

**Standing Committee on Infrastructure, Transport,
Regional Development and Local Government**

**Inquiry into the Impact of the Global Financial Crisis on
Regional Australia**

Prepared by

Area Consultative Committee Tasmania



PO Box 85, Launceston
TASMANIA 7250

April 2009

Introduction: 3

SUMMARY - Key Focus Points 4

Terms of Reference 1: The encouragement of economic development and employment 5

Terms of Reference 2: The development of sustainable essential services and social infrastructure
designed to enhance the liveability of regional Australia..... 10

Additional Comments 13

INTRODUCTION:

Area Consultative Committee Tasmania (ACCT) would like to thank the Standing Committee on Infrastructure, Transport, Regional Development and Local Government for the opportunity to provide this submission to the inquiry into the impact of the global financial crisis on regional Australia, and in this instance: Tasmania. ACCT believes itself to be well placed to provide an informed submission to the Inquiry. For this submission, input has been provided by a range of organisations, agencies and sectors from across the State. Comments have been recorded and consolidated where appropriate in relation to the Inquiry's terms of reference.

Contributors to this submission include representatives from:

- Northern Tasmania Development – Northern Tasmanian Councils
- West Coast Council – West
- Launceston City Council - North
- Brighton Council – South
- Tasman Council – South
- George Town Council – North
- Central Coast Council – North/North West
- Department of Economic Development and Tourism – State wide
- Skills Tasmania – State wide
- Schulze Engineering – Mining - West
- George Town Chamber of Commerce – North
- Agribusiness – North/North West
- Small Business (Technology) – State wide
- Small Business Council – State wide
- Tourism and Hospitality Operator - North

This submission is divided into three sections:

Terms of Reference 1:

The encouragement of economic development and employment

1.1: The current situation and immediate concerns

1.2: The role of the Government in supporting the community

Terms of Reference 2:

The development of sustainable essential services and social infrastructure designed to enhance the liveability of regional Australia

2.1: The current situation and immediate concerns

2.2: The role of the Government in supporting the community

Additional Comments:

Infrastructure Priorities for Tasmania

SUMMARY - KEY FOCUS POINTS

Throughout this submission, current issues and immediate concerns relating to the economic and social climate in Tasmania's regions are presented to the Government. Suggested strategies are also raised as to how Government can best support communities to deal with these issues and concerns.

ACCT would like, however, to make initial and particular reference to **4 key focus strategies** that Government can adopt in order to successfully support Tasmania's regions.

In relation to Terms of Reference 1: The encouragement of economic development and employment, there are **3 key focus** strategies:

Key Focus 1: Funding needs to be made available to support state strategic planning that is currently focussed on skills, infrastructure and innovation opportunities, to identify short term actions. The funding needs to be provided immediately, and completed expeditiously so that the actions can be implemented quickly and effectively. In Government and business, vision and leadership are needed now and a workable regional strategy will allow for opportunities to be identified and actioned, consistent with both the short and long term.

Key Focus 2: Government needs to develop and implement strategies for when economic confidence returns. Retain industry capacity at long term sustainable levels across all industry wherever possible, to avoid the far greater cost of re-establishing those skills in the future.

Key Focus 3: Taxation incentives for businesses to create jobs should now be the focus for the Government (as opposed to further cash stimulus payouts to most individuals – "\$900 will not assist the sub-contractors who have lost or will lose their businesses, incomes, and even homes, because of the global downturn").

In relation to Terms of Reference 2: The development of sustainable essential services and social infrastructure designed to enhance the liveability of regional Australia; we have identified several strategies, and **one key focus** area:

Key Focus 4: Whilst acknowledging the recent funding provided to local governments through the Regional and Local Community Infrastructure Programme, Government must introduce infrastructure funding programs, immediately accessible to broader community-driven projects (i.e. the 'new' Regional Partnerships and Sustainable Regions programs). Community projects have been without any source of Federal Funding since 2007; momentum has been stalled.

