Southern Downs
REGIONAL COUNCIL

DK:MES

6 September 2017

Please address all communications to:
The Chief Executive Officer
Southern Downs
Regional Council

The Committee Secretary
Regional Development and Decentralisation Committee
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Ms Agostino

Re: Inquiry into Regional Development and Decentralisation

Please find attached a Submission from Southern Downs Regional Council into the Inquiry into Regional Development and Decentralisation.

The Submission was endorsed by Council at its General Meeting held on 23 August 2017.

Yours faithfully

David Keenan
Chief Executive Officer

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Submission to Inquiry into the Australian Government's Role in Regional Development and Decentralisation

The Southern Downs Regional Council is pleased to submit to the inquiry into Regional Development and Decentralisation. Council is a strong advocate for decentralisation of State and Commonwealth agencies, in part or as a whole. The Southern Downs Region of Queensland is an ideal location for government agencies and this submission will provide examples of the advantages for relocation to the Southern Downs.

The Southern Downs is a Local Government in the south of Queensland. It is two hours from Brisbane and one hour from Toowoomba. It has a population of 36,000. The Southern Downs does have compelling advantages, which the Council is promoting; it is very affordable, it is on three major highways and it is very close to Brisbane.

There are a number of towns, cities and regions similar to the Southern Downs, in that they are affordable communities close to major centres; they are also experiencing ageing populations and slow growth. These communities are ideal locations to support government agencies and this submission will address some of the reasons why and attempt to answer some of the points in the terms of reference.

Best Practice Approaches to Regional Development

Centralisation and decentralisation of government agencies tends to be cyclical. Depending on the will of the government at the time, regional offices are encouraged or discouraged. In some instances entire agencies are identified for relocation; recent examples of this include the Australian Pesticide and Veterinary Medicine Authority at the Commonwealth level and the Liquor Licencing Division of Queensland's Office of Fair Trading. The other side of this argument is the creation of 1 William St in Brisbane, where all State Government Offices are now located, causing large vacancies in the commercial real estate market in Brisbane. Decentralisation of government agencies as a Regional Development policy can work very well but it does need to be done strategically and consider the role and function of the agencies or sections that are to be relocated.

Commonwealth and State governments have a responsibility to provide stewardship for regional communities. The salaries of public servants in regional communities provide a stable foundation to local economies, free from the cyclical nature of agriculture and mining activities. The balance needs to be in which agencies are chosen to be located in regional communities.

Commonwealth and State agencies offer regional communities many advantages. The underlying economic impact of the wages and salaries is clear; they help to sustain local retail and service sectors. The stable presence of agency staff ensures the delivery of other vital services such as police, education and health. The presence of government agencies generates operational economic benefit for local communities through the local purchasing and acquisition.

Regionally based government agencies provide a new avenue for employment in local communities. Some of the agencies that may be located in regional communities may need to 'import' expert staff, however, the provision of administrative and maintenance functions can be sourced from the local population, thereby providing new job opportunities and employment diversity in regional

communities. There are many anecdotal examples of the expert staff being posted to a regional community and then staying for much longer than originally anticipated, for example nurses and school teachers marrying local farmers is a common story.

The Southern Downs Regional Council recently made a submission to Inquiry into the Australian Government's Role in the Development of Cities (attached), in which the Council espoused that the Southern Downs, in the future will be a peri-urban community and a part of greater South East Queensland. The proximity of communities like the Southern Downs makes them ideal locations for government agencies. These peri-urban regional communities also provide excellent lifestyle opportunities for agency staff. For example, the median house price in the Southern Downs is approximately $245,000, the schools are exceptional, shopping and recreational assets are very good and the proximity to Brisbane and Toowoomba means that specialist services and airports are very close.

There are many advantages of locating government agencies in regional communities, the underlying economic benefit of the wages and salaries, the diversity of employment and the support of the local economy through operational activities to name a few. It is the view of the Southern Downs Regional Council that the deployment and sustainability of government agencies needs to be considered and strategic. Council will continue to advocate for more Commonwealth and State Agencies to be located in the Region's towns but it wants to ensure that the deployment will be long term.

Mechanisms to Increase Growth and Prosperity in Regional Areas

The Southern Downs Regional Council submits that the decentralisation of the government agencies can affect regional communities positively; further the location and type of community in which the agency is located will impact on the agency's ability to deliver its mission, and finally, that the way the agency function and staff are selected for regional deployment needs to be considered and strategic.

It has been the experience of Southern Downs Regional Council officers that there has been a varied approach to the regional deployment of agencies, agency functions and staff. In the case of the APVMA and Liquor Licencing the decision for decentralisation was arbitrary and done with little consideration for the function of the agency. On the other hand the deployment of State Government agencies to Ballarat was successful. The Southern Downs Regional Council is cognisant that every potential move needs to be considered on the merits of the community and the agency.

The Southern Downs Regional Council believes that the towns and communities in which decentralised agencies are located should have a number of key criteria; within 2 hours of an airport that has multiple direct flights to Sydney or Melbourne every day; high-speed telecommunications with redundancy; multiple schooling options from kindergarten to Year 12, preferably with tertiary options including access to multiple universities within 2 hours; national retailers in the community; a variety of housing options; a number of options for worship, including Churches, Mosques and Synagogues with associated community groups; access to good quality arts, recreation and sporting facilities and communities; and a high level of community cohesiveness and safety. These factors will ensure that the decentralisation of agencies will have the operational infrastructure needed to be functional and the soft infrastructure to attract and retain staff.

