

Tuesday 26 November 2013

National Commission of Audit
Email: submissions@ncoa.gov.au

National Commission of Audit – submission from RDA Hunter

Dear Commission Chair and Commissioners,

The Regional Development Australia (RDA) Hunter Committee and Chair, Dr Gaye Hart AM, appreciate the opportunity to make this submission to the National Commission of Audit.

Introducing RDA Hunter

Established in 2009, RDA Hunter is the peak economic development organisation for the Hunter region. Funded by the Australian and NSW Governments, its activities are also supported through project grants and financial contributions from regional partners. Our focus is on collaborative activities, programs and initiatives under three strategic themes: Infrastructure, Innovation and Investment to address regional priorities and progress regional economic development.

The RDA Hunter Committee (Board) is representative of the region's leaders from industry, business, education, local government and community groups. The vision for the Hunter is a region that continues to grow and be recognised nationally and internationally for high quality products and services, well-connected liveable places and a collaborative business culture that supports innovation to deliver Australia's largest regional economy.

The Hunter - A Region of Opportunity

The Hunter is New South Wales' major region for economic activity which encompasses 11 local government areas: Dungog, Cessnock, Gloucester, Great Lakes, Lake Macquarie, Maitland, Muswellbrook, Newcastle, Port Stephens, Singleton and Upper Hunter Shire.

The Hunter region:

- In 2011-12 the Gross Regional Product was \$36.9 billion to make it Australia's largest regional economy;
- Contributed more than 8 per cent of Gross State Product and 2.6 per cent of GDP;
- In 2012-13, in excess of 148.8 million tonnes was traded through the Port of Newcastle, including 142.6 million tonnes of coal exports, with a total trade value of \$19.10 billion ;and
- Annually produces upwards of 60 per cent of the State's electricity.

RDA Hunter commissioned Deloitte Access Economics to analyse economic data and report on possible impacts of various trends and scenarios on the future of the Hunter. In their 2013 report, *Prospects and challenges for the Hunter Region – a strategic economic study* it is estimated that by 2036, the Hunter's economy will have grown by almost 75%, delivering a Gross Regional Product of \$64.8 billion.

The Deloitte Access Economics report is available on the RDA Hunter website: <http://www.rdahunter.org.au/> and click on "Initiatives" at the top of the page.

National Commission of Audit

This submission provides input from RDA Hunter's perspective for your consideration on the following key areas of interest regarding the Commission's Review:

Phase 1

Scope of government

- In relation to activities performed by the Commonwealth, ... identify:
 - whether there remains a compelling case for the activity to be undertaken; and
 - if so, whether there is a strong case for continued direct involvement of government, or whether the activity could be undertaken more efficiently by the private sector, the not-for-profit sector, the States, or local government.

Efficiency and effectiveness of government expenditure

- ...report on efficiencies and savings to improve the effectiveness of, and value-for-money from, all Commonwealth expenditure across the forward estimates and in the medium term including:
 - options for greater efficiencies in the Australian Government, such as:
 - : consolidation of agencies and boards;
 - : rationalising the service delivery footprint to ensure better, more productive and efficient services for stakeholders;
 - potential improvements to productivity, service quality, and value for money across the public sector, including better delivery of services to the regions;

Scope of government

A “compelling case” may be constructed by considering what RDA Hunter has delivered in return for the investment made by the Commonwealth and NSW governments.

When established, RDAs inherited a number of existing projects (as discussed later, primarily from State Boards) and were expected to manage these legacy projects. RDA Hunter, for example, was faced in 2009 and 2010 with the task of delivering around 18 projects; by numerous Project Managers who were working to conditions contained in a variety of contracts, agreements and arrangements. Most of these projects were delivering benefits to one of the eleven LGAs in the Hunter. Under these conditions it was almost impossible to initiate strategies and long-term plans for the benefit of the whole region.

When I began as CEO in January 2010 I made it a priority to engage the Committee in a shift away from operational activities that kept us busy but delivered few long-term returns for the region. It was important that RDA Hunter took steps towards a strategic and whole-of-region approach to fulfil our mission. In the wash-up RDA Hunter continues to deliver strategic projects, leads the way for defining and delivering the vision for the Hunter and actively seeks ways to improve the economic development of the region.

