Australia’s Regions: Investing In Their Future

The Recommendations of the Strategic Regional Growth Expert Panel for Investing in the Future of Regional Australia
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Letter of Transmittal

Senator the Hon Bridget McKenzie
Minister for Regional Services, Sport, Local Government and Decentralisation
Parliament House
CANBERRA ACT 2600

Dear Minister McKenzie

In accordance with the Terms of Reference, I am pleased to provide you with the Report of the Strategic Regional Growth Expert Panel.

As Chair of the Expert Panel, I would like to express my thanks for the contributions made by my fellow Expert Panel members, Mr Jack Archer, former CEO of the Regional Institute of Australia, Cr Anna Speedie, Mayor Wodonga City Council, and Cr Andrew Cripps, Hinchinbrook Shire Council.

I would also like to thank the Secretariat team at the Department of Infrastructure, Regional Development and Cities for the exceptional support provided to the Expert Panel over the last month.

The Expert Panel owes our greatest thanks to those who went out of their way to share their views with us. Since our first meeting in Sydney, the Expert Panel has been able to draw on the knowledge and experiences of many others, meeting with 76 government, community, industry and research stakeholders in Sydney, Perth, Brisbane and Adelaide, as well as receiving some 29 short written submissions.

In compiling the outcomes of our discussion into a report, the Expert Panel has chosen to put forward a number of recommendations for your consideration. Two recurring themes from our consultations are clear. First is the need to work together, across all levels of government, the community and industry to align our efforts and make the most of our investments. The other is the importance of place-based approaches and empowering local voices in the design and implementation of development plans and programs. Applied together, these themes serve as excellent policy principles upon which to base Australia’s regional development policy and to support a strong regional Australia into the future.

Kind regards

The Hon Peter Ryan
29 March 2019
The Expert Panel

On 28 June 2018, the House of Representatives Select Committee on Regional Development and Decentralisation released its final report – *Regions at the Ready: Investing in Australia’s Future*. The report made 13 recommendations to support and promote the economic development of regional communities.


On 5 March 2019, the Commonwealth Government formally appointed the independent four-member Expert Panel, to consider key elements for developing and sustaining regional Australia. The Expert Panel was supported by the Department of Infrastructure, Regional Development and Cities.

The Hon Peter Ryan (Chair)

The Hon Peter Ryan is a former Australian politician who was leader of The Nationals in Victoria from 1999 to 2014. He represented the electoral district of Gippsland South from 1992 to 2015, and from 2010 to 2014 was the Deputy Premier of Victoria as well as the Victorian Minister for Rural and Regional Development. Peter was born and raised in Lockington, Northern Victoria and was educated in Shepparton.

Mr Jack Archer

Mr Jack Archer was CEO of the Regional Australia Institute (RAI) from July 2015 to January 2019. Jack also led the establishment of the RAI in 2011 and developed the RAI’s policy and research program. In previous roles Jack contributed to major regional reforms in water, climate change, Indigenous issues and industry. Originally from Paterson in the lower Hunter Valley of NSW, he now lives in the hills west of Canberra.

Cr Anna Speedie

Cr Anna Speedie has been a Wodonga councillor since 2005 and became Mayor in 2015. Anna has also worked in the private sector in high-level management in corporate accounting, international marketing, international medium-sized business and executive level in education. Anna is on the executive of Regional Cities Victoria and Regional Capitals Australia.

Cr Andrew Cripps

Cr Andrew Cripps has been a Councillor in Hinchinbrook Shire North Queensland, since 2018. Andrew is a former Queensland Minister for Natural Resources and Mines, and represented the seat of Hinchinbrook in the Queensland Parliament from 2006-2017. Recently he served as Chair of the Australian Government’s Resources 2030 Taskforce, which examined how Australia’s resource sector can remain globally competitive. Andrew was born and raised in Tully in Far North Queensland.
Terms of Reference

Following a 12 month inquiry, the Select Committee on Regional Development and Decentralisation issued the report *Regions at the Ready: Investing in Australia’s Future*. The inquiry considered best practice approaches to regional development, decentralisation as mechanism to boost regional growth and the role of the Government in encouraging decentralisation.

As part of its response to *Regions at the Ready: Investing in Australia’s Future*, the Australian Government agreed to convene an Expert Panel to consider key elements for developing and sustaining regional Australia.

While a number of the recommendations contained within the *Regions at the Ready* report focus on the extension of the City Deal framework to towns and regional communities, and the role of Regional Development Australia (RDA) Committees in supporting regional partnerships and attracting investment, the report falls short of articulating how the Government could add value in facilitating this outcome.

To this end, the Expert Panel will develop a regional development framework, the most appropriate mechanisms for local collaboration and partnerships, as well as reviewing Commonwealth investment and how this could better support strategic regional growth.

Recently, the Government has commenced piloting a small number of Regional Deals that adopt a collaborative approach with state and territory and local governments and reflect the unique circumstances of each location. By identifying future growth and development opportunities in the regions, there is an opportunity to bolster regional cities through a strategic regional growth model.

The Government is committed to taking a strategic and long-term approach to regional development which is based on local partnerships, collaboration, and maximises and complements Commonwealth investment. The Expert Panel will be established to:

1. Develop a framework for regional development which includes and considers:
   a. The criteria for identifying key investment priorities to accelerate growth drivers;
   b. Appropriate mechanisms for regional leaders to engage in regional development processes;
   c. The viability of coordinated regional plans contributing to this process; and
   d. The role local government plays in supporting rural communities and driving investment in the regions.

2. Review the current approach to supporting investment in the regions and outline opportunities to get greater returns from these investments.

3. Consider how the Commonwealth Government can facilitate private sector decentralisation and business investment to regional Australia, including in partnership with all levels of government.

4. Provide advice on an appropriate scope, structure, timeframe and consultation process to deliver a white paper that promotes the growth of prosperous, safe and sustainable regions over the long term.

The Expert Panel will report by the end of March 2019 and will be supported by the Department of Infrastructure, Regional Development and Cities.
Introduction

Australia’s regions are diverse and vast, and are home to around a third of Australia’s population. They are fundamentally important both socially and economically to Australia’s future. In our regions we find resilient and adaptive communities, diverse lifestyles and places of historical and cultural significance. They face distinct challenges and opportunities, reflecting this diversity. These differences are a source of strength for the nation, and demand nuanced policy making. Major trends including urbanisation, changes in technology and connectivity, exposure to global markets and emerging environmental pressures, also impact our regions differently.

The Expert Panel has undertaken an ambitious work plan to develop a framework that will consider the most appropriate mechanisms for local collaboration and partnerships, opportunities for business investment, and reviewing Commonwealth Government investment to support strategic regional growth.

The Expert Panel was convened on 5 March 2019, with the report due to be delivered to the Commonwealth Government by 31 March 2019. The Expert Panel would like to acknowledge the valuable contribution provided by a number of stakeholders and the short timeframe in which they were asked to provide their views.

Australia’s Regions: Investing in Their Future (the Report) underlines the importance of empowering local communities, integrating regional perspectives into policy and program design to shape outcomes – whether for service delivery, infrastructure investment, or incentives and economic opportunities – that are right for regional Australia. The Report harnesses some of the lessons learned across the country, on investment, governance and leadership, and suggests how our shared experience can guide stronger regional growth into the future.

The Expert Panel gave consideration to submissions provided to the House of Representatives Select Committee on Regional Development and Decentralisation and the Senate Economics Reference Committee on Regional Inequality in Australia, and sought additional consultation from business, academics, local government associations, Regional Organisations of Councils, State Governments, Regional Development Australia Committees and Indigenous representatives.

The Report provides recommendations to help guide consideration of priorities for regional development programs and investments to support regional Australia’s future competitiveness and prosperity.
Consultation Process

The Report has been informed by targeted consultation with business and industry groups, service providers and peak body organisations, academics, regional development organisations, Commonwealth, State and Territory officials, Local Governments, and Indigenous representatives.

During an intensive consultation period:

- 76 people attended roundtable meetings, with many stakeholders providing follow-up statements and case studies to supplement our initial discussions, and
- 29 submissions were received.

A list of those consulted is set out in Appendix A: Stakeholder Consultations.

A list of the submissions received by the Expert Panel is set out in Appendix B: Stakeholder Submissions.

In addition, the Expert Panel considered submissions made to the House of Representatives Select Committee on Regional Development and Decentralisation and the Senate Economics Reference Committee on Regional Inequality in Australia.

