



Submission to the Senate Economics References Committee

**In response to the Inquiry into the indicators of,
and impact of, regional inequality in Australia**

May 2018

1. INTRODUCTION

The Australian Local Government Association (ALGA) welcomes the opportunity to make a submission to the Standing Committee on Economics and its Inquiry into the indicators of, and impacts of, regional inequality in Australia. This submission builds on an increasing awareness and widespread acknowledgement of the important role of regions in Australia's economic growth, as well as the challenges and disadvantages experienced in non-metropolitan areas.

This submission does not seek to repeat in detail what has been previously raised by local governments, or by State/Territory Local Government Associations, but rather to highlight information and data that may assist the Committee with its Inquiry and to reinforce those critical issues that continue to warrant specific attention by the Commonwealth.

ALGA strongly believes that Australia needs an agreed national long-term strategy and bipartisan commitment to funding for our regions in order to avoid expensive inefficiencies and social dysfunction which continue to place added pressures on public budgets required to fund and support transport networks, housing, critical infrastructure, health, community services, social cohesion, and capital. Addressing the twin pressures of global competition and growing inequality in Australian regions is becoming acute and the challenge needs Commonwealth leadership.

2. LOCAL GOVERNMENT NATIONALLY

The Australian Local Government Association is the national voice of local government in Australia. It is a federated body of state and territory local government associations that represent 537 local government authorities across the country.

Local Government nationally employs just under 190,000 Australians (around 10 per cent of the total public sector), owns and manages non-financial assets with an estimated written down value of \$428 billion (2016-17), raises around 3.6 per cent of Australia's total taxation revenue per annum and has annual operational expenditure of more than \$35 billion (2016- 17).

Local Government's expenditure is directed towards the provision of local services infrastructure across the nation. These services include: housing and community amenities; transport and communications; recreation and culture, and general public services.

Independent research commissioned by ALGA in 2012 shows that a majority of Australians agree that local councils play an important role in their lives.

Considerable local government funds are spent on vital additional work that relate to broad national issues. By virtue of location, and as the level of government closest to Australians, Local Government is aware of and understands the myriad of challenges faced by local and regional communities as they live, work and interact in

an increasingly complex domestic and global environment. Local and regional communities require support to respond and adapt to factors they cannot control, such as drought, natural disasters and economic upheavals.

Local Governments strive, wherever possible, to assist communities to overcome these types of challenges, enhance their capacity to respond to new and unforeseen challenges and identify opportunities that can help build resilience and increase overall prosperity.

The Australian Government has shown that it understands and appreciates that Local Government's strength lies in its capacity to identify and respond to the diverse and emerging needs of communities across Australia.

The Australian Government has also shown its commitment to working with Local Government to achieve real and meaningful outcomes for local and regional communities. ALGA looks forward to the Government continuing this important partnership.

3. RESPONSES TO THE TERMS OF REFERENCE

3.1. Experiences of individual and localities of unequal access to opportunities and unequal outcomes in non-metropolitan areas

Experiences cited by the local government sector demonstrating unequal access and/or outcomes in non-metropolitan areas have included those relating to:

- transport (such as need to charter aircraft in remote localities and transportation in regional/rural areas for seniors);
- access to allied health and mental health services (noting the recent commitment of an additional \$84Million from the Commonwealth Government for the Rural Flying Doctor Service for mental and dental health, in recognition of the problem in rural/regional areas);
- access to basic infrastructure such as reasonable road access, clean water supplies and wastewater services, digital technology and telecommunication services, and housing, including housing for employees in remote localities providing social and essential services to the community; and
- declining intellectual capital to support local workforce skills needs, particularly in transforming employment markets.

Separate submissions by Councils and State/Territory Local Government Associations to this Inquiry, as well as other inquiries on specific topics addressed under the Terms of Reference (such as the Senate Communities Affairs Committee Inquiry into accessibility and quality of mental health services in rural and remote Australia, the Senate Rural and Regional Affairs and Transport Reference Committee Inquiry into the operation, regulation and funding of air route service delivery to rural, regional and remote communities and the Senate Select Committee

Inquiry on the Future of Work and Workers) can provide additional case studies and details.

