



# CESSNOCK CITY COUNCIL SUBMISSION

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In response to  
Select Committee on Regional Development  
and Decentralisation

Inquiry on

***"Regional Development and Decentralisation"***

September 2017

# Introduction

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The Cessnock City Council (CCC) welcomes the opportunity to provide a submission in response to the Select Committee Inquiry – “*Regional Development and Decentralisation*”.

In recognition of the importance of this Inquiry in setting clear direction to support a sustainable future for regional areas, the CCC provides the following submission for your consideration.

## **OVERVIEW – THE HUNTER REGION NSW**

The Hunter Region is Australia’s largest regional economy, with an economic output of over \$99.157 billion pa<sup>1</sup>. The ABS 2016 Census estimates the population for Hunter Region at 707,666 people, up 6.1 percent from 2011. The region is situated on Australia’s main east coast transport corridor. It has sophisticated infrastructure, international gateways including an airport and the third largest deep see port in Australia. Comprising of 11 local government areas, divided into the Upper Hunter and Lower Hunter sub-regions, the Hunter is the fastest growing region in NSW outside of the Sydney Metropolitan area.

## **CESSNOCK CITY COUNCIL LGA**

Cessnock Local Government Area (LGA) covering an area of approximately 1,950 square kilometres sits within the heart of the Hunter Region and is home to Hunter Valley Wine Country. Cessnock LGA is in the Lower Hunter along with Newcastle, Maitland, Port Stephens and Lake Macquarie LGAs. Together these LGAs comprise the greater urban area of Newcastle with this area having the potential to accommodate more than 160,000 more people within the next 25 years.

Cessnock LGA is located 153 kilometres north of Sydney, 50 kilometres west of Newcastle and 27 kilometres south west of Maitland. Cessnock LGA is highly accessible by road from Sydney, Newcastle and the New England area. The LGA is within 35 minutes of the Port of Newcastle and 50 minutes of Newcastle Airport. The LGA has rail connections to both the Port of Newcastle and to Sydney.

From 2011 to 2016 the usual resident population of Cessnock increased by 8.5% from 50,840 people to 55,567 people. Based on the 2016 Census, there were 22,525 households in the region. Cessnock’s population is on the rise and the LGA ranked with the 16<sup>th</sup> highest rate of growth in NSW between 2006 and 2016, following our neighbouring Hunter population centre of Maitland with 24.9% and ranked 8<sup>th</sup> in NSW<sup>2</sup>. ABS data shows that Cessnock LGA experienced 19.7% growth in population

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<sup>1</sup> ABS 2013 / 2014 National Input Output Tables, ABS June 2016 Gross State Product (REMPAN)

<sup>2</sup> Regional Population Growth, Australia, 2016 (ABS cat. no. 3218.0)

over the ten years, NSW only experienced 15.0%, and Australia 18%. Cessnock LGA's growth between 2006-2016 was at a higher rate than Greater Sydney with 18.2% and the rest of NSW 9.0%.

The Hunter Regional Plan (2016) establishes the NSW Government's vision for the region, and identified the potential for 6,350 additional dwellings for Cessnock LGA by 2036. The plan also projects an additional 13,150 people and a need for 6,592 additional jobs. The Hunter Regional Plan advocates for the strategic locations of both Cessnock and Kurri Kurri as regionally significant centres and employment land clusters.

#### **SNAPSHOT OF CESSNOCK LOCAL GOVERNMENT AREA**

- As at December 2016, the Gross Value of Product for Cessnock LGA was \$2.489 Billion. Whilst Rental, Hiring and Real Estate had 18.9% of the Value Add, the Manufacturing sector also represented a high 13.6% of the total Value Add. This was followed by Mining with 10.0% of the Value add and Construction 9.2%. When modelled individually the Tourism sector ranked 5<sup>th</sup> on the Value Add with 8.9% contribution that includes over 150 wineries and cellar doors supporting 2,811 jobs.
- As at December 2016, the total output of gross revenue to the region's economy was \$5.828 Billion. Manufacturing was the most important sector, contributing 31.5%, Construction 11.9%, Rental Hiring and Real Estate Services 10.9%, and Mining 10.3%. Accommodation and Food Services attributed 6.7%, and when modelled individually the Tourism Sector represented 8.5% of the gross revenue in the Cessnock LGA.

#### **ECONOMY**

Cessnock's Gross Regional Product shrunk by 6.8 % during the period between July 2014 (\$2,475.714) and August 2015 and only recovered in December 2016 having stabilized back to \$2,489.511 million. REMPLAN data reveals during this period, Mining continued to retract across all key economic indicators in the LGA including output, wages and salaries, local sales and regional exports. Notably, the LGA's total value added for mining decreased by 48.66% % between July 2014 and December 2016 - \$211.36M in dollar terms. The Mining sector contributes \$525.081 million (21.3%) of total regional exports in December 2016, a notable drop of 35.1% and a staggering \$284.505 million.

Key propulsive sectors are sectors amongst the top contributors to the economic activity in relation to backward linkages, exports, employment and value-added and those to which can provide greatest opportunities to optimize the local economy. Somewhat counterintuitively, and disturbingly, REMPLAN's analysis of the Cessnock LGA economy provides that the Mining sector's position as a significant key propulsive sector has increased between July 2014 and December 2016, rising from fifth to second position. With a declining Mining sector moving into a top

position, it all the more imperative that Cessnock take critical action to future-proof its economy by supporting projects such as this which develop an attractive and diverse environment for growth and investment.

Below are the top five key propulsive sectors in the Cessnock LGA, as at December 2016:

1. Construction
2. Manufacturing
3. Mining
4. Accommodation & Food Services
5. Health Care and Social Assistance

#### **EMPLOYMENT DATA – ABS LABOUR FORCE SURVEYS**

In the March 2017 quarter, the unemployment rate in Cessnock City was at 6.6%.

In the July 2017 quarter unemployment rates are: 4.2% for the Hunter Region (excluding Newcastle); 5.0% for New South Wales, and; 5.6% nationally.

Cessnock City unemployment rate remains higher than both New South Wales and national unemployment rates, as it has for a number of years.

Cessnock LGA's top five employing industries are, as at December 2016:

1. Accommodation & Food Services (14.5%)
2. Retail trade (13.9%)
3. Manufacturing (12.8%)
4. Health Care & Social Assistance (11.2%)
5. Education & Training (8.8%)

Cessnock LGA's top five wages & salaries paying industries are, as at December 2016:

1. Manufacturing (16.4%)
2. Health Care & Social Assistance (11.5%)
3. Education & Training (10%)
4. Construction (9.4%)
5. Retail Trade (8.4%)

The mining downturn has hit the Hunter region hard with more than 2,500 Hunter miners losing their jobs in the past two years. Cessnock LGA's unemployment rate spiked significantly since June 2012, rising more than 10% to 14.4% as at September 2015.

