

**Submission
No 39**

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

Organisation: Charles Sturt University, School of Business

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

A brief report to the Committee on Investment, Industry and Regional Development,
Parliament of New South Wales

by Dr Alfred Wong, School of Business, Charles Sturt University, Bathurst, NSW

Overview:

This report focuses on projects funded in Round One and Round Two of the Regional Job Creation Fund (RJCF) of the NSW Government for businesses located in the Central West and Orana regions.

RJCF and Expected Return on Investment:

Table 1 summarises the number of RJCFs awarded to a total of 28 businesses across the Central West (CW) and Orana regions. The Government's investment portfolio has a total value of \$20.5 million with an overall Expected Return on Investment (EROI) of 21.30% [1][2] (see notes under Table 1 for further details). The portfolio is expected to create approximately 28.7 jobs per 1,000 population for these regions (see mean Number of Jobs Agreed (NJA), refer to notes for Table 1 for details).

RJCF recipients are mainly from the agriculture (53.6%) and manufacturing (28.6%) industries which are expected to create 902 jobs for these regions (out of a total of 1,235 jobs for the CW and Orana regions). Notably, in Table 2, agriculture and manufacturing are the most profitable industries evidenced by the median EROI of around 12.1% and 10.8%, respectively. The Orana region has a median RJCF of \$1 million which is much larger than the median of \$0.2 million for CW. The Orana region also has a much larger median EROI of 9.4% than CW (0.9%). This is mainly due to a relatively higher composition of agricultural businesses with high EROI in the Orana region compared with businesses located in the CW region.

RJCF and 2021 unemployment rate:

Figure 1 depicts a positive relationship between the log(RJCF) and the 2021 unemployment rates provided by the Australian Bureau of Statistics (ABS) [5]. This pattern implies that larger RJCFs are awarded to businesses located in regions where unemployment rates are higher. In Table 2, the median unemployment rate is around 5.1% for the CW and Orana regions in 2021. In contrast, the median unemployment rate fell to 2.5% in June 2023 for these regions [3]. This is suggestive of a positive impact resulting from the RJCF in reducing unemployment rates in the CW and Orana regions.

Table 1: Expected Return on Investment, by industry and grant sizes

Business	Industry	RJCF	NJA	EROI (%)	EROI weighted (%)
1	Agriculture	\$126,000	13.66	4.06	0.025
2	Agriculture	\$350,173	0.41	3.69	0.063
3	Agriculture	\$100,000	1.95	41.2	0.201
4	Agriculture	\$180,000	0.18	12.07	0.106
5	Agriculture	\$4,500,000	6.63	64.96	14.233
6	Agriculture	\$1,000,000	1.08	21.03	1.024
7	Agriculture	\$300,000	1.4	0.86	0.013
8	Agriculture	\$200,000	2.12	38.18	0.372
9	Agriculture	\$200,000	0.05	0.86	0.008
10	Agriculture	\$400,000	0.36	0.86	0.017
11	Agriculture	\$100,000	26.88	0.86	0.004
12	Agriculture	\$180,000	0.71	0.86	0.008
13	Agriculture	\$131,000	17.06	53.99	0.344
14	Agriculture	\$500,000	606.06	61.38	1.494
15	Agriculture	\$300,000	2.08	14.31	0.209
16	Machinery	\$437,065	0.45	15.38	0.327
17	Machinery	\$4,807,000	39.24	6.17	1.444
18	Manufacturing	\$220,000	0.86	0.86	0.009
19	Manufacturing	\$850,000	0.81	6.79	0.281
20	Manufacturing	\$1,000,000	63.86	0.86	0.042
21	Manufacturing	\$196,087	0.48	2.87	0.027
22	Manufacturing	\$160,000	6.29	0.86	0.007
23	Manufacturing	\$1,158,000	1.04	0.86	0.049
24	Manufacturing	\$950,000	3.81	16.79	0.776
25	Manufacturing	\$1,120,000	2.69	0.86	0.047
26	Primary Industry	\$200,000	0.23	0.86	0.008
27	Primary Industry	\$380,000	2.53	0.86	0.016
28	Services	\$493,800	0.47	6.21	0.149
Total		\$20,539,125			21.303
Mean		\$733,540	28.69	13.55	
Median		\$325,087	1.68	3.88	
Maximum		\$4,807,000	606.06	64.96	
Minimum		\$100,000	0.05	0.86	

