

**Submission
No 23**

**PERFORMANCE OF THE REGIONAL INVESTMENT ACTIVATION FUND AND
THE REGIONAL JOB CREATION FUND**

Organisation: City of Ryde Council

Date Received: 2 November 2023

Roy Butler MP
Committee Chair, Legislative Assembly Committee on
Investment, Industry and Regional Development

C/- Alison Buskens, Committee Manager
Via email: investmentindustry@parliament.nsw.gov.au

2 November 2023

Our Ref: D23/149854

Dear Mr Butler

Submission – Performance of the Regional Investment Activation Fund and the Regional Job Creation Fund

I write in response to your correspondence, dated 30 August 2023, inviting the City of Ryde to prepare a submission to the Legislative Assembly Committee on Investment, Industry and Regional Development's (the **Committee**) inquiry into the performance of the Regional Investment Activation (**RIA**) Fund and the Regional Job Creation (**RJC**) Fund. Council staff have prepared the attached submission for consideration by the Committee.

Should they wish, I would welcome the opportunity for senior staff from the City of Ryde to participate in a Committee Hearing to outline the important role the City of Ryde, particularly the Macquarie Park Innovation District, can play in elevating economic outcomes in remote and regional NSW.

Should you require any further information, please do not hesitate to contact Council's Executive Officer, City Economy, [REDACTED], via [REDACTED] or [REDACTED].

Yours sincerely



Wayrie Rylands
Chief Executive Officer

Submission

Introduction

Staff from the City of Ryde Council (**CoR**) strongly believe the synergy between regional and metropolitan cities is fundamental to the economic advancement of NSW and Australia. Collaboration between regional and metropolitan Councils in NSW could not only bolster economic growth but also enhance the overall wellbeing of NSW communities.

In the case of CoR, the Macquarie Park Innovation District (with its strengths in innovation, research, and development (**R&D**)) is central to any future partnerships with regional councils. These strengths can act as a catalyst for driving economic progress in Australia.

CoR is also home to the multicultural and economically diverse town centres of Eastwood, West Ryde-Meadowbank, and Gladesville. Eastwood and West Ryde-Meadowbank's are connected to the regions through its access to the State's heavy rail network (passenger and freight). Combined with their economically and culturally diverse communities, Eastwood and West Ryde-Meadowbank can provide a significant and valuable contribution to the State's economy by enhancing connectivity between the regions and metropolitan Sydney.

In this submission, CoR staff have highlighted the importance of regional-metropolitan collaboration, with a special focus on the transformative power of innovation and R&D in improving economic outcomes in regional NSW.

Economic interdependence

Regional and metropolitan cities are economically interdependent. Metropolitan cities, such as the CoR, serve as a hub for innovation and R&D, acting as the engines that drive economic growth at the national level.

The Macquarie Park Innovation District, for example, is host to a world-class university (Macquarie University), research institutions, and innovative companies, providing productive spaces and ecosystems for the development of cutting-edge technologies, medical advancements, and innovations that optimise the systems and processes behind the development of new products and services.

The broader CoR Local Government Area (**LGA**) supports the innovation ecosystem by providing a high-quality built and natural environment for workers and residents, along with improving access to employment opportunities and educational institutions such as two TAFE NSW locations and the Institute of Applied Technology Digital – a world-class cybersecurity training institute. Town centres across the CoR LGA, like Eastwood, West Ryde-Meadowbank, and Gladesville offer vibrant places for communities to connect with open spaces, diverse employment opportunities, and cultural experiences that can contribute to the skills of students and workers looking to expand into, or work with, regional communities.

Regions, with their strengths in agriculture, manufacturing, energy generation, and resource extraction, create a demand for innovation and R&D. When regional cities work in tandem with their metropolitan counterparts, they gain access to knowledge clusters, which can prove transformative for their economies. The following breakout box provides a hypothetical example of an opportunity for collaboration between regional cities and the Macquarie Park Innovation District.

Breakout Box 1 – Collaboration on the delivery of Renewable Energy Zones

The Challenge

A Renewal Energy Zone (**REZ**) is being advanced in the Hunter and Central Coast regions of NSW. This REZ will utilise the renewable energy resources these regions can produce while leveraging existing infrastructure such as electricity networks, port and transport infrastructure, as well as a skilled workforce.