The Hunter has for too long been artificially divided into two parts: Lower and Upper. RDA Hunter is the first and only organisation charged with bringing together the whole of the Hunter so that Commonwealth and State governments hear a coherent, single voice regarding regional priorities. This has been achieved through:

- Building relationships;
- Establishing authority based on constructive involvement with representatives from three levels of government;
- Working collaboratively with the private sector to bring new investment into the region; and
- Taking a leadership role to fill gaps in knowledge about the region.

A local government is not able to deliver a view on any infrastructure priority beyond its own boundaries. State and Commonwealth agencies are not able to access funding programs from the other in the way that RDAs can. For local peak body organisations and business leaders, RDAs are able to make sense of State and Federal policies and programs and provide assistance to access opportunities.

One of our funding conditions is to produce a Regional Plan. Over the past four years this has been a sometimes arduous but always informative exercise. This is, for the first time, a plan for the whole of the Hunter has been produced that articulates regional priorities linked to Federal and State government agendas. On reflection, in 2011 – 2012 there were at least 22 Plans produced by different State agencies for the Hunter, of which none had a priority and not one plan covered the whole of the Hunter.

As the amount of stakeholder engagement and consultation has steadily built up RDA Hunter has been able to clearly articulate regional priorities and define an action agenda for our work. The introduction to this submission notes that this agenda is based on three themes: Infrastructure, Innovation and Investment.

Infrastructure: The Hunter Economic Infrastructure Plan (HEIP) was developed through a partnership between Infrastructure NSW and RDA Hunter. This Plan takes a whole of supply chain view of mining related activities in the Hunter to identify: capacity constraints; impacts on communities; and what economic infrastructure is required to deliver improvements in capacity and community development.

Projects identified in the HEIP have been assessed for their Benefit Cost Ratio (BCR – P90 @ 4%, where the P90 (confidence level) value is an estimate of the project cost based on a 9 per cent probability that the cost will not be exceeded and a discounted rate of 4 per cent is applied) and found to offer significant returns on investment and productivity improvements.

This work has leveraged three (3) Hunter projects being included in the National Priority List for Infrastructure. Since the inception of the National Priority List, NSW has previously only had one project included.

The priority infrastructure projects identified by the HEIP have been:

- Assessed on a cost-benefit basis and found to offer strong positive returns on investment;
- Prioritised on the basis of their positive contribution to productivity;
- Identified as required to improve capacity of the Port of Newcastle; and
- Advocated as a package of complementary projects that together will maximise productivity.

Innovation: RDA Hunter manages the annual Hunter Innovation Festival. This is a collaborative exercise that not only celebrates innovation in the Hunter but also builds an understanding of the economic capacity and diversity of employment opportunities in the region.

Given the region's strong association with coal, wine race horses and steel-making it is necessary to continually update the profile of the region as a modern, forward-looking, diversified and resilient economy.

Last year RDA Hunter led the initiative to produce the first regional innovation scorecard in Australia. This project provided an opportunity to bring together representatives from the private sector (Price Waterhouse Coopers), local researchers, University and TAFE as well as Federal and State agencies.

The Hunter Innovation Scorecard is the sort of RDA initiative that also provides elected representatives at Federal and State levels with opportunities to celebrate the successes of programs, policies and world-class endeavours by Australians working in regional areas.

Work on the 2014 innovation scorecard will see the Hunter benchmarked internationally against OECD innovation measures.

A final example for Innovation: RDA Hunter manages the ME Program, a successful industry pathways program aimed at delivering the skilled workforce for the future, especially in defence related industries. The innovative ME Program is funded by Defence Materiel Organisation and engages local high schools and industry partners.

Across Australia there is a downward trend of school students in Science, Technology, Engineering and Mathematics (STEM) subjects. This limits career options in design, engineering, research and technology industries. RDA Hunter has successfully managed a school-to-industry program at a regional level that is preparing the future's globally competitive workforce where 'STEM' skills will be essential.

