‘NO Ministers, NO delays, NO tears’

Inquiry into a New Regional Development Funding Program

submission to the
House of Representatives Standing Committee on Infrastructure, Transport, Regional Development & Local Government

The Cockatoo Network
Canberra ACT
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About the Cockatoo Network

The Cockatoo Network is a group of some 350 people and organisations with a common interest in collaboration on economic and regional development.

We are based in Canberra. We have members in all states of Australia, and in 25 countries. Our members include company executives, farmers, regional development practitioners, government officials, academics, industry association executives, consultants, bankers, retirees etc.

Our particular focus is investment attraction, industry clusters, regional development, hard and soft infrastructure, innovation policy, scoping projects, lobbying and realising members' dreams and ideas. We walk the talk on collaboration!

We talk a lot about 'iconic projects' and 'best practice'. This is our mantra because there is no point in accepting second-rate outcomes.

The Cockatoo Network has a monthly newsletter, called '**The Cockatoo'** - it updates our members on the latest research projects, business opportunities, and new policies, programs, government grants etc. .

We also have a **'Cockatoo Connect'** service, which is a daily service that brings urgent information to the attention of members, and connects people with people.

We are vitally interested in the federal government playing a constructive role in the development of regional Australia. It must not be left to the states or the private sector. Australia's regions, particularly those away from the major urban growth corridors, are in danger of becoming marginalised unless their infrastructure is equivalent to the cities. The recent hike in fuel prices and the fears of a global recession are already impacting on some regions.

It is therefore imperative that the Commonwealth play a strong facilitative role in the upgrading of the economic and social infrastructure in regional Australia.

Our Submission

Our submission highlights the main issues as we see them. We have kept our comments brief – but we are very happy to expand on any of the points made.

1. Restrict eligibility to non-metropolitan regions

Eligibility for maximum funding should be restricted to regions that are essentially regional and remote. The rationale is that these regions do not have the population densities or strong revenue streams typical of the larger cities or regions.

Rather than getting drawn into debate about definitions, it is suggested that the Commonwealth should exclude any conurbation in excess of 200,000 population. The regional development literature broadly justifies such a limit. It would thus exclude all state capitals plus the Gold Coast, Newcastle, Wollongong and Canberra. However RDA Boards in metro areas should still receive some funding –see point 7.

This would mean that around 40 regions would be funded under this program. The geographical and administrative catchments of these regions are reasonably stable and well known. Where there is any doubt the state boundaries would be observed. The funds would be broadly split between the regions. See following sections.

2. Restrict eligibility to infrastructure with a demonstrable public interest

It is suggested that eligibility should be restricted to economic and social infrastructure where there is a demonstrable public interest.[1] There should be a guiding philosophy that the funding support is for 'best practice' infrastructure projects that fill gaps in the local economic or social architecture, and draw in contributions from other parties. See Attachment 1.

The successful projects should be exemplars, that:

- Do not involve cost-shifting or double-dipping.
- Do not crowd out or replace private sector funding.
- Bring forward funding from other government agencies (all three levels) to cover the public benefit.
- Bring forward private sector investment in associated activities.

The Cockatoo Network is continually discussing and evaluating regional infrastructure projects. Recent examples that should conform to the new program are:

- Water recycling plants (e.g. sewer mining)
- Streetscapes, street lighting and public toilets.
- Student accommodation for city youths i.e. for facilities similar to Timber Top.
- Tourism interpretative centres.
- Tourism signage.
- Walking trails, board walks, jetties.
- Parks and gardens.
- Community centres and social clubs.
- Contributions to facilitate new investments e.g. kerbing, connections to utilities.
- Cool stores (publicly-owned).
- Business incubators.

The emphasis on best practice exemplars would mean that only 6-7 projects might be funded in each region each year, with the federal contribution being perhaps in the $500k to $1 million range. The situation must be avoided where the RDA mechanism is swamped with hundreds, if not thousands, of submissions for small grants.

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[1] Examples of eligible local economic infrastructure - local airports, energy generation facilities, transmission facilities, sea ports, railways, telecommunications, gas and water pipelines transport terminals and hubs, cold stores and bulk storage facilities, research and development centres, business incubators, water treatment plants, sewerage systems. Roads and bridges should be excluded unless they are related to attracting regionally-significant private sector investments.

