



Australian Government

GOVERNMENT RESPONSE

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

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

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BACKGROUND

Regional Australia was facing a range of economic and social challenges in 2009 as a result of the global economic downturn caused by the global financial crisis.

On 11 February 2009 the Minister for Infrastructure, Transport, Regional Development and Local Government, The Hon Anthony Albanese MP, asked the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government to inquire into and report on the impact of the global financial crisis on regional Australia. The objective of the inquiry was to ensure that the Australian Government was well placed to help regional Australia respond to the global financial crisis.

The Committee's terms of reference were to inquire into the impact of the current global financial crisis on regional Australia and the role of the Commonwealth Government in ensuring that regional Australia is equipped to respond, with particular focus on:

- the encouragement of economic development and employment; and
- the development of sustainable essential services and social infrastructure designed to enhance the liveability of regional Australia.

The Committee released its report on 23 November 2009, *The Global Financial Crisis and regional Australia*, which included 12 general and specific recommendations that focus on regional business, growing employment options in regional Australia, the need for the provision of localised, collective social services and the role of Regional Development Australia in assisting the Government in the delivery of its policies for the development of regional Australia.

CONTEXT

The impact of the global financial crisis on the Australian economy was difficult to predict. The unknown path and duration of such major financial events presents serious challenges to governments in forecasting the impact and planning appropriate policy responses. Evidence is emerging that the global financial crisis has not had the major negative impact on the Australian economy as first feared. Most economic commentators acknowledge that the Australian Government's broad-based stimulus measures were crucial in lessening the effects of the global financial crisis on the Australian economy.

The submissions to the inquiry highlighted the uneven impact of the global financial crisis on Australia's regions. The extent to which individual regions are affected is dependent on a range of factors including industry mix, principal commodities and population characteristics. It was also apparent from submissions that regional Australia has benefited from the implementation of the broad range of measures under the Australian Government's stimulus package. In addition the programs and measures the Government has put in place since it was elected have contributed to improving the resilience of regional economies and

communities in coping with shocks like the economic downturn resulting from the global financial crisis.

The Australia Government will continue to work with the states and territories, local government and regional stakeholders to improve the long term sustainability of regional economies and local communities and enhance the liveability of regional Australia.

STRUCTURE OF THE GOVERNMENT RESPONSE TO THE REPORT

The Government Response to the Committee's Report addresses the recommendations separately.

Response to the Committee's Report recommendations – Inquiry into Impact of the Global Financial Crisis on Regional Australia - *The Global Financial Crisis and regional Australia*

Recommendation 1

The Committee recommends that the Government evaluate and report on the potential use of structural adjustment funds as a response to economic downturns such as the global financial crisis.

Response: Not Agreed

Structural adjustment assistance has been used in a very limited number of exceptional circumstances when a region becomes vulnerable following a sudden event with potentially serious local economic consequences. In such cases the region is unable to absorb a major loss of local employment or to quickly diversify into other areas of economic activity.

The intention of structural adjustment assistance is to facilitate the movement of employment out of unviable or declining operations into businesses or industries that are more likely to be sustainable in the long term without the need for ongoing Government assistance.

Careful consideration would need to be given to providing assistance for individual regions that may suffer relatively short-term impacts from larger economic fluctuations such as the global financial crisis. The unknown path and duration of economic downturns make it difficult to determine whether structural adjustment assistance is always necessary or beneficial. The appropriate response to larger economic shocks is likely to be more effectively handled through broad-based macro-economic measures.

Recommendation 2

The Committee recommends that the Government, in examining the use of structural adjustment funds, consider the flexibility and ability of structural adjustment funds to assist small enterprises in addition to larger companies.

Response: Noted

The grant funding component of previous structural adjustment assistance programs has been open to a variety of businesses. If the principles of previous structural adjustment assistance are applied to future assistance, small businesses putting forward appropriate projects would be entitled to apply and be assessed on a merit basis. In some cases, small businesses applying for assistance have been able to use a simplified application and assessment process, recognising their limited capacity and resources compared with larger firms. In the absence of direct assistance, small businesses stand to benefit from providing inputs to funded projects.

Recommendation 3

The Committee recommends that the Government increase the quantum of funding for the TQUAL Grants program, while ensuring that regional tourism businesses receive a proportionate share of the grant funding, provided the applications adhere to the program guidelines.

