

**Submission
No 14**

INQUIRY INTO REGIONAL DEVELOPMENT AND A GLOBAL SYDNEY

Organisation: RDA Southern Inland

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The Director
Standing Committee on State Development
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Sir/Madam

Standing Committee on State Development: Regional Development and a global Sydney inquiry

I write in reference to the above and would like to make a submission to this inquiry on behalf of Regional Development Australia (RDA) Southern Inland.

RDA Southern Inland (RDASI) is part of a national network of 55 Regional Development Australia committees across Australia. RDASI is a State and Federally funded non-government body encompassing seven Local Government Areas – Wingecarribee, Goulburn Mulwaree, Yass Valley, Upper Lachlan, Hilltops, Queanbeyan Palerang and Snowy Monaro.

Our role is to promote economic development in the region by identifying opportunities for business development and linking businesses and community organisations with government grants, programs and infrastructure investments, creating jobs and encouraging prosperity for the region's population.

The RDA Southern Inland Region is one of the most geographically diverse regions in NSW, if not Australia. The region stretches from Wingecarribee in the north to the Victorian border south of Bombala and to Young in the west.

Parts of our region border the Sydney region and, as such, we have a vested interest in the Standing Committee's inquiry and report on how Sydney's growing prominence as a global city enhances regional development in NSW. We have familiarised ourselves with the inquiry's Terms of Reference and make our submission against these terms.

- **Ensuring the regions benefit from the expansion of international trade, infrastructure, employment, tourism, innovation and research in the greater Sydney region:**

The Southern Inland region had an estimated residential population of 198,244 (June 2015). The majority of the population is concentrated in the Wingecarribee Shire, Goulburn Mulwaree and Queanbeyan Palerang Local Government Areas. The population of the region is estimated to reach 234,700 people by 2031.

The region is characterised by a strong and diverse economy. In 2014-2015, the Southern Inland region contributed \$8.4 billion Gross Regional Product (GRP) to NSW's total GRP of \$489 billion. The region's key employment sectors and industry include:

- Tourism
- Healthcare and social assistance
- Manufacturing
- Information Technology
- Construction
- Public administration
- Education and training
- Primary industries and renewable energy
- Transport, freight and logistics.

In relation to the inquiry's Terms of Reference, the Southern Inland Region's industries are able to contribute to an expansion in international trade due to the region's proximity to the greater Sydney region. For example, our agricultural region is diverse. The most important commodities (based on ABARES 2014 data) in the region were wool (\$158 million), followed by cattle and calves (\$146 million) and sheep and lambs (\$88 million). Other commodities contributing to the gross value of agricultural production (GVAP) for the region include wheat (\$55 million), milk (\$53 million), canola (\$41 million) and pigs (\$27 million). Fruit and nuts, primarily cherries and stone fruit, accounted for \$18 million (GAVP).

The Southern Inland region's agricultural producers would benefit from an expansion in international trade and in any innovation and research that might increase production efficiency. Similarly, any innovation and research on agricultural diversification, market intelligence and related information, or commodity specific would be of benefit to the region's producers.

Renewable energy can successfully drive economic development in regional communities. Constructing, operating and maintaining large scale power such as wind and solar farms results in a range of direct employment opportunities. The Southern Inland region already has a number of installed large-scale renewable energy generation projects established, and in the process of being established. According to research by Ernst & Young and the Climate Council (2016), increasing the renewable energy target to 50 per cent rather than the business as usual trajectory (34 per cent renewables by 2030) would create almost 50 per cent more employment in the sector nationally. Any expansion in renewable energy infrastructure to service the greater Sydney region could be accommodated within the Southern Inland region.

Tourism is a major contributor to the economy of the Southern Inland region. Snowy Mountains tourism contributes around \$429 million to the regional economy, each year and accounts for 27 per cent of the broader region's total economic contribution from tourism. It is already a sought after destination for international visitors who travel from Sydney or Canberra, however regions closer to Sydney would benefit from promotion as day trip or overnight destinations.

Employment growth through assisting businesses and investors in our region is a significant area of focus for RDA Southern Inland. Our region is centrally located for decentralisation

opportunities arising from the increased costs of ‘doing business’ in Sydney, particularly with the growth of Western Sydney. Parts of the Southern Inland region such as Wingecaribee Shire, Goulburn Mulwaree and Yass Valley Local Government Areas are located on main road and rail transport routes, and within close proximity to Canberra Airport which is now offering international freight opportunities.

