

**Submission
No 27**

INQUIRY INTO REGIONAL DEVELOPMENT AND A GLOBAL SYDNEY

Organisation: NSW Government

Date received: 1 June 2017

NSW Government Submission to the Legislative Council Inquiry on Regional Development and a Global Sydney

JUNE 2017

Contents

Introduction	3
A global Sydney enhances regional development in NSW	4
Ensuring the regions benefit	5
International trade and the regions	5
Building essential and enabling infrastructure	7
Investing in growing businesses and a skilled workforce	8
Enabling innovation in regional NSW	9
Regional NSW as a tourism destination	10
Sectors with the greatest opportunities	13
Collaboration to leverage Sydney's global position	18
Conclusion	20

Introduction

Regional NSW is a vibrant and growing part of the NSW economy and an attractive place to live, work and invest. The NSW Government recognises that it has an important role in ensuring this continues, and is committed to seeing that regional NSW experiences the highest level of satisfaction in Australia for both government service delivery and quality of life.

In November 2016, the NSW Government released its Regional Development Framework¹ (RDF) to provide an overall vision for regional development in NSW. The RDF underpins the Government's priorities to grow business confidence, create jobs and encourage business investment to build a skilled workforce and secure a strong future for our regions. The Government's effort is made up of three programs of investment:

1. Providing quality services and infrastructure in regional NSW
2. Aligning effort to support growing regional centres
3. Identifying and activating economic potential.

The NSW Government understands the importance of ensuring regional communities can access the essential services and infrastructure of a modern economy and are able to capitalise on the growth of Sydney.

The NSW Legislative Council Standing Committee on State Development was asked to inquire into and report on how Sydney's growing prominence as a global city enhances regional development in NSW, and in particular:

- a. Ensuring the regions benefit from the expansion of international trade, infrastructure, employment, tourism, innovation and research in the greater Sydney region
- b. Identify the sectors of the economy that can provide the greatest opportunities for regional development, including forecasts for jobs growth
- c. How collaboration between levels of government, non-government and private sectors can assist the regions to benefit from Sydney's global position, and
- d. Any other related matter.

This Submission provides information on how Sydney's growing prominence as a global city serves to enhance regional development in NSW, and the NSW Government's efforts to ensure regional NSW continues to be a vibrant and growing part of the NSW economy.

¹ NSW Government (2016), *Regional Development Framework*. Retrieved from: <https://www.industry.nsw.gov.au/invest-in-nsw/regional-opportunities/regional-development-framework>

A global Sydney enhances regional development in NSW

Sydney – a global capital

Sydney is a world-class centre for knowledge-based businesses such as financial services and banking, information and communications technology, legal and management services, accounting and education. Government and private sector investment is also placing the State at the forefront of research and development in the biotechnology and renewable energy sectors. Over 93 per cent of international banks in Australia have their region headquarters in Sydney, while over 60 per cent of Australia's region ICT headquarters and operations centres are also located in Sydney.

Sydney continues to be attractive for tourism, trade and investment. In 2015 it was ranked the world's 'friendliest city' by Conde Nast Traveler² and the world's 'most reputable city' on a survey of 100 cities³ for its effective government, appealing environment and advanced economy. Sydney also plays a highly significant role in Australia consistently having been in the top 10 most attractive countries for foreign direct investment over the last seven years⁴.

Sydney's growing prominence as a global city makes it an important strategic gateway to the world for regional NSW and enables NSW to maintain extensive links to international markets. Analysis by the NSW Government's Centre for Economic and Regional Development indicates that regional firms leverage high-quality services based in Sydney that are not location-specific, such as financial services including insurance and accounting, as well as other professional and advisory services.

Regional NSW capitalises on a global Sydney

For regional NSW to thrive, it must be able to leverage Sydney's economic prosperity. Regional NSW is a significant part of the NSW economy, contributing 30 per cent of NSW's Gross State Product.

Regional NSW provided 46 per cent of all jobs created in the year to March 2017, above its share of the NSW population (almost 40 per cent) and contribution to the State's labour force (more than 37 per cent). This is in the context of the median age being five years higher in Regional NSW (41 years) than in Greater Metropolitan Sydney (36 years).

Regional NSW's unemployment rate has also fallen 1.1 percentage points to 5.5 per cent, down from 6.6 per cent in March 2016 and lower than the national unemployment rate of 5.7 per cent (down 0.3 percentage points from 6.0 per cent in March 2016)⁵.

While Sydney is a major draw for net overseas migration, regional NSW has seen a net internal inflow of almost 10,000 people (in 2013-14) against Sydney's net internal outflow of 17,000.

² Conde Nast Traveler (2015), *The 2015 Friendliest (and unfriendliest cities) in the world*. Retrieved from: www.cntraveler.com/galleries/2015-08-14/the-2015-friendliest-and-unfriendliest-cities-in-the-world/10

³ Reputation Institute (2015), *City RepTrac Report*. Retrieved from: www.reputationinstitute.com/Resources/Registered/PDF-Resources/City-RepTrakReport-2015.aspx

⁴ AT Kearney (2017), *2017 AT Kearney Foreign Direct Investment Confidence Index*. Retrieved from: <https://www.atkearney.com/gbpc/foreign-direct-investment-confidence-index>

⁵ ABS Cat. No. 6291.0.55.001, Labour Force Australia, Detailed Electronic Delivery, Mar-17

Ensuring the regions benefit

The regional benefits from a global Sydney are different for each region of the State, and depend on a number of factors including proximity to Sydney, historical development and accessibility or connectivity to Sydney. The Department of Planning and Environment's Regional Plan Program analyses at a strategic level the economic opportunities based on regional assets and endowments for each of NSW's nine regions. As part of the strategic analysis, the plans consider economic linkages and identify for each region the opportunities associated with a growing Sydney.

