INQUIRY INTO REGIONAL DEVELOPMENT AND A GLOBAL SYDNEY

Organisation: Regional Development Australia - Sydney

Date received: 5 June 2017

5th June 2017

The Hon Greg Pearce MLC
Chair
NSW Standing Committee on State Development
Parliament House
Macquarie St Sydney NSW 2000

Dear Sir,

Re: Regional Development Australia (RDA) Sydney's submission to the Standing Committee on State Development's inquiry on how Sydney's growing prominence as a global city enhances regional development In New South Wales.

Regional Development Australia Sydney (RDA Sydney) welcomes the opportunity to provide feedback on how Sydney as a global city enhances regional development in NSW overall.

RDA Sydney is a COAG initiated partnership between the Australian and NSW Governments created to strengthen communities. It is part of a national network of 55 RDA committees made up of local leaders representing government, business, community groups and other key regional stakeholders to provide targeted advice to government on key issues affecting the economic development of regions.

For some time now RDA Sydney has been working with all levels of government, industry groups, business, research and education institutions and community representatives to identify the needs and opportunities of Sydney, and facilitate the development of new ideas, projects and initiatives that create economic, social or environmental outcomes across the Sydney regions. We progress agendas through the establishment of or participation in interest groups, round table discussions and leadership networks.

Our work in conjunction with a wide range of stakeholders has allowed us to develop a knowledge of the economic profile of Greater Sydney in particular regarding sectors such as advanced manufacturing, agribusiness, aerospace and defence industry, transport and logistics (including freight strategies). RDA Sydney produces an annual economic baseline assessment of the region and focuses on enabling strategies that nurture economic growth including employment land use policy, 3D modelling in planning, development of health and education precincts, affordable housing options, smart work centres and co-working, innovation ecosystems, strategic procurement and metropolitan rural areas policy. RDA Sydney has a focus on industry growth opportunities on and around the Western Sydney Airport site.

Preamble:

While Sydney is a prosperous global city, this does not mean all parts of the city and all industry sectors are performing at a high level, therefore, Sydney should not be considered as a homogenous whole. Some sectors and geographic areas are performing strongly while others are performing less well. In fact, in the Productivity Commission's *Transitioning Regional Economies – Initial Report* (April 2017), found that 'while there are a number of regional centres struggling to transition following the demise of industries such as mining, there are also a number of urban areas in the same transition struggle due to the decline in manufacturing.' RDA Sydney would like to highlight that the manufacturing sector in Sydney although transitioning contributed $21.8 billion to Sydney's economy.

Therefore it is important in any policy setting to acknowledge that urban and non- urban areas can learn and leverage off each other and that solutions to issues are widely accessible and well communicated to the whole of NSW.

For example, RDA Sydney with key stakeholders has identified that while there are programs assisting a limited number of manufacturing companies with specific issues, currently there is no advanced manufacturing platform open to *all* companies to assist them transition and adopt Industry 4.0 new technologies and processes.

There is no infrastructure that can lower the barriers of cost and complexity for the deployment of new technologies, neither is there a mechanism in place for any SME to link with researchers about solutions to existing or emerging industrial problems. No formal mechanism or platform is available for companies to link, collaborate and partner with other companies. Most importantly, no interactive portal exists where time-poor SMEs, in the current complex business environment, can access timely, accurate information fast.

This issue is not specific to metropolitan manufacturers and any solution will be of benefit to all NSW businesses.

RDA Sydney's response will be structured around the Standing Committee's Terms of Reference.

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

International Trade and Infrastructure:

Not surprisingly the regions in receipt of the highest number of exports from Port Botany are East Asia and South East Asia (361,993 TEU & 193,048 TEU 16/17 YTD March 2017). According to *NSW Ports Masterplan 2015* regional container exports through Port Botany originate from the North West, Central West, Riverina, Hunter and Southern Inland NSW regions. Containerised exports from regional NSW via Port Botany include: grain, meat and timber from the Central West; paper products, grain, wine and meat from the Riverina; and wheat, canola, fava beans, chickpeas, cereals, assorted grains and cotton from the North West. Some produce from Southern NSW is transported to Port of Melbourne and Northern NSW exports some of its produce through Port of Brisbane.

The efficiency and capacity of the metropolitan transport system has a high impact on the movement of freight from regional areas of NSW, if the system is congested and poorly functioning it has a negative impact on the whole NSW economy. This is why it is so important that road and rail access to Port Botany is optimised with effective rail connections, improved

intermodal infrastructure and regular rail services to Port Botany which removes trucks off the roads and creates a much more cost effective process.