Thank you to everyone who participated in the consultations or provided a submission. We are indebted to the many individuals who met with us at short notice, providing a valuable contribution to the Report. Your willingness to talk to the Expert Panel was vital. We observed a broad consensus of opinion expressed on many of the substantive issues we explored, which has helped inform this Report.
Recommendations

Recommendation 1

The Expert Panel recommends that the Commonwealth Government implements a Regional Development Framework that recognises the national importance of achieving good economic and social outcomes for regional Australia. This Framework should include the following elements:

a. The Commonwealth should support Australia’s regions to achieve their economic potential, recognising that the priorities, opportunities and challenges will differ according to the economic, geographic, historical and cultural context of each region.

b. The Commonwealth should assess the potential impact of policies and programs on regional Australia, and seek opportunities to deliver high quality economic and social outcomes for regions. The Rural and Regional Committee of Cabinet will lead this policy coordination across Portfolios.

c. The Commonwealth should work closely with States and Territories to consider the interaction of Commonwealth, State and Territory policies and programs on regions, and seek opportunities to achieve better economic and social outcomes for regions. To this end, the Commonwealth should establish a Regional Development Ministerial forum with States and Territories, which meets twice each year.

d. In recognition of the importance of regional economic development, the Commonwealth should strengthen and work closely with Regional Development Australia (RDA) Committees to ensure regional voices and views are integrated into the design and delivery of regional development policy, programs and funding.

e. Regional development funding programs should be reformed to ensure they support the economic and social development priorities of a region, reflect the different planning cycles of regions and are delivered in partnership with all three levels of government, business and communities.

Recommendation 2

Noting recommendation 1 (d) above, the Expert Panel recommends that the role, mandate and capability of the RDA Committees is strengthened by:

a. Formalising the RDA Committees in legislation to promote clarity and continuity in the Commonwealth’s Regional Development Framework, noting that the legislation should reflect the flexibility in the structure and governance arrangements that currently exists across States and Territories.

b. Redefining RDA Committees’ boundaries to better align with functional economic regions, including allowing an RDA region to overlap State and/or Territory boundaries.
c. Substantially increasing the Commonwealth’s annual operational funding commitment to RDA Committees and ensuring that the distribution of this funding pool takes into consideration a range of factors, including:

i. the geographical area and population of an RDA region;
ii. its proximity to a capital city;
iii. indicators of relative disadvantage; and
iv. the remoteness of certain RDA Committees.

d. Providing funding (separate to RDA operational funding) to cover sitting fees and travel allowance for RDA Committee members in line with Remuneration Tribunal principles.

e. Redefining the roles of capital city RDA Committees (other than RDA Tasmania and RDA Northern Territory) away from focusing on economic development of major cities, and instead to focus on facilitating connections between regional RDA Committees and city-based stakeholders, networks and opportunities that may benefit the development of regional Australia.

Recommendation 3

The Expert Panel recommends that while maintaining a level of at least the funding currently available to regional Australia, the Commonwealth Government reform its approach to regional development funding through the implementation of three complementary funding streams, all of which should embrace partnership principles and be substantially focused on the needs of regions as follows:

a. Regional Deals – these should be negotiated and delivered in partnership with all three levels of government, private sector and regional communities, with funding available to enable regions to undertake the initial collaborative planning and preparatory work necessary to attract a deal.

b. Regional Investment Fund – this fund should support catalytic investments in regional Australia, using the following key principles:

i. Funding is aligned to regional development priorities or plans as understood and agreed by key stakeholders in a region.

ii. Proponents can bring proposals forward at any time during the life of the program.

iii. The Commonwealth is willing to work in partnership with proponents, and other relevant stakeholders, to provide advice on, develop and progress proposals.

iv. Applications are open to Local Government, private sector (including for support in the form of equity or debt financing, innovation seed funding, or project facilitation) and not-for-profits.

c. Rural Development Fund – this fund should support the economic development of small rural and remote towns and regions using the following key principles:

i. Funding to support smaller scale amenity and liveability infrastructure, address the needs of local micro and small businesses and support capacity building projects, including leadership development.
II. Applications are open to Local Government, micro and small businesses, and not-for-profits.

III. RDAs will play a key role by working with funding proponents to develop and progress applications and making funding recommendations to Government.

IV. The Expert Panel’s expectation is that each RDA will have up to $2 million per year to recommend for distribution across their region. This figure should be calibrated to account for regional population and relative need.

Recommendation 4

The Expert Panel recommends that the Commonwealth commit to delivering Regional Deals to every region across Australia. These should be developed in collaboration with all three levels of government, business and communities, adhering to the following principles:

a. Regional Deals should aim to make significant progress on well-defined issues that are critical to a region’s future. The issues will vary but could include:

I. solving a key regional economic or social constraint such as low high school educational outcomes, mismatched job and labour skill sets, poor transport/freight connectivity, an ageing population and housing, or intergenerational unemployment;

II. a significant economic development opportunity that allows a region to take advantage of its strength and assets to boost growth and productivity, particularly where the opportunity involves an innovation opportunity, enhances productivity, or enables a region to access new or expanding goods or services export markets; and

III. an opportunity to improve the effectiveness of Commonwealth policy and programs to support a region’s economy - particularly if this includes aligning the Commonwealth’s efforts with State/Territory efforts or trialling a multi-jurisdiction approach to policy design and implementation.

b. Proponents should be able to access Commonwealth support to bring forward high quality regional deal proposals.

Recommendation 5

The Expert Panel recommends that the selection and prioritisation of Regional Deals should be assessed on the basis of the following criteria:

a. The impact of the proposal on regional and/or national economic outcomes.

b. Alignment to regional priorities and the likelihood that the proposal will achieve substantial progress on one or more of these priorities.

c. Readiness of the proposal for detailed negotiation, investment and implementation.
d. Demonstrated support for the proposal from all three levels of government, business and communities.

Recommendation 6

The Expert Panel recommends that a White Paper be delivered as soon possible and completed no later than July 2020, in broad consultation with stakeholders (including direct outreach to regional Australia), to identify how the Commonwealth can effectively promote growth in all regions, with the scope of the White Paper to include:

a. The topics outlined in Recommendation 12 in *Regions at the Ready*.

b. Identification of National Economic Development Priorities for each region that would direct the Commonwealth’s policy and program efforts in each region, in collaboration with regional stakeholders, Local Government, and States and Territories.

c. Assessment of the potential national economic benefits of making substantial progress on these issues.

d. Consideration of how Commonwealth policy, programs, and regulation may support these national economic development priorities through coordinated place based policy.

e. A review of the Commonwealth’s approach to place based policy to identify successes and failures including whether new powers and institutions need to be created to enable place based policy to occur, be effective and persist at the national level.

f. Consideration of the potential for research and evaluation to test and build the evidence base for place based policy in Australia.

g. The benefits of public sector and private sector decentralisation to regional Australia, including consideration of the challenges, enablers and impact on economic growth.

h. Consideration of how taxation and revenue policy (including but not limited to zonal taxation, fringe benefits tax, company tax, regional business asset depreciation increases and a Petroleum Royalties for Regions Program) could be reformed to deliver better outcomes for the regions, including incentives for individuals and businesses to remain in or relocate to regional Australia.

i. Consideration of how the Commonwealth’s Financial Assistance Grants program might better enable regional, rural and remote councils to deliver economic development in their local government area, and engage collaboratively with regional development organisations, including the RDA Committees.
Chapter 1: Regional Development Framework

Overview

1.1 The wellbeing of Australia’s regions is important not only for those who live there, but for all Australians. With just over eight million people living outside our capital cities, it is critical that our regions have the services and support required to ensure they are vibrant, safe and inclusive places to live. Supporting regions to achieve their economic potential is also important for our national economic wellbeing, with regional Australia contributing around 30 per cent of Gross Domestic Product (GDP) and around 60 per cent of our export earnings.

1.2 The diversity of regional Australia, and the complexity and interconnectedness of the issues regional Australia faces, can make regional development a challenging policy area. Policies can affect places in different ways. Similarly, major trends affecting regions over coming decades, including demographic, economic, technological and environmental change, will have different geographical impacts. A regional perspective is critical to meeting these challenges.

1.3 A Regional Development Framework would help align Australia’s approach to regional development, encourage clarity around policy objectives and drive a consistent and coherent approach to policy development. This includes bringing together regional stakeholders and all levels of government to collaboratively support regions to achieve outcomes that reflect local priorities and are in the national interest.
1.4 The Expert Panel agrees that policy for regional Australia will be most effective when it is informed by a clear Regional Development Framework that:

- promotes a collaborative approach that works to align the efforts of all three levels of government with business and regional communities,
- empowers and supports local leadership, including Local Government and RDA Committees, to ensure they have the capacity, resources, continuity and mandate to articulate local needs and priorities and drive outcomes, and
- coordinates a set of clearly defined economic development priorities for each region that are grounded in a region's own strengths and competitive advantages, based on available evidence and supported by all three levels of government, business and the community.

Supporting social and economic outcomes for all regions

1.5 The Report reflects the view that it is important to support all regions to build the resilience of their economies and to maximise their economic potential based on their competitive strengths, advantages and opportunities. The wellbeing of the broader Australian community and economy is best served by having strong and vibrant regions.