Response: Noted

The TQUAL Grants program (formerly the Australian Tourism Development Program) has delivered over \$40 million in funding to more than 280 projects across Australia over a period of 5 years. TQUAL Grants is an expiring program with the final round of funding providing \$8.4 million to 70 projects. Over 86 per cent of funding was provided to regional and rural communities.

Recommendation 4

The Committee recommends that the National Long-Term Tourism Strategy (Strategy) should consider how states and regions can further improve their cooperation on identifying key tourism markets and setting priorities for marketing those locations.

Response: Supported in Principle

The Minister for Resources, Energy and Tourism, the Hon Martin Ferguson AM MP, launched the National Long Term Tourism Strategy on 15 December 2009. The Strategy included unprecedented consultation between the Commonwealth, and states and territories and has received the endorsement of all Governments.

The aim of the Strategy is to facilitate the Australian tourism industry to maximise its economic contribution to the Australian economy by focusing on supply side impediments to industry development. The Strategy is being implemented through the Tourism Ministers' Council (TMC) which is made up of Commonwealth, state and territory tourism ministers.

The TMC has established a series of working groups to address impediments to growth by:

- Reforming regulation that impedes tourism investment and facilitating tourism investment and development projects;
- Broadening the research base for the industry and improving industry's access to the information needed by operators;
- Accelerating the uptake of on-line opportunities and smarter use of digital distribution;
- Improving labour outcomes and skills in the tourism work force and addressing impediments to labour mobility;
- Introducing a national accreditation framework that will drive product innovation and encourage quality and renewal of product offerings; and
- Improving access to Australia's natural and cultural attractions while at the same time improving environmental outcomes.

The Commonwealth, states and territories collaborate on marketing Australia both domestically and internationally. In 2008/09 the combined promotion budget by government at all levels was \$537 million.

Tourism Australia, the Commonwealth's national tourism organisation, encourages state and territory governments to identify key tourism markets for co-operative marketing both domestically and internationally. The opportunity for maximising the promotional budget has been strengthened by a refocusing of Tourism Australia's functions under the Strategy and review and renewal of the TMC.

As part of the Strategy a cross-jurisdictional destination management planning working group has been formed and is chaired by the Tasmanian Government. The working group will develop ways to more effectively market Australian destinations. Destination management planning allows individual destinations to develop integrated tourism plans that include consideration of all tourism development needs such as infrastructure, labour and training, and product development, as well as a complementary marketing strategy to promote the destination.

The Destination Management Planning Working Group will:

- Determine a mechanism to establish Destination Management Plans for regional and urban tourism areas;
- Complete a product gap audit of tourism experiences to establish potential areas of opportunity for world class Australian tourism development; and
- Evaluate the extent to which existing regional destination data meets the needs of tourism operators, investors and policy makers.

Recommendation 5

The Committee recommends that the Government examine in detail the potential impact of a national unemployment mortgage assistance program as a means of responding to rising unemployment and mortgage stress in regional Australia, should unemployment and mortgage default levels continue to rise.

Response: Noted

The Australian labour market has proven to be particularly resilient in the face of the global economic downturn. The unemployment rate in Australia peaked at 5.8 per cent, and has since fallen to 5.2 per cent (in May 2010). This compares favourably with the latest unemployment rate for the US (9.7 per cent in May), the UK (7.9 per cent in April) and the Euro area (10.1 per cent in April).

Australia's economic performance through the global financial crisis has been supported by the Government's early and decisive fiscal stimulus package and RBA interest rate cuts.

Following the Treasurer's request, Australia's banks, credit unions and building societies have made a commitment to assist borrowers who are experiencing temporary financial difficulty as a result of the global downturn. The Principles (A Common Approach for Assisting Borrowers Facing Financial Hardship) place obligations on these financial institutions to provide temporary relief to borrowers and to provide assistance options that take into consideration the needs of the borrower concerned.

Options for assistance that banks, credit unions, and building societies can offer include:

- in relation to mortgages, postponement for up to 12 months the dates on which payments are due under the contract (with interest to be capitalised into the loan);

- an extension of the period of the contract and a reduction in the amount of each payment due under the contract;
- interest-only breaks on loan repayments; and
- fee waivers.

These options will not be appropriate in every case, and financial institutions will make assessments based on the borrowers' ability to meet new contractual obligations in the long-term. The Government continues to monitor labour market conditions in Australia.

Recommendation 6

The Committee recommends that the Government evaluate the work of the Local Employment Coordinators with particular focus on their ability to act as a conduit between local, state and the Commonwealth Government to promote coordinated human service provision, with a view to utilising the evaluation as a basis upon which greater coordinated action and information sharing about available services can occur in the future.

