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Secretary

Senate Finance and Public Administration References Committee.

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Dear Secretary

Thank you for the opportunity to provide a submission to the Senate Finance and Public Administration References Committee Inquiry into the operation, effectiveness, and consequences of the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016 (the Order).

The recent application of the Order to the Australian Pesticides and Veterinary Medicines Authority (APVMA) is a misguided exercise in public governance that has failed to achieve the desired public policy goals for the APVMA or Armidale. Further, it is another instance of Commonwealth employment decisions made without regard for the consequences for the ACT economy or the workers and businesses in the Canberra region that significantly rely on the economic activity underpinned by public sector employment.

The Canberra Region is a unique jurisdiction in Australia. Canberra is a growing and changing city-state in its own right as well as the primary regional centre for south east NSW. In addition to managing a challenging set of social, economic and environmental issues within its own borders, the ACT must also navigate complex service delivery and regional development strategies with our many regional partners outside our borders.

The ACT, and adjoining Local Government Areas of Queanbeyan Palerang Regional Council and Yass Valley Council is home to 450,000 people, with more than 20 per cent of workers across NSW's South East and Tablelands region relying on job opportunities in the ACT. More than one-third of that workforce is employed in public administration, meaning that the direct and indirect implications of Commonwealth jobs cuts do not only seriously harm the ACT economy, but also the workers and businesses in the surrounding regions that rely on these jobs.

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As a regional hub, Canberra provides important services for a broader catchment population of nearly 900,000 people. Ensuring targeted service delivery, managing sustainable regional growth and collaborating on future economic prospects are increasingly important priorities for both the ACT and NSW Governments and the surrounding local council areas.

These priorities are explicitly recognised in memoranda of understanding between governments and in high level strategic plans, such as the NSW Government's recent Draft South East and Tablelands Regional Plan, which recognises that:

The ACT will continue to be the primary driver of growth for most of the region. The growth of Canberra will provide opportunities to access a wider range of services and job opportunities in public administration, professional services and education. (Draft South East and Tablelands Regional Plan, NSW Government, May 2016, p.11.)

In a number of past instances of economic transitions around the country, governments have responded to negative economic impacts with large financial support packages, typically targeted to the workers directly affected, such as \$140 million in assistance programs in response to the direct loss of approximately 6,600 jobs at Ford, Holden and Toyota.

At the same time, the Australian Government has over recent years enacted policies to cut or relocate nearly 10,000 public service positions from the ACT alone with no regard to the implications of those decisions for the surrounding regional economy or support for those affected.

The decision to relocate government departments to regional areas is unlikely to create net benefits for the nation. The forced relocation of the APVMA is a prime example of the flaws in this approach. In many circumstances, there are high costs (both initially and ongoing) of relocating. Recent Senate Estimate Hearings revealed that the Commonwealth has committed \$25.6m for the APVMA relocation expenses. This extraordinary cost includes Canberra and Armidale lease payments; fit-out costs for temporary and new premises; a yet-to-be-determined number of Armidale-Canberra flights for the first year; personnel relocation payments and expenses; and a 15% salary top-up over three years for those workers who agree to shift to Armidale. The infrastructure investment to construct a fit-for-purpose building in Armidale to house the workforce is yet to be determined.

Given that approximately as few as 15% of employees are willing to relocate, the AVPMA is investigating the feasibility of a new information technology system to enable remote working from Canberra; this cost is also not accounted for in the \$25.6m figure. Work by Ernst and Young on the cost benefit and risk analysis of the potential relocation of the APVMA estimated the resulting delay of new products to the agriculture sector for crops alone to be in the order \$64m-\$193m per annum, with a similar delay in the chemical sector costing \$800,000 - \$2.7m.

In addition to these outright costs, there is considerable loss of agglomeration benefits when public servants are dislocated from the concentrations of knowledge and expertise easily accessible in the ACT.

Thank you again for the opportunity to provide input into this Inquiry.

Yours sincerely

Andrew Barr MLA
Chief Minister

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