TERMS OF REFERENCE 1: THE ENCOURAGEMENT OF ECONOMIC DEVELOPMENT AND EMPLOYMENT

The comments below have been voiced repeatedly throughout the consultation process. The most pressing sentiment expressed has been the desire for the Government and media to resist “spreading panic” in to the market place, and that, despite a drop in some business and the closure of some larger companies, small business is fairing well, and in some cases, is experiencing an increase in product demand.

1.1: THE CURRENT SITUATION AND IMMEDIATE CONCERNS

General:

- Mixed concerns that new workplace legislation will be an impediment to both job retention and growth. Small business in particular will be intimidated by perception of union involvement and keep staff numbers down. Penalty rates for casual and hospitality related workplace may render doing business outside of 9-5 Monday to Friday unviable leading to job losses. This will lead to reduced attraction of Tasmania and Australia as a quality tourism destination due to lack of service and products.
- Similarly, anecdotally it was suggested that some local business managers are tending to be conservative with their decisions now, and future projections. However, big businesses are deliberately reducing staff. Whilst many blame this on the “Global Financial Crisis”, it has been expressed that in reality, this is due to the associated costs of the new IR.
- The marketplace is confused and whilst business is down a “little”, the message reported through the media of “doom and gloom” is much worse than the reality felt on ground. Mixed message is confusing to marketplace.
- At the state and local level there is a slight economic downturn now, but the short-medium term future is unclear.
- Statistically, recent growth remains strong and labour market remains tight. Anecdotally however, there is great uncertainty and employers are less likely to employ because of that *uncertainty* – not because of the *reality*.
- Labour market pressures including aging labour force and low unemployment point to difficulties, but the tightness of the market in terms of skills is not likely to mean a return to the unemployment figures of the early 1990’s.
- Some people believe business confidence higher and level of recent investment has been unprecedented.
- In Tasmania, the potential collateral damage from the closure of one business is of concern; so many smaller sub-contractors are reliant upon too few bigger ‘global’ businesses.
- There are some problems with using available “data” as whilst figures are pointing to a “recession”, many weekly figures of individual businesses suggest things are going well, and in some cases, business is increasing.
- Tasmania generally lags 6 months behind national trend.
- Concerns how people mid 20’s will manage downturn – community psychology.

Tourism:

- Tasmanian visitor numbers are up – however level of spend has increased in some areas, and decreased in others.
- Focus on yield, niche destination.
- Tasmania remains attractive as a tourist destination (safe, “o/seas”, intention still high, affordable). Marketing dollars need to be committed to continue to market the State nationally.
- Downturn in international visitation must be addressed once financial markets stabilize and long haul travel is attractive again. Need to focus on market presence during downturn to keep a profile for the recovery period.

Real Estate, Building and Development Applications:

- Largest Council in Tasmania (Launceston) has seen only a slight decrease in Development Approvals, however a slightly more substantial decrease in Building Applications.
- Some regions have seen a 4.5% increase in annual BA lodgments, but there has been a drop of 2.9% in the most recent quarter.
- Level of real estate inquiry remains relatively high as investors previously investing interstate/overseas are now looking to put their money closer to home and in short-mid term investments.

Business Priorities and Finances:

- Current climate is seen as an opportunity to improve productivity systems and rationalisation.
- Banks being tighter in the provision of credit. High level policy is inhibiting the on-ground approval of good projects.

Agriculture:

- Dairy industry is “hurting” short term. Milk Powder accounts for half of the global dairy market, and with a 30% reduction in global value, companies are now stockpiling product. However, longer term there is belief that the dairy industry seems to be holding up despite global worries with a potential to move from 600 million litres to 1Billion litres pa production in Tasmania, despite price drop.
- Dairying is pasture based; with no shoulder season so drops off fairly quickly after peak production period.
- Opportunity to increase output by building the “shoulder” periods of agriculture and dairy production, this however needs investment in irrigation systems.
- Farmers are required to improve productivity and are now “sending off” low yielding animals.
- Potential exists for diversification in Agribusiness into new products, particularly horticulture, now that the State and Federal governments have made commitments for the installation of irrigation infrastructure. For example, blueberries, poppies, cherries, etc. – where value adding can be achieved and to move away from the ‘commodity priced’ mentality of producers.