Examples of eligible social infrastructure - health services, hospitals, schools, universities, hospitals, day care centres, health centres, tourism facilities, accommodation for homeless people, youth camps, museums, libraries, sports facilities, convention centres. Defence facilities and prisons should be excluded.

Funding should also be available for feasibility studies, business plans and scoping studies associated with significant investment and infrastructure proposals, including those involving private sector investment.

3. Commonwealth limit of 50%

The federal funding should not exceed 50% of the total cost, and only cash contributions from other parties should be eligible in most cases. This would facilitate getting buy-in from other parties and also simplify the administrative tasks.

An exception to the 'cash only' rule might be made for remote areas, where it can be extremely difficult to raise the 50% matching funds. In this respect, a Cockatoo member in the Outback NSW region comments as follows 'in-kind volunteer hours are a recognised component of some grants, up to $20 per hour per volunteer. This also stimulates the imagination of people in communities, rather than stymie imagination when they see they have to come up with cash'.

4. Projects to conform to regional priorities

The projects should conform to state and local government priorities where possible. This would help to justify the relevance of planning exercises and maintain their shelf life, and reduce the incidence of federal-state political spats.

However because infrastructure requirements can change reasonably quickly, there should be some flexibility in this area. For example, a significant new investment might require some previously unnoticed small-scale infrastructure expenditure to get it over the line.

In any case, the 50% federal limit on funding should reduce the likelihood of opportunistic or marginal projects being funded.

5. The RDA Network should be empowered

The delays and ministerial intervention in federal regional programs must stop. It has been the source of massive frustration. A good number of our members were directly involved in the ACCs and saw the problems first-hand. If the Commonwealth is genuine about fixing the basic problems, it must empower the RDA Boards – as distinct from 'Committees' - to identify the priority infrastructure and make their case. The Commonwealth in return must promptly assess the submissions. A 10 week turnaround is recommended. No excuses.

Regional coordinator

To assist the engagement process with the regions, it is recommended that the Commonwealth appoint an in-region coordinator to each of the 40 regions. These coordinators would be senior federal officials, at SES or at least senior manager level. When we have raised this possibility, it has raised eyebrows. However NSW and WA have deployed such people for a number of years. Whether the Commonwealth can agree to this will be an interesting test-case of its commitment to best practice and to regional Australia.

However the particular justification is that our proposal involves devolution of certain stages of the program, and the regional coordinator will require high level negotiation skills and judgment. The regional coordinator would sit on the RDA Board, with his/her state equivalent, and be actively engaged in the scoping and prioritisation of infrastructure projects. He/she would also have authority to sign off on expenditure up to say $20,000, in consultation with head office. The regional coordinator should not be seen as the de facto Executive Director of the RDA Board – the roles are different but very complementary.

The regional coordinator would also have the authority to work with other federal agencies to 'cocktail' program funds where possible. This will not be an easy task.

A two-year posting to Traralgon, Toowoomba or Kalgoorlie should be an important part of a federal officials' career progression. These positions might be filled from across the APS to reduce staff pressure on the Department of Infrastructure.

Input to major infrastructure agendas

The RDAs should also be tasked with providing input to major infrastructure decisions in the Auslink and Infrastructure Australia area. The RDAs are extremely well-placed to provide qualitative assessments to complement cost-benefit analysis, as well as on-the-ground advice of community views on infrastructure issues.

There are two further areas where RDA Boards should assume greater prominence:

- Investment attraction is critically important. Without robust levels of new investment, regions cannot generate the production capability and jobs. The regionally-based councils are well behind their city equivalents, and the RDA Boards need to fill this vacuum. Investment attraction also goes hand in hand with our recommendation that the Boards become directly involved in infrastructure prioritisation.

- Local capacity building is also critically important. Work skills, entrepreneurship, education, and research capability are critical to the development of regions. Consistent with their new charter, the RDA Boards should work with other key stakeholders to drive progress in these fields. It cannot be done effectively from Canberra.

The regional coordinator would be a key player in coordinating these activities.

