City Studio; Sales Manager, Asia-Pacific Japan, Smart+Connected Communities, Cisco Systems

Mr Andrew Lee, Mayor, City of Mount Gambier

Mr Neil Martinson, Mayor, Renmark Paringa Council

Mr Mark McShane, Chief Executive Officer, City of Mount Gambier

Ms Jane Pickering, Chief Executive Officer, Eldercare Inc

Ms Jo Podoliak, Chief Executive Officer, Regional Development Australia Murraylands and Riverland

Thursday, 9 November 2017

DoubleTree by Hilton Hotel Esplanade, (Litchfield Room),116 Esplanade, Darwin

Ms Bridgette Bellenger, Regional Network Leader, Department of the Chief Minister, Northern Territory

Mr Greg Bicknell, Chief Executive Officer, Chamber of Commerce Northern Territory

Mrs Sally Clarke, Director, Office of Northern Australia

Mr Mark Coffey, Head, Office of Northern Australia

Mr Chris Hayward, Manager of Strategy, Stakeholder Engagement and Business Development, Arnhem Land Progress Aboriginal Corporation

Mr Jonathan McLeod, Manager, Regional Development Branch, Northern Land Council

Mr John Oster, Executive Director, Regional Arts Australia

Mr Ian Satchwell, Executive Director, Economic and Environment Policy, Department of the Chief Minister, Northern Territory

Mr Mickey Wunungmurra, Deputy Chairman, Arnhem Land Progress Aboriginal Corporation

Friday, 16 February 2018

Parliament House, Canberra - Committee Room 2R2

Mr John (Jack) Archer, Chief Executive Officer, Regional Australia Institute

Mr Guy Barnet, Principal Research Consultant, Commonwealth Scientific and Industrial Research Organisation

Ms Hazel Bennet, Chief Operating Officer, Commonwealth Scientific and Industrial Research Organisation

Ms Annette Blyton, Executive Director, Corporate Services, Murray Darling Basin Authority

Dr Emma Campbell, Director, Federation of Ethnic Communities' Council of Australia

Mr Phillip Glynde, Chief Executive, Murray Darling Basin Authority

Mr Mark Harvey-Sutton, Manager, Rural Affairs, National Farmers' Federation

Dr Alia Imtoual, Senior Policy and Project Officer, Federation of Ethnic Communities' Council of Australia

Mr Scott Kompo-Harms, General Manager, Economics and Trade, National Farmers' Federation

Mr Tony Mahar, Chief Executive Officer, National Farmers' Federation

Dr Caroline Perkins, Executive Director, Regional Universities Network

Professor Adam Shoemaker, Vice Chancellor, Southern Cross University

Dr Bruce Taylor, Senior Research Scientist, Commonwealth Scientific and Industrial Research Organisation

Ms Vicki Woodburn, General Manager, Partnerships and Engagement, Murray Darling Basin Authority

Ms Vicki Woodburn, General Manager, Partnerships and Engagement, Murray Darling Basin Authority

Tuesday, 13 March 2018

Toowoomba Council Rooms (Library)

Councillor Richard Paul Antonio, Mayor, Toowoomba Regional Council

Ms Rhiannon Boden, Director Strategy and Planning, Darling Downs Hospital and Health Service

Mr Shane Charles, Executive Chairman, Toowoomba and Surat Basin Enterprises

Associate Professor Kathryn (Kate) Charters, Director, Management Solutions (Qld) Pty Ltd

Professor John Cole, Executive Director, Institute for Resilient Regions, University of Southern Queensland

Mr Bryan Gray, Executive Officer, Regional Development Australia, Darling Downs and South-West Queensland

Mr Dallas Hunter, Group Manager, Property Development, FKG Group

Professor Geraldine Mackenzie, Vice-Chancellor, University of Southern Queensland