- Many of top 14 businesses on NW Coast are agribusiness based, notable growth in fresh produce.
- Beef production and meat processing is a potential growth sector; however the reliance on only one or two non-Tasmanian owned export processors could make this sector vulnerable.

Manufacturing Industries:

- Whilst creditors are making extra demands, commerce remains largely “business as usual.
- Tasmania has a distinct advantage as it is largely a production state, not manufacturing. However; shipping container movements between Launceston and Hobart will double in the next 10 years. This will apply increased pressure on already inadequate road and rail infrastructure. The ‘downturn’ is considered an excellent opportunity to use available labour to improve roads and ensure adequate road capacity in the medium to long-term.
- Little the Government is doing now has instilled confidence. Business is now being more efficient/ looking at systems as operators are being reminded that improved efficiency leads to reduced labour requirements.
- NW Coast much more resilient than in comparison to the economic downturn in the 1990s. Numbers are good, growth might be low or nil, but base is much stronger. However, NW Region is possibly more vulnerable than other Tasmanian regions to the effects of an economic downturn. Recent evidence of vulnerability has been highlighted through the speculation of job losses at Caterpillar Underground Mining equipment and the two paper mills.
- Manufacturing is downsizing, this is having uncertainty on supply chain.
- Manufacturing businesses need support to continue during this period – but not so much as for themselves, but so as to offset the downstream effects on surrounding businesses and affected families that occur from reduced product orders, work hours etc.

Mining:

- Retraction in mining industry causing concerns, but a turn around in commodity prices should see mines expand and grow a (quality ore deposits).
- If specialised mining equipment companies down size or close it will not be easy to transfer skills elsewhere.
- Mining is determined by commodity process, and therefore very difficult to insulate them from current economic impacts.

Forestry:

- Forest industry has issues, mainly due to highly geared (high debt to asset ratio) businesses as a result of borrowing due peaks in business, which in hindsight are unsustainable.
- A potential downsize or full closure of Australian Paper Mills in Burnie or Wesley Vale would be a big hit for NW coast – 500 – 700 jobs loss plus possible multiplier of 3 – will make a big impact on coastal unemployment rate.

- The North East of Tasmania has had significant downsizing of timber mills. In 2008 one mill closed with 137 job losses. A second mill may close in 2009 with 160 job losses. There have also been large cuts in the contracts held by contractors supplying logs to the chip wood sector. These impact upon both forestry workers and trucking contractors.

1.2: The role of the Government in supporting the community

Government, and indeed business, must not lose sight of long term strategies, while working acutely in response to the current global economic downturn. It is essential for both government and business to continue to actively shape Australia's long-term economic future, whilst also actively managing the immediate economic situation. Businesses, for example, can focus now on strengthening client relationships for the future, refining processes and systems to improve productivity, and strengthening current operational structures to minimise any impacts. Accordingly, the Government must maintain strong economic policy and strategies for the future while developing immediate strategies to minimise the social and economic impacts of the current global situation. The "crisis" can be seen as an opportunity for vision and strong leadership.

- **Key Focus 1:** Funding needs to be made available for a state/regional strategic plan which focuses on skills, infrastructure and innovation opportunities with short term actions. The funding needs to be provided immediately, and completed and implemented expeditiously so businesses can action it quickly and effectively. In Government and business, vision and leadership are needed now and a workable regional strategy will allow for opportunities to be identified and actioned, in both the short and long term.

The Tasmanian Government is currently focussed on developing significant skills, infrastructure and innovation plans to lead the community through the next 10 years. Now is the opportunity to provide funding support that will enable this work to be enhanced and 'regionalised' within the State. Immediate investment opportunities could then be commenced in concert with the development of these. RDA (Tas) could play a significant role in supporting this approach.