The Council submits that the Commonwealth and State Governments should look to decentralise functions and not entire agencies. Government Departments and Agencies need to maintain close proximity to their Ministers, Secretaries and Directors General as well as those from other Departments; it is unworkable to have senior public servants located away from their Ministers and

Cabinet colleagues. By the same token, senior policy makers and senior departmental leadership needs to be centrally located to ensure the effectiveness of the machinery of government. The Southern Downs Regional Council does believe that certain functions can be successfully relocated to regional communities and not affect the operation of the entire agency.

Functions such as administrative processing and call centres are ideal types of functions for regional communities. They are not dependant on daily contact with Ministerial or senior management functions of departments and agencies; they can operate independently and they can assist agencies to save money by occupying lower cost premises. In the private sector functions such as call centres and administrative processing are often done in locations removed from the head office; for example the Commonwealth Bank has its risk assessment and mortgage processing functions at Homebush, while many firms utilise offshore locations to undertake these functions. The Southern Downs Regional Council is not suggesting that these functions be located offshore but rather that the same business model should be used to determine what functions could be moved to regional communities.

The Southern Downs Regional Council also recognises that individual agencies and departments need to maintain separation from others, this makes having a single, regionally based office handling a number of agencies, somewhat difficult. Council supports the establishment of a number of regionally based government offices that will spread the economic benefit across a larger number of regions and communities. The Council supports the establishment of regional offices as opposed to telecommuting by individuals from their own homes. The Council believes that the sense of community that comes from a collegiate environment is very important. Council is also aware that the impacts of workplace health and safety and security are major impediments to the creation of large numbers of telecommuters.

The Southern Downs Regional Council supports a considered and strategic approach to regionalising specific functions of government agencies. The functions that are relocated need to have low impact on the effectiveness and machinery of government, these functions would be administrative processing and call centres. The Council supports a number of relatively large regional government offices spread across regional Australia that benefits a larger number of communities. Council does not support telecommuting and would prefer to have a collegiate environment.

Corporate Decentralisation

The Southern Downs Regional Council believes that businesses locate where they can make money, and when they have a choice of two or more locations, they will go where they can make the most money. Many businesses derive their income from regionally based activities including, mining, agriculture and some manufacturing and processing. In comparison with most of the economy, there are relatively few head offices located in regional areas. Corporate head offices tend to be located close to their financiers and business advisors, and close to their business and supply chain partners' corporate offices.

Where corporations have regionally based personnel, they tend to be involved in the business' core activities, such as mining or agriculture, and these activities tend to be volatile. The number of staff located regionally in mining and agriculture depends entirely on the climate or business cycle of the industry; in Southern Queensland the gas extraction sector has seen a classic boom-bust cycle, there is no Government intervention that will ensure the employment of regional staff, while the gas price remains low.

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The Southern Downs Regional Council does not support incentivising businesses to move more personnel into regional areas. This creates false economies and it is the opinion of Council Officers that the businesses will only maintain the regional staff while the incentive remains in place.

The Southern Downs Regional Council believes that it is governments' role to support regional businesses to encourage job creation in the regions. There is an innovation culture in Australia's regions, there always has been. The Commonwealth and State Governments need to be able to provide better business supports than is currently the case. The recent 'Innovation Grants' administered by both the Commonwealth and State Governments were not suited to any of the innovators in the Southern Downs Region, they were aimed at computer code developers not at entrepreneurs finding new ways of using their resources to grow their business.

Governments can provide more support to local businesses wishing to establish and expand. In the past there were schemes such as the Business Advisors in Rural Areas (BARA) and the Business Enterprise Centre (BEC) model that can work very well to assist regional businesses. Southern Downs Regional Council Officers have seen these models work in regional and rural areas. It is the opinion of Council Officers that these schemes need to be delivered in person and not solely as an on-line option. This is because internet speeds in the regional areas are still very slow, and, in the experience of Council Officers, the entrepreneurs and business owners engaging through an on-line delivery often neglect important areas of the improvement process. To this end having regionally based business advisors achieves two outcomes, it supports local wages in regional communities and it provides a service for local entrepreneurs and business people to access.

Government intervention in capital markets is a dangerous practice. Providers of capital, particularly the banks have strict business rules around the levels of risk they are prepared to take. This is to help to mitigate another GFC. Most businesses have little trouble accessing some level of debt funding in regional Australia. That being said, government backed development funds and grants have been successfully deployed to assist regional businesses to grow. The Southern Downs Regional Council supports the idea of a government backed development fund that could be used in conjunction with debt to assist qualified businesses to grow and employ more local people. The Council also supports grant programs such as Building Better Regions, and grants such as the Queensland Government's Jobs and Regional Growth fund. These programs must be focussed on business growth and real job creation to be successful; the Southern Downs Regional Council has and will support businesses from the municipality to access these types of programs, because they deliver outcomes.

The Southern Downs Regional Council supports better utilisation of government funds, grants and programs to grow regionally based businesses. Council does not support the use of government funds to incentivise decentralisation of corporate staff. The reason is that if a business can grow and sustain employment it is more likely to be effective in the long term; if personnel are decentralised because of an incentive, they only stay in regional locations while the incentive is in place. The Council will support Commonwealth and State Governments to develop and deliver programs that are targeted towards growing regionally businesses and the numbers of jobs they provide.