1.6 Similarly, ensuring regional communities have the services and amenity they need will contribute to regional Australians having access to good quality social, health and recreational opportunities. With just over eight million people living outside our capital cities, supporting vibrant and inclusive regional communities is critical to the wellbeing of the Australian community as a whole.

Effective policies are informed by regional perspectives and listening to local leadership

1.7 It is important that regional communities and leaders are involved in shaping policy and driving reform to ensure that the objectives and outcomes reflect community needs and priorities. Evidence suggests that government policies can most effectively deliver positive outcomes for communities and regions when they take account of community perspectives, are informed by local priorities and local leaders are empowered.

1.8 The Expert Panel heard from numerous stakeholders that regional leadership is critical to developing and delivering a bottom-up approach to regional development that best reflects the unique characteristics of each region. Local leadership can provide a strong understanding of their region, bringing a knowledge of local issues and challenges and an ability to help identify key regional strengths and opportunities for investment and economic growth.

1.9 Resilient and growing regional economies require policy and planning that builds on a region’s strengths, resources and competitive advantages, and brings together all levels of government with regional communities and the private sector. Realising regional economic potential and employment opportunities helps both underpin the wellbeing of regional communities and ensure the benefits of our growing economy are shared by all Australians.
1.10 Australia does not have a single approach or administrative framework for coordinating regional planning. Rather, regional organisations, Local Government, State Government and the Commonwealth all play a role, both in terms of funding and policy input. For the purposes of the Report, the Expert Panel has not sought to prescribe a single approach. However, it is clear that regional planning is likely to be most effective when it is driven from the ground-up, involves local leaders, reflects the region’s priorities and perspectives and involves all stakeholders and levels of government in a coordinated and collaborative way.

Collaboration and coordination are critical to regional outcomes

1.11 Commonwealth policies are only one of many factors contributing to regional development. A Regional Development Framework needs to consider the roles each level of government, the private sector and community play with respect to outcomes in regional Australia. This is particularly important as regional development efforts often involve all three levels of government developing policy, funding programs, partnerships and strategies. Current approaches to regional development also include a variety of investments and partnerships with all levels of government, as well as the private and community sectors.

1.12 Regional development involves a myriad of projects of various sizes, aimed at improving community amenity and facilities, providing essential services such as education, training, health and community services, and building significant infrastructure such as airports, roads, rail and the NBN. Programs can vary from short to long term and range from closely targeted to very flexible. They tend to have differing funding cycles, timeframes and funding criteria.

1.13 As detailed later in the Report, there is considerable merit to adopting funding approaches that encourage and support collaboration between stakeholders and different levels of government. The best outcomes for regional Australia are likely to be achieved when everyone is working together and aligning their efforts.

Local Government

1.14 Local Governments play a critical role in ensuring that their communities have high quality places to live, work and play. Local Governments ensure that local communities are provided with basic services, facilities and infrastructure that is so critical to regional communities, including public pools, libraries and children’s playgrounds, and often play an on-the-ground role in community and economic development. Local Government is often the first port of call for identifying and addressing local issues, giving them a unique insight into the kind of policy solutions that would benefit the community and deliver good outcomes.

1.15 The 546 Local Governments across Australia range from very large metropolitan to smaller rural councils. Consequently, they differ in terms of available resources and capacity, the range of services they provide the community and their relationships with businesses, RDA Committees, other Local Governments, relevant State and Territory Governments and the Commonwealth.
1.16 During consultations, the Expert Panel heard examples of Local Governments playing a strong leadership role in their local government area and the broader region including identifying investment priorities, driving strategic planning and delivering programs and projects. The Expert Panel also heard from the business community that Local Government can help pave the way for business development in the community, particularly where they can work collaboratively with State Governments.

1.17 The Expert Panel identified that there are a range of challenges in terms of the capacity of some Local Governments to deliver regional development outcomes, including that:

- Regional development planning and implementation is generally much bigger than Local Government administrative boundaries, hence there is a need for a regionally focused governance arrangement.

- Over time, the complexity and quantity of services provided by Local Government has expanded considerably, in line with community expectations. The burden of this is especially felt by rural and remote Local Governments, whose communities may have a much heavier demand for services, where resources may be constrained and whose income source comes primarily through the Commonwealth’s Financial Assistance Grant.

- Local Governments are eligible for a range of competitive regional grant programs. However, the application process takes considerable resources (which are often scarce) without any guarantee of being successful. The design of many programs also encourage fragmentation and competition between Local Governments.

- In some cases, Local Governments may be very focused on local issues and have limited capacity to consider a regional perspective. In these circumstances, regional development can often be considered an ‘additional function’ to providing services.

Collaboration between local councils

1.18 One way in which Local Government can seek to progress regional development issues is by participating in Regional Organisations of Councils (ROCs) or Joint Organisations of Councils (JOs), which exist in some States to facilitate collaboration between councils across regions.

1.19 ROCs and JOs can assist local councils to develop regional strategies that provide a coordinated approach towards shared challenges and priorities, including when dealing with other levels of government. As ROCs and JOs are voluntary, they do not provide a complete representation for regional Australia, but do demonstrate the importance and value of collaborative approaches to regional development.

1.20 Additionally, there are a number of peak bodies nationally and at state level that represent the interests of Local Governments, including in the area of economic development.

State Government

1.21 State and Territory Governments have a detailed understanding of the social and economic circumstances of the regions within their jurisdiction. Collectively, State and Territory Governments invest significant funding in regional Australia, including through their overall responsibility for
services such as transport infrastructure, health and education, and by investing in regional development programs which aim to improve outcomes in regional areas.

1.22 State and Territory Governments take different approaches to regional development. Some have distinct governance and policy frameworks to facilitate a collaborative approach to development in partnership with Local Government and regional communities. For example:

- Victoria has established nine Regional Partnerships made up of community and business leaders, the CEOs of local councils, RDA representatives and the Victorian Government to examine the social, economic and environmental priorities of regional communities and oversee implementation of the top priorities.
- New South Wales has introduced Joint Organisations of Councils to, in part, provide a mechanism to bring regional and rural councils together for strategic planning and priority setting.
- Western Australia has invested in regional development commissions across the state which work in partnership with Local Governments, communities, industry and RDA Committees to prepare regional plans and infrastructure frameworks for the state’s eight country planning regions.

1.23 Despite the good work of States and Territories, the Expert Panel heard that without a national vision for regional Australia and greater integration across all three levels of government there is a high risk that governments will operate in silos, duplicating effort and missing important development opportunities. While the Commonwealth engages with State Governments through the Council of Australian Governments (COAG), the Expert Panel notes that regional development is not a key issue for COAG and that there is no other forum in which Ministers responsible for regional development regularly meet.

1.24 The Expert Panel also heard that the Commonwealth’s Regional Deals initiative was an excellent example of governments collaborating to achieve positive outcomes for regional Australia.

Commonwealth Government

1.25 The Commonwealth Government plays a key role in supporting sustainable, equitable and inclusive outcomes in regional Australia, including through the provision of direct funding and services. The Commonwealth can also play a critical leadership role by bringing stakeholders together to coordinate investment, address issues spanning state boundaries, and achieve reform on issues of national significance. It also plays a role in supporting national economic growth, including facilitating private sector growth and investment.

1.26 Based on submissions to the Expert Panel, there was a general consensus among stakeholders that the Commonwealth should provide a strategic vision for regional Australia to guide regional development policy. Stakeholders indicated that differing priorities and a lack of coordination between the three levels of government on regional issues is an inhibitor to regional development. There was also broad agreement that the Commonwealth was not best placed to understand the key issues facing specific regions. However, there was broad agreement that the Commonwealth is well placed to capitalise on its ‘convening’ power to bring stakeholders together and build consensus on regional development priorities.
1.27 The Expert Panel considers that without a collaborative and consistent approach to regional development across Australia, there is a risk that places will get left behind or will be unable to capitalise on their strengths to appropriately invest to grow their region.

1.28 The Expert Panel considers that a dedicated forum for State, Territory and Commonwealth Ministers with responsibility for regional development to build consensus and facilitate better collaboration between governments should be established.

1.29 The Expert Panel also considers that bringing a regional perspective to Commonwealth policies and programs across its portfolios would be beneficial.

Regional Development Australia Committees

1.30 RDA Committees are a national network of 52 Committees made up of local leaders that provide a link between all three levels of government, business and communities. They play a key role in contributing to regional development and unlocking regional potential.

1.31 The Expert Panel heard that RDA Committees are largely well regarded. However some stakeholders did consider there was a lack of consistency in their performance. These concerns were also expressed in the Regions at the Ready: Investing in Australia’s Future (Regions at the Ready).