Commercial interest in the REZ has identified more than \$100 billion¹ of potential investment, largely linked to solar energy and the NSW and Australian Governments' focus on advancing low-carbon industries such as green hydrogen, ammonia and metals production for both domestic and export markets.

Investment in the REZ will rely on domestic and international investment, with the opportunity to attract international businesses to have a physical presence in NSW. It is the experience of CoR staff, however, that international companies are less likely to invest in a large office presence in regional NSW, preferring access to existing business and innovation ecosystems in Greater Sydney.

Furthermore, the need for skilled workers to support the REZ cannot be understated. Delivery of the REZ will rely on the upskilling of existing workers and the relocation of new workers to the Hunter and Central Coast regions.

The Opportunity

There is a collaborative opportunity for the Macquarie Park Innovation District to be seen as an Innovation Hub for the Hunter and Central Coast regions, with investors in the REZ able to invest in projects in the REZ alongside headquartering in the Macquarie Park Innovation District (which, for context, is an 83min drive from Eraring Power Station in the Lake Macquarie LGA). This headquarters can leverage the university and other businesses within the innovation ecosystem to improve the efficacy of their R&D investments, with the outputs of these investments being deployed in regional NSW.

Recommendation

Greater effort is needed to break down the barriers between metropolitan and regional councils. Undeniably, councils can be parochial in pursuing economic outcomes, wanting the best result possible for their community. Unfortunately, this parochialism can often lead to short-term gains for a single LGA at the sacrifice of sustainable medium-long-term gains for regions and the State.

Leveraging the Department of Regional NSW and NSW EnergyCo, the NSW Government should invest in opening a dialogue between metropolitan and regional cities, whereby businesses, academics and government officials can learn from each other to seek new collaborative opportunities that advance the delivery of each REZ in NSW. To build on this dialogue, Government support could unlock:

- 1) resource sharing opportunities between regional and metropolitan Councils
- 2) regular thought leadership forums that bring together knowledge, expertise, and lived experiences of workers and academics in both regional and metropolitan cities to tackle nationally significant issues, and
- 3) pilot projects and initiatives through the leverage of metropolitan innovation ecosystems to reduce the risk of innovation in regional cities.

This work may include the Department of Regional NSW funding roadshows in both regional and metropolitan cities and offering incentives (e.g., rebates for travel and accommodation) to encourage participation. If designed effectively, these roadshows would create opportunities for metropolitan workers and academics to gain first-hand

experience of The issues facing regional and remote communities in NSW. The roadshow should showcase innovations that require investment and support for upscaling of new technologies, while also sharing wicked problems that could potentially be solved through the broader knowledge base of metropolitan innovation ecosystems.

These roadshows would have the added benefit of stimulating local economies and hosting elements of relevant roadshows.

Spill Over Effect on Regional Cities

The impact of innovation and R&D is wider than metropolitan cities. There are many examples of innovative practices and R&D taking place across regional NSW (the NSW Government's 2019 'Jobs for NSW Regional Pitchfest' provides a snapshot of the innovation occurring across Regional NSW). However, it is difficult to deny that there is a greater concentration of innovation in metropolitan Sydney, particularly the Macquarie Park Innovation District, which is the number one postcode in Australia for Intellectual Property (IP) registrationsⁱⁱ.

Positively, the knowledge and technologies that originate in metropolitan cities often disseminate to regional cities, creating a 'spillover effect'. For instance, new agricultural techniques developed in metropolitan research institutions can be instrumental in boosting agricultural productivity in regional areas. Moreover, technology transfer and the migration of skilled workers to regional cities contribute to regional economic development.

Similarly, the innovations being made in the biomedical and life sciences sectors in the Macquarie Park Innovation District are advancing medical outcomes and health benefits across Australia. Innovators in these sectors seek out the Macquarie Park Innovation District due to the concentration of pharmaceutical companies, biotechnology companies (e.g., Cochlear), and research institutes alongside Macquarie University and the Macquarie University Hospital – Australia's only hospital wholly owned by a university, which makes it easier for companies to undertake clinical trials.

Economic Diversification

An economically diverse economy contributes to economic sustainability and resilience. Collaboration between regional and metropolitan cities can promote economic diversification for both regional and metropolitan cities, and thus NSW. Rather than relying solely on traditional industries, regional areas can harness the power of innovation to cultivate new industries.