As stated in the *NSW Port and Freight Strategy 2014* 'While air cargo only represents a small proportion of the freight task and movements to and from the port and airport precinct, its value to the NSW economy is significant. Failure to accommodate the increasing demand for air freight in landside infrastructure planning has the potential to increase industry costs and reduce the reliability and competitiveness of air freight'. Fifty seven percent of exports from Sydney Airport are food and perishables.

In August 2016 RDA Sydney released its report '*Strategic Industries Development around the Western Sydney Employment Area*'. This report explored the potential industry development opportunities created by the presence of a Western Sydney Airport. Our research with food industry stakeholders indicates that air freight will grow with changing markets and improved digitisation. To cater for this changing market the new 24/7 Western Sydney Airport needs to provide the necessary enabling infrastructure to maximise export potential. Industry stakeholders made the following suggestions:

- Good road and rail access infrastructure with quick in and out last mile freight access that minimizes unloading congestion for high value products;
- Good warehouse cold/chilled facility which consolidates several producers freight, especially for high end products;
- Government to provide food inspection for export on site;
- Meeting, export trade offices, accommodation and conference facilities for overseas buyers;
- Infrastructure provision to support transport and temporary storage of commodities at a range of volumes/quantities make opting-in opportunity worth pursuing, even for small producers.

RDA Sydney assesses these infrastructure requirements of benefit not only to metropolitan businesses but to exporting food businesses throughout NSW.

Tourism

Currently NSW is ranked number one nationally for visitors, overnight stays and expenditure with a clear connection between global Sydney and other parts of NSW in regards to tourism. The interchange of flights from international to domestic and regional destinations cannot be understated and that is why it is so important to sustain this momentum by ensuring Sydney Airport continues to function at its peak and continues to provide capacity for regional airlines. Overnight visitors spent $26.2 billion dollars in NSW (year ending 2016) with 44% stating the purpose of their trip was holiday.

In the future the Western Sydney Airport will provide greater capacity for both recreational and business tourists, this provides opportunity for regional areas to leverage off increased visitation rates.

Innovation and Research

In an article from the Journal of Economic and Social Policy entitled *Supporting Innovation in Regional Australia – Perceptions from Regional and Urban Innovators*[1] organisations from both urban and regional areas were asked what would make an organisation more innovative in the future. Both urban and regional area respondents indicated networking and alliance building and forums for idea exchanges would be the most beneficial, followed by training in leadership and assistance in government support programs. A larger proportion of regional respondents indicated a desire for leadership training and government support.

RDA Sydney believes that if the right communication digital platform frameworks are established, with easy access for regional businesses and institutions that exchanging ideas, tapping into expertise and peer to peer discussions can occur. Metropolitan Sydney has several internationally recognised universities and research institutions, what is lacking in some instances, is access to the knowledge and expertise that lies within these institutions especially for the SMEs. RDA Sydney believes that further work is required to create an open and accessible system that identifies the areas of expertise of universities and the parameters of partnership for NSW businesses. RDA Sydney is partnering with Data61 and Food Innovation Australia Ltd to leverage the Ribit Platform (developed by Data61) to access University student placements into the food industry sector with the prime purpose of developing innovative practice. This platform is not specific to metropolitan businesses and can be used across NSW as a tool for introducing needed expertise into a business.

b) Identify the sectors of the economy that can provide the greatest opportunities for regional development, including forecasts for jobs growth.

Sydney's strong prosperous industries with a global outlook are finance, insurance, media, telecommunications, professional, scientific and technical services.

In 2015 the finance and insurance sector had an average annual growth rate in GRP of 3.4% over a 9 year timespan, professional, scientific and technical services sector was 3.3% and information and media and telecommunications was 2.8%. The manufacturing sector has in 2015 contributed $21.8 billion to the Sydney economy and although the sector is in a period of transition where some sub sectors maybe lagging behind, there are growth opportunities in food product manufacturing, machinery and equipment manufacturing and polymer product and rubber product manufacturing. The transport, postal and warehousing and wholesale trade sectors are both components of the transport and logistics industry together both these sectors contributed just over $34 billion to the Sydney economy.

In the Startup AUS 2016 report "ECONOMY IN *TRANSITION* Startups, innovation, and a workforce *for the future*" it states based on research conducted by Oxford University that in Australia, 40% of jobs are likely to become obsolete in the next 10-15 years. However, this research does suggest that jobs that require high levels of entrepreneurial, technological, creative or social skills will be far more resilient to technological change.