1.32 The consultation process led the Expert Panel to conclude that this was due to a range of reasons including that RDA Committees are insufficiently funded. This significantly affects their capacity to deliver outcomes. In addition, RDA boundaries do not always match functional economic zones, making it difficult to coordinate effective outcomes for an RDA region. The overall lack of resources for RDA Committees has resulted, in many cases, in a lack of capacity, legitimacy and standing in the community. These factors constrain the potential of RDA Committees to act as regional leaders.

1.33 The Expert Panel heard that when properly funded, RDA Committees are an effective mechanism for building opportunities and regularly build partnerships to strengthen their influence, reach across multiple regions and improve outcomes for community and businesses. RDAs that are supported by State Governments, or have sourced additional forms of funding, tend to be well regarded and are able to deliver excellent regional outcomes.

1.34 An example of this was discussed during the Expert Panel’s stakeholder engagement.
Regional Development South Australia

The RDA Committee model in South Australia is funded under a tri-partite agreement between the Commonwealth, the South Australian Government and the Local Government Association of South Australia on behalf of its members. It is comprised of seven RDA Committees with offices in 11 South Australian regional centres with over 80 staff, 70 Board members and industry representatives.

This model allows priorities between all three levels of governments to be effectively planned and prioritised to best support the region. It encourages facilitated connections across industry, local business and communities, supporting regionally significant projects and taking a leadership role on key initiatives that drive regional jobs and growth.

Case Study

A partnership was developed between RDA Murraylands and Riverlands (RDAMR) and Murraylands Food Alliance, supported by the South Australian Government under the WorkReady program, to address the disconnect between the high unemployment levels and high demand for suitably skilled and motivated workers and prepare job seekers for employment in the food industry.

RDAMR work with unemployed people to help them overcome employment barriers, undertake accredited training in skills needed by industry and connect these people with employers.

This partnership has had life changing results for more than 50 participants with 70 per cent successfully moving into sustainable employment. RDAMR share the learnings with RDA Committees across South Australia to support other regions in capitalising on similar opportunities for improving their region.

RDAs are the Commonwealth’s best mechanism for providing regional development leadership

1.35 The Expert Panel deliberated on the most appropriate mechanism available to the Commonwealth for promoting regional leadership and considers RDA Committees best placed to fulfil this role. In arriving at this conclusion, the Expert Panel noted the following:

- While Local Government have a unique understanding of community issues, they are constrained by their borders and do not always have the capacity to focus on regional development priorities.
- Functional economic regions can often cross State and Territory borders.
- The Commonwealth could only provide a top-down approach, which is inconsistent with objectives of the Regional Development Framework.
- The RDAs provide the Commonwealth with a ready-made network which could provide important regional insights to the Commonwealth, and be a capable partner in the delivery of programs and initiatives where appropriate.

1.36 This conclusion is consistent with Regions at the Ready, which recommended that the Commonwealth strengthen the role of RDA Committees to lead cross-government collaboration,
develop bipartisan relationships, redistribute the RDA network, increase RDA Committee responsibility for attracting catalytic investment, increase RDA Committee responsibility for coordinating City Deals, and increase RDA Committee resourcing.

1.37 However, the Expert Panel does not recommend the Commonwealth impose planning requirements for RDA Committees. The Expert Panel heard that plans are more effective when developed and implemented at the local level. This may involve different approaches and leadership roles in different places depending on circumstances and capacity. In some regions, this may be led by RDA Committees and in other places groups of Local Governments or the State/Territory may play a bigger role.

1.38 The Expert Panel agrees with Regions at the Ready that there continues to be significant opportunities for further improving the operations, capability and coverage of RDA Committees as leaders for our regions. The Expert Panel agrees that RDA Committees, together with all three levels of government, business and communities are the key to developing partnerships across all three levels of governments, business and communities contributing to economic growth for their regions.
Chapter 2: Commonwealth Investment

Overview

2.1 The Commonwealth Government delivers significant funding to regional Australia across a range of portfolios including infrastructure, health, employment, industry, small business support, agriculture, and vocational and higher education — all important drivers of regional development. Much of this funding is designed and delivered through a national lens. However, too often the impact of policy and programs on regional Australia is not taken into consideration. The Expert Panel notes that the impact of Commonwealth policy and programs is felt differently across regional Australia, depending on the economic and social conditions at play in each region.

2.2 The Expert Panel strongly supports the view that Commonwealth policy, programs and funding are more likely to contribute to the economic and social success of a region when they are sensitive to regional contexts and directed to the priorities of each region, as defined by the people who live and work in that region.

Themes for Effective Regional Investment

2.3 There were consistent themes in stakeholder submissions regarding the Commonwealth’s current model for regional funding, and opportunities to achieve better returns on these investments.
The Importance of Linking to a Strategic Direction

2.4 The Expert Panel heard that there was no clear mechanism to ensure that the Commonwealth’s regional funding was aligned to the vision, strengths and opportunities that a region had identified would best drive economic growth. At times this had led to the best proposals missing out on funding, or proposals being progressed without widespread support from key regional stakeholders.

2.5 There were strong views that the Commonwealth’s support for regional initiatives should take a strategic focus and be based on evidence about the region-specific strengths and opportunities that are most likely to achieve sustainable outcomes and align with broader regional planning, policy objectives and investments.

2.6 Better coordination with State and Territory Governments is required to facilitate co-funding and align timeframes and priorities to reduce applicant burden. The capacity and resources of applicants also varies. Program design should seek to support project development from conception through to readiness.

2.7 Regional leadership is critical to delivering a bottom-up approach to regional development. The Expert Panel heard from a number of stakeholders that there is a strong case to use Commonwealth funding to build regional leadership capability. This will help ensure that regional perspectives are considered in regional policy development and implementation, and when identifying priorities and strategic opportunities.

Case Study: Victorian Ride High Country

The Victorian Government recently invested $12 million towards a 10 year plan to help build on the region’s cycling strengths and make it the premier cycling tourism destination in Australia. The Victorian Government opened Expressions of Interest for proposals that will complement and enhance the cycle tourism experience in Victoria’s Ride High Country. In doing so, the Government is seeking to gain an understanding of market appetite to invest in cycle tourism in the region, and identify a range of projects that will contribute to the region’s growth.

Tourism is one of the five key ‘super growth’ sectors driving jobs and growth in regional economies over the next decade. Victoria’s High Country, which includes areas such as Wangaratta, Bright and Mansfield, is the leading cycle tourism destination, attracting more cycle visitation and yield than any other destination. The quality and extensiveness of the cycling infrastructure, combined with the nature-based and culinary experiences delivers strong destination appeal.

The Importance of Investing in Rural and Remote Communities

2.8 There are many factors that affect the liveability and resilience of regional towns and communities. Getting this right in our regions is crucial to community wellbeing, social cohesion, and economic development, and is a key factor in attracting people to a region. This can mean anything from keeping local swimming pools well maintained and making the main street a pleasant place to shop
and socialise, to supporting the development of future local leaders. The Expert Panel heard that there is a strong expectation that the Commonwealth should continue to support local councils and communities to access funding for local infrastructure and capacity building projects.

The Importance of Catalytic Infrastructure Investment

2.9 The Expert Panel heard from a number of stakeholders that the Commonwealth could take a stronger role in investing in projects which would attract state, local and private sector investment and deliver long-term, sustainable outcomes for a region.

2.10 Regions at the Ready highlighted that these types of investments can set off a chain of related outcomes including population growth, education and employment opportunities, improved social and cultural capital, and related infrastructure investment, all of which can markedly influence and transform the economic and social prosperity of regional towns. As such, catalytic investments could include proposals that will revitalise a town centre to make it a more attractive cultural and business precinct, or increase capacity at economic hubs such as ports and airports. This was also emphasised in the discussions with Business Council of Australia and a range of private sector leaders.

Case Study: The Role of Catalytic Infrastructure, the Inland Rail Project

The Commonwealth’s investment in Inland Rail is providing a catalytic investment in regional Australia. Australia’s freight volumes are expected to double within 20 years, which means more trucks on our regional highways and roads. Inland Rail will ease pressure on regional highways – including the Newell Highway – by an estimated 200,000 truck movements a year, reducing the strain on road transport.

Every person employed or trained through Inland Rail, whether directly or indirectly, will have skills and expertise they can take back to their local communities, becoming a catalyst for more skills building and economic participation. The construction of Inland Rail will enable industry and business to invest back into local communities and towns throughout inland Australia, injecting critical funds back into regional economies. Regional businesses and farmers will be able to take advantage of new opportunities for export growth, and get their produce from paddock to port when and where it is required.

The Commonwealth has worked with Australian Rail Track Corporation to develop an Inland Rail Social Performance Framework that includes Workforce Management; Local and Indigenous Industry Participation; Housing and Accommodation; Community Health and Wellbeing; and Stakeholder and Community Engagement outcomes. The Framework aims to maximise the social benefits of Inland Rail through the construction and operational phases of Inland Rail while minimising any adverse impacts on regions.