This high unemployment rate can be explained in part by successive mine closures and the loss of some high employing companies such as Hydro Aluminium, and the continuing operations of the Abel mine located in Beresfield remaining tenuous.

Table 1: Direct coal mining employment figures – Upper and Lower Hunter<sup>3</sup>

	Hunter	Newcastle	NSW
30-Jun-12	13,553	2,993	24,989
31-Dec-12	12,416	2,700	22,982
31-Dec-13	11,991	2,472	21,952
31-Dec-14	10,598	2,060	19,604
31-Dec 15	10,522	1,648	19,303
31-Dec 16	10,691	1,362	18,957

### YOUTH UNEMPLOYMENT

Youth unemployment is also a major issue nationally and locally. For the Hunter Region, outside of Newcastle, youth unemployment in 2015 had risen to 21.8% and was the highest in NSW, according to figures released by the Australia Bureau of Statistics. It has now been smoothed by other factors including seasonality and increasing under-employment (unmeasurable) causing what appears to be an under calculation of 10.7%.

### UNDEREMPLOYMENT

Unemployment data is distorting the view on an under-employment crisis. Unemployment rates tend to be connected to cyclic industrial booms and contractions within the economy and under-employment reflects more part-time jobs in the workforce. The classification for unemployment is not working more than one hour per week, actively looking for work in the previous 4 weeks and be available to start work; hence it may not be capturing the full breadth of under-employed individuals.

Many Australians who participate in the workforce on a casual or part time basis may be under-employed. Whilst under-employed individuals cannot be counted towards the official unemployment rate, under-employed persons may be unable to get a permanent or full time job, or get the numbers of hours they need or want. According to new ABS figures the under-employment rate had risen from 176,000 in the late 1970s to 1.1 million. Sydney University's Professor John Buchanan says Australia has one of the highest levels of part-time work anywhere in the Organisation for Economic Co-operation and Development (OECD) forum of 35 countries.

### EDUCATION AND QUALIFICATIONS

Cessnock LGA is experiencing dynamic change within education and employment population variables. There has been an increase in the number of residents with types of qualifications and employment consistent with the needs of government administration. This trend is set to continue for the 2016 Census (to be released).

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<sup>3</sup> Data provided by Coal Services

Between the 2006 and 2011 census, Cessnock LGA experienced a growth across the following:

1. Education and Qualifications
  - 36.29% increase in persons with a Bachelor or higher degree
  - 27.87% increase in persons with an Advanced Diploma or Diploma
2. Residents employed by ANZSIC division
  - 13.83% increase in persons employed in Public Administration and Safety jobs.
  - 18.62% increase in persons employed in Professional, Scientific and Technical services.
  - 40.28% increase in persons employed in Administration and Support Services jobs.
3. Residents employed by type of job
  - 19.33% increase in number of Professionals.
  - 22.41% increase in number of Clerical and Administration workers.
  - 19.90% increase in the number of Community and Personal Service workers.

#### **CESSNOCK ECONOMIC SPATIALITY**

Cessnock LGA has a long history of coal mining, manufacturing, construction, agriculture (e.g. grazing, poultry), viticulture and related tourism activities, all of which are still its primary employment sectors. Cessnock town centre is the administrative, retail and service centre for the LGA with Kurri Kurri town centre being an important secondary retail node and the industrial heart of the LGA.

#### **TOURISM**

The Hunter Tourism Region attracts approximately 2.3 million visitors per year, of which 1.4 million visit the Hunter Valley Wine Country.<sup>4</sup> Wine Country is one of the highest profile wine destinations in Australia, with Pokolbin being the focal point for wine tourism within the Region. The area is also known for high profile entertainment, concerts and events with a range of attractions and activities that bring non wine visitors into the area.

#### **MINING SECTOR**

At 2011 Census, 2,126 (10.4%) of the 20,355 employed people living in Cessnock LGA were employed in the Mining sector. Of these, 51.1% travelled to Singleton LGA, 10.4% worked in mines within the Cessnock LGA, 9.1% travelled to Muswellbrook, 6.6% Lake Macquarie and 3.0% to Maitland.

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<sup>4</sup> Wine Country area is made up of Cessnock LGA and approximately 15% of Singleton LGA)

## **DISENGAGED YOUTH**

Cessnock City has a high proportion of disengaged youth with 14.4% total persons aged 15 to 24 years disengaged from work and study. According to the SEIFA indexes, the figures are higher where socio economic status is lowest.

Cessnock City Council is currently developing a model that will not only mitigate youth unemployment in the region, but potentially across Australia. The project follows the Hunter Valley Youth Unemployment Symposium delivered by Cessnock City Council in November 2015. The pilot program involves the NSW Government's Department of Industry's Training Services NSW and Office of Regional Development working in partnership with Cessnock City Council and Yancoal to support young people to be 'job ready'.

The volunteer trainees are provided training and support to assist them in securing paid work at the end of 10 weeks. The program includes intensive skilling and exposure to the expectations of a real workplace. The program is designed so it could be rolled out to every Council across Australia to provide opportunities for unemployed young people to engage in meaningful work.

## **BUSINESS CAPABILITY STUDY**

In 2014/15 Cessnock City Council undertook a Business Capability Study (BCS) to determine the capacity of businesses currently operating within the Cessnock local government area.

With a paucity of business data available, the need to nurture the local government area's current businesses and commence a process to attract appropriate investment into the region; an up to date, accurate and comprehensive profile of businesses was required.

The total number of businesses identified in the survey was 2,517, a response rate of 90.4%, with 2,340 responding and 177 businesses not responding.

Of the 2,340 businesses surveyed, Retail Trade was the largest ANZSIC category of business with 18.20% (426), followed by Accommodation and Food Services with 16.32% (382) and Other Services with 16.11% (377). The fourth largest category was Construction with 10.34% (242), then Manufacturing with 5.43% (127) followed by Administrative and Support Services 4.53% (106) of businesses.

Of the 2,340 businesses surveyed, there were:

1,510 (64.53%)	Micro business	(5 or less employees)
415 (17.74%)	Small business	(6 to 20 employees)
107 (4.57%)	Medium business	(21 to 100 employees)
16 (0.68%)	Large business	(greater than 100 employees)
292 (12.48%)	Did not respond.	

### **SKILLS SHORTAGES IDENTIFIED IN THE CESSNOCK CITY COUNCIL BUSINESS CAPABILITY STUDY**

353 (15.1%) of business responded yes to having skills shortages within their business.

The greatest skills shortages were in Soft Skills with 113 (32.01%). This was followed by Qualified Workers (66), Technical Experience (58), General Tradespeople (27), Chefs (14), IT (11), Mechanics (8). Further shortages included Teachers, Nurses, Drivers, Construction Trades and casual staff.