Response: Agreed

The Department of Education, Employment and Workplace Relations will be evaluating the work of Local Employment Coordinators. The role of the Local Employment Coordinator is to work with community stakeholders to promote the take up of Commonwealth, State and Territory education, training, infrastructure and stimulus measures at the local level in a way which achieves rapid responses to emerging unemployment pressures in their region.

Local Employment Coordinators have Key Performance Indicators related to improving job and training opportunities within local areas and developing and implementing a Regional Employment Plan. The Departmental evaluation of Local Employment Coordinator's role will focus on these aspects of their role including their ability to act as a conduit between local, state and the Commonwealth Government. The evaluation could provide a basis for further developing regional place based approaches to improving the coordination of services.

Recommendation 7

The Committee recommends that the Government increase funding to the Department of Human Services in order to expand its co-location site trials and increase its local service provision activities

Response: Noted

The reform of service delivery, announced by the Minister for Human Services, is the start of a major reform of the way services are delivered to Australians. Service delivery will be redesigned to maximise convenience for Australians and create a service delivery system that improves efficiency and effectiveness, to make it easy, high quality and a system that works for every Australian.

The Government has committed to the creation of a single point face-to-face, phone and online access to a wider range of Government services. As part of the reform, there will be an increase in the number of co-located offices across Australia so that over time, more offices will have services provided by Centrelink, Medicare Australia and the Child Support Agency under the one roof. The Government has announced that at least another 20 offices will be co-located by the end of 2010 with this increasing to 40 by the end of 2012.

For Australians living in rural and regional areas, limited resources exist to serve the sparse populations spread out over Australia's vast continent and combined serviced delivery is particularly important. A priority of the service delivery reform agenda is to bring services directly to where people live by developing the right mix of mobile offices and visiting services that improve access for rural and remote Australians.

The Government supports providing co-ordinated localised services particularly for people in need of more intensive support. Centrelink's Placed Based Services aim to improve customer outcomes by addressing specific social inclusion challenges that exist within prominent areas of disadvantage in particular communities. The Placed Based Services are currently under evaluation by Centrelink. As part of the reform to service delivery, these disadvantaged Australians will be connected to a network of assistance with case managers and a single personal support plan linking all providers and Government programs and services, similar to Centrelink's Shared Assessment Trial in Logan, Queensland.

Recommendation 8

The Committee recommends that the Commonwealth Government examine options for locating government departments or functions of government departments into regional areas.

Response: Noted

The Government believes that the location of government departments or their functions is a matter for individual departments to consider in the context of supporting the Government's establishment of effective and innovative service delivery mechanisms that enhance access to services and information for all Australians. The Government also expects that decisions by departments on where to locate their functions and services will also reflect existing operational requirements and be made in the context of delivering best practice and value for money.

Recommendation 9

The Committee recommends that the Government examine the uptake of its Small Business Support Line and Small Business Advisory Service with the intention of continuing funding support for this initiative.

Response: Agreed In Part

The \$42 million, 4-year, Small Business Advisory Services Program (SBAS) was part of the 2008 Budget. Its aim is to provide low-cost small business advisory services through 36 nominated Business Enterprise Centres throughout Australia. On 24 October 2008, the Government announced that an extra \$4 million would be provided under the SBAS program, to Business Enterprise Centres (BECs) and other registered business organisations, to provide support and advisory services in the 2009 calendar year to established small businesses to assist them in responding to the global financial crisis.

The Government is not providing any further funding to extend the additional \$4 million element of the SBAS program, which ended on 31 December 2009.

The Small Business Support Line, funded until 30 June 2011, is dedicated to assisting small businesses during the global recession. The Support Line provides a single entry point on

Australian government business assistance, and includes the Small Business Credit Complaints Clearing House. The Small Business Support Line also complements the web-based advice available through business.gov.au.

The Small Business Support Line will be evaluated in 2010-11, and the SBAS program in 2011-12. The evaluations will be conducted in accordance with the Department of Finance and Deregulation Expenditure Review Principles of appropriateness, effectiveness, efficiency, integration, performance assessment and strategic policy alignment. The results of these evaluations will inform government consideration of any future funding for these initiatives.

Recommendation 10

The Committee recommends that the Commonwealth Government increase the number of AusIndustry representatives in regional Australia.