Overview of Current Approach – Regional Investment

2.11 The Commonwealth, through the Department of Infrastructure, Regional Development and Cities (DIRDC), has invested more than $3.7 billion over ten years (2013-14 to 2022-23) in regional Australia
through its grant and funding programs (Table 3.1 below). The aim of these programs is for regions to be able to leverage economic opportunities, provide better access to services, build connected, confident communities and unlock latent potential in a region.

2.12 The Commonwealth has recently invested in piloting an adaption of the City Deals model to support development in regional Australia. The aim of these pilot Regional Deals is to improve the productivity and liveability of a region by building on its strengths, addressing its challenges and providing a longer term approach to investing in regions. Such reasoning underlined the Regions at the Ready recommendation that City Deals be extended to towns and regional communities.

2.13 The Commonwealth’s investment in regional Australia includes more than $75 billion in transport infrastructure projects over the next decade and over 100 new programs focused on regions announced in the 2018-19 Budget. Significant portions of this funding are dedicated to improving productivity and connectivity in regional Australia, including the $3.5 billion Roads of Strategic Importance initiative.

2.14 For the purpose of the Report, the Expert Panel focussed on the regional funding programs delivered through DIRDC and the Regional Deals approach currently being piloted.

Table 3.1 DIRDC Regional Program Funding, 2012-13 to 2022-2023

<table>
<thead>
<tr>
<th>Programs</th>
<th>Funding ($m)</th>
<th>Program Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Better Regions Fund</td>
<td>$641.625</td>
<td>A competitive program established to create jobs, drive economic growth and build stronger regional communities into the future.</td>
</tr>
<tr>
<td>Community Development Grants Programme</td>
<td>$1,238.178</td>
<td>A non-competitive program which funds infrastructure that promotes stable, secure and viable local and regional economies.</td>
</tr>
<tr>
<td>Drought Communities Programme</td>
<td>$145.500</td>
<td>Supports drought-affected regional communities for projects that stimulate local community spending, use local resources, businesses and suppliers, and/or provide a long-lasting benefit to communities and the agricultural industries on which they depend.</td>
</tr>
<tr>
<td>Drought Community Support Initiative</td>
<td>$30.00</td>
<td>Provides much-needed support to drought-affected families by providing up to $3,000 in assistance to at least 10,000 households in eligible Local Government Areas.</td>
</tr>
<tr>
<td>Murray Darling Basin Regional Economic Diversification Programme</td>
<td>$72.656</td>
<td>Funding has been committed to assist Basin communities increase economic diversification and adjust to a water constrained environment.</td>
</tr>
</tbody>
</table>
### Programs

<table>
<thead>
<tr>
<th>Programs</th>
<th>Funding ($m)</th>
<th>Program Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Stronger Regions Fund (replaced by Building Better Regions Fund)</td>
<td>$611.164</td>
<td>A competitive program established to fund priority infrastructure in local communities, particularly disadvantaged regions.</td>
</tr>
<tr>
<td>Regional Growth Fund</td>
<td>$272.200</td>
<td>A competitive fund that leverages investment in major transformational projects which support long-term economic growth and create jobs in regions, including those undergoing structural adjustment.</td>
</tr>
<tr>
<td>Regional Jobs and Investment Packages</td>
<td>$219.570</td>
<td>Provides ten funding packages, each in a locally-led pilot region, enabling each region to determine local priorities and growth industries to drive economic growth and create jobs in the region. It is an open, competitive program.</td>
</tr>
<tr>
<td>Stronger Communities Programme</td>
<td>$81.126</td>
<td>Providing grants of between $2,500 and $20,000 to community organisations and Local Governments for small capital projects that deliver social benefits for local communities. Applicants must be invited to apply by their local Member of Parliament.</td>
</tr>
<tr>
<td>Tasmanian Jobs and Growth Package</td>
<td>$81.932</td>
<td>Non-competitive program, providing funding to Commonwealth identified projects which support economic growth and jobs in Tasmania.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,393.950</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Legacy Programs(^1)</strong></td>
<td><strong>$373.847</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total funding since 2013</strong></td>
<td><strong>$3,767.800</strong></td>
<td></td>
</tr>
</tbody>
</table>

2.15 The Commonwealth’s regional funding programs are important mechanisms for achieving regional outcomes. While these programs have delivered good outcomes across many regions, providing much need infrastructure investment and enabling the Department to leverage other regional investments and partner with local actors (Local Government, business, non-government organisations and regional communities), the Expert Panel heard they were too often characterised by top-down design and delivery and risked missing important funding opportunities.

\(^1\) Funding provided under former government programs is grouped under Legacy Programs.
Key policy challenges

2.16 Stakeholder consultations and written submissions provided to both the Expert Panel and Regions at the Ready identified a number of challenges and opportunities around the current design and delivery of Commonwealth regional program funding.

- The Expert Panel heard that the lack of a strategic Commonwealth approach to regional development makes it difficult for applicants to understand how their projects fit into the bigger picture. Some stakeholders described the process as ‘scattered’. There was a clear desire for funding programs to consider opportunities to provide more integrated solutions to particular local challenges and needs.

- The start/stop nature of the funding program cycle and the short timeframe for applications can make it difficult to undertake longer-term regional planning. Current arrangements encourage projects that are ‘shovel-ready’, which may occur three or four years after the initial opportunity arose. Local Government and communities face challenges in planning for a pipeline of ‘shovel-ready’ projects when funding and grant criteria may not be certain, especially where co-funding is required. Program design should seek to support project development from conception through to readiness.

- The competitive funding models encourage fragmentation and competition. Stakeholders felt that regions and councils were being ‘pitted against each other’ for limited funding opportunities which meant that it was difficult to achieve collaboration, particularly across borders.

- The complexity of the system and the siloed nature of Commonwealth policy and funding creates confusion and frustration. This is made more complex when navigating multiple sources of funding with different program guidelines, processes and timeframes, particularly where applicants need to obtain co-funding from State or Territory Government.

- Robust evaluation of the effectiveness of individual projects, and funding programs as a whole, including building data collection and evaluation into grant criteria and funding, could assist the Commonwealth to design more effective programs and help proponents develop better quality proposals. Current evaluations of grant programs have a tendency to focus on assessing probity rather than impact.

2.17 The Expert Panel also heard from business that providing a mechanism to support or de-risk projects would help encourage private sector investment in the regions.

2.18 Given the challenges above, it is difficult for regions to develop a project pipeline which aligns with meaningful long term regional planning. As a result, the return on investment is potentially less than it could otherwise be.

2.19 The Expert Panel recommends that the Commonwealth reforms its approach to regional development programs to better reflect the needs of the regions and deliver more sustainable outcomes. Regional Deals have the potential to deliver excellent placed-based outcomes to regional Australia and should be designed to draw in stakeholders from the region, private sector and all three levels of government. Further advice from the Expert Panel can be found below. However, the Expert Panel also considers it is important to draw on collaborative principles for the delivery of project
specific funding, with the Commonwealth empowered to engage with proponents in a partnership approach, and ensure that funding is clearly aligned with regional priorities.

2.20 Finally, this reformed approach to Commonwealth funding should continue to consider the needs of rural and remote communities which face significant resource challenges. The importance of supporting smaller scale amenity and liveability infrastructure, local businesses, and local capacity building projects cannot be underestimated.

Regional Deals

2.21 The Expert Panel is of the view that a collaborative approach to funding, which engages across all relevant stakeholders (including all three levels of government where appropriate) and focused on the needs of particular regions, can help deliver more effective and meaningful outcomes. Regional Deals provide a ready-made approach to help facilitate regional development.

2.22 Regional Deals provide a formal mechanism that brings together all three levels of government investment to consider local and regional economic and social opportunities and issues. This approach leverages local leadership and expertise, and helps ensure community-identified priorities are the focus of proposed policy solutions. It provides significant flexibility taking into account the specific strengths and challenges of each region. Therefore, no two Regional Deals are the same in terms of scope, size or commitment. The Commonwealth has committed to pilot three Regional Deals in Barkly (Tennant Creek), Hinkler (Bundaberg-Hervey Bay) and Albury-Wodonga.

Barkly Regional Deal

The Barkly region is a large, remote and sparsely populated region in the Northern Territory known for its million-acre cattle stations, gold mining heritage, iconic rock formations and Aboriginal culture. The Deal aims to improve the productivity and liveability of the Barkly region by stimulating economic growth and improving social outcomes. Priority objectives and initiatives identified for the Barkly Regional Deal include:

- **Economic development** – investing in local job creation; promoting business growth and attraction in tourism, agribusiness and mining; attracting industry investment; and developing a local workforce strategy.

