



A Submission to the Australian Productivity Commission

in response to

“Transitioning Regional Economies Productivity Commission

Initial Report Overview & Initial Findings, April 2017”

by Regional Development Australia - Illawarra

Transitioning Regional Economies

July 2017

Executive Summary

Regional Development Australia Illawarra welcomes the opportunity to comment on the Productivity Commission's Initial Report on Transitioning Regional Communities (April 2017), and our response is twofold:

1. To address the Commission's Terms of Reference:
"examine the prospects for change to the structure of each region's economy and factors that may inhibit this or otherwise prevent a broad sharing of opportunity, consistent with the national growth outlook"
2. More broadly, to comment on the policy framework's assumptions, themes and observations as they relate to the adaptive capacity of the Illawarra region.

The Illawarra region's "endowments" include Wollongong's critical mass as a regional capital, the Port of Port Kembla, the University of Wollongong, a skilled workforce and superb natural environment.

Acknowledging our region's status as a transitioning economy, in [2013](#) RDA Illawarra commissioned Deloitte Access Economics to provide an analysis of its current condition and prospects moving forward from a manufacturing base to a service and professional services one. An update to the original study was provided in November [2015](#). Drivers and inhibitors to the region's transitioning economy were identified.

The region's resilience and adaptability have been demonstrated, however, an accelerated transition to a new diversified knowledge and services economy could be achieved if concerted attention of governments was directed to enhancing transport and digital infrastructure connectivity.

Finally, adoption of the guiding principles enunciated in the Initial Report would not only assist a successful transition for the Illawarra, but also benefit the state of NSW and national economic performance as we move beyond the mining boom.

"Strategies for successful adaptation and development are those that focus on supporting people in regional communities to adjust to changing economic circumstances. Strategies work best when they are led by the local community (in partnership with all levels of government), are aligned with a region's relative strengths, and are supported by rigorous evaluation of projects and targeted investment in the capabilities of people." [Transitioning Regional Economies \(2017\)](#) p9-10

Illawarra Region

The Illawarra region is contiguous with Sydney's south and south-west. Its regional capital Wollongong is NSW's third largest city. The Illawarra region includes the Local Government Areas (LGAs) of Wollongong, Shellharbour and Kiama and is home to around 300,000 people. The Illawarra has an increasingly symbiotic relationship with Western Sydney as it continues on its growth trajectory stimulated by urban expansion and construction of Sydney's second airport at Badgerys Creek.

As the third largest economy in NSW, the Illawarra contributes significantly to the State's production output (\$16.5 billion GRP in 2012-2013) and is experiencing its own residential growth across the West Dapto Urban Release Area. Once complete, the release area will include 19,000 lots and house around 50,000 residents over the next 30-40 years.

A measure of the region's status as mining-impacted can be taken from its eligibility for the NSW Government's Resources for Regions (Restart NSW) infrastructure funding program for mining-affected communities and subsequent success in securing funds for Wollongong-based projects.

Priority growth sectors for the Illawarra have been identified in the [Illawarra-Shoalhaven Regional Plan](#) as tourism; health, disability and aged care; ICT / knowledge services; education and training; aviation, defence and advanced manufacturing; and freight and logistics, as depicted below:

FIGURE 5: SUPPORTING PRIORITY GROWTH SECTORS

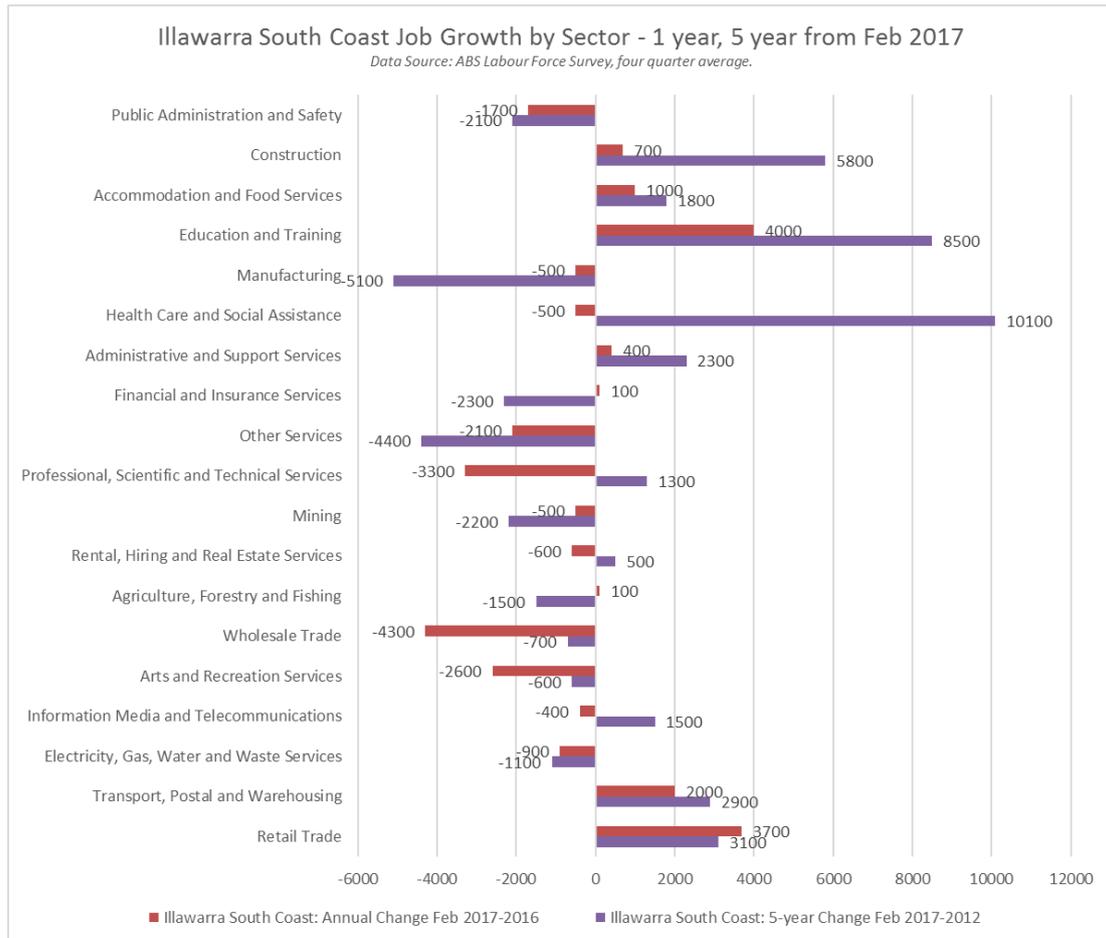


The City of Wollongong is the regional capital of the Illawarra and demonstrates the regional centre consolidation observed by the Commission in its key points. Elements of this consolidation have been a result of deliberate policy when revitalizing the CBD in recent years.

A strategic planning document commissioned by the Property Council of Australia ([Greater Illawarra: The Smart Growth Agenda. Strategic Summary Report](#) 2015) outlined the business case for supporting Greater Illawarra's growth, concluding "there is a strong rationale for government investment in this Region to facilitate growth compared with other regions on Sydney's urban periphery." (p25)

The changing labour force of the Illawarra is depicted in the chart below. This data demonstrates significant change in the economic diversification of the region. Notably, the following observations are made on changes over the last 5 years to February 2017:

Declining sectors	Mining	-2,200 employees
	Manufacturing	-5,100 "
Growth sectors	Health Care & Social Assistance	+10,100 employees
	Education & Training	+8,500 "
	Construction	+5,800 "



Source: www.LMIP.gov.au Employment Region – Employment by Industry Time Series, February 2017

Data Source: ABS Labour Force Survey, four quarter average

In conclusion, the Illawarra region displays those human capital and natural endowment strengths outlined in the Inquiry document that shapes adaptive capacity.

Drivers for Change: Leveraging of Illawarra's "Endowments"

Future economic drivers identified in the [Transition Illawarra Report](#) were the rise of Asia, an ageing population, technological change, business/industrial development and Sydney's future. It also notes that "transport infrastructure plays an important role in improving accessibility in a region and connecting residents to employment, education and social opportunities." (p7)

Global and structural changes favour regions that are well-connected internally, and to an increasingly globalised economy. Linkages to a major international city or economic hub such as Sydney are particularly important. A fundamental principle in regional economic development is that of spatial integration among regions through the movement of goods, services and people.

The Committee for Sydney is examining the social and economic potential of the Newcastle – Sydney – Wollongong city-region developing closer relationships through policy settings, integrating jobs and housing markets and constructing high speed rail connections. The Illawarra could benefit from the significant transport infrastructure investment in Sydney under Rebuilding NSW commitments. The Committee for Sydney will assess what Sydney can offer its contiguous regions and the role they will play in Sydney's future growth and development.

The 2015 'Transition Illawarra Initiative' [Update Report](#) affirmed its earlier conclusion that 'the Illawarra's proximity to Sydney could generate competitive advantages and economic opportunities through five main drivers' potential for:

- Sydney workers to live in the Illawarra and commute to Sydney for work;
- an increasingly urbanized Illawarra to draw Sydneysiders to the region;
- Illawarra to position itself as a key tourism destination and attract tourists from Sydney for a day trip or overnight trip;
- Illawarra to harness its competitive advantages relative to other regions such as the Central Coast and Hunter; and
- Illawarra's housing/office markets to entice relocation of Sydney residents and/or firms.