Finally, the RDA Boards should be merged with state boards where possible. This is an important test case of the Commonwealth's resolve to be a long-term player in regional Australia. We expect that some of the states might actually welcome this, as long as the Commonwealth is seen as being committed to best practice processes. The plus for both the Commonwealth and the respective states is that it would improve the coordination of their respective program expenditure, deliver efficiencies and most importantly give the RDA Board increased authority and visibility in the region.

We have raised the merger issue with some regions. The main concerns (and suggested responses are):

- Reluctance of some members to give up their seats – the response would be to delegate important tasks to committees, with sunset clauses.

- Political arguments between state and federal appointees – the response might be a core of say 10-12 members approved by the federal and state regional coordinators (plus one appointee by each of the federal and state governments if required – hopefully not).

6. Remove Ministers from the process

Ministers should not be in the decision-making loop. There are no sound reasons – see Attachment 2.

The final decision should be left to the Minister's delegate, probably the head of the division responsible for the program. He/she might be guided by a committee that includes two other SES Level 2 officers. This would facilitate the discussions at Senate Estimates hearings.

Decisions should be communicated to the proponent by either the delegate or the Minister. The latter could publicly announce the grants and promote the program.

7. Significant funding

We believe that an annual federal spend of at least $200 million is justified. This is not a big number in the context of a huge land mass, the critical role that infrastructure plays in economic and social development, plus the fact that this new program would replace smaller programs. Indeed, a sound economic argument could be mounted for an annual federal commitment of $1 billion on regional infrastructure.

A federal commitment of $200 million annually would generate at least $400 million worth of infrastructure that would fill gaps, level out some of the lumpiness in infrastructure provision, raise the overall competitiveness of regions, and improve the attractiveness of regions to local and external investors.

As explained above, the deployment of senior federal officials as coordinators in the defined regions would ensure that due process is followed. It would also help to ensure that the new program becomes a long-term model for regional Australia. Ideally, the program should become a permanent arrangement, with modifications from time to time. The need for publicly-funded regional infrastructure will not diminish.

While the spending should be oriented towards non-urban regions, it is suggested that consideration be given to metro-based regions being provided with discretionary funding of at least $500k to enable them to initiate projects on their own behalf and to negotiate funding cocktails with other parties.[2]

Emphasis should be placed on inter-regional projects to reduce parochialism and to draw in greater amounts of external expenditure.

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[2] There is in fact a case for the Commonwealth to consider a separate urban infrastructure program, along the lines of the Better Cities Program of the Labor Government. The rationale and characteristics will be clearer as the Infrastructure Australia initiative progresses.

Attachment 1. Regional hubs – a guide to eligible regions and activities

In November 2007, the Cockatoo Network began identifying hubs that could comprise a pan-Australia development framework to attract local and foreign investment.

The rationale is that hubs are important at a number of levels. First, they enable a city or town to generate economies of location and of scale. Second, hub concepts generally align with the region's competitive advantages, and thus should facilitate the accessing of government support for regional infrastructure. Third, hubs are a good selling point to potential investors. Indeed, investment attraction efforts in Europe and North America are largely built around hubs.

Note: Cities above 250,000 population are excluded from this list. WA and NT hubs are currently being identified.

NSW

Northern Rivers

Tweed Valley – vibrant, fast growing (80,000 population) and part of a cross border Seachange zone. Hub angles – tourism, fishing, sports equipment, marine and creative industries.

Lismore – approaching 50,000 population, and close to iconic tourism nodes of Ballina (busy airport) and Byron Bay. Hub angles – education (Southern Cross University), Grain Foods CRCs, timber, tourism, agriculture.

Grafton – gateway to Yamba and Maclean. Sense of history, Big River feel and laidback lifestyle. 17,000 population. Hub angles – tourism, horticulture, timber.

North Coast

Coffs Harbour – a sizeable city (67,000 population) with natural beauty. Second busiest airport in NSW. Hub angles – seachange, aquaculture, horticulture, marine industries, tourism.

Port Macquarie – the other book end, exhibiting similar size and opportunities as Coffs. Airport. Hub angle – the core of a major growth corridor that includes Kempsey, Taree, Forster-Tuncurry.

Nambucca Valley – situated between the two. 20,000 population and growing. Hub angles – seachange, tourism, lifestyle, agriculture, home based businesses.