### **EXPORTERS IDENTIFIED IN THE CESSNOCK CITY COUNCIL BUSINESS CAPABILITY STUDY**

The survey identified 65 (2.97%) exporters. Of those 35 are in the wine industry exporting to over 36 countries. Other exporters are in the Arts and Creative industries, Traditional manufacturing, Tourism, Business Advice Services, Health, Agriculture and a dog breeder. All exporters identified are providing products and services to multiple countries.

### **TIME SERIES – A LOCAL SNAPSHOT**

A time series analysis of Cessnock LGA's economy via the Cessnock Business Capability Study (2014) and the Gap Analysis (2016) has shown a growth rate for new business entries of 22.78% between 2014-2016. The top five business sectors have changed between 2014 and 2016.

Of the 2287 businesses surveyed in Cessnock LGA in 2014, the top 5 largest ANZSIC divisions by number of business were:

1. Retail Trade – 18.28% (418 businesses)
2. Accommodation and Food Services - 16.70% (382 businesses)
3. Other Services - 16.31% (373 businesses)
4. Construction – 9.93% (227 businesses)
5. Manufacturing - 5.38% (123 businesses)

Between 2014-2016, some sectors have expanded in the numbers of businesses, and others have contracted.

The top 5 notable increases in business numbers were:

1. Arts and Recreation Services grew by 67.78% (+61 businesses)
2. Health Care and Social Assistance grew by 39.29% (+33 businesses)
3. Education and Training grew by 36.00% (+27 businesses)
4. Other services grew by 17.16% (+64 businesses)
5. Accommodation and Food Services grew by 15.18% (+58 businesses)

The growth in numbers of businesses across Arts and Recreation, Other Services, Accommodation and Food Services and even Retail could be attributed to a rise in the importance of the visitor economy in the Cessnock LGA greater economy. These sectors attract and support the visitor economy through associated activities in arts and cultural activities, support services such as celebrants and hairdressers, and enhanced demand on general accommodation, restaurants, and associated retail.



A growing population such as in Cessnock LGA would catalyse an increase in demand and justify more services in Health Care and Social Assistance and Education and Training.

#### **SOCIO ECONOMIC ISSUES AFFECTING CESSNOCK LGA**

- 39.7% of Cessnock's population earns less than the minimum weekly wage (NSW 36.1%)
- Cessnock has 2,100 jobless families equating to nearly 1% (0.82%) of Australia's jobless families;
- HSC completion rate is 38% (national rate is 69%);
- Poor health indicators
- 25% of working age population on benefits;
- Unemployment at 6.6% (March 2017).

Education levels in Cessnock LGA have traditionally been lower than the State average, in 2016, 27.7% of people aged 15+ years in Cessnock City left school with only Year 10 or equivalent qualifications, compared with 17.3% in NSW. The total number of people with Year 12 or equivalent School Completion in 2016 was 12,159, or 21.9% of the total (41.9% for NSW).

At 2011, Cessnock LGA has the lowest rates of persons aged 25-34 who have attained a Bachelor Degree or Higher across the Hunter Region. Between 2006-2011 there had been a 10.6% increase in people with tertiary qualifications in Cessnock LGA.

Of the 153 LGAs in NSW, Cessnock LGA rates:

- 2nd lowest in the Index of Education and Occupation (relates to level of qualification achieved, further education being undertaken/achieved and employment skill levels).
- 33rd lowest in the Index of Relative Socio-economic Disadvantage (relates to low income, low educational attainment, unemployment, unskilled jobs, low levels of English proficiency, single parent families, rents, etc.).
- 28th lowest in the Index of Relative Socio-economic Advantage and Disadvantage (relates to economic and social conditions of people and households - income, home and car ownership, educational levels, skilled employment, type of work, rent payments, etc.)
- 71st lowest in the Index of Economic Resources (relates to financial aspects of relative socio-economic advantage and disadvantage - home ownership and household income).

## **MINING LEGACY**

It is well documented that mine closures are often devastating for local communities with high levels of long term unemployment, poverty, social exclusion and a decline in community resources. This is especially so in remote or regional areas where mines are the mono-industry. Owing to the high level of dependency on the mine there may be a lack of both entrepreneurial tradition and experience in a mining town. Further, due to the relative prosperity of mining towns and the support provided by the mine, local government might be less pro-active in community development than when mines are not present. This is further exacerbated that when mines close, those community members who are most able to mobilise community action and support local development, are those that are most likely to leave the town as the mines close.

Whilst previous mining leases were issued by state government subject to conditions that companies support the financing of local community infrastructure, there was little, if any, support for future social or economic outcomes that would ensure the long term economic and social resilience of LGA's.

With over 100 years of mining in the Cessnock LGA, there is a recognition that with this extensive period of resource extraction has come a substantial legacy. As a result, the legacy of the post mining booms are the long term impacts that have curtailed the economic prosperity of the Cessnock LGA, impacted the ability of the Council to cope with infrastructure requirements, as well as instigated long term negative social impacts.

# Terms of Reference

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**a. Best practice approaches to regional development, considering Australian and international examples:**

In determining what is best practice for regional growth and development it is primary to define the term “region” and the interrelationships between regions (and what is included in the regions) and metropolitan areas of Australia. There is generally no consistent label, even amongst governments of defining what is classified as “regional”, “rural” or “remote.” This is because regions and their distributive resources, connectivity, access, infrastructure and population densities all differ across Australia.

The Australian Standard Geographic Classification - Remoteness Areas (ASGC-RA) is a geographic classification system that was developed in 2001 by the Australian Bureau of Statistics (ABS), as a statistical geography structure which allows quantitative comparisons between 'city' and 'country' Australia. The use of ASGC-RA replaced the earlier Rural, Remote and Metropolitan Areas (RRMA) and Accessibility/Remoteness Index of Australia (ARIA) classification systems.

An example of the inconsistencies of what is considered “regional” and distributive injustices of government services is in the accessibility remoteness index of Australia (ARIA) which cites our townships of Weston - Kurri Kurri as “Major Cities of Australia”. Under this system Kurri Kurri townships were omitted from receiving opportunities in accessing critical additional health services, despite still only having maximum populations of under 12,000 people. Neighbouring major regional centre Cessnock was classified as “Inner Regional”.

Generally, regional areas may lack entrepreneurial investment in critical infrastructure taken for granted in major capitals. Unless regions have incurred opportunities to leverage private investment, retain and sustain industries that remain productive, or are able to capture resilience through diversification of economy; many have experienced decline. Cessnock City is one which faces major social and economic devastation under post-mining, post-smelter, post-manufacturing legacies combined with a lack of investment in critical infrastructure to support diversification and sustain industries into the future.