- **Social development** – addressing overcrowding and increasing the supply of housing; strengthening family functioning and wellbeing; improving education and training outcomes; strengthening community safety; and improving the collaboration, coordination and accountability of services across the region.

- **Cultural and place-making** – strengthening community governance and Aboriginal cultural leadership; revitalising towns and communities by improving local amenity and investing in community infrastructure; and promoting and marketing local events.

A sustainable local governance structure is being established to give the wider Barkly community, including Aboriginal community members, a leadership role in development and delivery of initiatives under the Deal.
2.23 The decision to adapt the City Deal model to regional Australia was positively received by the majority of stakeholders, who see it as a fresh approach to regional development. In particular, stakeholders were supportive of the potential for new and targeted investment, the long-term strategic perspective, and the collaborative approach, which provides Local Government with a role in the decision making process. The Expert Panel understands the strong interest across Australia for future Regional Deals.

2.24 The Expert Panel reflected on the key requirements of a successful Regional Deal noting that while the approach being piloted is relatively new, it is a valuable policy tool which should be available to all regions.

2.25 Consistent with the Regional Development Framework, the Expert Panel agrees that a successful Regional Deal should:

- Be open-ended and driven by the local community in line with regional priorities.
- Include a commitment by all three levels of government to co-invest in the region to reform legislative, regulatory or planning settings to stimulate and facilitate economic growth.
- Involve willing and capable regional partners committed to reform through collaboration.
- Provide opportunities to strengthen economic resilience through industry diversification, increasing investment attractiveness, and/or accelerate existing growth industries and areas of competitive advantage.
- Provide opportunities to invest in activities to boost liveability, wellbeing and amenity to make regions attractive to existing and potential residents and businesses.

2.26 While current regional program funding provides for community development activities, including developing strategic regional plans, leadership and capability building activities, a focused stream of funding could provide better outcomes in developing regional leadership capability.
Chapter 3: Private Sector Decentralisation

Overview

3.1 Unlocking the economic potential of regional areas and growing strong regional economies benefits all of Australia. A region with successful businesses translates into jobs, income and investment. This can help give people in our regions a strong sense of wellbeing and allow regional economies to thrive.

3.2 *Regions at the Ready* considered the contribution that public and private sector decentralisation can make to the economic development of regional Australia. The Expert Panel strongly endorses the recommendations of *Regions at the Ready* regarding public sector decentralisation. The Expert Panel also welcomes that report’s detailed consideration of the factors supporting private sector decentralisation, and reiterates the importance of these factors to regional development. The Expert Panel has been asked to further consider this issue.

3.3 The private sector has significant capacity to bring new investment and employment opportunities to regional Australia, both through ‘home grown’ businesses and local entrepreneurialism, and by encouraging business to consider locating (decentralising) some or all of their operations in regional locations. Building private sector momentum in regional locations can encourage further business investment, collaboration, and the development of skilled local workforces and networks over time.
3.4 The Commonwealth can play a key role in helping to provide conditions that support this investment and allow businesses to thrive in regional locations. Factors including effective physical transport links and strong digital connectivity, liveability and amenity, access to services and investment in human capital in the form of an educated and skilled workforce can all help support this objective.

3.5 The Commonwealth is a major provider of the fundamental infrastructure and services that underpin the private sector, including digital telecommunications and transport infrastructure that secures regions’ connection to national and global markets. The Commonwealth also plays a role in supporting the education and training opportunities for skilled and adaptable regional workforces.

3.6 A recurring theme is the importance of amenity and services in making regional towns and centres places that are attractive for businesses looking for an ideal location and in building and retaining a diverse and skilled workforce over time. As Regions at the Ready noted, catalytic investments by government in major facilities, such as a hospital or university, can also help support broader population and employment outcomes, contribute to liveability, and help to attract and retain businesses to regional locations.

3.7 These factors not only help to attract new private sector investment, but help to ensure that existing businesses remain sustainable over time. They support the conditions that can help ‘home grown’ businesses and local entrepreneurs to flourish.

3.8 The Expert Panel heard that regional communities and local businesses can form strong bonds over time, growing and succeeding together. The best outcomes are achieved for regional locations when communities, the private sector and governments are all working together to build a positive future.

Private Sector Growth in the Regions

3.9 The Expert Panel met with a number of private sector organisations and participated in a roundtable with members from the Business Council of Australia to discuss private sector investment and growth in regional Australia.

3.10 Building private sector momentum in regional locations can encourage further business investment, collaboration and the development of skilled local workforces and networks over time. It is clear that there are two distinct sources of business growth in the regions – inward investment, driven by firms that chose to move into a region to set up new operations (referred to as decentralisation when the firm is relocating from a capital city), and endogenous business growth, which involves the establishment of new businesses by entrepreneurs within the region or the expansion of businesses already based in the region.

3.11 These growth opportunities are not mutually exclusive. Both strong endogenous business growth and private sector decentralisation create jobs, local investment, and spending, and encourage population growth — all of which strengthen business confidence and can draw further investment to the region. This in turn can encourage the start-up and expansion of local businesses.
Tasmania’s tourism industry draws investment from Qantas

The privately owned Museum of Old and New Art (MONA) is an undeniable draw for tourism to the Apple Isle. The museum is owned by Hobart local David Walsh, a professional gambler, art collector and gallerist.

MONA was officially opened on 21 January 2011, and in 2012 Lonely Planet ranked Hobart as one of the ten must-visit cities in 2013, citing MONA as a major tourist attraction, similar to the Guggenheim Museum in Bilbao. Tourism now employs more than 37,000 Tasmanians and, in 2017 the state attracted 1.26 million visitors, with Chinese visitors increasing fourfold in the past five years following the visit by President Xi.

While the museum’s Co-CEO Mark Wilsdon recognises its part in the state’s soaring tourism industry, he says the museum’s biggest achievement is the awareness it has helped create around Tasmanian experiences.

This performance has not gone unnoticed by Qantas CEO, Alan Joyce. “The state is a magnet for visitors for a reason, and Qantas and Jetstar have added more flights across Tasmania over the last few years to help that boom continue” said Mr Joyce. “We’re also proud to work with locals to serve some of the best produce Tasmania has to offer to our millions of passengers around the globe.” The Qantas expansion has meant jobs.

Supporting Business Decentralisation

3.12 The Expert Panel is aware that there are a range of factors that large business considers when contemplating whether to relocate to a regional location. When present, these factors can help make private sector decentralisation sustainable over time. Similarly, the absence of these factors can be a barrier to decentralisation. Three key themes emerged during consultation:

- **Connectivity is vital.** Business needs the right transport infrastructure to be in place. Access to suitable freight transport infrastructure including roads, rail, ports and airports is critical to securing reliable supply chains and facilitating access to larger national and international markets. Additionally, reliable digital and telecommunications technology is increasingly critical for access to services, communication, flexible work arrangements and emerging economic opportunities. The importance of digital connectivity to regional Australia is only likely to increase over time.

- **Some regions struggle to offer access to a skilled labour market.** Businesses emphasised the importance of ready access to local workers who have the appropriate technical skill sets. Increasingly, businesses are also placing high value on access to workers possessing soft skills, including the ability to collaborate with others and empathise with customers.

- **The importance of liveability and amenity of place.** A recurring theme in the Expert Panel’s discussions was the importance of lifestyle factors to the sustainability of private sector decentralisation initiatives. The availability of high quality education and health care, employment
opportunities for accompanying family, as well as a developed social scene are all relevant factors in attracting and retaining workers. A ‘whole-of-family’ approach is important, not just the wellbeing of the immediate workforce.

Supporting Local Business Growth

3.13 Supporting opportunities for endogenous growth that builds on regional strengths and opportunities is a critical objective for regional development. Local businesses are often best placed to understand a region’s unique circumstances and identify new business opportunities. There was a strong view from stakeholders that regional businesses would benefit from embracing a more entrepreneurial approach.

3.14 The Expert Panel also heard that regions need to consider supporting export-oriented business growth. Research shows that regions that have a higher number of businesses engaged in export are more resilient. There are clear opportunities to solve local problems and then look for opportunities to scale up these innovations for export markets.

3.15 The role of technology is changing the jobs that we do and the way that we work. For many, particularly in the regions, reliable technology may reduce the tyranny of distance. New technology presents challenges (including the need for skilled employees) but also new economic opportunities and the chance to be more competitive. For example, farm stay small businesses in rural Australia can now market themselves internationally, while farmers in Western Australia are using robots to spray the fields.

3.16 Unsurprisingly, regional businesses reiterated the importance of access to a skilled labour force. The Expert Panel heard that a number of regions around Australia face significant labour supply problems. With job vacancies outstripping skilled applicants in some regions, businesses can find themselves unable to capitalise on growth opportunities, with negative implications for broader regional growth. The Expert Panel considers recent Commonwealth announcements regarding a National Population Policy and the boost to regional visas to be a welcome response.
Embracing Technology – SwarmFarm

Adoption of automated systems in Australian farming can bring economic and environmental benefits to the agricultural industry.