New England

Armidale – older centre, with real country style. Population of 25,000. University of New England as an anchor. Identified by NSW Government as part of Country Centres Growth Strategy. Good airport, and could be a key node of inland rail project. Hub angles – agriculture, education, three CRCs – beef, sheep and poultry.

Tamworth – its Country Music festival has put it on the map, with a good population base (37,000). Good airport. Hub angles – agriculture, equine industry, country music, lifestyle.

Central West and beyond

Dubbo should have a higher level of national recognition - 40,000 population, excellent civic infrastructure, upside as a transport hub and a service centre to western NSW. Hub angles are food processing, agricultural equipment & services, environmental management, light engineering, transport and logistics.

Bathust-Orange is also a key node, with potential as a real alternative to Sydney for industrial investments. Two airports. Hub angles are similar to Dubbo, but with a stronger focus on meat processing.

Broken Hill – population of a little over 20,000, and experiencing a renaissance due to the mining boom. Good airport, strong social capital and a strategically important regional city.

South

Goulburn is a solid city of 27,000 citizens. Its hub angles are warehousing and logistics, via its road-rail intersections and location between Sydney and Canberra. The infamous Goulburn Jail is a major employer, and federal/state support for its water problems has lifted its regional profile.

Queanbeyan – population of 36,000, and a raffish charm as it sheds its struggle town image. Closer to Canberra's CBD than many of Canberra's suburbs - easier planning approvals and cheaper industrial land than its big brother. A $300 million Defence Headquarters Joint Operations Command is nearing completion at Bungendore. Hub angles are defence, logistics and associated spin-offs.

Wagga - a strong and confident city (60,000 population) and the heart of the Riverina food bowl. Airport and RAAF base, plus RAAF college underway. Excellent civic infrastructure. Hub angles are defence, engineering, transport & logistics, food value-adding.

Albury-Wodonga – combined population of 100,000, and now has a state agreement to leverage its cross-border status. Good airport (4th busiest in NSW) - successful example of decentralisation. Hub angles - water/environment, metal fabs, defence equipment & services, transport & logistics, food, paper products.

Primary hubs create spinoffs and synergies for secondary hubs. For example, if Tamworth is strong, there is a knock on effect for Gunnedah and Narrabri. We estimate NSW might have around 50 secondary hubs, and they can be jointly marketed with the primary hubs.

Victoria

Geelong - deep sea port, gateway to the south-west, very good infrastructure, lifestyle attributes and critical mass (200,000 population). Hub angles - automotive, textiles; logistics.

Ballarat - classy city with some distinctive civic assets. 90,000 population. Hub angles - ICT including video games; education; food processing; historical tourism.

Bendigo - a serious centre of manufacturing. 100,000 population. Hub angles - textiles & clothing; food processing; building products & furniture; heavy engineering.

Wodonga - covered last month as part of the Albury-Wodonga hub, but not forgetting the new, sizeable industrial park on its outskirts.

Shepparton - nice city with sunny winter days. Population nudging 65,000 and 2% growth. Hub angles - fruit & vegetables, transport; water equipment & technology.

Latrobe Valley – an under-appreciated string of cities. Declare Traralgon as the regional centre! Hub angles - proximity to surf, snow, water, forests; cheap energy (if prices reflected true costs); engineering capability; dairying; forest products.

Victoria also has strong second tier cities (e.g. Wangaratta, Mildura, Horsham, Warrnambool, Portland) and bigger towns with good infrastructure (e.g. Swan Hill, Maryborough, Echuca, Warragul-Drouin, Bairnsdale).

Queensland

Cairns - where the competitive advantage lies in co-location of tropical reef and rainforests; international airport; proximity to Asia and the Pacific Islands. Hub angles - sustainable tourism; tropical health & medicine; aviation (including Outback); marine industries; international aid.

Townsville - access to Barrier Reef; Defence bases; Mt. Isa connection; international airport. Hub angles - minerals processing; defence technology; tropical health & medicine; aviation.

Mackay - proximity to coal and mineral resources; access to Barrier Reef. Hub angles - minerals processing; mining technology; export of containerised food and agricultural product.