### ***Opportunities created and lost through having regional jobs***

Other regional areas have capitalised on their isolation, become early adopters of decentralised services and embraced their isolation in geography to become prime locations for Universities, and government entities. A key NSW example is Bathurst, which has continuously evolved with the sustained enhanced job opportunities for professionals within its various government offices, the intellectual assets provided by the university and the cultural capital in both motor sport and beautiful heritage amongst its attractions. Whilst the goldfield history has left, Bathurst has managed to retain its quality of life, cohesive sense of community and connectedness to the rest of Australia. Cessnock has greater potential to deliver on population growth than Bathurst, and has not only a higher population, but also a higher population change between 2006-2016 (19.7% vs. 14.8%).

In comparison, Cessnock's heritage was built during an era of mining prosperity, most of which has crumbled in the many years since – resulting in urban decay and lack of critical investment in beautification projects. Council's modelling shows Cessnock LGA and the greater Hunter Region remains intertwined with the mining sector's fortunes; when mining is down, so are the economic prosperity, growth and employment opportunities for the region. Unfortunately, the gentrification of Cessnock's townships has been much slower, and only much recently occurring at a faster rate as a result of population growth and tourism industry demand.

In Cessnock LGA, major industries grew after mining declined, creating new transferrable jobs such as at the aluminium smelter at Kurri Kurri. The smelter closed in the previous 5 years due to rising energy costs which supported 500 workers directly employed. The Federal and Victorian Governments recently announced a \$230 million bailout for Alcoa in the Victorian shire of Glenelg which supports 600 jobs<sup>5</sup>. What has been overlooked is that the decision supports direct jobs but also a multitude of flow on jobs that are a result of industrial and consumption effects from all those workers. Unfortunately for Kurri Kurri, the kick on effect has resulted in visible hardships on the township and the opportunity now exists to enhance urbanisation as a lifestyle centre as a result of its unique proximity of the Hunter Expressway to the town.

### ***Technology and innovation***

Recently the Western Australian government pledged \$16.7 million to support emerging technology startups<sup>6</sup>. Of that amount, \$4.5 million will be allocated to “drive innovation in the regions”, the Treasurer said in his budget speech in Parliament. They also are spending \$19 million on primary school STEM and coding programs in order to prepare the next generation for the jobs of the future.

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<sup>5</sup> <http://blog.id.com.au/2017/economic-analysis/how-much-is-an-aluminium-worker-worth/>

<sup>6</sup> <https://www.smartcompany.com.au/startupsmart/news-analysis/wa-government-commits-16-7-million-support-emerging-tech-startups/>

Driving growth in this regional sector could provide an important boost for the Western Australian economy. This is particularly important considering the state's dependence on the resource sector. Unfortunately, the investment occurring is a significant amount, only assumedly made as a consequence of the utility available to the Western Australian Government as a result of mining provisions. This investment will no doubt push WA ahead of the rest of Australia, and not just in the regions, in terms of technology based economic drivers. It also demonstrates the equity injustices experienced across Australia, and hardest felt in the regions that could most use the investment and diversification.

Strategies for business investment attraction, liveability and economic development  
As a regional centre, Toowoomba has invested in infrastructure and fostered an entrepreneurial business culture and is successfully luring Brisbane's professionals out of the city<sup>7</sup>. Toowoomba has re-energised its local economy by positioning itself as a self-reliant regional centre, with improved global access through its freight based airport, boosting productivity, multiplying benefits of other infrastructure, growing the visitor economy, and attracting new businesses and working professionals.

In doing so, Toowoomba also increased its population. Toowoomba is now recognised as a lifestyle capital, with the region being ranked the fourth most family friendly city in Australia. Not only realising economic and population growth, it continues to leverage the unique advantages of its population by continuing to attract a highly skilled workforce. Between 2006 and 2011, 36% of working residents who moved to Toowoomba from Brisbane were professionals.

Toowoomba and Cessnock share the same liveability factors, whilst Cessnock has a regional airport; Toowoomba's regional airport has now had international airport service growth and excellent accessibility. Both regions are located proximally to a major capital, and offer affordability with median house prices below average (yet appreciating every year). The new residents attracted to Toowoomba though, have higher incomes and expendable resources, and this creates greater demands for investment in order to provide the residents with their expected demand for goods and services. Toowoomba have received a \$500 million Grand Central redevelopment, which will provide residents with 160 retailers. Leveraging investment from private sector has enabled Toowoomba to continue to achieve growth, continued enhanced quality of life and self-sustainability as a regional centre.

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<sup>7</sup> <http://blog.id.com.au/2017/economic-analysis/toowoomba-taking-off/>

Cessnock City Council's economic development unit has undergone an extensive process of change in order to realise better economic development outcomes. Advance Cessnock City is the partnership formed of the Cessnock LGA Council and the local Chambers of Commerce and business associations. Advance Cessnock City looks to establishing foundations for solid economic development, understand the economic base, and communicate effectively with businesses, governments and institutions. To develop and implement business retention, growth and investment programs, this partnership is there to create an environment conducive to good business. In order to nurture the area's current businesses and commence a process to attract appropriate investment into the Hunter region; an up to date, accurate and comprehensive profile of businesses was required. Stemming from the paucity of business data available, Cessnock City Council undertook a Business Capability Study. The results have helped the Council and the partnership to better understand the capacity of their local industries. It has also enabled council to effectively engage its business community and achieve greater participation in economic development programs.

The advantage of the unique capacity of economic development in Cessnock has been tested with the 2015 flood event which affected much of the Hunter Region. Cessnock City Council was able to survey 38% of their total business community about the flood. 76% of respondents reported their business had been impacted by the storm which is estimated to result in a \$39 million damage bill to businesses across the city. This was replicated inter-regionally when invited to perform the same for the neighbouring council Dungog. The partnership has legitimised Council is supportive of business and a trustworthy advocate for their needs.

Unfortunately, resources in local councils are inconsistent, constrained, and implementing these strategies is impeded as a result.

- Example, neighbouring council Maitland has twice the number of Economic Development staff, and a levy on businesses generating critical economic development funding.
- Cessnock Airport despite potentially being the Hunter Region's second airport is ineligible to receive dedicated airport funding.
- Major tracts of potential declared industrial and commercial lands at Hunter Economic Zone in Cessnock are so impeded by planning and environmental constraints the land should be declared National Park.
- Council has new housing estates where Hunter Water refuses to provide a sewer service.
- Attracting business and becoming a hub for lifestyle and liveability has assumed functionality attached; Cessnock would require adequate services to be in place such as basic high speed internet.

**b. Decentralisation of Commonwealth entities or functions, as a mechanism to increase growth and prosperity in regional areas, considering Australian and international examples:**

The Cessnock City Council is fully supportive, and advocates strongly for “decentralisation” of government entities or functions to regional areas.