Each regional plan highlights the need to establish and enhance connectivity to Greater Sydney to take advantage of the opportunities related to the growth of a global city. Connectivity is necessary to shrink the physical distance affecting the timely delivery of goods and services and to mitigate the perceived spatial separation between Greater Sydney and a region.

High-level connectivity through the maintenance and improvement of high-quality road, rail, air and telecommunication infrastructure to Sydney provides potential to benefit economic activity in the regions, including:

- / International export facilities, including ports and airports, and the international markets that support regional export industries such as agriculture and mining
- / High-level education, health, legal and financial services, research and innovation that can only be generated in a global city but can be delivered to regional areas through outreach programs, satellites or subsidiary offices in the region or travel to Sydney on a needs basis
- / A growing domestic and international tourist market
- / Regional infrastructure investment and related jobs growth in sectors such as renewable energy and agriculture that are needed to support a growing Sydney
- / A growing 'sea change' and 'tree change' population that will support regional population growth, housing, jobs and service delivery in regional cities and centres.

These factors highlight Sydney's role as an international gateway for visitors who then connect onwards, and for goods that are then distributed onwards. This role as an international gateway is important in both directions. A high level of connectivity between Sydney and the regions means that the regions can benefit from high-order education, health, financial and other services that are associated with a global city. In turn, a high level of connectivity means the regional areas can support the global city, for example in providing food for the growing metropolitan population, offering unique tourism opportunities and supplying a range of mineral and natural resources including renewable energy sources.

International trade and the regions

As Australia's largest and most diverse regional economy, regional NSW has benefitted from Sydney's global status, and more broadly from Australia's openness to the world. The increased movement of goods, services, capital and people has strengthened our economy and society by creating jobs, keeping inflation in check, raising living standards and contributing to the diversity of our population. One in five jobs in NSW is dependent on international trade, while thousands more have been created thanks to foreign direct investment.⁶

Openness to global trade has brought great benefits to the NSW economy as a whole, with access to global markets enabling NSW businesses to operate more successfully than ever in areas

⁶ https://www.industry.nsw.gov.au/data/assets/pdf_file/0005/59639/NSWGOV_IES09_1_PA_14JUNE2013.pdf

where we have a competitive advantage. NSW is fortunate to enjoy these advantages in high value-add industries, including defence, aerospace, advanced manufacturing, cyber security, food manufacturing, creative industries, medical technology, and financial and professional services. NSW also has strong competitive advantages in agriculture, resources, and high-quality tourism and education services. But openness also means that our industries are more exposed to cyclical market downturns and robust global competition.

Regional NSW is deeply connected with the global economy, through its trade in mining, agribusiness and food; however, its industries are also exposed to the peaks and troughs of global commodity prices and extremes of weather and climate. Just as the NSW Government promotes Sydney as a global city, and looks for ways to leverage that status, it also promotes the interests and industries of regional NSW. In addition to the Government's international trade and investment engagement, NSW works together with the Commonwealth Government to ensure that regional NSW industries are competing globally on a level playing field.

NSW will need to improve its international competitiveness as economies are globalised, industries are disrupted by technology and consumer demand shifts to Asia. As an increasing number of sectors and businesses are exposed to international competition, businesses will need to innovate and differentiate their products to prosper. The NSW Government is supporting businesses in Sydney and in regional NSW to access new markets and to create new productive jobs. Much of this will require new international partnerships. It will position NSW as a globally competitive place for business by being innovative, open for business for international investment and trade, globally connected, positioned for growth, and 'Smart' and Asia-literate.

Helping NSW companies to export

NSW's exports are vital to Australia's economic growth and trade balance. NSW businesses exported \$62 billion worth of goods and services in 2014-15, or 12 per cent of Gross State Product.

NSW is a major agricultural exporter. The strong export growth can be attributed to our reputation for being a source of high-quality and safe produce. This is particularly important for Asian consumers. Collaborative projects between industry partners and ecosystem startups aim to differentiate NSW from the rest of the world, taking advantage of our natural capabilities in resources and agriculture. The NSW Department of Primary Industries assists NSW agricultural exporters to increase awareness of their high-quality produce in its target markets.

The NSW mining industry contributed \$24.8 billion to Gross State Product in 2014-15, amounting to 4.8 per cent of Gross State Product. Demand from Japan, China, Korea, Taiwan and other ASEAN countries are vital to the NSW mineral export sector, accounting for over 90 per cent of all mineral exports. Mining continues to be an essential pillar of regional economies across NSW, contributing 23 per cent of Gross Regional Product (GRP) in the Hunter, 8.3 per cent of GRP in the Illawarra, and 10.6 per cent of GRP in the Central West of NSW. A policy environment that continues to support investment and trade in minerals is essential to the NSW economy in terms of jobs, new sources of capital, and government revenue.

The NSW Export Capability Program complements work undertaken by Austrade and other organisations in supporting businesses seeking to initiate export activities as well as export-ready businesses looking to consolidate their knowledge and maximise long-term export gains. NSW's team of Regional Export Advisers located across the State support the delivery of the program to regional businesses.