Mr Robert Prestipino, Vital Places Pty Ltd

Ms Mary Reid, Director; Owner, Merivale Cakes and Crafts

Ms Jo Sheppard, Chief Executive Officer, Toowoomba Chamber of Commerce

Mr Bradley John Siddans, Human Resources Manager, Oakey Beef Exports Pty Ltd

Mr Grant Statton, Chief Executive Officer, Digital Innovation and Energy, FKG Group

Wednesday, 28 March 2018

Parliament House, Canberra - Committee Room 2R2

Mr Jack Archer, Chief Executive Officer, Regional Australia Institute

Professor Andrew Beer, Dean of Research Innovation, University of South Australia, and Chair, Regional Studies Association

Professor John Cole, Executive Director, Institute for Resilient Regions University of Southern Queensland

Professor Fiona Haslam McKenzie, Director, Centre for Regional Development, University of Western Australia (appearing in a private capacity)

Professor Tony Sorensen, appearing in a private capacity

C. Exhibits

1 *Alliance for a Smarter Bendigo: Towards our City Deal,* accepted from Be.Bendigo at the Bendigo Public Hearing, 9 October 2017.

D. Expert Panel Members

Mr Jack Archer: CEO Regional Australia Institute

- Contributed to major regional reform in water, climate change, indigenous issues and industry.

Professor Andrew Beer: University of South Australia, Chair Regional Studies Association

- Research interests include the operation and functioning of Australia's housing markets, the drivers of regional growth, economic change in major cities and the impacts of an ageing population.

Professor John Cole OAM: Executive Director of the Institute for Resilient Regions at the University of Southern Queensland

- Well credentialed in promoting innovation for sustainable development and industry competitiveness and regional resilience.

Ms Anne Dunn

- Chair of the Australian Government's Regional Women's Advisory Council; Director on Board of the Australian Rural Leadership Foundation; holds a Fellowship with the Australia Council.

Professor Robyn Eversole: Professor Social Impact, Centre for Social Impact, Swinburne University of Technology

- Published extensively on participatory development, poverty, community engagement, development governance, local economic development and social enterprise.

Professor Fiona Haslam McKenzie: Co-Director/Senior Principal Research Fellow, Centre for Regional Development, University of Western Australia

- Expertise in population and socio-economic change, housing, regional economic development and analysis of remote regional and urban socio-economic indicators.

Professor Tony Sorensen: appearing in a private capacity

- Fellow of both the Institute of Australian Geographers and the Regional Australia Institute. Steering committee of the International Geographical Union's (IGU) Commission on Local and Regional Development and worked with the IGU's Commission on the Sustainability of Rural Systems.

E. Australian Public Sector Agencies

The list of Australian Public Service (APS) Agencies which appears below is divided into four categories:

Category A – Departments;

Category B – Statutory Agencies with all staff employed under the *Public Service Act 1999* (the PS Act);

Category C – Statutory Agencies which have the capacity to employ staff under the PS Act as well as their own enabling legislation (dual staffing bodies);

Category D – Executive Agencies.

A fifth category (Category E) includes bodies which employ staff under the *Public Service Act 1999* and operate with some degree of independence. However, these bodies are parts of APS agencies rather than separate APS agencies as defined in the PS Act.[1]

Category A

Departments

Attorney-General's Department

Department of Agriculture and Water Resources

Department of Communications and the Arts

[1] This Appendix reproduces the information on the Australian Public Service Commission's website, <http://www.apsc.gov.au/publications-and-media/current-publications/australian-public-service-agencies>, viewed 6 April 2018.