- Government incentives for small business should be provided to develop business infrastructure, attraction and retention:
 - **Key Focus 2:** Government needs to develop and implement strategies for when economic confidence returns. Retain industry capacity at long term sustainable levels across all industry wherever possible, to avoid the far greater cost of re-establishing those skills in the future.
 - **Key Focus 3:** Taxation incentives for businesses to create jobs should now be the focus for the Government (as opposed to further cash stimulus payouts to most individuals – "\$900 will not assist the sub-contractors who have or will lose their businesses, incomes, and even homes, because of the global downturn").
 - Federal incentives for businesses to up-skill and train both owners/managers and general staff. These incentives do not need to be in the form of cash, but could be tax incentives and reform. Critically, in order to encourage up-skilling at all levels within business, the training should not be an impost on businesses.
 - Provide programs to up-skill industry by introducing new carbon economy skills, especially in the areas of energy efficiency, renewable energy and sensitive

- design – take the opportunity to provide truly clever leadership and economically transforming change in business.
- Progress land use strategies and ensure investment ready sites – several sites on North West Coast are nearing this stage. Further to that, establish Greenfield industrial estates. Particularly to attract businesses to move to, and expand in, Tasmania.
 - “Triaging” of development application processes so that “ready-to-go” building projects can be assessed more quickly against criteria of land use compatibility. This will ensure building activity remains constant within the industry. Resource support may be required for local government to assess applications. The Tasmanian Government has started to take steps to adopt this approach.
 - Delivering short term stimuli to local economies through the provision of jobs; especially in the building and construction industry because of the associated flow-on effects and impacts.
 - There is an opportunity for State and Commonwealth programs/ initiatives/ schemes/ incentives to work together, leveraging of one another
- Target infrastructure stimulus at projects that deliver long term outcomes to future generations by significantly upgrading key economic infrastructure:
 - Information Technology: the current broadband width in Tasmania is a major inhibitor to business growth and employment in some areas. For example, there is potential for an Interactive Educational Software Hub to be developed in Tasmania, with a few businesses already operating in a small capacity. However, the current broadband width limits what educational services these businesses can provide to clients, and is a barrier for other businesses to develop and provide software. With the availability of appropriate broadband speed, employment opportunities can be created and businesses can grow.
 - Government can provide strategy to improve business connectivity throughout the state. The private sector, and therefore employment opportunities, would grow from improved road infrastructure between Launceston and Hobart. Current infrastructure inhibits business.
 - In rural and remote areas, where costs of running businesses and maintaining communities are stretched due to high costs of power, parity with other communities needs to be ensured.
 - Appropriate infrastructure to be developed to ensure efficient freight movement of product – within and out of the state – in the medium to long term. Tasmania is generally well-placed to deal with economic downturn as it is largely a production, rather than manufacturing state.
 - Government can work with airlines to ensure air passenger services between Tasmania’s major centres and the mainland do not become an inhibitor to business growth. This includes flight scheduling and pricing. Growth will not occur if business in Tasmania cannot maintain direct, face-to-face contact with their current and potential interstate and international markets. (With Jetstar recently removing its base aircraft from Hobart, services have been cut, making interstate business travel more costly and more time consuming. This will be a

major inhibitor for potential business in Tasmania, and for existing business growth.)

- Assistance for businesses to move to a 4-day week/9-day fortnight, for example, as a favourable option to closing down, or cutting full-time jobs. (Small) businesses must not be penalised for finding alternatives to shutting doors.
- Tasmania as a brand has a competitive advantage. The 'premium' brand promise and values are delivered and Government has an opportunity to ensure proof in labelling is available for all produce. This will assist Tasmania's agricultural industry in the short and long terms.

TERMS OF REFERENCE 2: THE DEVELOPMENT OF SUSTAINABLE ESSENTIAL SERVICES AND SOCIAL INFRASTRUCTURE DESIGNED TO ENHANCE THE LIVEABILITY OF REGIONAL AUSTRALIA

2.1: The current situation and immediate concerns

According to TASCROSS, Tasmania's peak social services body, the key effects of economic slow-down will be felt through increases in unemployment, the reluctance to invest on the part of business and government, and an increase in financial stress on low income and mid-income households.