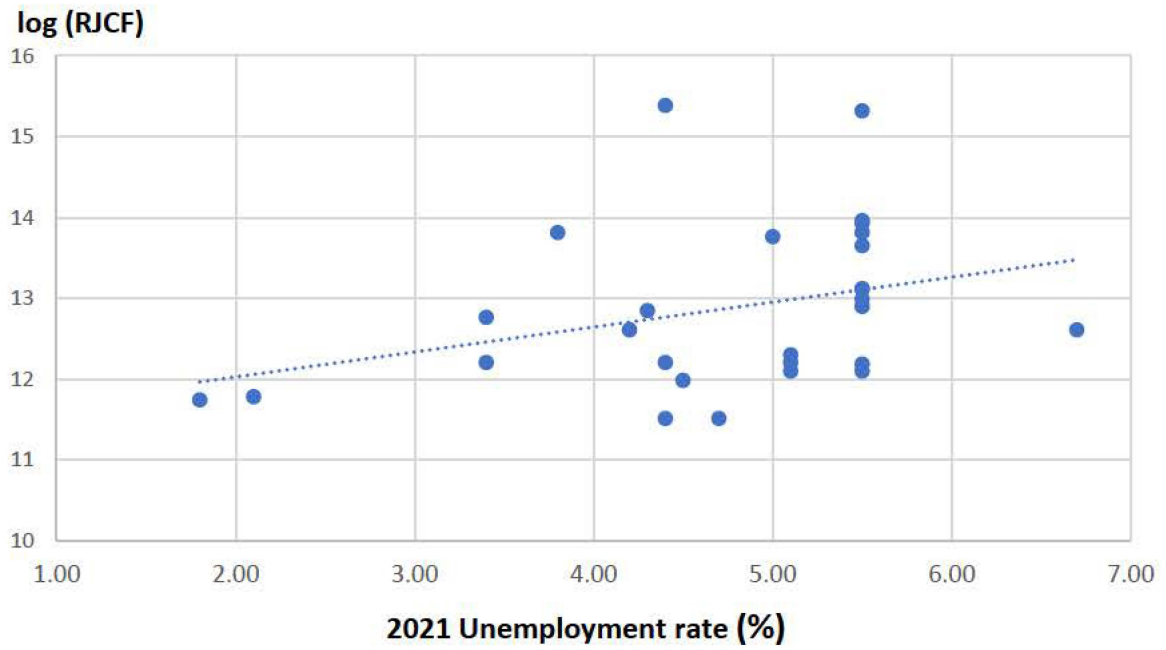
Notes:

RJCF: Regional Job Creation Fund awarded in Australian dollars. **NJA:** Number of Jobs Agreed (as per contractual agreement) divided by population size for each location (calculated per 1000 population). **EROI:** Expected Return on Investment. The numerator (A) is the yearly amount of JobSeeker payment saved as per contractual agreement (payment amount calculated as average of a single person with no children and a single person with a dependent child or children starting from 20 September 2023). The denominator (B) is the grant amount awarded. EROI is therefore calculated as $(A/B-1 \times 100\%)$. **EROI weighted:** EROI is weighted by the total portfolio value allocated to the Central West and Orana regions. See "Footnotes for data used" for further details.