A holistic approach to the country’s national growth overall helps to build a fairer society in which no region’s citizens are left behind. This means that improved governance and service delivery are indeed equitable for all.

However, the Council expresses the opinion that when assessing the characteristics of potential Commonwealth entities and functions for relocation to regional areas, the assessment should be based on:

- The capacity of relocation to improve service outcomes for all Australians.
- The capacity of the entity to continue performing its role before, during and after the relocation.
- The capacity of the relocation to effect regional development in the host community, due to the synergistic and complementary resources of the host community with the potential Commonwealth entity or function.
- The ability of the host community to provide suitable infrastructure and communication connectivity based on critical support for this from the Commonwealth in terms of all types of infrastructure including, communication connectivity, power and public transport.
- The capacity of the host community to provide trained and experienced workers.

The analysis of operating costs demonstrates that it is possible to achieve substantial cost savings in decentralising public sector departments to regional areas.<sup>8</sup> The impact of inflationary pressures on capital cities on labour and property costs, combined with developments in information and communication technology and improvements in physical travel, have enhanced the economics of regional areas.

However, if the primary objective for relocation is for regional development, secondary benefits must be taken into consideration. Locations in regional areas can therefore also be measured on a wider economic basis. Unlike the private sector, the public sector is charged with considering questions of equity, broader national resource costs and wider benefits to the public.

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<sup>8</sup> Cost benefit and risk analysis of the potential relocation of the APVMA – Ernst & Young, 1 August 2016



Such issues are sometimes more difficult to measure and frequently ignored altogether in favour of more obviously measurable operating costs.

The Council believes that if the calculation of the costs and benefits of decentralisation were based on such analysis, then a regional location would look more attractive.

In addition to cost reductions in real estate, rents, lower labour costs, lower capital costs and greater economies of scale, such benefits would include:

- Regional job creation and mitigation of high unemployment levels;
- Indirect employment arising from increased construction and building;
- Greater diversification of industry away from reliance on mono-industries;
- Consumption of local goods and services significantly higher as a result of higher average wage, adding further growth to the local economy;
- Attraction of professionals and an increase in skills and knowledge base for the host region;
- Increase in population increases the demand for more schools, hospitals, shopping centres and expansion of community services. This would provide more equity between a regional centre and a major city;
- A change of perception of the region adding cultural worth to the host city as well as a progressive place to live and work and quality of life, driving professionals looking to escape congested cities and lengthy commutes to more spacious, convenient locations that offer improved lifestyle. This would also enhance the ability of the region to attract other businesses;
- Would offer talented young people local professional careers that would greatly incentivise them to remain or return to the regional area following higher education pursuits. This would also provide opportunities for city based young people to move to larger regional areas as an alternate to city life and the increasing unaffordability of city living, particularly housing.

### ***Decentralisation must realise regional growth in the host community***

The estimated job multiplier effect for every Government job created shows there are an additional two private jobs created.

A key issue with decentralisation could be the increased dependence by the host community on the regional economy of the public sector, which can also make the local economy vulnerable if the government was to reduce its expenditure.

Therefore, it is critical that the Government commits to decentralisation as a long term economic strategy in support of regional growth.

In addition, much emphasis must be placed on communication and consultation with affected employees of the move and providing ample notice. The long lead time may overcome issues with specialist staff who may at first refuse to relocate (particularly if the move time is short), but over time may stay with the organisation.



***Strategic planning and well executed proposals***

When considering different models for decentralisation, any proposal must be strategically planned and well managed. The business case for relocation must be robust and show clear economic, social and environmental objectives over the longer term, particularly for the host community.

It must be clearly articulated in the business case how the affected entity will operate and perform their duties. Further, the planning must show how the entity will continue to provide its services seamlessly pre, post and during the transition from one location to the other.

Further, this would include the assessment of any current employees' conditions if incentivising them to relocate, including any significant social, family or community impacts.

**c. Actions of the Commonwealth that would encourage greater corporate decentralisation and what can be learned from corporate decentralisation approaches:**

Business investment attraction to regions is vital for the continuing prosperity of regional areas. The same benefits apply to any corporate decentralisation as it does for Commonwealth entities and functions as stated previously in this submission.

There are many constraints to growth in Cessnock LGA relating to lack of ongoing levels of investment in critical infrastructure.

How do you attract businesses and industry (and subsequent jobs) to establish which support regional growth and economic development when:

- Township presentation is poor?
- Essential services are lacking?
- Governments continue retracting or merging services and reducing presences and subsequent jobs in regional centres? E.g. Service NSW, Medicare/Centrelink.
- Public transport is extremely limited?
- Critical utilities and connections are missing? E.g. Power, water, sewer
- Basic infrastructure backlogs are significant? E.g. Roads
- Industrial and commercial lands are non-existent or inappropriate for purpose?
- Governments refuse to maintain or expand in demand, essential services? e.g. Healthcare
- There are significant internet, phone and mobile black spots?
- Skills shortages are rampant after successive industry retractions?
- Socioeconomic disadvantage, high unemployment, and youth unemployment leave communities devastated?

Addressing these critical shortfalls would make serious headway in responding to some of the issues that are emerging across Regional Australia, and support providing positive catalysts for the attraction of public and private entities and functions.

However, there is indeed much that the Commonwealth can provide that would encourage greater corporate decentralisation to regional areas such as:

***Incentives:***

- a. payroll tax reductions;
- b. cash rate loans for purchasing of buildings and renovations;
- c. easily accessible funding grants towards relocation costs;
- d. higher R&D tax-offsets if undertaken in a regional centre;
- e. tax-offsets for employee relocation costs;

- f. contributions towards salaries in the first 12 months post relocation to each employee, hired from the host community;
- g. Increased funding to the host community for local skill development.

***Access to funding/business support:***

- a. Major banks in regional areas have business banking specialists in industry areas such as agribusiness and manufacturing. The Commonwealth could provide support to local entities such as Chambers of Commerce, Business Enterprise Centres and industry associations located in regional areas for the provision of meeting rooms and hot desks for such specialists to use for financing as would be available in major capital centres.
- b. In most regional areas there are very strong and pro-active business support services provided by such entities as Chambers of Commerce. Federal funding for these entities to attract experts to visit on a regular basis from cities to provide one-on-one advice and mentoring to local businesses could be implemented. An example of this, is the successful Western Downs Regional Council's "Western Downs Innovation Advisory Service" that provided access to tax, marketing, WH&S, Intellectual property, research, exporting specialists that would visit on a fortnightly and/or monthly basis with the local Council's economic development setting up appointments for the local businesses.