Gladstone - minerals processing & energy facilities; port infrastructure; civic buildings. Hub angles - as for Mackay, but with additional energy aspect.

Sunshine Coast - natural beauty; environmental icons; educated, well-heeled population; lifestyle image. Hub angles - education; environmental management; creative industries; smart Internet-based companies; new age technology (food, construction etc.)

Toowoomba - service centre for Darling Downs; climate; rural lifestyle. Hub angles - food processing; agricultural and water equipment & services; environmental management; light engineering.

Logan Corridor - access to airport & port; manufacturing capability. Hub angles - light engineering; food processing; logistics.

Rockhampton - one of Queensland's fastest growing centres. Tourism is one of the biggest economic drivers for the Capricorn Coast and Rockhampton International Airport has 600,000 people movements per year.

Mt Isa – mining exploration is strong. Has a Northern Economic triangle strategy identifying priority infrastructure requirements.

South Australia

Barossa Valley – processing centre for wine industry. Includes Roseworthy research centre and Waite Institute spin-offs. World-class food, tourism and lifestyle. Gawler and Adelaide Hills provide the bookends.

Fleurieu Peninsula – fast growing region, adjacent to southern Adelaide. Tourism, food & wine, aged care. Includes Murray Bridge, an increasingly attractive home for agricultural equipment and transport services.

Upper Spencer Gulf – has a lease of life by virtue of the mining boom and Roxby Downs. Four nodes: Port Pirie - lead, zinc, silver and services; southern Flinders Ranges - tourism, arts. Whyalla - steel & rolled products, heavy engineering maintenance, iron ore, chemicals (Santos, OneSteel). Port Augusta – transport, mining services, retail centre. Downer EDI and Transfield.

Eyre Peninsula – Port Lincoln is a nationally significant aquaculture hub (tuna, oysters, kingfish). Region is also a substantial grain producer. Adventure tourism.

South East – relatively self-contained region with strong linkages to Victoria – runs from Mount Gambier to the Coonawarra and Limestone Coast. Competitive advantages lie in timber, pulp, horticulture and wine.

SA Riverland – previously covered under 'Victoria's investment hubs'.

Tasmania

Launceston – nice counterweight to Hobart, population of 100,000. Hub angles - seriously good food and wine; air freight logistics; timber & wood products; education (env. management, marine).

Georgetown/Bell Bay – industrial precinct between Devonport and Launceston. Hub angles - heavy engineering; mineral & metals; timber & paper; logistics.

Devonport – good civic infrastructure. Population of 25,000. Hub angles – niche manufacturing; transport & logistics; building & construction; horticulture & food processing, aged care.

Burnie – track record in manufacturing. Soon to have feds' new manufacturing centre. Population of 20,000. Hub angles - dairy; paper products; adventure industries; wind energy.

Attachment 2 – 'Regional Partnerships Program – the smoking gun'

(Good Oil column, 'Local Government Focus' newspaper - December 2007)

By Rod Brown*

The release of the Auditor-General's highly critical evaluation of the Regional Partnership Program (RPP) one week before the election did great damage to the Coalition. It concluded that the program was not meeting an "acceptable level of public administration". The then Rudd Opposition said it was sheer pork barrelling because most of the grants went to government held seats. Then the fun began. Minister Vaile questioned the ethics of the Auditor-General for releasing the report during the caretaker period, and threatened retribution. The media had a field day, but didn't delve deeply enough.

The real issue is the Federal Government's role in regional development policy. Does it back off, or improve the delivery of economic and social programs to regional Australia?

New Prime Minister, Kevin Rudd, has signalled the latter. I'd therefore like to provide a quick walk through the recent history of regional programs, to help us map out some future scenarios.

Growth Centres Program (Whitlam/Uren era)

This was the Whitlam Government's foray into regional development. Tom Uren was the responsible Minister, and he set out to boost the development of regional cities by focusing on infrastructure and investment attraction. Places like Albury-Wodonga, Bathurst-Orange and Monarto (Murraylands, South Australia) were in the spotlight. Town planners came from everywhere to be part of this bold experiment, but planning was akin to Communism, and the flakiness of the Monarto concept was the death knell.

With the demise of the Whitlam Government, the incoming Liberal/Country Party took the view that regional development and Local Government was the province of State Governments, and things went very quiet.