Department of Defence

Department of Education and Training

Department of Jobs and Small Business

Department of Finance

Department of Foreign Affairs and Trade

Department of Health

Department of Human Services

Department of Home Affairs

Department of Industry, Innovation and Science

Department of Infrastructure, Regional Development and Cities

Department of Social Services

Department of the Environment and Energy

Department of the Prime Minister and Cabinet

Department of the Treasury

Department of Veterans' Affairs

Category B

Statutory Agencies which employ all staff under the Public Service Act 1999

Aboriginal Hostels Limited

Administrative Appeals Tribunal

Asbestos Safety and Eradication Agency

Australian Aged Care Quality Agency

Australian Building and Construction Commission

Australian Centre for International Agricultural Research

Australian Commission for Law Enforcement Integrity

Australian Commission on Safety and Quality in Health Care

Australian Communications and Media Authority

Australian Competition and Consumer Commission

Australian Criminal Intelligence Commission

Australian Fisheries Management Authority

Australian Human Rights Commission

Australian Institute of Aboriginal and Torres Strait Islander Studies

Australian Law Reform Commission

Australian National Audit Office

Australian National Maritime Museum

Australian National Preventive Health Agency

Australian Organ and Tissue Donation and Transplantation Authority (Organ and Tissue Authority)

Australian Pesticides and Veterinary Medicines Authority

Australian Public Service Commission

Australian Radiation Protection and Nuclear Safety Agency

Australian Research Council

Australian Skills Quality Authority

Australian Sports Anti-Doping Authority

Australian Taxation Office

Australian Trade and Investment Commission

Australian Transaction Reports and Analysis Centre

Australian Transport Safety Bureau

Australian War Memorial

Cancer Australia

Clean Energy Regulator

Climate Change Authority

Defence Housing Australia

Fair Work Commission

Federal Court Statutory Agency

Food Standards Australia New Zealand

Future Fund Management Agency

Great Barrier Reef Marine Park Authority

Independent Hospital Pricing Authority

Independent Parliamentary Expenses Authority

Murray-Darling Basin Authority

National Blood Authority

National Capital Authority

National Competition Council

National Disability Insurance Agency

National Film and Sound Archive of Australia

National Health and Medical Research Council

National Health Funding Body

National Library of Australia

National Museum of Australia

National Offshore Petroleum Safety and Environmental Management Authority

National Portrait Gallery of Australia

Office of Parliamentary Counsel

Office of the Australian Information Commissioner

Office of the Commonwealth Ombudsman

Office of the Fair Work Ombudsman

Office of the Inspector-General of Taxation

Old Parliament House

Productivity Commission

Professional Services Review

Safe Work Australia

Tertiary Education Quality and Standards Agency

Torres Strait Regional Authority

Workplace Gender Equality Agency

Category C

Statutory Agencies with dual staffing powers

Australian Bureau of Statistics

Australian Digital Health Agency

Australian Electoral Commission

Australian Institute of Criminology

Australian Institute of Family Studies

Australian Institute of Health and Welfare

Australian Securities and Investments Commission

Comcare

Infrastructure Australia

National Transport Commission#

Office of National Assessments

Office of the Auditing and Assurance Standards Board#

Office of the Australian Accounting Standards Board#

Office of the Commonwealth Director of Public Prosecutions

Office of the Inspector-General of Intelligence and Security

Screen Australia

#Do not currently employ any staff under the PS Act.

Category D

Executive Agencies

Australian Financial Security Authority

Bureau of Meteorology

Digital Transformation Agency

Infrastructure and Project Financing Agency

National Archives of Australia

National Mental Health Commission

Category E

Bodies with staff employed under the PS Act which operate with some degree of independence (e.g. Some have their own enterprise agreement and/or are identified separately but are NOT separate APS agencies as defined in the PS Act.

Australian Office of Financial Management (part of the Department of the Treasury)

Australian Renewable Energy Agency (part of the Department of Environment and Energy)

Commonwealth Grants Commission (part of the Department of the Treasury)

Director of National Parks (part of the Department of the Environment and Energy)

Geoscience Australia (part of the Department of Industry, Innovation and Science)

IP Australia (part of the Department of Industry, Innovation and Science)

Royal Australian Mint (part of the Department of the Treasury)

Seafarers Safety Rehabilitation and Compensation Authority - Seacare Authority (part of Comcare)