Since its inception in 2010 the Program has linked 7500 students to the Defence industry through an innovative partnership model. This proven model addresses future industry skill needs through applied industry content. Our Defence and Manufacturing industries are already seeing positive workforce development outcomes as students rapidly embrace this new way of learning and career selection.

Program Outcomes

- Participation has risen from 10% to 70% of the region's High schools.
- Industry participation has risen from 4 partners in Year 1 to 32 Year 4 partners.
- The Hunter's performance in key STEM subject selection now outperforms the NSW average.
- A student studying at a ME Program school is twice as likely to undertake Engineering Studies in their HSC years compared to the NSW average.
- The program has reported continued growth in the uptake of selective STEM subjects in schools; going against the downward trend of Australian averages.
- Industry participants in the Program report easier recruitment of high quality apprentices that are more aware of the job requirements due to the ME Program.
- The Hunter is better placed to win large manufacturing contracts with a highly skilled, flexible work force.

Investment: In addition to the obvious role of RDAs to connect local businesses, local governments and communities to Federal and State government funding programs, there two on-going RDA Hunter projects that lift the profile of the Hunter as a destination for investment:

- Hunter Investment Prospectus: For the last eight years the Hunter Investment Prospectus has played an important role in marketing the Hunter and promoting the region as one of NSW's most significant areas for industrial, retail and commercial activity to both local and foreign investors. Hundreds of copies of this publication are distributed each year to overseas Austrade and NSW Trade offices, as well as at various expos and trade events within the Hunter, NSW and interstate.

The Hunter Investment Prospectus is provided to visiting delegations with an interest in investing in NSW and it is also used in individual presentations to companies looking to establish or relocate to the Hunter region.

This year's Prospectus is available online at <http://rdahunter.org.au/initiatives/initiatives>
Work has commenced on preparing the 2014 Hunter Investment Prospectus.

- Taking the Hunter to the world: Exporting from the Port of Newcastle has a history spanning over two hundred years. RDA Hunter takes an active interest in bringing together business people in the Hunter to share their insights and experiences and needs to improve the region's investment and trade through international engagement.

The RDA Hunter Committee has embarked on a project to develop a Hunter Economic Development Strategy (HEDS), with reference to:

- The Coalitions' Policy for Trade, September 2013;
- NSW2021;
- NSW Economic Development Framework;
- RDA Hunter's Regional Plan 2013;
- Deloitte Access Economic's strategic economic study of the Hunter;
- Strategies developed by local Councils in the Hunter; and
- Consultations with leaders from industries, businesses and peak body organisations.

This economic development strategy will be a valuable document for trade delegations, Hunter region organisations and as information for policy makers.

In summary, RDA Hunter is about:

- Economic development that is sustainable;
- Jobs;
- Linking and actualising Federal and State agendas at a regional level;
- A single voice Australia's most productive region;
- The future of the region;
- Productivity;
- Efficiency; and
- Providing independent and impartial advice directly to governments.

We focus on three themes and take actions to encourage more:

- Infrastructure;
- Innovation; and
- Investment

in Australia's Hunter region.

Efficiency and effectiveness of government expenditure

The RDA network is the product of agreements to consolidate agencies and boards across governments which has reduced duplication.

During 2008 there were inquiries into funding for regional development, announcements made regarding the redesign of existing regional development programs, alignment principles were adopted by Commonwealth, State and Territory governments, and future directions and funding arrangements were formalised in Memoranda of Understanding that delivered a national network of Regional Development Australia (RDA) Committees.

Previously, the Federal government established regional development boards, known as the Area Consultative Committees, which supported the Regional Partnerships Program (allocating \$409.7 million in 2003-2007). When reviewed by the Australian National Audit Office (report released in November 2007), the Auditor-General identified the lack of transparency; poor accountability and cost-effectiveness; and political decision-making as impeding the conduct of this funding program (Australian National Audit Office, 2007).