The Illawarra Business Chamber commissioned a study ([Knowledge Future](#)) on ways to boost the region's business performance in knowledge services and observed that "technological advances, global competition and changes in the world economy mean the jobs of the future in the Illawarra lie in the knowledge based professions" (p3). The report estimated if the Illawarra attained state-wide benchmarks, this sector had capacity for 300 more businesses employing 3,000 more people. By leveraging our endowments, such as competitive operating conditions and world class university, our professional services capability could reach these targets.

Illawarra is transitioning, but could benefit from “enablers”

The Productivity Commission’s [Initial Report](#) commented that the post-mining-boom adjustment can invoke for some regions dislocation or dis-engagement, transitional friction, local economic sustainability and labour mobility”. In February 2017 the Illawarra Business Chamber (IBC) observed:

- The Illawarra has many attributes and competitive advantages (endowments)
- Our greatest infrastructure need is for road and rail connectivity
- Employment is being generated from economic diversification
- The region is increasingly looked upon as an extension of Sydney
- Poor connectivity limits growth
- The costs of commuting is a burden (20,850 or 15% of workforce travel to Sydney for work)
- Decentralisation to bring government administration agencies to the region.

We propose that the Commission adopt a metric of comparative connectivity score, similar to that developed by the IBC in its [Linking the Illawarra, improving the region’s transport connectivity](#) publication. An index of regional connectivity might also include high speed broadband/NBN connectivity (recently determined by the [Intelligent Community Forum](#) to be regarded as a utility or essential infrastructure service for public benefit).

The NSW Government plan for the region (NSW Planning & Environment: [Illawarra Shoalhaven Regional Plan](#), November 2015, p16) notes that Illawarra’s proximity to Sydney provides good opportunities for infrastructure-led growth. In addition to benefits of growth and employment in the region, ‘these investments would also deliver significant economic and employment benefits to Sydney’. The Regional Plan identifies inter-regional transport infrastructure that supports growth as:

- Improvements to rail travel times between Sydney and Wollongong
- Extension of the M1 Princes Motorway from Waterfall to Alexandria
- Completion of the Maldon to Dombarton freight line; and
- Duplication of Picton Road in the long term.

Strategies and Guiding Principles for Transitioning Regions

Coming off a broad manufacturing base associated with steel and other commodities, the Illawarra has experienced the episodic pangs of structural adjustment. However, the region now exhibits a more diversified industry profile, has embraced innovation and technological change and developed a wide range of services for residents. The region's industrial history has built an adaptive capacity and is broadly well positioned to adapt to disruptive pressures impacting the economy (GRP \$16.5 billion) and labour market.

However, investment in transport infrastructure is critical. As in other regions, the Illawarra would benefit from the removal of barriers and investment in 'enablers' to improve economic performance. There has been much rhetoric about the broad principle of 'whole-of-government' responses and initiatives should be strategic and strength-based but also truly collaborative. It is agreed that these should be "locally-driven with effective and coherent partnerships between a regional community and all levels of government."

"A locally-owned, strategic and coordinated approach: Support for regional development has the best chance of success when it involves regional communities taking a leadership role in planning their own development needs and identifying strategies for how best to facilitate development. Locally-developed strategic plans should analyse a region's strengths, opportunities and potential risks and set priorities for action." [Transitioning Regional Economies](#) (p25)

Leadership for regional economic development already has mechanisms in place for stakeholder consultation, collaborative priority setting and advice to governments: The Regional Development Australia Committee framework.

The federal government has introduced City Deals as a collaborative framework that goes across all levels of government to drive a long term strategic agenda with agreed commitments based on economic outcomes. It is suggested that such a framework could also be adopted to address transition adjustments.

Building upon existing assets and attributes is a sound approach but it must be effectively implemented and not subject to political intervention. The Initial Report concurs with the view of Infrastructure Australia and other advocates that funded programs "should be preceded by rigorous and transparent assessments." (p26). The positive mention of the City Deals partnership approach to coordinate public and private investment is noted and we endorse the conclusion that "all regional development initiatives should be tailored to the specific attributes, needs and contexts of individual regional communities." (p28)

We believe that City Deals will be effective when city leaders are willing and ready. Wollongong, as the capital of the Illawarra region, is willing and ready to embrace a City Deal

Consultation

Regional Development Australia Illawarra welcomes consultation with the Commission and would be pleased to assist in a visit to Wollongong for the panel to meet with regional stakeholders.

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