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Dear Sir/Madam,

Transitioning Regional Economies - Productivity Commission Initial Report

Please find attached a submission in regards to the above mentioned Inquiry.

Yours sincerely



Claire Wiseman
Chief Executive Officer

SUBMISSION FOR TRANSITIONING REGIONAL ECONOMIES – PRODUCTIVITY COMMISSION INITIAL REPORT

Background

The Far North region of South Australia, as per the Regional Development Australia Committee boundaries, covers approximately 80% of South Australia. The area has a land mass of approximately 800,000km² with a population of 28,212 and incorporates the Anangu Pitjantjatjara Yankunytjatjara Lands. The region takes in the iconic Flinders Ranges and Outback region, popular and well visited tourism destinations in the State. The Flinders Ranges is also now recognised as a National Landscape.

The main townships in the region include (but are not limited to) Port Augusta, Quorn, Hawker, Leigh Creek, Copley, Lyndhurst, Marree, Innamincka, William Creek, Oodnadatta, Marla, Mintabie, Coober Pedy, Glendambo, Pimba, Woomera and Roxby Downs. Some of these remote townships are between 800 - 1,000 kilometres from Port Augusta.

A region's comparative advantage can stem from various resources, such as its geographical location, availability of natural resources, the existence of industry clusters, access to infrastructure or the skill profile of the local population. These underlying attributes influence the types of economic activity that are likely to be successful. They also have implications for development initiatives, which are generally more effective where they build on an existing strength.

A critical input to the Far North SA region's economy, and central to its competitiveness, is its natural resources. Much of the economic activity in regional Australia is directly linked to local natural resources. The Regional Australia Institute (2015) asserts that access to natural resources can create economic opportunities through offering inputs to production (such as access to water or good quality soil), and can be used to generate production outputs (such as minerals or extractives), or as a foundation for services such as tourism and recreation.

Industry Output and Value-Added

Economic modelling undertaken by SC Lennon and Associates in preparation of Economic Growth and Investment Strategies for the Outback Communities Authority and Roxby Downs Council shows the following gross revenue and value-added estimates:

- Outback Communities Authority – Gross Revenue = \$4.4b with the regions mining sector accounting for over three quarters of economic output. Total value-added estimate = \$1.7b, which is 55% of the total for the whole Far North region. The majority of the Outback Communities Authority region industry value-added is attributable to mining, which accounts for around three quarters (74%) of the regions total value-added.
- Roxby Downs - Gross Revenue = \$1.2b with the regions mining sector accounting for over two thirds (70%) of economic output. Total value-added estimate = \$400m, which is 13% of the total for the whole Far North region. The majority of the Outback Communities Authority region industry value-added is attributable to mining, which accounts for 60% of the regions total value-added.

The estimated value of regional exports in some areas in the Far North SA region is as follows:

- ¹Outback Communities Authority - \$3.6b (84% of the region's economic output) with mining the largest contributor with 85% of total export value compared to 72% for the wider Far North region.
- Roxby Downs - \$927.5m (77% of the region's economic output) with mining the largest contributor with 89% of total export value compared to 72% for the wider Far North region.
- The Flinders Ranges Council - \$42.3m (42% of the region's total economic output) with accommodation and food services, agriculture and transport generate over 70% of those exports.

There are many opportunities emerging in the region, particularly in the field of renewable energy generation, defence and intermodal transport hubs. Now is the time to build on and support these as best we can to ensure the long term viability of the regional economy, which in turn feeds into the State and Commonwealth economies.

What is Regional Australia?

The Regional Australia Institute defines 'regional Australia' as ² *Regional Australia includes all of the towns, small cities and areas that lie beyond the major capital cities...*

When defining "regions" from "regional Australia" the line blurs. "Regions" effectively means all "areas", but when looking at "regional" Australia, it should be referred to as above and not include major capital cities. Comparing the economics in regional Australia with the cities is like comparing apples and pumpkins, them essentially being two totally different things.

Adaptive capacity of regional Australia is about a regions ability to adapt should a major industry change happen eg as in the downturn in mining in the past. When including capital cities and major metropolitan and urban areas in the equation, of course they are going to adapt better, they have more industries and larger businesses around them to rely on, however the smaller true "regional" areas may take a longer time to rebuild the downturn industry or refocus on a new industry. The Upper Spencer Gulf region is a great example of this. As referred to in our original submission, Port Augusta was effected greatly by the closure of the Port Augusta power stations in 2015/16. However, Port Augusta has now started to establish itself as a renewable energy hub. For example:

DP Energy – Port Augusta Renewable Energy Park – Funded and underway, unique hybrid renewable energy development integrating wind and solar PV technology, total installed capacity of up to 375MW, including up to 206.5MW of wind generation capacity on land situated on the coastal plain south-east of Port Augusta. Have recently completed tender call for works has been completed. Mid-April 2017 saw the announcement of Stage 2 for the

¹ Economic Growth and Investment Strategies (Outback SA, Roxby Downs and Flinders Ranges, SC Lennon & Associates, 2016/17

² Regional Australia Institute, What is Regional Australia <http://www.regionalaustralia.org.au/home/what-is-regional-australia/>

project which includes a significant additional solar panel component, generating up to 500MW and a battery storage element of around 400 MW capacity. Stage 2 is to be submitted to the Development Assessment Commission by July 2017. Both stages combined will create over 600 jobs during construction and 10 ongoing maintenance jobs. For more information: <http://www.dpenergy.com./hybrid/port-augusta-renewable-energy-park/>

Reach Solar Energy - Bungala One and Two – funded and underway, approval received December 2016 for this 2 x 110MW tilting solar facility. The utility scale power plant will be the largest in Australia, and the 13th largest in the world with around 900,000 solar panels. It is designed to support the grid and will be energy storage ready for retro-fit in the future. Long-term offtake has been secured, capital for phase one raised (460 million), no Government funding needed for project viability. Work is expected to be completed by early Quarter 4 2018. Around 400 people will be required during construction and the project will provide material direct and indirect benefits to the community local to Port Augusta.

Pangea Energy – have purchased land in Port Augusta with a view to building the world’s largest battery storage system with 200-250 jobs during construction and 20 full time jobs post-construction. (project still going through approval stages).

Whilst some of these new projects are well underway, others are just in their infancy, however the turnaround time has been short compared to many major projects. These industries are also working with local job network organisations and brokers such as RDAFN to ensure the best outcome possible for local people and to connect them with local opportunities.

Taking this into account, this is where the adaptability index that is used within the initial report can be seen to be incorrect. The index has Port Augusta rated as “below average” in terms of adaptability, due to the town being reliant on one main industry in the past. However, this history isn’t necessarily correct. Port Augusta used to rely on the National Railways as a major industry and with their workshops closing in the 1990’s Port Augusta faced a similar situation that what it did with the power stations closing. However, the support of other outlying industries such as mining and Defence have enabled businesses to sustain and expand their operations and for local residents to find alternative employment.

Transitioning Regional Economies, Productivity Commission Initial Report General Comments/Views

A locally-owned, strategic and coordinated approach, pages 25-26

RDA committees provide the role as outlined in this section. These organisations are the leaders in economic development and attracting and facilitating new developments. Many others, like RDAFN, also have staff that assist with business development and play a brokerage role in linking new employment opportunities and training programs with regional residents, which includes career advice through the Career Development Centres. As an example, RDAFN has been working closely with the South Australian Tourism Commission and the Outback

Communities Authority to look at ways to keep the township of Leigh Creek alive. The coal mine in Leigh Creek closed down in late 2015, and with the town purpose built for the mine operations, the town is still going through a major transition process. Part of this process is looking at new industries to help the town survive, which includes Tourism, e.g. looking at the tourism offers that the town and surrounding areas have and building and marketing these so that Leigh Creek becomes a destination rather than a service town.

Investing in the capabilities of people and regional connectivity, pages 26-27

Regarding connectivity and the National Broadband Network, (NBN) RDAFN recently made a submission to the inquiry into the NBN Rollout and presented at the hearing held in Port Augusta. A copy is attached as Attachment A. The transcript to the NBN hearing is available at <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query%3DId%3A%22committee%2Fcommjnt%2F8176f393-e250-4c60-a3be-0b6d5173657f%2F0000%22>

In addition to this submission, RDAFN are in the process of preparing a survey to go out to all Far North SA regional residents and businesses to gain an understanding of their access, use and satisfaction with the NBN. RDAFN is happy to make information collected as part of this survey available to this inquiry if requested.

Focusing principally on investments in people, rather than businesses will best ensure that this risk is avoided (risk referring to crowding out commercially attractive private investment). Investing in the people is investing in the regional businesses. An initiative or way forward that focuses on one not the other is not preferable. Investment in the regional areas required a balance between investment in both the people and the businesses. Without the people there are no businesses, and without the businesses there are no people.

This section also mentions *the priority for governments should be the people who live in the region, not the geographic region itself*. This is correct and also incorrect. More investment should be allocated for geographical regional areas to enable them to better prosper and grow. A regional area should not be disadvantaged simply because the population is low or that it is a regionally remote area. Regionally remote areas often have a lot of untapped resources in its people and environment capabilities and are more adaptable to change due to not being reliant on one industry. Once again, there needs to be a fine balance between investing in people and investing in regional areas, not one or the other.