The farm-based ag tech company SwarmFarm was founded by Central Queenslander Andrew Bate in 2010. The company, which operates from the Bate family’s Emerald district cattle and cropping property at Gindie, pioneered the development of small, lightweight tech ‘swarms’ of autonomous, collision-avoiding robots that can spray crops with greater accuracy than traditional farming methods.

Working from the soil up, rather than technology down, he partnered with two universities to develop his first robotic prototypes. After three years of research and development, he unveiled his first robots in 2016.

A local solution to a local problem with global applications

Andrew started exploring the possibility of robot technology as an answer to the challenges he faced on the family farm. “I started to wonder if we were doing it right; if we couldn’t be more efficient and timely, and do it all at a lower cost by farming in a completely different way. I decided then that everything had got way past the point of a farming system that was best for the growing of a good crop.” Andrew thought robots, which would ultimately help to fill the rural labour shortage, would use herbicides more effectively and started looking into the technology, particularly with soil and weed compaction costing the industry more than $200 million per year.

In 2017, SwarmFarm announced a partnership with Bosch to redesign the SwarmBot platform for commercial release and production. In 2018 the company launched a $14 million capital raising effort to fund the commercialisation. Against advice to set up in a capital city, the company has maintained its headquarters in Gindie, creating and keeping 15 jobs in the region. “The innovators are out in agriculture, out with dirt on their boots creating real solutions for farmers and that is something very dear to SwarmFarm and has been very valuable for us.”

Developing and Supporting Local Leadership

3.17 A number of stakeholders pointed to the need to develop local leadership to drive business reform. The Expert Panel heard a number of regional business success stories that highlighted the importance of local leadership and collaboration, including the Port Lincoln Tuna Barons, MONA in Hobart and the Wagner family’s Wellcamp Airport in Toowoomba.

3.18 These pivotal investments changed the fortunes of these regions and had widespread impacts on the regional community. The key theme to emerge from the Expert Panel’s consultations was that these changes were championed and led by a passionate, committed leader or leadership group with strong
ties to their community. Leadership that is innovative, creative and adaptable plays an important role in success.

**The Port Lincoln Tuna Barons**

In the early 1980s, the tuna industry was a bread and butter industry for Port Lincoln, with bluefin tuna sold to local canneries for processing. In the mid-1980s overfishing led to tuna stocks reaching critical levels resulting in the Government imposing tight operational restrictions on fishing quotas. This left the Port Lincoln fishing industry in deep financial trouble. Following the threat of foreclosure, a small group of competitive fishermen trialled and tested tuna farming, which allowed them to make the industry profitable at the new quota level. At the same time, they negotiated access to the lucrative Japanese markets, which changed the fortunes of the industry.

The innovation and determination of this small group of quota holders turned an industry worth $1.8 million (1991-92 dollars) to a $50 million industry in three years. By 2012-13 the aquaculture industry became the largest primary production sector in South Australia, with a production value in 2012-13 of $243 million. The conviction, resilience and adaptability of this group of leaders demonstrates the importance of local leadership in regional development.

3.19 The Expert Panel also heard about the importance and role of clusters of skills, expertise and knowledge to securing economic growth in regional Australia. In cities, business can gain economies of scale due to access to large markets. They also benefit from access to large and deep skilled labour markets that offer enhanced opportunities for collaboration, specialisation and learning from observing others innovating in the market. The Expert Panel heard that these agglomeration effects are not as available in regional Australia, and there is a role for governments and the private sector to support networks of businesses coming together.

3.20 The Expert Panel also heard that regional business should take an export-oriented view of their opportunities and consider working cooperatively to supply a larger export market.

**Fostering the right conditions for private sector regional investment and growth**

3.21 The Expert Panel agrees with the commentary in *Regions at the Ready* that the private sector is a key driver of economic and social development in rural and regional Australia. The Commonwealth is well placed to help foster the right conditions for private entities to grow and invest in regional Australia.

3.22 The Expert Panel also agrees that many of the conditions required for rural and regional Australia to continue to grow and develop include:

- strong physical and digital connectivity;
- quality amenity and adequate access to services;
- human capital, including an educated and skilled workforce; and
- key institutions such as universities and government agencies.
3.23 The Expert Panel’s proposed Regional Development Framework (Recommendation One) outlines an integrated approach to regional development that reflects the importance of collaborative partnerships across all levels of government, the private sector and the community. Rather than being viewed simply as the beneficiaries of Government decisions (such as improving regional roads, or telecommunication infrastructure), the Expert Panel strongly considers private sector should be seen as an important partner who could add considerable value to the design and implementation of Commonwealth policy.

3.24 Similarly, the Expert Panel’s views on reforming the Commonwealth’s approach to regional funding (Recommendation Three) recognises the important role of the private sector. This includes working closely with private sector stakeholders in the proposed Regional Deal model, ensuring that the Commonwealth backs catalytic projects that are needed in regions to drive private sector investment, and supporting capacity building in our rural and remote communities that builds the kind of entrepreneurial leadership that will drive regional growth.

3.25 The Expert Panel also recognises that identifying the best levers and incentives to encourage business to establish and grow all or part of their business in regional Australia is a significant body of work. Therefore, the Expert Panel recommends that this is explored further through a white paper process.
Overview

4.1 The Expert Panel has been asked to provide advice on the scope, structure, timeframe and consultation process for a white paper that promotes regional growth.

4.2 The Expert Panel notes and endorses Recommendation 12 in *Regions at the Ready*, that the Commonwealth Government state its regional development policy through a comprehensive Regional Australia White Paper, following a green paper public consultation process.

4.3 During stakeholder consultations and discussions, the Expert Panel heard a strong desire for the Commonwealth to articulate its vision for developing regional Australia over the long term. This vision would provide States and Territories, Local Government, and RDA Committees with a national strategic approach to which they could align their strategic directions, and provide the conditions for business to increase their investment in regional Australia.
4.4 In addition, the Expert Panel believes that articulating a national vision could contribute to improved coordination between all three levels of government, business and communities and support regions to confidently plan and build upon their strengths and economic opportunities.

Proposed Scope

4.5 The Expert Panel notes that, in addition to Regions at the Ready, there are a number of inquiries, initiatives and strategies, either completed or underway, which aim to address issues affecting regional, rural and remote Australia. These include:

- The Senate Standing Committee on Economics Inquiry into Regional Inequality in Australia (ongoing).
- Australian Government policy for Planning for Australia’s Future Population (connecting regional centres and delivering skills needed in regions) announced March 2019.
- The Standing Committee on Industry, Innovation, Science and Resources Inquiry into how the mining sector can support businesses in regional economies: Keep it in the regions (2018).

4.6 The Expert Panel heard that despite the work underway, there is a strong demand for a single overarching national strategy or vision for regional Australia. This will further clarify the purpose of the Commonwealth in regional development, guide policy making across government and provide a long term foundation for collaboration with regions and States.

4.7 While Regions at the Ready and the work of this Expert Panel contribute to the design of national regional development policies, there continues to be a gap which could be filled by a white paper process. In particular, there is a need for detailed policy work to review current and potential place based policy across the Commonwealth and to identify how to substantially develop a more substantial and joined up policy approach by the Commonwealth that can effectively respond to priorities established for each region.

4.8 In addition to the scope proposed in Recommendation 12 of Regions at the Ready, the Expert Panel recommends the white paper should also consider the following:

- Identification of National Economic Development Priorities for each region that would direct the Commonwealth’s policy and program efforts in each region, in collaboration with regional stakeholders, Local Government, and States and Territories.
• Assessment of the potential national economic benefits of making substantial progress on these issues.
• Consideration of how Commonwealth policy, programs, and regulation may support these national economic development priorities through coordinated place based policy.
• A review of the Commonwealth’s approach to place based policy to identify successes and failures including whether new powers and institutions need to be created to enable place based policy to occur, be effective and persist at the national level.
• Consideration of the potential for research and evaluation to test and build the evidence base for place based policy in Australia.
• The benefits of public sector and private sector decentralisation to regional Australia, including consideration of the challenges, enablers and impact on economic growth;
• Consideration of how taxation and revenue policy (including but not limited to zonal taxation, fringe benefits tax, company tax, regional business asset depreciation increases and a Petroleum Royalties for Regions Program) could be reformed to deliver better outcomes for the regions, including incentives for individuals and businesses to remain in or relocate to regional Australia.
• Consideration of how the Commonwealth’s Financial Assistance Grants program might better enable regional, rural and remote councils to deliver economic development in their local government area, and engage collaboratively with regional development organisations, including the RDA Committees.