Attracting investment and co-investment in regional NSW

Under the Regional Development Framework (RDF) released in November 2016, the Department of Premier and Cabinet is leading development of a single, interactive web-based prospectus for regional NSW to attract investment to regions and key industry sectors in NSW. The prospectus will provide potential investors information on:

- / The underlying economic strengths of each region
- / The best economic opportunities now and into the future
- / Possible locations for investment or co-investment with government.

The prospectus will be displayed geographically with the ability to dynamically view endowments and opportunities by industry and region. It will be updated as new information come to light, to ensure potential investors have the most current information on opportunities in NSW. This work aligns with whole-of-government international investment attraction efforts to ensure the regions have a strong presence overseas together with Sydney. It will also support the work that has been undertaken to develop Regional Plans, and work underway to develop sub-regional economic development strategies.

Building essential and enabling infrastructure

The NSW Government is investing \$13 billion in regional infrastructure projects, including better roads, hospitals and schools. This is aided by dedicating \$6 billion (30 per cent) of the Restart NSW fund to regional infrastructure through Rebuilding NSW⁷. This infrastructure supports regional communities and facilitates better access to global markets and opportunities. This includes:

- / \$2 billion for the Regional Road Freight Corridor Program
- / \$1 billion for a Regional Growth Roads Program
- / \$1 billion on water security
- / \$500 million for the Fixing Country Roads Program
- / \$300 million for the Regional Growth – Environment and Tourism Fund
- / \$400 million for Fixing Country Rail
- / \$200 million to accelerate the Bridges for the Bush program.

The NSW Premier's Priority on Building Infrastructure is supporting the Pacific Highway Upgrade between Woolgoolga and Ballina on the State's far north coast. Once completed, the Pacific Highway Upgrade will reduce overall length between Woolgoolga and Ballina from 180 kilometres to 167 kilometres, allow for a higher posted speed limit of up to 110 km/h and reduce travel time from 130 minutes to 105 minutes. The Pacific Highway Upgrade will also complete the continuous dual carriageway connection from Sydney to the Queensland border, providing a significant enhancement to road transport connections for the north east region of NSW.

The NSW Government's \$110 million Regional Tourism Infrastructure Fund supports regional tourism by funding critical visitor economy infrastructure projects such as rail trails, airports and cruise terminals. Improving infrastructure assists in attracting more visitors to regional NSW and connecting regional NSW to the benefits and opportunities Sydney provides.

As part of this the NSW Government has committed \$70 million for upgrades to 27 regional airport projects that will boost their capacity and safety and increase their ability to attract visitors to

⁷ <http://www.infrastructure.nsw.gov.au/restart-nsw.aspx>

regional NSW. The projects include passenger terminal upgrades, improved lighting to support airport expansion, and expanding runways or aircraft parking to accommodate larger planes.⁸

Investing in growing businesses and a skilled workforce

Creating jobs in regional NSW

An innovative government-backed initiative, Jobs for NSW aims to strengthen the NSW economy by generating rewarding jobs and accelerating high-potential sectors. At least 30 per cent of the \$190 million Jobs for NSW Fund is being allocated to supporting the growth of businesses outside of Sydney, Newcastle and Wollongong.

Jobs for NSW provides a range of performance-based financial support that matches the job creation needs of businesses at various stages of growth, including:

- / Minimum Viable Product Grants to assist startups to obtain customer feedback and test business models
- / Building Partnerships to assist growing startups to build their business model to expand their customer base
- / Accelerating Growth Loans, for emerging fast-growth SMEs to provide additional funds to support investment in their growing businesses
- / 'Gazelle' Loan Guarantees to help fast-growth SMEs to obtain the loan approvals needed to expand and accelerate growth
- / Regional Jobs Now to provide regional businesses with a suite of financial products, which will assist regionally-based NSW companies to grow their businesses and create jobs in regional NSW.

Supporting regional startups and small-to-medium enterprises (SMEs) is a priority for Jobs for NSW as these businesses are essential to the growth of their local communities. To connect regional entrepreneurs to the Sydney innovation ecosystem, Jobs for NSW is developing the Sydney Startup Hub, a high-density startup cluster in the Sydney CBD to drive collaboration and networking amongst startups and SMEs to create the jobs of the future.

The Hub will support regional entrepreneurs via a 'hub and spoke' model. This model will connect metropolitan and regional investors, skills and customers and help to overcome barriers to growth and commercialisation. The Hub community space will incorporate a regional 'landing pad' to support visiting rural and regional entrepreneurs who require temporary space in the Sydney CBD. Jobs for NSW will use the Hub's talent to facilitate greater entrepreneurial engagement with the regions.

Promoting opportunities in regional NSW

Launched in May 2017, the Regional Growth – Marketing and Promotion Fund (RMPF) will promote the benefits and opportunities in regional NSW. The NSW Government will invest in projects that strategically market a regional NSW location through marketing and/or promotion activities.

Grants will help regional towns and cities showcase the many benefits of living and working in regional areas to attract business investment and skilled workers wanting a better quality of life.

⁸ <https://www.industry.nsw.gov.au/business-and-industry-in-nsw/assistance-and-support/regional-tourism-infrastructure-fund>

Grants of up to \$50,000 per project will be available to regional local councils, regional development organisations, chambers of commerce, and other industry organisations and associations. Projects must be co-funded from non-government sources and can include advertising campaigns, promotional activities or participation in industry events⁹.

Supporting businesses in regional NSW

The NSW Government delivers a range of services and programs to help regional businesses.