Regional NSW and global Sydney will not be sheltered from this transition so the most important aspect of leveraging economic opportunities is building the aforementioned resilience.

---

[1] Vitartas,Peter; Kinnear, Susan; and Charters, Kate (2013) "Supporting Innovation in Regional Australia – Perceptions from Regional and Urban Innovators," *Journal of Economic and Social Policy*: Vol 15: Iss 2, Article 4. Available at http://epubs.scu.edu.au/jesp/vol15/iss2/4

Remote Work

For a limited number of occupations it may be possible to work remotely from a regional area, at least on a part-time basis. This could be the case for workers in computer-based jobs where physical presence in an office environment is not mandatory. Improved connectivity (NBN) and cloud computing have facilitated this process. There are many employed in the Sydney Region who are currently doing this within the public and private sectors, many working from home or from smart work hubs.

An example of a smart work hub that provides remote work services for commuters to Sydney is the Nexus Smart Hub at Wyong. Nexus caters for a variety of customers including home based business, small business and commuters. The critical point is the time and cost of commuting to Sydney.

The Blue Mountains, Southern Highlands, Wollongong and the Hunter are places of opportunity for remote work in the Sydney Region as they have reasonable transport connectivity for the days when presence in the workplace is required. Improved transport services to these areas would give even greater opportunity for remote work.

Connected to this issue is the housing affordability issue, particularly in the Sydney Region. Housing prices for both purchase and rental have increased significantly over the past decade and created serious affordability issues for residents. Regional areas generally offer more affordable prices and may be a viable option for people who are able to telecommute on an agreed basis.

Startup and small business centres

There are already a number of regional centres with strong startup ecosystems – Wagga Wagga and Lismore are two to mention. Sydney has the largest startup ecosystem in Australia, 40% of the nation's startup by number and continuing to grow as the concentration of activity breeds even more startups and support organisations.

The NSW Government has announced a number of initiatives that aim to grow the startup ecosystems in NSW in general and with specific emphasis on regional NSW. These include the Jobs for NSW Regional Solutions Program, Boosting Business Innovation Program, and the Sydney School of Entrepreneurship (the latter should perhaps be more correctly named 'NSW School of Entrepreneurship' as its partners include Charles Sturt University, Southern Cross University, the University of Newcastle, the University of New England and the University of Wollongong).

It is not possible for startup ecosystems to be 'created'. Conditions can be created that may foster an innovative environment that will allow ideas and small business ventures to seed and grow, but that is no guarantee that this will lead to successful and prosperous startup ecosystems. Real time virtual links between regional higher education bodies, business support centres and others in regional centres with the startup ecosystem in Sydney and other places will facilitate the potential growth of regional ecosystems. The Sydney School of Entrepreneurship is already setting out to do this as is the NSW Government's Boosting Business Innovation Program.

There are particular areas of technological innovation that would seem to be of particular interest for regional startups:

- Agriculture e.g. crop and livestock monitoring; weather information systems; soil fertility.
- Transport and logistics e.g. getting produce and livestock to market in the most efficient way possible; receiving and tracking agricultural supplies.
- Education e.g. remote education.
- Remote medicine e.g. monitoring systems for people with particular health issues living in small communities; telemedicine.

- UAV technology driven solutions for agricultural monitoring.

Energy

Sydney, and indeed the rest of NSW and Australia will need a robust and secure supply of energy into the future. As the dependence on coal gradually reduces and renewables have an increasing role, there are opportunities for innovative businesses to enter the market. The very nature of renewable energy leads to commercial possibilities for remote, rural and regional NSW. Also we need to build on the leading edge coal and battery technology that is being developed in global Sydney and test market prototypes in regional centres with the goal of capitalising on international market opportunities.

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

Collaboration between levels of government, non-government and private sectors should generate greater access for regions to expertise (generally concentrated in capital cities) that:

- leverage finance for exportable goods and services;
- facilitates international engagement and market opportunities;
- provides a matching service for research partnerships;
- has strong linkages with higher education institutes;
- nurtures private sector leadership in innovative solutions;
- communicates widely and openly on what's working and why;
- acknowledges the interconnectedness between the Sydney metropolitan region and the rest of NSW.

We thank you once again for the opportunity of making this submission. In the meantime if you have any questions please contact our Executive Officer, Bob Germaine

Yours sincerely

Dr Robert Lang
Chair
Regional Development Australia, Sydney