***Infrastructure:***

For the success of economic zones and the attraction of businesses that would enable sustainable growth and development in regional areas is investment into efficient and appropriate infrastructure. Responding to growth will require long-term, incremental improvements in capacity, safety, asset condition and resilience of road, rail and air transport infrastructure, particularly along key transport corridors. It is essential for successful decentralisation that there be a commitment for the continuation of a longer term outlook on infrastructure priorities to support regional growth and prosperity.

A partnership approach with all three levels of government is vital, particularly the local government. This partnership would utilise:

- a. the local knowledge that would identify the infrastructure needed to support and further encourage growth in that particular economic zone;
- b. jointly improve the way existing infrastructure is managed; and
- c. provide an agreed pipeline of targeted investment to deliver infrastructure where and when it was needed.

***Information Communication Technology Infrastructure:***

The NBN has not brought high speed internet access to all parts of Australia. It has been rolled out, yet fails to deliver on its promise; it cannot support growth or quality of life in Cessnock LGA as it has been delivered, and even under proposed further rollout.

Regional centres in Australia including Cessnock LGA has many homes and businesses in existing service areas told they must wait for a position to open up on their exchange to access broadband. The demand is so high for these services, that customers are repeatedly turned away by providers. Some areas in Newcastle complain of having their copper wire removed in place of new fibre to the node, as this wasn't world class technology. In Cessnock LGA, many homes and businesses would be grateful to have had the opportunity to have copper wire and an exchange with the correct number of nodes!

Further, entire new housing estates are shirked by internet providers, having to wait up to 3 years for an internet connection to their homes because their area is already on the proposed NBN rollout (despite repeat pushbacks of implementation). These areas support growing populations and can absorb more growth. They have attracted investment by business owners who cannot work from home in this changing economy. Families are missing out on vital online connections which reinforce their engagement within their communities - to their local school, community groups, education and social networks.

The cost of accessing broadband in regional Australia is already higher than that in metropolitan centres. Mobile networks conflict with each other, and fail in peak periods. Wine Country businesses report not being able to take eftpos transactions during high volume concerts and events due to the number of visitors accessing social networks putting strain on existing mobile internet. Satellite and mobile based internet solutions are not only extremely cost prohibitive, they are ineffective and not competitive with speeds offered by fixed broadband elsewhere. Even ADSL performs better in some areas of Cessnock LGA.

***Solution: High speed broadband 'Bridges':***

Where the NBN failed to leverage private investment, a possible solution to regional Australia's connection dilemma can be in installing effective technology to beam signals.

Wireless bridges have been shown to be extremely cost effective and are routinely utilised in rural, outback and regional Australia allow internet signals to be beamed for up to 50 kilometres. The wireless bridges need line of sight for fast speeds.

The high profile case of Mr Saffioti who installed a wireless bridge, beams NBN about 12 kilometres from Kiama to Oak Flats, and then another three to Haywards Bay. The link has been reported to run efficiently, with regular download speeds of about 70mbps down and 35 up. Total cost of the project: about \$1000<sup>9</sup>.

Regional WA companies have reported using wireless bridges to beam internet services to remote locations where it is not feasible to run fibre.

This type of solution is something which Cessnock LGA businesses and residents might happily pay as a cost sharing initiative to bring high speed internet services to areas unable to be serviced. It could be beamed from an exchange with availability to a receiver in unserviceable areas, and then run through the existing fibre which runs into "NBN ready" businesses and houses unable to make a connection.

Opportunities exist to negotiate with telecommunication providers to firstly approve the use of wireless bridges, as the creative sharing of a connection would currently be in breach of service agreement. There is also room to negotiate the costs of the ongoing service under geographic clusters and share in the installation cost.

### ***Education, Training and Skills***

Businesses are experiencing workforce issues as a result of a number of factors, one major one being the decline of traditional industries and in the resource sector economy in the Region. Workers have been displaced from prominent employers within the region, with closures and contractions of local mines, as well as closures of significant employers such as Hydro Aluminium smelter.

The fastest growing and most prominent industry within the Cessnock LGA is currently the tourism sector. The transition into other industries, particularly from blue collar jobs to service roles can be a challenging and incongruent process. Generational challenges associated with disadvantage and lack of foundation skills can mean some unemployed are harder to place in available jobs. The aim is for a workforce that is sustainable for the region in the short term in relation to the resource sector's growth and, in the longer term, for a sustainable workforce for a thriving region.

The lack of foundation employability skills amongst unemployed locals in the Hunter Region often means that they cannot compete for local jobs, particularly in hospitality opportunities presented in Hunter Valley wine regions. The literature and research trends indicate that a general upskilling in soft skills is required across the board resulting in:

- Transferable skills
- Basic skills (numeracy/ literacy)
- Soft skills and customer service
- Leadership and business skills

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<sup>9</sup> <https://www.lifehacker.com.au/2017/01/no-nbn-in-your-street-just-set-up-a-wireless-bridge/>

- Strong socialisation and communication skills
- Strategic skills
- Work ethic
- 'Life experience' skills

The Department of Employment's Skills Shortage Research provides that many unsuccessful applicants lacked communication skills. Another survey of Employers' Recruitment Experiences found a range of employability skills and personality traits are viewed by employers as essential. Employability skills commonly considered essential included:

- Interpersonal Skills
- Basic Computer Skills
- Customer Skills
- Communication
- Personality Traits commonly considered essential included:
- Attitude and adaptability
- Reliability
- Presentation
- Work ethic

Studies have shown classroom training has mixed outcomes and successful training for employment prospects, occurs with a compounding effect over time. Currently skills training and general education may offer one off opportunities to learn such soft or transferable skill sets which is not supportive of long term successful employment outcomes. There needs to be an emphasis on building a labour force with 'transferable skills' – that is, skills that can adapt to changes within the industry of employment as well as across diverse industries. As a general, traditional industries are moving away from needing low skilled workers to workers with higher technical, design, IT and marketing skills. Research supports that access to productive and rewarding jobs improves as the level of education increases.

Within Cessnock LGA there is high demand for skill level 1 and 2 employees (degree or advanced diploma), but very low supply. Conversely, there is very high supply of low skilled workers, and low demand. What this means is that the level of competition for low skilled jobs is very high, with employers having a high degree of choice of candidates. Candidates from a lower socio-economic background, who may lack some of the foundation skills, therefore find it very difficult to secure work. If you happen to be a candidate in skill level 1 or 2, the opposite is true, and you will potentially have the choice on what position you will take, dependant on the salary and benefits offered to you by employers.

Therefore, there are varying means to increase the skills levels within a regional centre such as the Cessnock LGA through:

1. Implementing connections to all national and international tertiary and education facilities via broadband connectivity and access in regional areas that is enjoyed in major centres. In today's technological environment capability there is no requirement for physical infrastructure to provide education and skills training to any regional centre;
2. Any practical skills training for example trades, requires access to efficient and reliable public transport;
3. Attraction and provision of skilled workers and job opportunities from relocated decentralised Commonwealth entities, functions and corporates.