- / The Jobs Action Plan (Payroll Tax Rebate Scheme), which offers payroll tax rebates to businesses that create new jobs. Through the Central West Jobs Action Plan the NSW Government offers additional support to help businesses in NSW's central-west region adapt to the structural adjustments currently taking place¹⁰.
- / The NSW Government also provides an Aboriginal Business Development Service that aims to enhance the sustainability and growth potential of Aboriginal enterprises including an Aboriginal Business Directory.
- / The Mobile Black Spot Program involves a \$26 million investment by the NSW Government to work with the Commonwealth Government and mobile phone carriers to address mobile black spots across regional and remote NSW.
- / The NSW Government also supports Regional Development Australia – a joint initiative by the Commonwealth Government and state governments that helps businesses access financial and other assistance to develop regional projects.
- / The Easy to do Business Program has succeeded in reducing the average time taken to start a hospitality business from 18 months to just three months. Following the success of a pilot in the Parramatta local government area (LGA), the program is expanding to Dubbo in order to help stimulate growth of the local café, restaurant and bar sector there.

Enabling innovation in regional NSW

The NSW Government's Innovation Strategy (released in November 2016) is the roadmap for building a world-class innovation ecosystem that leverages NSW's strengths, increases productivity and positions the State as a leader for the future. The Innovation Strategy sets out Government's vision and actions in four areas of activity:

- / Making the NSW Government a leader in innovation, by being more open to external ideas and new approaches to the delivery of services.
- / Helping NSW research bodies capitalise on research and development to drive social and economic value.
- / Ensuring the right skills are developed, attracted and retained in NSW, equipping our current and future labour force to create their own jobs and technologies of the future, and meet technological advances and changing business and workplace models.
- / Building on the strong position of NSW as the national leader in innovation, and Sydney as the startup capital of Australia, to benefit the greater NSW regions and become a globally recognised centre of entrepreneurship. This includes promoting opportunities and success stories, to attract businesses and individuals to NSW. Significant work is underway to bring this vision to life.

⁹ <http://www.nsw.gov.au/rmpf>

¹⁰ <https://www.industry.nsw.gov.au/invest-in-nsw/investment-assistance/regional-assistance/central-west-growth-program>

The collaborative or 'sharing' economy has experienced significant growth in terms of revenue, participation, competition and business expansion. In research commissioned by the Department of Finance, Services and Innovation (DFSI), Deloitte Access Economics found that not only are new businesses entering the market, they are expanding into regional NSW, and new niche sectors are emerging.

Since NSW legalised ridesharing services in 2016, new regional operators have started up:

- / My Country Taxi (Albury-Wodonga)
- / Liftango (University of Newcastle)
- / GoBuggy (Wollongong and Coffs Harbour)

The spatial sector is one of the emerging sectors that will drive the information economy. The NSW Government is a national leader in spatial information and technologies, with the potential for a spatial centre of excellence located in regional NSW (Bathurst).

Spatial Services, within DFSI, has a team of approximately 300 spatial experts managing the State's satellite positioning services, has mapping and spatial modelling and analytical capabilities, and key datasets such as the cadastre (NSW record of land ownership). As Sydney leverages spatial services to improve its infrastructure, housing supply, transport and logistics it can become an international showcase for NSW Government capabilities led from regional NSW.

Regional NSW as a tourism destination

A strong Sydney tourism industry is central to ensuring a strong visitor economy in regional NSW. Sydney needs to continue to remain competitive against other Australian and global cities from an international and domestic visitation perspective for regional NSW to achieve growth as a tourism destination.

Tourism is an important sector for NSW. In the year ended December 2016, NSW welcomed a total of 91 million visitors, and tourism delivered a total of \$26.2 billion to the NSW economy. With the State's rural and regional tourism industry now welcoming 17 per cent more overnight visitors than in 2011, regional tourism contributes \$14.4 billion to the NSW economy and directly employs 84,600 people. International visitors to the State accounted for 36 per cent (\$9.5 billion) of the total visitor spend; they stayed more than 13.4 million nights in regional NSW and contributed \$877 million to the regional economy.¹¹

At 55 per cent, Sydney currently holds the highest market share of international visitors of all capital cities in Australia, with its closest rival, Melbourne, at 38 per cent. Currently, 23 per cent of all international visitors to NSW spend time in regional NSW. While this result is second to Queensland at 58 per cent, it should be noted that regional Queensland includes the Gold Coast as a regional destination which skews its market share.¹²

In regional NSW tourism is a vital driver of economic development and a major source of new employment growth. Tourism can create jobs not only directly serving visitors but also in a range of related services. NSW has 93,630 businesses involved in tourism and the industry directly employs 171,900 people, accounting for one in 21 jobs in the State. 53 per cent of direct tourism jobs and 36 per cent of businesses are based in regional NSW.¹³

¹¹ Tourism Research Australia: International Visitor Survey year ended December 2016

¹² Tourism Research Australia: International Visitor Survey year ended December 2016

¹³ NSW Regional Tourism Satellite Account 2013-2014

Destination development is central to making regional NSW more competitive and generating employment and economic benefits. A State-wide Destination Management Plan is currently under development to provide a best-practice guide to growing the visitor economy in rural and regional destinations. Once completed the Plan will enable destinations to understand their strengths and weaknesses and determine if attracting the visitor economy is the best approach to generating social and economic benefits for their region.