Response: Noted

Current funding for the AusIndustry Regional Managers Network ceases on 30 June 2011. The Department of Innovation, Industry, Science and Research is currently undertaking an evaluation of the Network, in accordance with the Department of Finance and Deregulation Expenditure Review Principles of appropriateness, effectiveness, efficiency, integration, performance assessment and strategic policy alignment. The results of this evaluation will inform government consideration of any future funding for this initiative.

Recommendation 11

The Committee recommends that the Government examine the manner in which various government business support programs worked together in particular regions during the GFC and the potential role Regional Development Australia may play in facilitating greater coordination between business support programs and integrating them into wider regional development frameworks in future.

Response: Noted

The Department of Innovation, Industry, Science and Research (DIISR) administers a range of initiatives aimed at encouraging the sustainable growth of Australian industry, located throughout both metropolitan and regional areas. During the global financial crisis DIISR administered three initiatives that were specific responses to the economic downturn, including the additional \$4 million element of the Small Business Advisory Services program, the Small Business Support Line and free workshops that were delivered through the Enterprise Connect program.

The integration of these business support initiatives was supported by close working relationships between officials in DIISR, other government departments, business and not-for profit organisations located throughout metropolitan and regional areas across Australia. This interaction has facilitated a thorough knowledge of other agency/organisation programs, active cross referrals, joint promotional activities, co-management of customers and sharing of regional intelligence which provides a sound framework for further developing such integration.

Regional Development Australia (RDA) committees are a partnership between the Australian, state and territory and local governments to develop and strengthen local communities. All fifty five committees across Australia have been established.

RDA committees are currently consulting with the community and local service providers to identify issues facing their region, articulate local priorities and develop practical solutions. An early focus of the Committees is on the economic, social and environment issues affecting their community. RDA committees are expected to initiate and participate in regional consultations and strategic planning on a range of issues, such as infrastructure, telecommunications, housing, health and ageing, education, skills and business development and high speed broadband.

RDA committees will work with all government agencies to promote programs to their community, and to provide advice on regional issues or implement regional programs including those focussed on the needs of small business. RDA committees in most states can also deliver programs and services for the Australian Government under a contract arrangement.

Recommendation 12

The Committee recommends that the regional employment plans of Local Employment Coordinators should be integrated into the regional development plans of Regional Development Australia. In those areas where a Local Employment Coordinator has not been deployed, Regional Development Australia should be developing regional employment plans.

Response: Agreed

Local Employment Coordinators are working with stakeholders through their Keep Australia Working Advisory Committees to develop Regional Employment Plans that bring together and build on existing plans and strategies in their region.

Local Employment Coordinators are working with Regional Development Australia (RDA) committees on their Regional Employment Plan. Many of the Keep Australia Working Advisory Committees include representatives from RDA.

The Department of Education, Employment and Workplace Relations has undertaken to share the Regional Employment plans with the Department of Infrastructure, Transport, Regional Development and Local Government so that the plans can be considered by RDA when developing plans in areas where there are no Local Employment Coordinators.

To assist in the preparation of the Regional Employment Plans, the Australian Government requested RDA Committee Chairs to:

- invite the Local Employment Coordinator to attend RDA committee meetings as an observer;
- contact the Local Employment Coordinator to discuss the RDA committee's participation in the Local Employment Coordinator's Keep Australia Working Advisory Committee;
- ensure consistency between the RDA committee's Strategy for Employment and Job Creation and the Local Employment coordinator's Regional Employment Plan; and
- introduce the Local Employment Coordinator to its RDA committee's Executive Officer, to support the development of strong day to day communication between the RDA and Local Employment Coordinator.

RDA committees are also working with regional stakeholders to develop a Regional Plan (Regional Road map in South Australia and Queensland), which includes a Strategy for Economic Development and Job Creation, as a priority. The Strategy is outcomes focused, identifying actions to support business investment, the creation of new jobs, retention of existing jobs, and a supply of skilled labour.

Each region's Strategy will focus on the economic and employment challenges of the region through to the end of June 2011, and have a strong emphasis on solutions. It will identify ways to support business investment, the creation of new jobs, retention of existing jobs, access to global supply chains, a supply of skilled labour and increased industry investment in R&D. In examining these issues, RDA committees have also been requested to take into account the anticipated acceleration of growth in coming years, and articulate a plan of action to ensure that the region is well positioned to meet those challenges.

In particular, regional Strategies will reflect and complement Commonwealth and state and territory government regional employment initiatives, including the engagement of the Local Employment Coordinator in priority regions.