- **Identify the sectors of the economy that can provide the greatest opportunities for regional development, including forecasts for jobs growth**

We have broadly addressed this above with information on our key employment sectors and industries however further information on the region’s industry and employment sectors, and on employment forecasts for jobs growth within the RDA Southern Region may be beneficial to the inquiry.

The Commonwealth Department of Employment (2016) has estimated that for the Capital Region, which comprises Southern Inland, the highest expected growth will be experienced in the Education and Training Sector (+1700), Health Care and Social Assistance (+1400) and Construction (+1000). These projections are consistent with the projections for NSW.

The draft South East and Tablelands Regional Plan identifies additional growth sectors for the Southern Inland region including:

- Tourism
- Public administration and defence
- Primary industries and renewable energy
- Freight and logistics.

The RDA Southern Inland Strategic Plan 2017-2020 identifies the Health Care and Social Assistance sector as the industry with the largest potential growth for employment for the region. This sector encompasses jobs in areas such as hospitals, residential care services, allied health services, child care services, medical services, pathology and diagnostic imaging and social assistance services. Demand is likely to increase in the Southern Inland Region as a result of its ageing population. With the portion of the over 65 age group expected to increase by a minimum of 6 per cent by 2031 across all Local Government Areas within the Southern Inland Region, continued investment in training and support for this sector is essential.

Manufacturing is one of the key industries in the region. Goulburn has a significant manufacturing base with a focus on primary production and processing for export. Hi-tech product manufacturing is a regional strength with local companies producing a range of high technology products, for example Moss Vale is home to a number of hi tech manufacturers such as Dux and Joy Global.

The construction industry is the fourth largest employer of residents of the Southern Inland Region. Growth in demand for skilled labour is occurring in the region, creating competition within the industry. Further investment into the vocational education and training sector (VET) is essential to ensure the skilled labour is available to meet the demand for construction in the region.

A significant proportion of Southern Inland residents work in Canberra in public administration. In total, 21,400 jobs in the ACT are filled by workers living in NSW. This provides the region with skilled public administrators and, with the introduction of the National Broadband Network, and improving transport links, the Southern Inland's public administration staff represent a potential workforce for Sydney based government and corporate employers.

Education and training is another priority employment sector for the Southern Region and in the 2011 census, school education was in the top five industries for employment across all Local Government Areas within the region.

Between 2001 and 2011 the employment profile of the region changed with decline in agriculture, forestry and fishing, wholesale trade, information media and telecommunications and the manufacturing sectors. Balancing this were increases in public administration and safety, healthcare and social assistance, construction, education and training and retail sectors.

Regional employment is relatively self-contained, with around 72 per cent of the employed population living and working in the region.

RDA Southern Region is of the view that opportunities for regional development and investment exist across all the region's key employment and industry sectors, and the region has a highly skilled workforce to meet any future regional growth. However, there also needs to be continued and new investment in transport infrastructure, education and training and support for manufacturing industries. Federal and State Governments have a central role in regional development.

Lack of tertiary campuses (or nearby access) in some areas within the region: Goulburn Mulwaree, Snowy Monaro, Hilltops and Yass Valley, impact on the region's ability to skill and reskill the workforce. Government investment in education, training and skills development will help ensure the region's workforce remains competitive to take advantages of new opportunities and to contribute to the social and economic fabric of the region.

Decentralisation opportunities arising from industry and Small to Medium Enterprises (SMEs) looking for cost effective relocation should be actively promoted by government networks as a central plank in regional development policies. The recent release of RDA Southern Inland's Yennora Wool Sales relocation report *Towards a new wool selling future in NSW* examined the cost savings businesses can achieve through decentralisation from a metropolitan area such as Sydney and relocation to regional NSW.

This research demonstrated up to \$2.6million per annum in savings to the wool industry in relocating the NSW wool sales from Yennora to Goulburn, and up to \$11million over five years. Savings were found in office and warehouse rental and wool broker travel. The report can be viewed at: <http://www.rdasi.org.au/projects/industry-decentralisation/strong-case-for-wool-sales-relocation-to-goulburn/>.

There should be improved mechanisms and processes to communicate potential interest with NSW RDA's and Local Governments, across networks and this would occur if

decentralisation opportunities were actively communicated to urban based (and international) businesses seeking to relocate to regional NSW. Decentralisation incentives such as specific grant programs could also be examined by government.

- **Regional development and incentives packages vs the city.**

RDA Southern Inland recommends changes to regional development assistance and actions by the Government and local Government to attract new business and industry to regional areas of the state. This in turn will enhance the viable demand for major transport infrastructure in the Sydney area as well as the Hunter and Illawarra.