In July 2016, the NSW Government committed to record funding of \$43 million over four years in a major overhaul in the way regional and rural areas attract visitors. This includes the creation of six new Destination Networks representing the regions of Riverina Murray, Southern NSW, North Coast (including Lord Howe Island), Country and Outback NSW, Sydney Surrounds North, and Sydney Surrounds South. The Destination Networks will grow local visitor economies through industry engagement and professional development, and product development for these regions.¹⁴

Tourism promotion and events

To drive benefits from international visitation to regional NSW, Destination NSW employs a 'Sydney Plus' Strategy to promote regional dispersal and encourage international visitors to see more of the State and prompt higher levels of return visits. This approach is used in 80 per cent of international marketing campaigns undertaken by Destination NSW and is a key element of partnership activities that include the development of travel packages, such as those sold for Vivid Sydney.

Destination NSW delivers campaigns to promote travel to regional NSW. Recent campaigns to promote the South Coast and Central Coast have delivered outstanding results for these regions through increased bookings for tourism operators and increased visitors and expenditure. The South Coast campaign activities helped the region to increase visitors by 9.4 per cent and expenditure by 10.4 per cent.¹⁵

The NSW Events Calendar is being developed by Destination NSW to build a sustainable events calendar for NSW that is the most compelling in Australia. Since 2011, 485 events have been secured or retained in NSW, including 255 events secured or retained for regional NSW.¹⁶ The Regional Event Investment Program supports large scale events that align closely with the strategic goals of Destination NSW. In addition, the recently enhanced Regional Flagship Events Program supports locally developed events via three streams:

- / Incubator Event Fund - establishment grant of up to \$20,000 for a maximum of two years
- / Flagship Event Fund - annual or triennial marketing grants for events that have been running for a minimum of two years
- / Event Development Fund - grants to support strategic development initiatives for events that have completed the Flagship Event Fund.

Infrastructure to support tourism

The Regional Tourism Fund Product Development Program administered by Destination NSW is available for new accommodation projects that increase capacity for the region where there is a demonstrated need and infrastructure projects that can clearly demonstrate that they will drive increased overnight visitation to the region and align with needs identified in the relevant

¹⁴ <http://www.destinationnsw.com.au/our-industry/destination-networks>

¹⁵ Tourism Research Australia: National and International Visitor Survey year ended December 2016

¹⁶ Internal Destination NSW data

Destination Management Plan.¹⁷ The assessment process involves consideration of the community impact in terms of the project's ability to positively engage and benefit large and diverse sections of the community and generate community pride and benefits. This includes opportunities for the project to create new jobs, upskill the local industry, and for the community to get involved in and engage with the activity.

Better transport links in terms of air, rail and road from Sydney to regional NSW as well communications in the form of robust mobile and Wi-Fi coverage are key to attracting more visitors to the regions. In particular, current regional air connectivity in NSW predominantly offers routes in and out of Sydney. To improve this, there is a need for better regional air hubs across the State, which would increase the number of routes available and make travelling to regional NSW easier. In recognition of this, the NSW Government has committed \$70 million for upgrades to 27 regional airport projects as part of the \$110 million Regional Tourism Infrastructure Fund.

Established under the NSW Government's Rebuilding NSW Program, the \$300 million Regional Growth – Environment and Tourism Fund aims to increase tourist visitation by investing in regional environment and tourism infrastructure, particularly focusing on assets that will grow and further diversify NSW regional economies. This investment will help attract local and international visitors to regional NSW, further enhancing and connecting the regions to opportunities in Sydney.

¹⁷ http://www.destinationnsw.com.au/wp-content/uploads/2017/03/Microsoft-170316_Guidelines_Product-Development.pdf accessed 10 May 2017

Sectors with the greatest opportunities

Economic principles suggest a regional economy is most likely to prosper where it is able to focus its efforts on a small number of key industry sectors. Key industry sectors prosper when they make use of a built, locational or natural local endowment. This is because endowments confer an advantage in production and provide the necessary edge for an industry sector to succeed in the face of competition, whether local or global.

Research and analysis conducted by the NSW Government's Centre for Economic and Regional Development (CERD)¹⁸ indicates the economic base of regions is 'narrowing and deepening', with fewer but proportionally larger 'engine' industries that are directly linked to local endowments. Additionally, some generally enabling industries and population-serving sectors have become engine industries in their own right. Regional NSW economies are therefore most likely to find competitive advantage in six broad industries:

- / Agriculture, forestry and fishing
- / Mining
- / Tourism
- / Health and education
- / Food product manufacturing
- / Freight, logistics and distribution.

Some regional towns, perhaps due to historical factors, unique natural endowments or strategic location, may have a strong competitive advantage in additional industries.

Sectors to drive local economic growth

Key sectors or 'engine industries' typically lead growth in an economy, attracting population to the region and drawing in businesses that provide inputs and services to the key industry. Engine industries rely on locational endowments that feed the necessary competitive advantage for that industry to remain viable. CERD analysis identified possible key industry or emerging sectors that can be viewed as potential drivers of local economic growth in each respective functional regional economy, shown in Table 1 below, which align with the six industry sectors outlined above.

Superior local knowledge among business, councils and residents may reveal additional or separate endowments and industry specialisations. Regional businesses can also be well positioned to export the next generation of high value-added exports. These industries include advanced manufacturing, clean technology, aerospace and electronics. New industries are also always emerging and these key industries of advantage will change over time, with technology and infrastructure.