Table 2: Expected Return on Investment, by industry groups and regions

	EROI (%)		NJA (per 1000)		2021 Unemployment rate (%)		RJCF	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
Industry type								
Agriculture	21.28	12.07	45.38	1.95	4.63	5.1	\$571,145	\$200,000
Machinery	10.78	10.78	19.84	19.84	4.95	4.9	\$2,622,033	\$2,622,033
Manufacturing	3.84	0.86	9.98	1.86	5.05	5.3	\$706,761	\$900,000
Primary Industry	0.86	0.86	1.38	1.38	3.85	3.9	\$290,000	\$290,000
Services	6.21	6.21	0.47	0.47	5.5	5.5	\$493,800	\$493,800
Region								
CW	9.59	0.86	178.4	48.82	4.38	4.5	\$320,884	\$200,000
Orana	19.56	9.43	1013.39	16.85	5.28	5.5	\$1,000,000	\$1,000,000
CW & Orana	13.55	3.88	28.69	1.68	4.75	5.1	\$733,540	\$325,087
Round								
One	16.65	6.48	863.64	48.95	4.78	5.1	\$907,958	\$325,087
Two	7.97	1.87	97.17	16.74	4.68	5.3	\$419,589	\$290,000

Figure 1: Regional Job Creation Fund awarded and unemployment rate



Footnotes for data used:

1. Regional Job Creation Fund awarded:
<https://www.nsw.gov.au/programs-and-grants/archived-regional-growth-fund/archived-regional-job-creation-fund/regional-job-creation-fund-map>: data accessed 24 October 2023. It is assumed that all activities are fully met by grant receipts on the expiration of the agreements. Further RJCF details are suppressed to maintain anonymity.
2. JobSeeker payment:
<https://www.servicessaustralia.gov.au/how-much-jobseeker-payment-you-can-get?context=51411>: data accessed 24 October 2023.
3. Parliamentary Research Service, Regional unemployment data 2021 – 2023 (June 2023 unemployment rates for CW and Orana regions are proxied using data for North West NSW, and Riverina & South East NSW) : data accessed 8 December 2023.
<https://www.parliament.nsw.gov.au/researchpapers/Pages/Unemployment-and-JobSeeker-estimates.aspx>: data accessed 8 December 2023.
4. 2021 population data for each location where the businesses are located:
<https://abs.gov.au/census/find-census-data/quickstats/2021/SAL10511>: data accessed 24 October 2023.
5. 2021 unemployment data for each location where the businesses are located:
<https://www.abs.gov.au/statistics/people/population/regional-population/latest-release#data-downloads>: data accessed 24 October 2023.

Appendix

From: Investment Industry <investmentindustry@parliament.nsw.gov.au>

Sent: Wednesday, 30 August 2023 3:20 PM

To: Wong, Alfred <[REDACTED]>

Subject: Invitation to make a submission - Committee on Investment, Industry and Regional Development

Dear Dr Huah - Syn Wong

The Legislative Committee on Investment, Industry and Regional Development is conducting an inquiry into the performance of the Regional Investment Activation Fund and the Regional Job Creation Fund. The inquiry [terms of reference](#) are on the Committee's [website](#).

On behalf of the Committee, I would like to invite you, in your research field and knowledge on applied healthcare economics with comparison of regional and major cities, to make a submission to the inquiry. The closing date for submissions is 27 October 2023.

You can make a submission via:

- The Committee's [website](#)
- Email to investmentindustry@parliament.nsw.gov.au
- Mail to The Chair, Investment, Industry and Regional Development Committee, Parliament House, Macquarie Street, Sydney NSW 2000.

You can view information about [making a submission](#) to Legislative Assembly committee inquiries at the Parliament's [website](#).

If you would like further information about the inquiry or making a submission, please contact the Committee staff on [REDACTED].

The Committee would greatly appreciate your contribution to this inquiry.

Yours sincerely

Roy Butler MP
Committee Chair



Legislative Assembly Committee on Investment, Industry and Regional Development
Parliament of New South Wales

E investmentindustry@parliament.nsw.gov.au
Parliament House, Macquarie Street, Sydney, NSW 2000, Australia
www.parliament.nsw.gov.au

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Acknowledgement of Country The Department of the Legislative Assembly acknowledges the Traditional Custodians of the lands where we work and live. We celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of NSW. We pay our respects to Elders past, present and emerging.

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