## 6. Any other related matters – a case for Cessnock City Council

# Cessnock City Council – Case for Public & Private Sector Decentralisation

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As previously stated, the Cessnock City Council is fully supportive of the decentralisation of government entities and functions, as well as the encouragement of corporate decentralisation to regional areas. However, the Council recognises that significant public sector relocation and indeed incentive for corporate decentralisation, requires a strong government commitment to a regional agenda.

The Cessnock City Council (Council) provides the following case for the Cessnock LGA as a place for relocation.

With high levels of unemployment, lower wages and property prices, a strong case can be made for relocation to the Cessnock LGA based on spatial equity. With the relocation of departments and corporate entities assisting in redressing regional imbalances and disparities afforded to major cities.

The Cessnock LGA is typical of a regional city in that it suffers from shortages of infrastructure and weaker education and skills attainment. The LGA suffers poor health indicators, high unemployment and socio economic conditions brought about from long term mining legacies.

However, as shown above the population of the Cessnock LGA is increasing dramatically compared to other regions across NSW.

As a regional city, Cessnock LGA has the ability and the means to be a leading growth area that can:

- Provide affordable land for growing business demand;
- Provide affordable land for residential demand;
- Provide critical land for future food security needs;
- Take pressure from metropolitan areas of population, urban sprawl and congestion;
- Provide greater economic output;
- Provide time savings efficiencies;
- Provide jobs, career paths; and
- Provide lifestyle benefits.



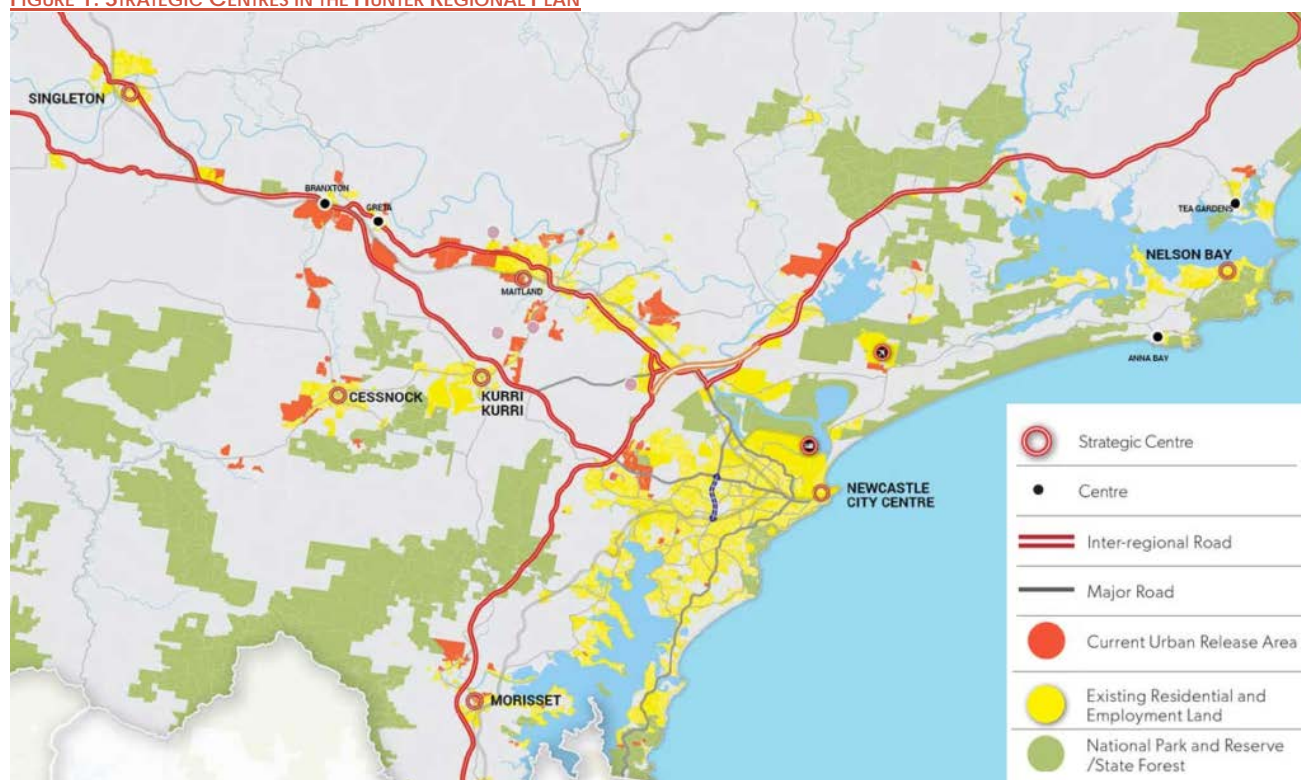
Employment multipliers from the consumption of employed staff and purchasing of consumables and services are significant. The relocation of higher skilled jobs would enhance the skills and knowledge base of Cessnock and ultimately increase productivity and economic growth.

Public sector employees can also add to the profile and dynamism of Cessnock as a centre of creative and cultural industries, consumption and distribution, whether they live and work in the city or just use them for leisure and consumption.

It is well noted by all governments that regional areas can thrive where there is economic diversification beyond the traditional areas of agriculture and mining. However, this prescribes that a strong commitment and strategic preference is required from both Federal and State governments to effectively realise economic diversity in regional areas.

Cessnock LGA has the propensity to absorb population and economic growth, has greater range of strategically located hubs such as Cessnock and Kurri Kurri which could support the relocation of both public and private sector entities. In addition, they offer the ability to make smarter use of existing infrastructure such as the Hunter Expressway to generate more diverse economic outcomes.