¹⁸ <https://www.industry.nsw.gov.au/invest-in-nsw/centre-for-economic-regional-development>

Table 1 Principal industry sectors to drive growth by regional economy

Regional Economy	Sector I	Sector II	Sector III	Sector IV
Albury-Wodonga	Agriculture	Food product manufacturing	Road freight transport	
Armidale	Higher education	Agriculture		
Bathurst	Agriculture	Food product manufacturing	Wood product manufacturing	Higher education
Bega	Tourism	Dairy product manufacturing	Dairy cattle farming	
Broken Hill	Mining	Tourism	Agriculture	
Coffs Harbour	Health care	Aged care	Tourism	Fruit and nut growing
Dubbo	Agriculture	Food product manufacturing	Road freight transport	Tourism
Goulburn	Agriculture			
Griffith	Wine production	Agriculture	Food product manufacturing	
Lismore	Tourism	Agriculture	Higher education	
Moree	Agriculture	Road freight transport		
Mudgee	Mining	Agriculture	Wine production	Tourism - food & wine
Orange	Mining	Health care	Agriculture	Road freight transport
Parkes	Agriculture	Mining	Tourism	Road and rail freight transport
Port Macquarie	Tourism	Health care	Aged care	
Tamworth	Agriculture	Food product manufacturing	Road freight transport	
Tweed	Tourism	Aged care	Health care	
Wagga Wagga	Higher education	Agriculture	Food product manufacturing	Road freight transport

Agriculture is one of the key sectors for future economic growth in regional NSW. NSW has some of Australia's most productive agricultural areas, particularly in the Riverina Murray, Central West and Orana, and New England and North West regions. The capacity of the Sydney Basin to feed residents of Greater Sydney is forecast to decrease over the next 15 years, and is unlikely to meet the demands of the growing population. This creates opportunities for the growth of the agricultural sectors in the South East and Tablelands, Central West and Orana, Central Coast and the Hunter.

The opportunity for growth in the agricultural sector is also supported by growing demand in Asia for agricultural produce. To capitalise on the potential in the agricultural sector, the Regional Plans include actions to protect important farmland, facilitate the growth of agribusiness and food processing through improved land use planning and to enhance road and rail connectivity to Sydney.

As another example, in the case of freight, the Central Coast, Illawarra-Shoalhaven, Hunter and South East and Tablelands regions benefit from Sydney's growing market and deficit of industrial land well located near sea ports, air ports and highways. With good transport links these regional areas can offer a more affordable alternative for industries to relocate and expand where there is ready availability of industrial land and access to a skilled workforce.

In the area of health, with an ageing population, demand for higher order health services will increase, as will demand for skilled workers to provide these services. There is potential to develop health precincts around hospitals in well-connected regional cities. Certain high-order medical services can only be delivered in a global city such as Sydney. However, with good connectivity, there is potential to deliver these services in the regional health precincts as specialists fly to these regional centres to offer specialist services. In this way, health precincts are a delivery point for higher order specialist services from Sydney.

In particular, the resources and energy sector represents significant potential for international trade and investment through international partnerships, research collaborations and access to new markets. For example:

- / Foreign direct investment is crucial for developing new Mining Equipment Technology and Services (METS) and innovation in the renewable energy sector. The METS industry is increasingly looking to emerging export markets to provide services to boost productivity and efficiency. NSW is host to one quarter of Australia's \$27 billion dollar METS sector and is the national leader in energy efficiency.¹⁹
- / The NSW Government actively supports and encourages the strong interest from international investors in the renewable energy sector. There are currently \$6 billion dollars in newly approved renewable energy projects in NSW looking for investment.

Sectors with employment growth potential in regional NSW

The sectors of the NSW regional economy that have seen recent employment growth give an indication of future growth potential. A review of regional NSW employment between 2006 and 2011 found that growth occurred in the following sectors:

- / Pubs, Taverns and Bars
- / Fruit and Tree Nut Growing (Grapes, Berry Fruit, Citrus Fruit, Other Fruit and Tree Nuts)
- / Agricultural Product Wholesaling
- / Road Freight Transport
- / Mining (Coal and Metal Ore)
- / Building and Construction (Building Installation Services, Residential Building Construction, Heavy and Civil Engineering Construction)
- / Public Administration
- / Education and Training (especially Secondary Education)
- / Health Care and Social Assistance (Medical Services, General Practice Medical Services, Other Social Assistance Services, Allied Health Services, Residential Care Services).

Investments which benefit key sectors in the regional economy are most likely to succeed in generating economic benefit for the region, and for NSW as a whole. CERD analysis identified key sectors and enablers with the greatest potential to produce regional growth from government investment in the 18 regional economies examined (Table 2).

¹⁹ <http://www.environment.nsw.gov.au/research-and-publications/publications-search/nsw-climatechange-policy-framework>

The findings in Table 2 below highlight themes of regional investment and regulatory reform that are most likely to be of economic benefit to the NSW economy based on the principal that investment that builds on a region's competitive advantage and endowments is most likely to succeed. The importance of agriculture and mining in most of the regional economies examined is a reminder of the historic reason these regions were successfully settled and have continued to exist. The manufacturing key sectors in these regions are all forms of agricultural product manufacturing. Further research, analysis and commentary is available in the CERD report on Regional Economic Growth Enablers²⁰.