Also made mention is *Where government programs reduce the incentive for people to move, they reduce the welding of people who would otherwise find new skills or employment, and can also increase long-term unemployment*. The reverse also works in that there is also a need to support, train and encourage those to stay within their regional areas and allow them to grow and support those areas, not move away.

Achieving sustainable regional development, pages 27-28

The use of the City Deals 2016 program to *support the development of selected regional centres...* should not refer to a way to achieve “regional development”. Once again the City Deals 2016 program is city focused and not regionally focused in terms of geographical regional areas.

Information Request 4.1

As the report mentions, capturing the true adaptability of a regional area is difficult using the index and methodology that was used. The main issue with the method is around the data and the use of the word “regions” versus true “regional areas” as already mentioned in this report. The inclusion of major cities, metropolitan and urban area data skews the context of the adaptability of regional areas. These major cities etc have access to more support services and mechanisms and are more able to attract investors to new industries and build businesses capacity to cope.

Information Request 5.1

Please refer to RDAFN’s original submission into the Transitioning Regional Economies which outlines the Upper Spencer Gulf and Far North SA’s ability to transition following ongoing pressures and major industry shutdown.

Initial Finding 5.6

It was highlighted throughout the Initial Report on Page 27 that *Few evaluations have been published that assess the effectiveness and value for money of regional development initiatives.* Therefore, the statement in this initial finding around *Assistance to industries and regions has often been costly, ineffective, counter-productive, poorly targeted and inequitable* can’t substantiated using published data and as such the statement cannot be proved correct.

Information Request 5.2

Many regions could benefit from a trial exemption from regulations, depending what those regulations are. These need to be clearly outlined in order for this to be investigated. Opening up funding and grant opportunities to all may not be the way to go as this then puts regional areas at more of a disadvantage when they are competing for funds that capital cities can also compete for. The Building Better Regions Fund is a good example of funding that is targeted at regional areas, where anyone within a certain radius of a city centre was ineligible to apply for funding. This was positive for regional areas.

However, we support the statement as outlined on page 58 *Although many of these regulations have sound objectives, governments must ensure they are the minimum required to achieve their objectives. Removing unnecessary barriers to doing business, as well as the cost of government services, is a ‘no-regrets’ policy that should be pursued by all governments.*

Box 3.6 Shrinking Australian towns – historical examples

The reference made to Farina is an interesting one to investigate. As this information reports Farina was once a major town in its time, however due to the halting of train services in the late 1800's/early 1900's the township dwindled down an almost ghost town. However, whilst permanent residents in Farina are approximately ³29 the town is re-establishing itself as a destination and the strong volunteer group have restored the old bakery with that opening a few weeks a year proving very popular and they have received funding from various sources to upgrade this and other buildings in the town. Whilst Farina will never be the town it once was, it has managed to establish itself as a popular and profitable tourism destination.

Tables B.2, B.3 & B.4

In reference to South Australia the following estimated percentages were observed in terms of city versus regional area results:

- Above average adaptive capacity – 13.7% regional areas, 68.3% city centres
- Below average adaptive capacity – 38.3% regional areas, 61.7% city centres
- Least adaptive – 23.8% regional areas , 76.2% city centres

This data shows the high rates of city centres and metropolitan areas that have been included in this study, of which we believe may skew the results in terms of looking at regional areas versus regions.

Summary

RDAFN is of the strong view that the term region needs to better defines to carry out a true study on what we call regional areas, which does not include city centres or metropolitan and urban areas. We are by no means saying that these centres don't need studying or economic injections, just that their needs can't be compared to regional areas needs.

The report consistently highlights that the correct formula for looking at the adaptive capacity of a region is not known nor possible due to a lack of availability of consistent data. Therefore, this begs the question as to whether the outcomes of this initial and maybe final report will be of future use. Each region and regional area is unique in their population, industries, number of businesses, access to services, employment and so on, so why are we trying to compare them?

It is encouraging to see Far North issues such as Leigh Creek and the closure of the power stations being referred to in this report.

Regional Roadshow

Whilst this submission aims to paint a thorough picture of the region and the issues, challenges and opportunities that it faces, a real picture would be clarified by a face to face visit to the region. It would be beneficial for this visit to provide an opportunity for us to contribute further to this submission and to show you the issues and opportunities at sight. Therefore, we

³ ABS Census Data 2016, Quick States (Farina, State Sururb)

welcome the commission to undertake a tour of the Far North SA region, and the Spencer Gulf region to provide an opportunity for further input via presentation to this submission.