In the 1980s the Department of Industry (nee State and Regional Development and other names) developed programs for encouraging regional development outside Sydney and to a lesser extent Hunter and Illawarra. The flagship Regional Business Development Scheme (RDBS) provided a range of assistance to business and industry wanting to relocate out of Sydney to regional areas or attract new inbound investment (from interstate or overseas).

In later years other programs such as the Regional Industries Infrastructure Fund were added to further support industry development in regional areas.

While we recognise the Government's state wide support for small business through current programs such as Jobs for NSW, the Small Business Grant and Payroll Tax Rebate, this does not focus on regional NSW.

Good business and industry wants to work with Government to achieve its goals of new investment and growth. This is common throughout the world. The current lack of direct support or assistance from Government for regional investment is not sending a welcoming message to business but other States are willing to fill NSW's void.

- **Grow what we have or capture businesses form interstate?**

Victoria appears to be leading the charge to attract new investment with several supporting programs (Regional Jobs and Infrastructure Fund – 10 programs offering payroll tax rebates, infrastructure extensions, development support, etc).

The 2017/18 Victorian State budget allocates \$173M tax relief to regional businesses by reducing payroll tax.

The NSW Government should consider incentives for metropolitan based businesses to relocate or decentralise to regional NSW. It may like to consider a return of the RBDS or some comparable program to offer support to regional business and industry development in New South Wales on a case by case basis.

A program offering assistance along the lines of:

- payroll tax rebates for new employment generated in regional areas (for initial years but phasing out)
- Hard infrastructure (eg electricity, water, gas) extension to a new site if it currently doesn't exist

- relocation of heavy machinery from Sydney or interstate.

Such a program should be generally aimed at:

- manufacturing industries, key service industries and development of emerging industries
- be limited to companies with < \$50M annual turnover
- exclude mining, retailing, general agriculture unless a case of significance can be demonstrated
- not duplicating any other State or Federal assistance programs

- **How collaboration between levels of government, non-government and private sectors can assist the regions to benefit from Sydney's global position**

RDA Southern Inland has three main strategic priorities for 2017-2020. They are:

- Facilitate business development and jobs growth
- Influence policy and advocate on behalf of the region for services and infrastructure
- Strengthened governance and organisational effectiveness.

Collaboration and networking is fundamental to the achievement of these priorities, as we aim to act as a main facilitator between industry, business, government and the broader community to facilitate growth and development. RDAs can lead the discussion as facilitators, providing connections and 'opening doors' for industry and government. We could also provide background research or business cases to support projects, as was done with the relocation of the Yennora Wool Sales proposal mentioned earlier in this submission.

We have already touched on the potential for more formalised decentralisation policies that seek to achieve regional development in this submission which would enable information flow across all levels of government, non-government and private sectors. By way of suggestion, is there potential (and a role) for the establishment of a dedicated regional development advisory group comprising all sectors, government and non-government and private sectors, to examine potential decentralisation policies and opportunities?

Conclusion

As Sydney grows, so does the cost of 'doing business'. Rising industry and business property rentals and transport costs, and labour market competition is propelling the case for decentralisation and the role regions can play in addressing the need for cost effective solutions. Decentralisation can provide real cost benefits to industry and business, can assist government better plan the growth of its city's, while promoting a policy of regional development.

The Federal Government is currently pursuing an active policy of decentralisation of relevant government departments and RDA Southern Inland welcomes this strategy. However there are also opportunities in providing government incentives for industry and business to relocate from highly populated urban areas to the regions, and particularly the inner regions

surrounding metropolitan areas. Continued investment in information technology and transport links will also assist decentralisation objectives.

The RDA Southern Inland region is well placed to capitalise on relocation and investment opportunities. Our region is diverse and offers much potential for investment and development. From a skilled labour market to available infrastructure and services, Southern Inland can provide not just cost benefit to industry and business in location and relocation, but also social, community and lifestyle benefits. The cost of housing and warehouse/factory space for example, are just two potential savings.

Our region is diverse encompassing the Snowy Mountains, rugged woodlands and rich fertile agricultural areas. Major towns include Queanbeyan, Goulburn and Mittagong. Towns and villages rich in community spirit and heritage characterise the region. We have much to offer by way of improved living standards that heavily congested urban areas do not. Southern Inland is also enterprising and innovative, and welcomes industry and business investment proactively.

Thank you for the opportunity to provide this submission to the Standing Committee on State Development: Regional Development and a Global Sydney inquiry. We look forward to the outcomes of the inquiry and implementation of its findings, particularly where regional development is a focus.

Yours sincerely

Mark Schweikert
Chairman, RDA Southern Inland

1st June 2017