The Regional Development Program (Keating/Howe)

This program begat the Regional Development Program (RDP). It drew no major criticism, at least in respect of maladministration. We are talking 1992–93. Its birth was a rocky one. It had to overcome concerns within the dry parts of the bureaucracy that the Federal Government had no role in the regions, and would raise undue expectations in the bush. But Brian Howe was Deputy Prime Minister and wanted a regional program to balance his recently won Better Cities Program ($500 million) within his new Department of Housing and Regional Development (DHARD).

The Kelty Report added further impetus, as did backbench support from MPs in regional seats – Barry Cunningham (Macmillan) and Gavan O'Connor (Corio) spring to mind. The problem was that the DHARD bureaucrats had to formulate a program that wouldn't bring back the ghost of Monarto.

Enter Alan Evans, who had been chief of staff to Treasurer Dawkins and is now the NRMA President. He had an innate feel of how to structure a watertight program.

Steve Garlick, my fellow branch head, had a great knowledge of regional strategies and Local Government. Murray Geddes, with an absolute encyclopedic knowledge of regional Australia, was also in the frame.

To cut a long story short, we devised a program whereby a ‘regional development strategy’ had to be signed off by a regional economic development organisation (REDO) in each of 45 regions. Every initiative for Federal support had to be consistent with the strategy and signed off by the REDO.

We approached the troika (Treasury, Finance, Prime Minister’s Department) with this idea, and asked for $500 million on the basis that the Better Cities Program had received this amount. I was basically told to get lost. My Departmental Head, Andrew Podger, then handed out some Bex tablets to his counterparts in the troika.

Anyway, we finished up with $150 million – we figured this was better than nothing, and we introduced the idea of cocktail funding to leverage funds from other parties. Cocktails are now, and will continue to be, a common feature of Federal regional programs. Local Government please note that you are expected to put something on the table.

The salient point about this era was that, to the best of my knowledge, Deputy PM Howe never once rejected a recommendation of the Department. His minder, Kay Meadows (later Mayor of Yarra Yarra) had a facilitative role, but there was no heavying of DHARD bureaucrats, except calls to hurry up.

The Howard years

When the Howard Government assumed power in 1996, the Regional Development Program (RDP) was killed off. This was a bolt of lightning to us, as well as the new Minister, John Sharpe. We were stitched up by the Department of Finance, which was looking for savings to fund election promises. It seized on a view that the RDP had been duplicating State expenditure. This was nonsense, but a certain South Australian Government official had been garnering support from other States and handing out the guns.

The Regional Partnerships Program (Sharpe/Anderson/Vaile)

For the next five to six years we had a grab bag of small programs – Regional Solutions, Sustainable Regions, Dairy RAP and so forth. The Regional Partnerships Program (RPP) replaced these in 2003, with some new funding and some of the leftovers. It came with around $75 million per year. Its aims were fine – funding community infrastructure projects, helping communities with adjustment difficulties, improving access to services and supporting planning exercises. However there were three problems.

First, the funding was a pittance in terms of the needs of regional Australia. Federal spending cutbacks were opening up deep schisms around this time. Secondly, the criteria were too open ended, and thirdly, the Area Consultative Committees were losing interest and getting cranky at the delays in funding decisions and lack of interest from senior Ministers.

Senate report

Things then began to smell – funds to dredge Tumby Creek, funds for the Atherton Hotel (with overtones of bikini babes), funds for cheese factories in direct competition with others. So the Senate Inquiry was launched. I actually made a submission to it, pointing out its lack of strategic focus.

Anyway, the Senators concluded that the program should continue, with more checks and balances. The Senate Committee did, however, observe that it was “deeply concerned by the intervention by Ministerial offices in the Department’s assessment processes”.

Then the Auditor-General came in and blew the RPP out of the water.

The lessons?

- there is an undoubted need for governments to fund strategically significant regional projects, especially where there are clear community benefits. The RPP was underfunded
- politicians of all persuasions cannot help themselves. Once you waver from the Department’s advice, you are a sitting duck
- the only solution is to remove Ministers and their staffs from the process. It’s simply not worth the slurs and innuendo. Brian Howe understood that.

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