Regarding telecommunications, ALGA's policy position on payphones has been that there must be consultation with the local community before removing payphones. Payphones remain an essential and valued service in regional and remote areas. There has been a long history of concern over removing payphones, with motions passed at the National General Assembly for Local Government over the years. Specific groups of people have a social need for payphones – to make emergency calls; people living in rural and remote Australia with unreliable mobile phone coverage; people on low incomes; indigenous communities where people do not own mobile phones or share mobile phones.

ALGA's position over many years has been that telecommunications services, including high speed broadband, should be equitably delivered and affordably priced for all Australians and that no group of Australians gets left behind as technologies become more advanced. Australia's geographic and demographic challenges mean that rural and remote areas are often left behind in relation to their urban counterparts. ALGA has argued that mobile coverage in rural and regional areas is often inadequate and falls significantly below community expectations. These communities can also be disadvantaged by having fewer council staff, resources and expertise.

Attachment B outlines a number of additional resources of information, including the 2015 Regional Telecommunications Review. A Regional Telecommunications Review is conducted every 3 years and findings highlight the needs of the regions. The report highlights the importance of mobile coverage in regional Australia, the potential to maximise benefits from the rollout of the NBN satellite and fixed wireless networks, and the need to develop consumer safeguards to support regional Australia. A 2018 review has just been announced.

3.2. Views on inequality between regions, especially between capital cities and other areas

It should be noted that at an aggregate level, Local Government undertakes its work while being more than 80% self-funded. However, many rural and regional councils are not in a position to raise the same revenues as their urban and larger regional counterparts. As a consequence, they are much more reliant on external funding sources. Adequate grants are absolutely critical for these councils to be able to function in the best interests of their residents and to equalise the availability of services and infrastructure across the community.

Access to financial assistance grants (FAGs) plays a critical role in the financial sustainability of every Council and especially rural and regional ones. In its 2018-19 Federal Budget Submission, ALGA has called for a restoration of the quantum of financial assistance grants to at least 1 per cent of Commonwealth taxation revenue in order to help maintain Australians' living standards by fostering the equitable provision of Local Government services and infrastructure and maintaining local economic growth. FAGs were equal to around 1 per cent of Commonwealth taxation revenue in 1996, however have declining by around 43 per cent in relative terms

over the past 20 years. They now amount to approximately 0.57 per cent of Commonwealth revenue. Although this revenue is accessible to both metropolitan and non-metropolitan Councils, the reliance on FAGs (and other external funding sources) in non-metropolitan Councils is much higher to sustain levels of services expected by Australia communities. As such, dwindling resources sees a greater impact in the regions than in capital cities.

3.3. Analysis of the economics of regional inequality, including wider impacts

Given the importance of regions, local economic development and local government, ALGA has commissioned the National Institute of Economic and Industry Research (National Economics) over the past two decades to prepare a comprehensive State of the Regions (SOR) report. The annual report, produced and launched at the Regional Cooperation and Development Forum held in June each year, divides Australia into 65 regions and analyses how each region is performing on several metrics. The report also investigates the likely consequences of current and future economic circumstances and trends for each region and contains a wealth of interesting analysis.

The objectives of the SOR reports are to:

- present the latest statistical indicators describing how Australian regions are performing;
- analyse trends in equality and inequality between Australian regions (these include metropolitan and non-metropolitan areas creating 65 regions encompassing the Australia nation);
- make suggestions for the policy implications of current Australia regional performance;
- describe the reality of regional economics;
- assist local government to understand their own region and compare performance with other regions; and
- to provide local government with useful planning tools.

For the best part of two decades the SOR reports have made the case for greater Commonwealth (and state) interest in regional economies, including a willingness to direct investment funds to regional development. For many years the arguments for central funding of locally-directed economic development strategies made little headway in the face of a view that free-market policy was delivering prosperity and economic growth.

A list of the themes for each report is provided in [Attachment A](#), and we refer you to these valuable data and analytical resources as part of this Inquiry.