The key impacts on of the global economic crisis on social services will be:

- Increased unemployment, slower jobs growth, and the increased casualisation of work;
- Low skilled and low income will be particularly affected;
- Increases in number of long term unemployed as well as an increase in length of unemployment;
- Access to the philanthropic dollar could be affected and government revenue will shrink;
- Housing affordability will remain a pressure in combination with lower household incomes;
- Cost of living may continue to increase; and
- Limited access to credit when needed.

Services are expected to face increased demand in the following areas:

- Employment support;
- Housing services;
- Financial counselling;
- Emergency relief; and
- General counseling.

Expected impact on the capacity of community service providers include:

- Increased complexity in client cases;
- The need for more self funding (reliance on investment income); and
- The need for increased worker skills.¹

TACOSS and the major church providers have been advocating for investment in income support, employment support, and social and green infrastructure, and have welcomed the recent Commonwealth Stimulus Packages.

Other General Comments:

- The existing lack of infrastructure regarding Public Transport, Schools, Health, Interstate Transport, freight and I.T. is impeding business growth.
- Don't waste time re-inventing the wheel for some social programs and business education – encourage a continuity of programs that appear to be working. This includes 'rolling over' funding to extend service delivery where it is working well and deemed value for money rather than requiring organisations to 're-apply' for funding to extend a program
- There may be a possible delay in people leaving workforce (retiring) so need to look at how manage that process, and ensure flexibility in the workplace to support it.
- Businesses will need support for marketing and business growth/management through tougher times, as well as access to capital.

Public Transport:

- Public transport and other essential services needed now to ensure liveable towns and workplaces, enabling children/employees/students to travel to school/work/jobs.
- West coast still lacks basic transport and services yet they are a significant contributor to the state gross product.

Education:

- Student numbers are up in the Launceston area; bringing more people to the region and good staff retention.

Transport:

- Should be no difference between freight and passenger service costs – in the next few months, services may be cut (Jetstar's closure of base in Hobart) impede business growth.
- Questions raised over impact of changes in airline services (Jetstar in particular).

Social Implication of Business Downturn:

¹ Extracted from The Impact of the Global Financial Crisis on Social Services in Australia - a report prepared for Anglicare Australia, The Salvation Army, Uniting Care Australia and the Catholic Social Justice Services.) Access Economics, November 2008, in (The Financial Crisis and the Community Services Industry in Tasmania: Forum Report and Overview), TASCOS, February 2009.

- Business managers will have to make decision about “laying off” friends which will bring many challenges / stresses. Employers unsure how to make decisions regarding employees (whether to keep staff on, let go completely etc., concerns over how they will cope once economy regains strength).
- Businesses have voiced a desire for support and flexibility in training programs (in house and flexible to meet business needs).

2.2: The role of the Government in supporting the community

There is an obligation for Governments to provide effective public transport, education facilities, health care, interstate transport and information technology to all areas of the state. Ensuring these essential services are reliable, effective and efficient will ensure rural and regional population sustainability. However, what is imperative in developing strategies and immediate actions for communities is ensuring the principles of mutual obligation apply; regions need a ‘hand up’ not a ‘hand out’.

Social support and essential services:

- Public transport: effective and efficient transport within and between communities of Tasmania is critical to the survival of regional towns, as well as population centres experiencing significant barriers to employment and social inclusion opportunities.
- Allocate funding to organisations that provide emergency relief assistance.
- Allocate new funding to community service organisations to provide pre, post and ongoing employment support to people facing barriers to employment.

Social Infrastructure:

- **Key Focus 4:** Whilst acknowledging the funding provided to local government through the Strategic Regional and Local Community Infrastructure Programme, Government must introduce infrastructure funding programs immediately accessible to broader community driven projects – i.e. the ‘new’ Regional Partnerships and Sustainable Regions programs. Community projects have been without any source of Federal Funding since 2007; momentum has been stalled.
- Road transport: The dispersed population can be a barrier to industry and social connectivity. For example, West Coast roads built in 50’s now carry ten times more tourist vehicles, and four times more heavy vehicles. Road infrastructure projects need to be brought forward.
- Education services: this is the second fastest growing sector in Tasmania. Infrastructure is needed to ensure these services can grow, and access is easily available to all Tasmanians.
- Information Technology: the current broadband width, and its capability and cost, in Tasmania are inhibitors to employment and inclusion in some areas. The dispersed population creates infrastructure challenges – particularly with broadband.