Australian economies, at all scales, are at a critical juncture. The COVID-19 pandemic has altered our work patterns, the demand for skills is growing, our population is ageing, we're in the middle of a housing crisis, and businesses and communities are suffering from high inflation stifling the economy at the local, regional, State, and national level.

These pressures are leading to Governments making decisions that deliver short-term outputs at the risk of long-term economic sustainability. Greater collaboration is needed between Governments at all levels to ensure we are delivering the infrastructure, housing, education, and employment opportunities needed by our communities and our economy.

The following breakout box demonstrates the potential impact of short-term decision-making on the long-term future of the Macquarie Park Innovation District. CoR staff use this example as they strongly believe that, with improvements, the Macquarie Park Innovation District can help unlock a wealth of opportunities for regional NSW.

Breakout Box 2 – The Risk of Build-to-Rent in the Macquarie Park Innovation District

The Challenge

Established in the 1960s as Australia's original innovation district, the Macquarie Park Innovation District is currently the subject of competing interests around the best use of land to respond to Greater Sydney's needs for housing and jobs. The continued pursuit of commercial office space by landowners in the 2010s and the subsequent commercial office market slump resulting from the COVID-19 pandemic has created a surplus in commercial property at a time when there is a greater demand for housing. Informed by their financial interests, commercial land developers are reprioritising their efforts to focus on the delivery of housing. This is an understandable predicament, as the private sector survives on its ability to manage risk to produce profit.

The NSW Government's Build-to-Rent (BTR) arrangements have, unfortunately, created a market for short-term gains at the sacrifice of long-term economic sustainability by allowing residential development to occur in the once-protected commercial core of the Macquarie Park Innovation District.

Replacing commercial developments with housing in a commercial core will affect one of Macquarie Park Innovation District's comparative advantages, which is access to affordable commercial spaces within a proximity to Macquarie University.

We refer the Committee to current State Significant Developments for BTR in Macquarie Park as a demonstration of this change. Economic assessments produced by landowners point to an oversupply of commercial office space and the NSW Government's push to resolve the current housing crisis as the primary investment logic.

What these proposals need to acknowledge is that new commercial supply is not guaranteed. While approvals for new commercial developments have been made, work has only commenced on the supply of just 9.32% of the approved gross floor area for commercial spacesⁱⁱⁱ. Furthermore, the type of commercial developments being delivered needs a re-think. While large A-grade commercial office space forms a key component, the innovation ecosystem requires access to commercial spaces more suitable for small to medium-sized enterprises, co-working spaces, laboratory spaces, and spaces for advanced manufacturing (including clean rooms).

For example, a clean lab would need approximately 2.7m height for a laboratory, with an additional 2.7m for plant and equipment to sit above the lab. Although the increased height of internal floors may reduce Gross Floor Area, CoR staff suggest that the higher rental yield for laboratory would cover the loss. Research by Savills Research identified that the "average fully fitted lab premium across the UK and Europe is 76% when compared to the prevailing office rental tone."^{iv} While this is for a completing fitted out lab, which has high capital costs, there is a strong market for 'shell and core lab' spaces (i.e., spaces that allow the tenant to build laboratories within them). The same research suggests the premiums for this kind of space across the UK and Europe is between approximately 30-63% when compared to the prevailing office rental tone.

The Opportunity

Collaboration between regional councils and CoR on the risk of residential development replacing commercial developments needed for the Macquarie Park Innovation District is two-fold.

1) Collaboration between regional and metropolitan councils on matters relevant to innovation can provide confidence in the demand side of commercial spaces, reducing investment risks for landowners.

2) Collaboration can lead to greater connections, both physical and virtual, between regional and metropolitan councils, leading to improved transport times for the movement

of people and goods and the transfer of knowledge and technologies between communities.

Recommendation

It is recommended the NSW Government design protections for innovation districts to ensure genuine mixed-use development occurs in places where solely commercial developments are no longer feasible. This would include mandating spaces be provided for the innovation ecosystem as a part of any State Significant Development activities occurring in the Macquarie Park Innovation District.

Enhancing Wellbeing

CoR staff suggest that the fundamental role of the economy is to support and improve the wellbeing of the community. As such, improving wellbeing in regional areas should form a key outcome for collaboration between regional and metropolitan cities.