Specific attention is drawn to the 2015-16 State of the Regions Report: *Addressing Regional Inequalities*. This report particularly speaks to matters on dependence on sustained innovation as the core driver of long-term economic growth; the capacity to innovate depends on knowledge and networks at the regional level; the influence of concentrations of highly skilled global knowledge workers; migration of young populations from low-income, high-unemployment regions; infrastructure deficiencies

and the potential for hinterland commuting from regions into metropolitan areas through better mass transit solutions.

For detailed analysis and specific questions on data access and interpretation, we recommend contacting National Economics directly to contribute towards this Inquiry.

3.4. Examples of solutions; what has caused some regions or towns to prosper

In partnership with the Australian Government, each year ALGA supports the National Awards for Local Government, administered by the Department of Infrastructure, Regional Development and Cities. These awards are an annual celebration of Australia local government achievements, and the alumni of winning projects may provide numerous examples of solutions where some regions or towns have prospered. Relevant categories include ‘Contributing to Regional Growth’, ‘Boosting Productivity through Infrastructure’ and ‘Innovation to Create More Liveable and Collaborative Communities’.

The following examples are category winners in the 2017 Awards:

- Gladstone Regional Council, QLD—Waste Powering Gladstone's Greener Future: The Benaraby Landfill Gas-to-Power Project (Winner, Boosting Productivity through Infrastructure)
- Meander Valley Council, TAS—Valley Central Industrial Precinct, Westbury, Tasmania (Winner, Contributing to Regional Growth)

Another potential source of resources to assist the Inquiry are provided in Attachment B, including work by other organizations that ALGA has been associated with in relation to local government-related initiatives, studies and projects.

3.5. Policy settings which could help address inequality between regions

In the 2017-18 State of the Regions Report: *Pillars of Regional Growth*, National Economics argue, “If regional economic planning is to be authoritative and effective, it requires government auspices, not only to ensure that different voices are heard and balanced in a democratic way, but to provide the impetus to ensure implementation. In Australia authority is shared between federal, state and local government, and there is a strong case that the authority of each, should be shared in the preparation and implementation of regional plans”.

4. CONCLUSION

ALGA welcomes the opportunity to provide this Submission to the Committee's Inquiry into the indicators of, and impact of, regional inequality in Australia.

In closing ALGA reiterates its view that regions are a vital importance to the growth of the Australian economy, and ongoing impacts within the social, infrastructure, workforce and industry development and financial sustainability contexts of rural/regional (non-metropolitan) local governments lead to a growing problem of inequality.

ALGA encourages the Committee to access the data and analyses provided in the State of the Regions Reports outlined in Attachment A, with particular attention to the 2015-16 Report *Addressing Regional Inequality* to guide its work on this important issue. Additional resources are listed in Attachment B, and includes the work of other organisations which have focused on local government-related information relevant to regional inequalities.

Thank you for considering this submission.

Attachment A

The State of the Regions (SOR) reports by National Economics are published annually by the Australian Local Government Association (ALGA). The reports are launched at the Regional Cooperation and Development Forum, held in Canberra, in June of each year.

The 2017-18 SOR *Pillars of Regional Growth* is the twentieth report in the series and is available for purchase in colour from the ALGA website – www.alga.asn.au. Previous issues of the reports can be downloaded from the ALGA website or purchased in print form through ALGA. From mid-2014, early issues of the online report were made available, free of charge. The 2018 Report will be launched at the Regional Development and Cooperation Forum on 17 June 2018.

There are two versions of the SOR report available. The full report available from the ALGA website is an online publication. A summary report is printed and made available to delegates attending the Regional Forum, the event where the report is launched which immediately precedes ALGA's annual National General Assembly of Australian Local Governments.

Reports available to date are:

STATE OF THE REGIONS REPORT 2017-18: PILLARS OF REGIONAL GROWTH

This report revisits the critical question of boosting regional economic productivity. It examines the levers that can drive growth and thereby assist to tackle the growing inequality found in parts of Australia. This year's report continues to build on the accumulated knowledge of previous State of the Regions to provide a coherent framework for analyzing the challenging task of contributing to sustainable regional development and what this means for all levels of government. The report includes a discussion of the Productivity Commission's Initial Report into Transitioning Regional Economies and updates the typologies used to describe Australia's regions. It updates our knowledge of the diverse industry structures and regional economic base of Australia's 67 regions, and provides a commentary on regional aspects of the state of income transfers between regions, housing and construction, employment and skills and local government finance.