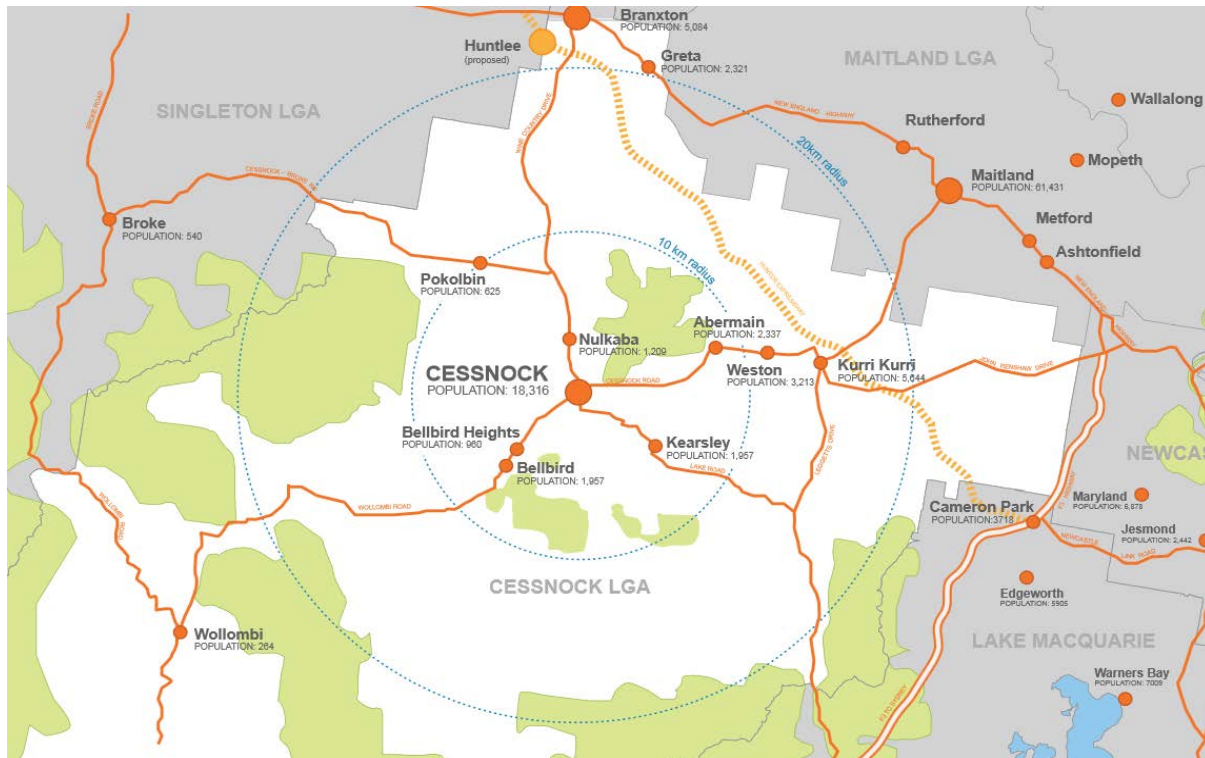
**FIGURE 1: STRATEGIC CENTRES IN THE HUNTER REGIONAL PLAN**



## ACCESSIBILITY TO COMMUNITIES

The Hunter Expressway (HEX) opened in March 2014 at a cost of \$1.7 billion. The HEX was installed to connect private vehicle dependent residents from Wallsend, Kurri Kurri, Cessnock, Singleton, Muswellbrook, Upper Hunter.

FIGURE 2: REGIONAL CONTEXT AND RELATIONSHIPS WITH CESSNOCK



However, Council is of the opinion that due to the strategic position of the HEX, that this critical transport link can definitely be leveraged to provide greater return on investment, offering critical locations for set up of government entities that would provide linkages between the North (Brisbane through to northern NSW), South to Sydney (153 km) and Central Coast (78 km), East to Newcastle (45 km) and to the Western regions of NSW.

This would support the strategic imperatives of both the Federal and State government to make smarter use of existing infrastructure to drive productivity.

The LGA also provides many services and products that service the mining and related industries in the technical, engineering, drilling, equipment, mechanical, consulting, earth moving, trades and explosives.

The Hunter Valley Wine Country located in Cessnock LGA is Australia's oldest surviving wine region and one of the highest profile wine districts in Australia. The Hunter Regional Plan (2016) identifies Cessnock City as a strategic centre within the region, a focal point of the region's wine industry and service centre to a significant tourism destination. It is recognised as a popular housing and employment centre with many new development prospects over the next 20 years. In 2015, the Hunter Tourism Region (wider Hunter Region) ranked 11<sup>th</sup> in Australia for tourism expenditure and 4<sup>th</sup> in NSW (behind Sydney, the North Coast and South Coast) in terms of visitor expenditure. In 2015 Hunter Valley Wine Country (comprised of Cessnock and Singleton LGAs) recorded 1,484,000 domestic visitor nights, 17.26% of the Hunter Region's total and 1.63% of NSW. According to a Report on Food and Wine Tourism in NSW by Tourism Research Australia (2015), the Hunter Valley was the most visited food and wine region in NSW, had the highest unprompted awareness and was most likely to be considered for future visits, generating visitor loyalty. Urban Release Areas proposed to be released within the Cessnock LGA equal 17,118 lots, providing a diverse and affordable range of housing should a workforce be seeking to locate in the Cessnock LGA.

Cessnock is identified as a Major Centre in the Lower Hunter Regional Strategy and looks set to reinforce that role in the Hunter Regional Plan 2016.

Cessnock LGA is located very strategically to ports, airports, skilled labour, road networks and Sydney.

## **CONCLUSION**

Only a rigorous program that actively seeks to support regional cities through creating opportunities for business relocation and a strong government presence will be effective in achieving economic potential in regional areas. Government can encourage regional centre growth that, once established initially, can form its own momentum and continue building on the local economy.

Council is strongly of the opinion that should Cessnock LGA be chosen as a host city to one or more Commonwealth entities or functions and corporate and for business investment attraction, this decision would positively influence productivity outcomes that will improve the economic wellbeing and prosperity of the LGA and contribute significantly to the State and National productivity objectives.

The many benefits, achieved would far outweigh operational costs and would accelerate economic development and support economic diversity.

Regionally, we are at risk of losing competitive advantage without considering an integrated approach to strategic decisions for building regional economic resilience and productivity measures that is bold, sustainable long term and that catalyses further future growth.

*Our Cities, Our Future*<sup>10</sup>, the national urban policy for a productive sustainable and liveable future, outlines that an integrated approach must be taken by the Australian Government, State, Territory and local governments, business and the community to plan and manage communities to deliver prosperity. This policy discusses how urban and regional areas can reap increased productivity where knowledge, businesses and markets are connected and how economic and human capital are utilised. There is clear Australian Government Policy support for achieving maximum amenity and liveability within communities to attract visitors and residents in regional areas.

Focus on regional growth areas and strengths to create employment is critical, but requires an understanding of the relationships between local needs, regional capacity and their importance to the nation as a whole.

We therefore conclude that the Cessnock LGA is in a prime position as a host city for Commonwealth entities and functions and as an ideal and attractive location for businesses, and indeed would welcome the opportunity.

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<sup>10</sup> Department of Infrastructure and Transport. Commonwealth of Australia 2011. Accessed

[https://www.infrastructure.gov.au/infrastructure/pab/files/Our\\_Cities\\_National\\_Urban\\_Policy\\_Paper\\_2011.pdf](https://www.infrastructure.gov.au/infrastructure/pab/files/Our_Cities_National_Urban_Policy_Paper_2011.pdf)