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PRE-BUDGET SUBMISSION 2020-21

About Regional Development Australia Peel Inc. (RDA Peel)

RDA is an association incorporated in Western Australian and part of the National network of Regional Development Australia (RDA) Committees.

RDA Committees are made up of local leaders who work with all levels of government, business and community groups to support the development of their regions.

This Australian Government initiative brings together all levels of government to support the development of regional Australia. It is funded by the Australian Government and by state, territory and local governments in some jurisdictions. It is administered by the Department of Infrastructure, Transport, Regional Development and Communications.

The role of the RDA is to work across the region, enhancing regional development by facilitating and brokering economic growth, promoting government programs, collaborating across the different spheres of government, improving social capital and local capacity. In some cases, RDA's deliver additional activities under third party contracts but these arrangements are dependent on a range of conditions and lack a coherent framework.

Background

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 13 February 2019, Senator the Hon Bridget McKenzie, Minister for Regional Services, Sport, Local Government and Decentralisation, tabled the Commonwealth Government's response to *Regions at the Ready: Investing in Australia's Future*, which included a commitment to establish the Strategic Regional Growth Expert Panel (the Expert Panel).

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 Expert Panel was be established to:



An Australian Government Initiative

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 report was released in July 2020 and is available at:

<https://www.regional.gov.au/regional/publications/files/australias-regions-investing-their-future-expert-panel-report.pdf>

Despite the numerous restructures and rebadging by successive governments the Australian Governments regional economic development agencies have been repeatedly scrutinised. Prior to this report there was the Smith Report in 2016, the Truss Review in 2014 and prior to that reviews were undertaken by the Rudd/Gillard government and the Howard government before that. The purpose of the inquiries and reports has been to assess why Australian regional policy “has not really ‘worked’ and that its promise has not been fulfilled” (Collits, 2014, p. 9), the presumption being ‘there was something wrong with the delivery of policy’. The Smith Report (2016) suggested in its findings that unless there was commitment and adequate support for the RDA Committees and regional development policy more broadly, they might as well be disbanded.

As noted by Professor Fiona Haslam McKenzie in her paper Regional Development Policy – what is it? (McKenzie, 2019, p. 3): “Once again, as has been the hallmark of regional development policy in Australia for decades, there is more rhetoric than real commitment to addressing regional disadvantage and inequity (Collits & Rowe, 2015). There are no signs that this is likely to change; with uneven interventions, (in intensity and varying in purpose), by Federal and state governments, with substantial swings between periods of heightened policy interest and periods of negligible interest in regional matters (Collits, 2014). The Federal government has adopted a minimalist approach in promoting rural and economic development, often shifting many of the responsibilities to local governments, the sphere of government least able to assist with limited resources and powers to influence.”

The Expert Panel 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.

Recommendations made in the report are:

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.

Recommendation of this submission

The recommendation of this Pre-Budget submission is that Government, as a matter of urgency, accept and implement the recommendations of the Expert Panel report, noting that the time frame for implementation of Recommendation 6 has now passed, but that recommendation be implemented by January 2021.

The implementation of the recommendation of this Pre-Budget submission will provide direct assistance in:

- Supporting regions to achieve their economic potential;
- Develop a regional perspective in meeting the challenges of demographic, economic, technological and environmental change in Australia's regions;
- Helping align Australia's approach to regional development, encourage clarity around policy objectives and drive a consistent and coherent approach to policy development.
- Developing 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.
- Building the resilience of their economies and to maximise their economic potential based on their competitive strengths, advantages and opportunities;
 - 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.

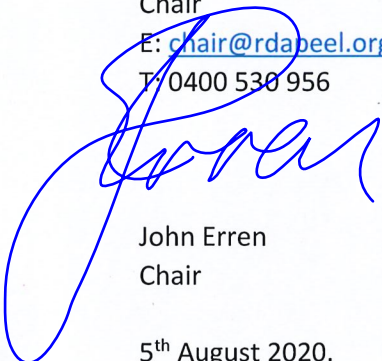
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5th August 2020.

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