Improving regional access to world-class healthcare and educational facilities located in metropolitan and large regional cities could lead to an increase of regional resources and expertise in areas such as healthcare, education, and infrastructure delivery. Improving access could include improving incentives to attract metropolitan workers to regional communities (including for short term/clinical work), improving the availability of digital health services in regional and remote communities (e.g., a space at a Council-run library where residents can conduct a telehealth/video health appointment with a practitioner in Sydney), or providing temporary housing for patients from remote and regional NSW to visit health facilities based in Greater Sydney.

This increase would likely contribute to an enhancement of the wellbeing of regional communities, which in turn could lead to better economic outcomes, such as:

- Increased productivity – generally, workers who are physically and mentally healthy are more productive in the workplace.
- Reduced healthcare costs – better wellbeing can lead to reduced healthcare costs by encouraging a proactive approach to healthcare and the potential for lower incidences of chronic diseases. Lower healthcare costs for both workers and the healthcare system can free up resources for other economic activities.
- Improved education – a high level of wellbeing can improve educational outcomes for workers participating in professional development or academic studies. An educated workforce contributes to a more skilled and adaptable labour force, which is essential for economic growth.
- Enhanced human capital – wellbeing initiatives, including access to healthcare, nutrition, and mental health services, help in the development of human capital. When people are free from stress and health concerns, they are more likely to engage in creative thinking and problem-solving. A population with strong human capital can likely be more innovative and adaptable, being a key asset for economic growth.
- Attraction of talent and investment – regions and cities that prioritise the wellbeing of their residents tend to attract top talent and investments. These areas can become more appealing places to live and work. A talented and motivated workforce is an essential asset for businesses and industries, leading to economic growth.

Breakout Box 3 - Enhancing access to Sydney's health services for regional workers

The Challenge

Access to health and wellbeing services becomes a greater challenge the further away a person is from a metropolitan city. This can lead to compromised health and wellbeing outcomes for workers, reducing productivity and reducing the attractiveness for workers to relocate to regional areas.

The Opportunity

Establishing relationships between health and wellbeing service providers in Greater Sydney and those in regional NSW could lead to improved health outcomes for workers. This may include collaborating with innovators in the Macquarie Park Innovation District to improve the way in which health services are provided (e.g., digital health, integration of artificial intelligence into diagnostic services, and funding to incentivise health professionals in Greater Sydney to work with and in regional NSW).

As an example, the CoR staff refer the Committee to the Baker Heart and Diabetes Institutes new technology trial that links remote healthcare professionals and artificial intelligence to deliver sonography services in places like Alice Springs^v.

Recommendation

It is recommended that the NSW Government explore opportunities to remove barriers for regional workers to access health and wellbeing services and workers based in metropolitan Sydney, including investing in telecommunications, incentives for workers, and spaces suitable for medical appointments to be conducted via videoconferencing

Collaboration between regional and metropolitan areas is essential for enhancing productivity and wellbeing in any nation. Innovation and R&D in metropolitan cities like the Macquarie Park Innovation District play a pivotal role in driving economic progress, and their impact extends to regional cities. This collaboration fosters economic diversification, improves wellbeing, and supports sustainable development, ultimately leading to a more prosperous and equitable society. Governments, businesses, and communities must continue to foster these partnerships, recognising the transformative power of innovation and research in building a brighter future for all.

The City of Ryde is actively engaging with Government, academic and businesses stakeholder from across NSW, Australia, and international markets. This engagement seeks to attract investment into NSW through the Macquarie Park Innovation District and the broader opportunities available in the local economic centres of Eastwood, Gladesville, and West Ryde-Meadowbank.

The City of Ryde's Economic Development Strategy (EDS) is also under review. The planned revision of the EDS will include broader considerations for how the City of Ryde can contribute to the economic outcomes for both metropolitan and regional communities in NSW.

References

ⁱ <https://www.energyco.nsw.gov.au/hcc-rez>

ⁱⁱ <https://www.connectmpid.com.au/about-macquarie-park>

ⁱⁱⁱ <https://www.planningportal.nsw.gov.au/major-projects/projects/35-waterloo-road-macquarie-park-btr>

^{iv} https://www.savills.com/research_articles/255800/341097-0

Attachment A – Staff submission to the Inquiry into the performance of the Regional Investment Activation Fund and the Regional Job Creation Fund

^v <https://www.abc.net.au/news/2023-03-22/how-ai-heart-technology-helps-remote-patients-get-ultrasounds/102123878>