- Planning approvals: Federal funding put into councils to work through planning issues in the short term. For example, third party planning organisations engaged to move the planning process through expeditiously. This will ensure hard social infrastructure projects can begin sooner rather than later.
- Community based aged care providers are under financial strain to develop and provide low cost and appropriate housing, particularly in smaller communities. Funding support for strategic capital development, similar to that provided to schools and local councils, could assist community based aged care providers improve their facilities, as well as improve the liveability and population retention in small towns. Employment growth within the aged care sector is also likely to continue to grow as our population ages.

ADDITIONAL COMMENTS

In October 2008, Area Consultative Committee Tasmania submitted a response to the Department of Infrastructure, Transport, Regional Development and Local Government regarding local community infrastructure priorities around Tasmania. This document was requested by the Government as part of a series of three Workplan Tasks, providing information regarding priorities and principles for infrastructure projects in the State. The document, Workplan 3, provides recent insights into a range of infrastructure priorities in 2008 and is still relevant, perhaps more so, in the current economic climate. The Executive Summary from the document follows:

The findings of this report have been underpinned by an extensive consultation process ACCT has undertaken with various community, business and Government representatives of the Tasmanian community. The following key points highlight the principle community infrastructure priorities, as identified by representatives of the Tasmanian community:

OVERALL:

- *The specific ‘infrastructure’ priorities of regional communities in Tasmania vary widely and relate closely to the individual driving industries relevant to each region. The future community and regional development funding program must allow applicants to apply for funding support for a range of projects relevant to the needs and priorities of their community.*
 - *Participants have demonstrated the significance of social ‘infrastructure’ to the health and wealth of regional communities. The need for financial support for social development projects is considered fundamental in stimulating ‘healthy and wealthy’ regional communities.*
1. Road, rail and air transport status
 - *Some priorities identified relate to improving local and regional economies (e.g. exit ramps off highways to encourage economic investment in industrial areas), and some priorities related to regional liveability (e.g. trails, and bicycle paths to improve community health and well-being, and ensuring access to reliable public transport).*

2. Health services (hospitals and rural doctors capacity)

- Infrastructure requirements associated with the delivery of health and medical services are seen as a significant priority throughout regional Tasmania. Securing a sustainable GP service in rural and remote Tasmania is essential.

3. Access to welfare and support services

- Changing demographics in Tasmania are increasing the demand on a range of welfare and support services throughout the State. Such facilities are used as a means of maintaining 'sense of community', encourage adult learning and intergenerational interaction of community members.

4. Communication services

- All Tasmanian communities need universal access to broadband to ensure economic prosperity, social including, and general networking between communities.

5. Utilities

- Funding is required to develop integrated planning strategies for industrial sites/precincts to control and co-ordinate waste management, access to natural gas, road development and water supply.

6. Water storage capacity

- Investment in infrastructure such as potable water in regional townships can increase carrying capacity of a region, providing significant community benefits as well as encouraging private investment and economic growth.

7. Sporting and recreational facilities

- Sporting and recreational facilities are fundamental to the health and well-being of communities. There is a strong emphasis on the consolidation of recreational facilities that cater for multiple purposes.

8. Business services

- Location of industry-specific training facilities that are relevant to local and regional economies.
- Funding will be required to assist businesses adapt to the climate change agenda and associated accreditation processes.

9. Other

- *Environment:* The challenge of climate change provides an opportunity for the Commonwealth to support environmental infrastructure initiatives that reduce the environmental footprint of regional communities.
- *Tourism:* Tourism has become an integral part of many regional communities and tourism infrastructure must be maintained, and in many cases upgraded in order to meet current demand.

- *Arts: A rich cultural identity, through appropriate funding of arts infrastructure, is strongly connected to liveability factors in regional communities.*

(Executive Summary – Regional Development Australia, Workplan Task 3, ‘Local Community Infrastructure Priorities’, Area Consultative Committee Tasmania, 2008).