This year's report also includes chapters on the growing significance of Intelligent communities, cyber security and energy.

The report provides extensive data for regions covering all of Australia, that includes a chapter on the aggregated regional indicators for the nation, as well as the metropolitan regions of Sydney, Melbourne, Brisbane, Adelaide, and Perth, and Northern Australia

STATE OF THE REGIONS REPORT 2016-17: SUPPORTING A PROSPEROUS VISITOR ECONOMY

This report examines Local government's role in tourism development. Local government helps to administer many tourist attractions and assists in the presentation of tourism-related events. It also provides much of the basic infrastructure which supports the industry, especially transport infrastructure. The report seeks to better understand the importance and complexity of the visitor economy from a regional perspective - not only the opportunities for income generation, but also the associated problems of seasonal and low-wage employment. The report includes an investigation of the Commonwealth role in local government finance. It also covers regional aspects of education finance and regional differences in the pathways from early childhood to satisfying employment.

Regular features included in the report are updates on the structure of regional incomes, skills and employment, housing and wealth, telecommunications, energy and climate change. The report provides extensive data for 67 regions covering all Australia and also includes a chapter on recent economic trends in the major metropolitan areas of Sydney, Melbourne, Brisbane, Perth and Adelaide.

STATE OF THE REGIONS REPORT 2015-16: INEQUALITY BETWEEN AND WITHIN REGIONS

This report argues that reducing the inequality of income distribution within and between Australian regions will be pivotal to strengthening Australia's economy and bridging the employment fallout from the subsiding mining boom in low income regions. The report identifies a need for policies and investments to be implemented on a region-by-region basis to decrease the existing inequality across Australian regions. The success of programs such as the Regional and Local Community Infrastructure Program in 2008-10 and the current Roads to Recovery Program highlights the value and effectiveness of a direct partnership between the Federal and Local Governments in delivering major outcomes in job-creation and economic stimulation.

STATE OF THE REGIONS REPORT 2014-15: REGIONAL DEVELOPMENT IN A GLOBALISED ECONOMY

This report highlights the trend of a widening gap between regions that have benefited from the mining boom and those that have not and identifies that the national economy is now in transition, that we have entered into the post mining boom construction phase and, together with the impact of the high Australian dollar on many of Australia's manufacturing exporters, this requires growth in other areas of the economy to maintain Australian living standards. In the immediate term this is public and private investment in Infrastructure, and increased exporting activity. Development patterns of the North of Australia are discussed as are the troubling features of rising youth unemployment.

STATE OF THE REGIONS REPORT 2013-14: IT'S TIME TO INNOVATE

The report presents further policy findings that builds on the work commenced by National Economics in last year's 2012-13 Rethinking Regional Development and provides further evidence on why a new national approach to regional development is required and what alternative policy approaches should be considered. The consequences for the Australian economy and its regions post mining boom are considered as are the implications, from a social and economic perspective, of natural disasters and the role of local governments in facing up to these circumstances.

STATE OF THE REGIONS REPORT 2012-13: RETHINKING REGIONAL DEVELOPMENT

The report examines the future of regional development in light of the ongoing impacts of the patchwork economy, ever tightening fiscal budgets at both the national and jurisdictional levels, the darkening economic clouds in the United States of America and Europe. The report considers what changes need to be made to Australia's regional development policies to strengthen regional investment.

STATE OF THE REGIONS REPORT 2011-12: BEYOND THE MINING BOOM

The report critically examines the regional effects of the mining boom from 2005. The report produces a balanced analysis of both the benefits and costs associated with the mining boom and the effect the mining boom is having on other industries, as well as the regional implications as the boom ends. Lessons from Norway are included as a best practice international case study.

STATE OF THE REGIONS REPORT 2010-11: THE HOUSING SHORTAGE AND HOUSING AFFORDABILITY

The report analyses the issues surrounding housing supply. Supply issues lead to pricing pressures and these impacts are described in their regional context. Construction activity across the regions is presented.

STATE OF THE REGIONS REPORT 2008-09: SUPPLEMENTARY REPORT

This report represents a supplement to the 2008-09 Report issued in December 2009.