**Timeframe and Consultation**

4.9 Recognising the importance and strong interest from regional stakeholders, the Expert Panel recommends that the Commonwealth commence a white paper process as soon as possible. The white paper should be produced within 12 months of commencement and no later than July 2020.

4.10 The white paper process should include broad consultation with stakeholders including, but not limited to, Commonwealth agencies, State and Territory Governments, Local Government, peak representative bodies, businesses, communities, academics, Aboriginal and Torres Strait Islander leaders, and RDA Committees.
Conclusion

A third of Australians live, work and raise their families in regional, rural and remote Australia. They are an essential ingredient in the rich tapestry of Australia’s history and culture. They also contribute to significant national economic outcomes - with around 60 per cent of Australia’s export earnings coming from regional industries such as agriculture, tourism, retail, services and manufacturing. What most regional Australians ask for is a fair go and to have a say in their own futures, including on national policies and programs that affect them in quite different ways to those who are based in our cities.

The Expert Panel strongly supports the principle that the Commonwealth has a responsibility to promote growth in our regions. This includes ensuring there is equitable access to high quality services such as healthcare, education, communications and transport infrastructure, and to supporting regional development opportunities that make the most of the natural assets of each region.

In discussions, it was clear that there is a plethora of talent and latent opportunities in regional Australia. If supported and harnessed, these have immense potential to support growth and investment in the regions and contribute to national growth.

Collaboration, coordination and leadership across all levels of government, businesses and communities is a key factor in supporting regions to identify priorities, and plan and deliver investment to promote regional economic growth.
Investing in regional Australia through Regional Deals and regional funding programs, along with the promotion of targeted investment and endogenous growth, can have catalytic effects for our regions now and into the future. The future of Australia is changing with an increase in automation, growing significance of international markets, demand for cleaner energy and demand for higher education. The Commonwealth should put policies and mechanisms in place to support and ready our regions for the future.

There are a number of levers available across governments that encourage businesses to operate and grow in regional Australia. The private sector is a critical player in growing and investing in the regions and all levels of government must work together to enable Australian businesses to maximise opportunities available in regional Australia which in turn grows those places.

The Expert Panel considered these key factors in delivering this paper and hope that the recommendations promote the growth of prosperous, safe and sustainable regions over the long term.
Appendix A: Stakeholder Consultation

We are grateful for the contributions from the following individuals and organisations:

- Ms Kathryn Anderson, RDA Adelaide Metropolitan
- Ms Tanya Baini, Coca-Cola Amatil Limited
- Mr Rees Banks, RDA Ipswich and West Moreton
- Professor Andrew Beer, University of South Australia
- Mr Christian Bennett, Woolworths Limited
- Ms Judith Blake, Department of Industry, Innovation and Science
- Ms Marie-Claude Brown, Townsville Chamber of Commerce
- Mr Andrus Budrikis, RDA Great Southern
- Mr Darryl Camilleri, RDA Mackay-Isaac-Whitsunday
- Ms Tammy Chan, Philip Morris Limited
- Ms Melissa Cooke, Regional Anangu Services Aboriginal Corporation
- Ms Megan Dixon, RDA Orana
- Mr David Donohue, RDA Townsville and North West Queensland
- Mr Dion Dorward, RDA Whyalla and Eyre Peninsula
- Cr Keith Ellis, RDA Perth
- Mr John Erren, RDA Peel
- Mr John Evans, Aboriginal Lands Trust
- Ms Joanne Farrell, Rio Tinto
- Ms Sally Fielke, Sydney Airport
- Mr Paul Fisher, RDA Sunshine Coast
- Mr Tony Gambling, RDA Fitzroy and Central West
- Ms Erica Gould, Brisbane City Council
- Professor Fiona Halsam-McKenzie, The University of Western Australia
- The Hon Gary Hardgrave, RDA Logan and Redlands
- Mr Paul Hodgson, National Energy Resources Australia
- Cr Janice Holstein, RDA Ipswich and West Moreton
- Mr Phillip Hudson, Business Council of Australia
- Mr James Hunter, KPMG
- Mrs Lee Jacobsen, RDA Goldfields Esperance
- Mr Charles Jenkinson, RDA South West
- Mr Mark Johannessen, METS Ignited Australia
- Mr Phillip Kemp, Business Foundations
- The Hon Rob Kerin, Regional Development South Australia
- Mr Grant King, Business Council of Australia
- Mr John Lambrecht, RDA Peel
- Mr Simon Lyas, RDA Great Southern
- Mr Matthew Magin, Balonne Shire Council
- Mr Paul Martyn, Trade and Investment Queensland
- Mr Paul Massingham, Ipswich City Council
• Ms Cathy McGowan AO MP, Member for Indi
• Mrs Yvonne Messina, RDA Mid West Gascoyne
• Mr George Milford, Milford Planning
• Ms Anne Moroney, RDA Barossa
• Mr Trent Mumford, Qantas Airways Limited
• The Hon Dr Denis Napthine, Regional Education Expert Advisory Group
• Mr Tony Nunan, QGC Pty Ltd
• Mr Warren Pearce, Association of Mining and Exploration Companies
• Ms Narelle Pearse, CQ University Australia
• Mr Anthony Penney, Business South Australia
• Ms Kirsten Pietzner, Local Government Association of Queensland
• Ms Joanne Podoliak, RDA Murraylands and Riverland
• Mr Graham Pointer, WSP
• Mr Simon Pryor, Business Council of Australia
• Mr Will Rayner, Rural Bank
• Mr Clyde Rigney Jr, Ngarrindjeri Regional Authority
• Mr Paul Rosair, Regional Capitals Alliance Western Australia
• Mr Scott Rowe, RDA Wide Bay Burnett
• Ms Julie Rynski, National Australia Bank Limited
• Ms Kelly-Anne Saffin, RDA Yorke and Mid North
• Ms Glenys Schuntner, RDA Townsville and North West Queensland
• Ms Tracy Scott-Rimington, RDA Brisbane
• Mr Scott Smith, Council of Mayors South East Queensland
• Mr Stephen Smith, Local Government Association of SA
• The Hon Warwick Smith AO, Business Council of Australia
• Mr Dennis Stokes, Tandanya National Aboriginal Cultural Institute
• Mr Mark Sutton, RDA Far North
• Ms Barbara Thompson, RDA Mid West Gascoyne
• Ms Madonna Tomes, Regional Anangu Services Aboriginal Corporation
• Mr Carl Valentine, PVW Partners
• Mr Joe Wagner, Wagner Australia
• The Hon Terrence Waldron, RDA Wheatbelt
• Ms Jennifer Westacott AO, Business Council of Australia
• Mr David Wheaton, RDA Limestone Coast
• Mr Trevor Whittington, Western Australian Farmers Federation
• Ms Colleen Yates, RDA Perth
• Mr Alvin Yong, Bank of China
Appendix B: Stakeholder Submissions

We are grateful for the contributions from the following individuals and organisations:

- Professor Andrew Beer, University of South Australia
- Ms Susan Benedyka, RDA Hume
- Ms Jennifer Bennett, Central NSW Councils
- Mr Adrian Beresford-Wylie, Australian Local Government Association
- Mr Andrus Budrikis, RDA Great Southern
- Mr Russel Claus, Livingstone Shire Council
- Mr Peter Clee, Top End Regional Organisation of Councils
- Mr Robert Cocco, RDA Mackay-Isaac-Whitsunday
- Mr Daryl Connelly, Cradle Coast Authority
- Mr Hugh Cooke, RDA Southern Inland
- Mr Paul Currie, Toowoomba Regional Council
- Ms Megan Dixon, RDA Orana
- Dr John Halsey, Flinders University
- Mr Greg Hoffman, North West Queensland Regional Organisation of Councils
- Dr Kim Houghton, Regional Australia Institute
- Ms Darlene Irvine, Far North Queensland Regional Organisation of Councils
- Mr Trevor John, RDA Hunter
- Professor Sue Kilpatrick and Mr Craig Perkins, RDA Tasmania
- Mr Matthew Magin, Balonne Shire Council
- Mr Shaun McBride, Local Government NSW
- Ms Debra Murphy, RDA Illawarra
- Ms Kristie van Omme, Commonwealth Department of Education and Training
- Mr Don Page, RDA Northern Rivers
- Dr Caroline Perkins, Regional Universities Network
- Ms Kirsten Pietzner, Local Government Association of Queensland
- Mr Wayne Scheggia, WA Local Government Association
- Ms Maree Tetlow, Northern Tasmanian Development Commission
- Ms Laura Vidmar, North Queensland Regional Organisation of Councils
- Ms Rachel Whiting, RDA Riverina

In addition, the Expert Panel consulted submissions made to the House of Representatives Select Committee on Regional Development and Decentralisation and the Senate Economics Reference Committee on Regional Inequality in Australia.
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