Table 2 Key sectors, regional economies and enablers with greatest potential to produce regional growth from government investment (Blue shading indicates areas of recommended investment; numbers are per cent of jobs in that regional economy provided by that industry in 2011)

Key sectors													
	Enablers	Manufacturing											
		Agriculture	Mining	Food product	Beverage	Wood product	Wholesaling	Accommodation	Road freight transport	Vocational education	Higher education	Health care	Aged care
		General skills	Training quality and scale*			Training quality and scale*		Training quality and scale*		General skills	General skills	General skills	
				Transport infrastructure	Transport and utilities infrastructure	Transport infrastructure	Transport infrastructure	Utilities infrastructure	Transport infrastructure	Other public infrastructure		Other public infrastructure	
		WH&S and environmental regulation	Environmental, land use and planning regulation	Environmental regulation		WH&S and land use and planning regulation			WH&S regulation			Environmental regulation	WH&S regulation
	Albury-Wodonga	4.4		5.2					2.5	1.2			
	Armidale	11.1									9.7		
	Bathurst	4.5		6.0		3.2					4.2		
	Bega	3.4		3.7		1.2		4.2					
	Broken Hill	4.1	9.0					4.2				8.9	
	Coffs Harbour	3.8						3.1		1.1		9.2	
	Dubbo	7.1							2.4	1.1		4.8	
	Goulburn	9.6								1.0			
	Griffith	12.7		8.4	5.3								
	Lismore	5.3		4.0								4.4	
	Moree	23.5	2.9						1.9				
	Mudgee	9.6	15.6		1.5			2.5					
	Orange	6.7	6.8							1.3		9.9	
	Parkes	17.9	3.8										
	Port Macquarie					1.2		2.5		1.1		4.7	3.9
	Tamworth	8.3		4.8					2.7	1.2		5.3	
	Tweed											5.2	4.8
	Wagga Wagga	6.3							2.2	1.2	3.6		

*Training quality issues arise when training is not of sufficient quality to enable students to find work in that industry. Training scale issues arise where there is natural monopoly among training providers in a regional economy.

Jobs for the future

The *Jobs for the Future* report, released in August 2016, comprehensively assessed which sectors of the economy can provide the greatest opportunities for future job growth²¹. Several of the sectors are heavily based in regional NSW (e.g. agriculture and tourism).

Eleven globally competitive tradeable segments were identified. On average, they each make up 2 to 2.5 per cent of our current employment, and have the potential to contribute an average of 4 per cent of the NSW jobs growth needed in the next four years. Growth over the next 20 years in each of these segments is being pursued by the NSW Government:

- / Food and other quality goods to Asia including both agriculture (grain, wool, cotton, horticulture and so on) and manufacturing (such as processed food, pharma, consumer medical equipment or specialised products)

²⁰ <https://www.industry.nsw.gov.au/invest-in-nsw/centre-for-economic-regional-development>

²¹ https://www.jobsforsw.com.au/_data/assets/pdf_file/0020/90740/Jobs-for-the-future-full-report-August-2016.pdf

- / Tourism including transport (airlines, road, rail and water), hospitality (accommodation, restaurants) and our cultural and natural attractions (museums, national parks and more)
- / Startups and digital innovation including data processing, computer system design, software publishing, internet search providers and fin-tech
- / International education including tertiary, adult and community, and some secondary education. It also contributes to tourism revenues by generating family and friends' visits
- / Financial and professional services including financing (retail and non-depository), financial asset investing, insurance and superannuation, legal services, accounting and management consulting
- / Infrastructure and smart cities including architecture, engineering services, construction, utilities (waste, water, energy) and related services
- / Creative industries including motion picture and video, television broadcasting, performing arts and publishing
- / Advanced manufacturing including manufacturing of transport equipment, vehicles, computers, specialised machinery and pharmaceuticals
- / Life sciences including pharmaceuticals, biotechnology, pathology and related scientific research
- / Environmental technologies including renewable energy and green-focused urban services (such as waste management)
- / Region headquarters of multi-nationals may be attractive to industries such as IT, telecommunications, consumer goods, utilities, finance and pharmaceuticals.

These eleven segments span the fields often nominated as the growth sectors of the 'fourth industrial revolution' – the arts, engineering, artificial intelligence, robotics, nanotechnology, 3D printing, genetics and biotechnology – but extend further than these hi-tech predictions and are more inclusive for jobs and communities.

Figure 1 Targeted globally competitive tradeable segments and strong but non-targeted segments identified in the NSW Government's Jobs for the Future report

Total employment in NSW
Share of current jobs; Percent

Targeted segments

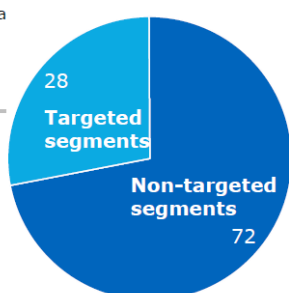
Tradeable segments with the potential to be globally competitive and create additional resilient jobs

1. Food and other quality goods to Asia
2. Tourism
3. Start-ups & digital innovation
4. International education
5. Financial & professional services
6. Infrastructure & smart cities
7. Creative industries
8. Advanced manufacturing
9. Life sciences
10. Environmental technologies
11. Regional HQs of multi-nationals

Non-targeted segments

Strong, mostly non-traded segments expected to reach their potential and gain less from government intervention

- Domestic-market agriculture
- Mining
- Textile and other basic non-food manufacturing
- Defense & other public administration and safety
- Wholesale trade
- Retail trade
- Rental, hiring and real estate services
- Administrative and support services
- School education
- Healthcare and social assistance



Estimated share of jobs growth:

43%¹

Estimated share of jobs growth:

57%¹

SOURCE: AlphaBeta

The Commonwealth Department of Employment also provides five-year employment projections.²²

²² <http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections>

Collaboration to leverage Sydney's global position

A Collaborative Approach to Regional Development

The NSW Government's approach to regional development is collaborative and based on the idea that regional development is a shared effort that combines the work of all tiers of government, as well as input from regional communities, businesses and for-purpose organisations. Regional development seeks to maximise the potential of regional areas. The NSW Government wants to build on our approach to the natural assets, local skills and expertise, and broader competitive advantages of the regions. This will be achieved most effectively by collaborating across public, private and for-purpose sectors.