The supplement complements the original report by noting developments in the issues surrounding climate change and updates the regional income and labour market indicators to 2008-09. There is also an update on the impacts of the GFC.

STATE OF THE REGIONS REPORT 2008-09 AND SUPPLEMENT REPORT: CLIMATE CHANGE AND THE GLOBAL FINANCIAL CRISIS

The report and its later supplement continue to focus on the challenges of climate change, especially given the financial economic crisis engulfing the globe.

STATE OF THE REGIONS REPORT 2007-08: CLIMATE CHANGE

The report focuses on climate change and its implications and impact on Australia's diverse regions.

STATE OF THE REGIONS REPORT 2006-07: THE LANDBOOM

Australia's economic performance over the past decade has been exemplary. Incomes have increased, unemployment has decreased, and the inflation rate has remained low. In addition, nearly all home-owners have received gratifying capital gains. For many, this additional wealth has provided psychological compensation for increased working hours and reduced employment security.

STATE OF THE REGIONS REPORT 2005-06: TELECOMMUNICATIONS

The report's theme is at the very core of the issues that may well shape the economic development opportunities and competitiveness of Australia's regions. The Report explores the case for the use of telecommunications infrastructure, to assist regions improve their performance.

STATE OF THE REGIONS REPORT 2004-05: INFRASTRUCTURE

The report explores the case for the use of infrastructure development to assist regions to improve their performance.

STATE OF THE REGIONS REPORT 2003-04: AGEING, MIGRATION AND POPULATION CHANGE

The report investigates how ageing, migration and population growth impact on the economic potential of regions and the revenue raising capacity of local government.

STATE OF THE REGIONS REPORT 2002-03: REGIONAL ECONOMIC GOVERNANCE

The report discusses the role of regional economic governance and along with the traditional update of the regional performance indicators, the report focuses on governance and the linked issue of growing inequality between regions.

STATE OF THE REGIONS REPORT 2001-02: LEARNING REGIONS

The report looks at jobs and learning regions. The prime concern is how well Australian regions are positioned to capture the economic development and employment benefits from the emergence of the knowledge-based or learning economy.

STATE OF THE REGIONS REPORT 2000-01

The report released in December 2000, puts forward a vision for the future of regional Australia, and practical strategies to enable Australia's regions to attain their economic and social potential, based on a detailed analysis of their current performance and prospects. The regional framework adopted allocates the 632

LGAs into 58 regions, and examines five indicators of change based on population, gross regional product, productivity, employment growth and occupational structure.

STATE OF THE REGIONS REPORT 1999-00

This is the second report released seeking to improve the level of understanding about local economies and their regional performance and prospects. The report presents a regional typology framework based on 57 core metro, dispersed metropolitan regions, production zones, lifestyle, rural and resourced based regions. Section 4 of the report models the likely impact of the implementation of National Competition Policy and estimates the potential impact of the GST on regional Australia.

STATE OF THE REGIONS REPORT 1998-99

The report was prepared for the delegates attending the First Regional Cooperation and Development Forum – Sustaining Futures for our Regions held in Canberra on 8 November 1998. Four elements of innovative regional economic development strategies are examined, as are historic trends over the period 1986 to 1996. The key indicators used are population, employed residents, unemployment, and real incomes and skills formation.

Attachment B

Suggested Other Resources for Local Government-Related Information

Housing

- Australian Housing and Urban Research Institute
<https://www.ahuri.edu.au/>
- ARC Linkage Project: Local Government and Housing in Australia for the 21st Century
<https://localgovernmentandhousing.com/>

Regional Development and Studies

- Regional Australia Institute
<http://www.regionalaustralia.org.au/home/>
- Committee for Economic Development Australia
<https://www.ceda.com.au/>

Health and Well Being

- National Rural Health Alliance
<http://ruralhealth.org.au/>
- Australian Institute of Family Studies
<https://aifs.gov.au/>
- National Health and Medical Research Council
<https://www.nhmrc.gov.au/>

Telecommunications

- Regional Telecommunications Review 2015
<https://www.communications.gov.au/who-we-are/department/regional-telecommunications-review>