State and Territory governments each approached regional development by establishing jurisdiction-based agencies. In NSW, the government's regional development agenda included regional offices, such as the Hunter Economic Development Corporation, and ministerially-appointed Regional Development Boards. Each of the 13 Boards in NSW were allocated a base funding of around \$138,000 per annum and reported to the Minister in charge of the Department of State and Regional Development. NSW Regional Development Boards were not guided by a specific piece of legislation.

In March 2009, with the demise of the federally funded Area Consultative Committees and the establishment of the Regional Development Australia network, the NSW regional development agencies were formally combined with the federal agencies to form one regional development agency network. The resulting RDA network is a consolidation of former agencies and boards across governments. A National RDA Charter and network-wide reporting framework supports consistency of outcomes across jurisdictions.

RDA Committees were established according to the legislative and regional development frameworks in each State and Territory. Table 1 provides a description of the structure for the RDA network as presented in the Memoranda of Understanding between governments.

Table 1. Structural arrangements for the RDA network by state and territory

Models	
NSW	Integration of the former Area Consultative Committees (ACC) and NSW State Regional Development Boards into RDA Committees (Incorporated Associations) Joint funding; joint ministerial appointment
VIC	Transition of ACC to RDA committees (not incorporated), supported and administered by Regional Development Victoria, under contract with the Australian government Joint funding; joint ministerial appointment
Qld	Transition of ACC to RDA committees (incorporated associations) Joint funding (Queensland government is making in-kind contribution); Joint ministerial appointment
WA	Transition of ACC network to RDA network (incorporated associations) Parallel and collaborative arrangement between RDA and WA State Regional Development Commissions, Solely funded by Australian Government; Single ministerial appointment (Australian government)
SA	Three parties to MOU (Australian government, state and the Local Government Association); Integration of the former Area Consultative Committees and SA State Regional Development Boards into RDA committees (incorporated associations); Tripartite funding; Joint ministerial and LGA president appointment
TAS	Three parties to MOU (Australian government, state and the Local Government Association); Transition of ACC into RDA Committee (incorporated association) Joint Australian government and state funding (Tasmanian government is making in-kind contribution); Single ministerial appointment (Australian government)
ACT	Integration of the former Capital Region Area Consultative Committee and the Capital Regional Development Board into RDA Committee (incorporated association) Joint funding; joint ministerial appointment
NT	Transition of ACC to RDA Committee (incorporated association) Joint funding (Northern Territory government is making in-kind contribution); Single ministerial appointment (Australian government)

Source for Table 1:

Brian Dollery , Jeremy Buultjens & Kim Adams (2011) *Enhancing Australian Regional Policy: A Conceptual Framework for Assessing the Role of Regional Development Australia*, Space and Polity, 15:3, 241-255.

Link to this article: <http://dx.doi.org/10.1080/13562576.2011.692564>

Investigations regarding options for the “**service delivery footprint**” as applied to regional development naturally raise questions about what is “regional”. If there is to be a review of the definition of “regional” then this review should not be limited to how it is applied to the composition of the RDA network. How “regional” is defined and applied across all government policies and programs needs to be clarified.

RDA Hunter’s priority is working to ensure the region is equipped to make the most of its economic opportunities so that the future of the Hunter is full of promise. That the NCOA is taking a specific interest in **better delivery of services to the regions** will be welcomed by everyone living in regional Australia. Ease of access to services that are reliable and of high quality is an important component to building strong communities and giving regions a chance to retain the young and the talented.

In conclusion

The RDA network model embodies a “unified” rather than “fragmented” approach to the responsibility for regional development policy in Australia. Local Boards, or Committees, comprising local leaders, each with a diversity of experiences that have shaped their perspectives and provided essential knowledge of their region are proactively engaged with networks to influence and inform regional policy-making.

The **RDA network will benefit from clear directions** regarding purpose and scope of primary activities; matched by the resources, financial and human, required to deliver defined outcomes that will unlock the economic potential of the nation’s regions.

On behalf of RDA Hunter, thank you again for the opportunity to contribute to the National Commission of Audit and we look forward to the outcomes of your deliberations.

If you have any questions or would like further information, please call me on the office number [REDACTED].

Yours faithfully

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Chief Executive Officer
RDA Hunter