NSW government agencies work together at the local level and in coordination with service providers, businesses, employers and local government. The NSW Government enables and drives local collaboration through its network of 20 regional operations and regional coordination offices.

The Department of Planning and Environment's Regional Plans, in setting a vision for growth, reflect each region's external linkages, including with Sydney, and the opportunities these bring to build on regional competitive advantages. The governance frameworks established to oversee the implementation of the Regional Plans support collaborations that can assist in harnessing the benefits from a global Sydney.

The NSW Government and the Illawarra Pilot Joint Organisation of local councils worked with industry and other local partners to develop a Youth Employment Strategy for the Illawarra region, launched in July 2016. The strategy aims to connect young people with the right skills and qualifications needed to secure jobs within key industries across the region.

The Illawarra Youth Employment Strategy is a simple package of actions that focuses on connecting employers' needs with job outcomes for young people. The actions are a starting point in a long-term partnership across sectors. The Strategy involves 19 delivery partners from across all levels of government, vocational and tertiary education institutions, business and community associations, employers and service providers.

Additionally, the NSW Government's \$12 million Boosting Business Innovation Program aims to accelerate networking and collaborations between NSW and Commonwealth research organisations and business communities through supporting access to technology, equipment, research and expertise²³. It also works to grow the regional start-up sector and help create innovation clusters across the State.

Another important example of collaboration is the NSW Social Innovation Council – a strategic partnership between the NSW Government and the Forum of Non-Government Agencies (FONGA). FONGA nominates five representatives to the Council, including an Aboriginal peak body representative and representatives from rural and regional NSW. The Council aims to accelerate innovation in the way human services are designed, delivered and measured, and to improve human services outcomes by:

²³ <https://www.industry.nsw.gov.au/business-and-industry-in-nsw/innovation-and-research/boosting-business-innovation-program>

- / Promoting the use of technology and collaborative work practices to optimise service delivery
- / Improving the quality and accessibility of human services data for government and NGOs
- / Driving strategic engagement of the NGO sector
- / Making it easier for NGOs and government to do business together.

The work of the Social Innovation Council in enhancing the delivery of human services will strengthen the resilience and wellbeing of regional communities and enable regional development.

Working with Stakeholders to Enhance our Economic Clusters

The NSW Government's *Jobs for the Future* report found that high-performing geographic clusters – localised networks of businesses in the same or related industry sectors – outstripped the State averages on every metric for the creation of high-quality working lives. High-performing clusters grow jobs at more than double the State average, create higher paying jobs, are twice as likely to export and generate more innovation (e.g. patents). Small businesses in a cluster are 21 per cent more likely to survive than those outside.

High-performing clusters almost always emerge organically and without government intervention. There are several actions government can take, however, to nurture existing clusters and maximise stakeholder interactions. This includes the appointment of cluster leaders or champions to advance growth and profile. In NSW, cluster champions will:

- / Nurture clusters to enhance their economic performance and maximise jobs creation
- / Work with their respective cluster members, universities, industry associations, leading companies, and local, State and Commonwealth Governments to elevate the performance of a cluster so that it performs closer to its full potential.
- / Also be a focal point for inward investment in the cluster, including linking enterprise with the various financial support programs available through Jobs for NSW.
- / By working closely with leading employers, identify barriers to growth and advocate for their removal in conjunction with government.

Jobs for NSW is appointing cluster champions to three initial key high-performing geographical clusters in NSW, including one in regional NSW, in the New England regional centre of Armidale. Armidale has developed itself as a centre of excellence in education – it hosts the University of New England, which has a high number of international students and several high schools for boarding students. Moreover, with changes to the National Broadband Network, Armidale will be one of the only cities in Australia to boast a full fibre connection. This means the city could be a potential growth source in the digital innovation area and also help its efforts as an international education provider. The farm land surrounding Armidale has a healthy ecosystem which includes livestock and a small amount of grain growing.

Detailed consultations with key cluster stakeholders are currently underway, including local governments, research institutions and prominent industry organisations.

Conclusion

The NSW Government is committed to ensuring regional communities can access the essential services and infrastructure of a modern economy and are able to capitalise on the growth of Sydney as a global city. To ensure that regional NSW benefits from Sydney's prominence, the NSW Government is actively investing in or supporting development of:

- / Better connectedness across regional NSW and with Sydney
- / Improved access to international trade for regional businesses and growth industries
- / A workforce and industry able to capitalise on growth opportunities
- / Strengthening regional NSW as a local and international tourism and investment destination
- / Enabling collaboration and innovation across the State's education and research institutions, businesses and service providers.

Further, in recognition of the NSW Government's core enabling role in regional economic and social development, the Regional NSW Group was recently established within the Department of Premier and Cabinet to bring together the expertise and networks of regional development, regional coordination and central government policy brokerage.

Further information

For further information about matters raised in this Submission, please contact:

Mrs Georgina Beattie
Regional NSW Group
Department of Premier and Cabinet
GPO Box 5341
Sydney NSW 2001

Document reference: A2071112