

Regional Economic Development Strategy for Canberra and the Capital Region

Enhancing Canberra's role as a national and regional hub for economic development

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ABSTRACT

This Paper provides an overview and summary of a Regional Economic Development Strategy for Canberra and the Capital Region. It points to the importance of the Commonwealth Government as a key driver of demand for goods and services in the region and the importance of production in the public administration and safety industry and the flow through impacts to health, education and the arts, construction, and professional, scientific and technical services. The importance of retail, the manufacturing industry, particularly food processing and metal fabrication, from a regional perspective is also addressed.

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Overview

What is economic development?

Economic development is concerned with increasing per capita output for a nation or region. Traditionally economic development progress, or economic growth, is measured by annual increments in Gross Domestic (or Regional) Product – the total of goods and services produced in a given period.

In economics, it is gross production represented by the equation

$$GD(R)P = C + G + I + (X-M)$$

That is, $GD(R)P$ = private consumption expenditure + gross investment (private and public) + government spending on goods and services + spending on exports – imports.

This gives a measurement for production regardless of the various uses production can be put. It reflects a *demand side view* of economic output.

The ABS also makes calculations of the value of output in various economic activities, generally industries. This reflects a supply side perspective of the economy.

The ABS also calculates an ‘income approach’ which is the total of all incomes in a given period (wages, salaries, employee supplements, profits, interest, dividends and rents, and incomes from unincorporated enterprises. This provides an insight into the distribution of GDP.

Economic development policy and strategy

Economic history indicates that economic development is associated with times of rapid population increase, disruptive technological change, and sustained investment in wealth creating/enabling assets. Systems of common law and arrangements for the protection of property rights have been important enabling conditions.

To the extent that there is a role for Government, policy and strategy has focussed on both supply side and demand side issues.

Supply side approaches

Economic development policy and strategy has traditionally focussed on *investment in new assets* (capital formation) that will provide the foundation for the production and delivery of goods and services in the future.

Such investments are often referred to as investment in economic (hard) infrastructure, such as transport, communication, electricity, gas and water, and as investment in social (soft) infrastructure, including education, health and essential community services.

More recently attention has been given to investment in knowledge infrastructure, including research and development.

Public infrastructure investments are generally seen as being subject to circumstances of market failure: private agents, acting alone, would under-invest at a level that is less than economically and socially optimal. Market failures include circumstances relating to public goods, externalities and spill overs, economies of scale and decreasing costs, and ‘merit’ goods.

The existence of a market failure *is not* a prescription for government action, or a rationale for public provision. These are essentially public policy issues. There are many ways of achieving infrastructure investment outcomes including public expenditure, specific subsidy, taxation expenditure, exclusive license, and regulation.

Infrastructure investments *build capacity* in the economic system that provides the framework for private sector business to grow and prosper through the production, distribution and sale of goods and services in a market environment. Economic development policy may also be directed towards encouraging businesses to locate and grow in a region to take full advantage of infrastructure provided.

Infrastructure investments have multiplier effects that flow through the economic system in terms of employment and the production of goods and services.

Demand side approaches

In addition to supply side issues relating to capital investment, economic development is also driven by demand for goods and services from households, following from population increase (natural increase and immigration), rising real incomes, by the public sector - associated with continual growth and extension of the 'business of government', and from exports to people and organisations in other regions and nations.

Economic development policy can work on the demand side by encouraging the growth of new industries based on factors such as natural resource endowments, creating and nurturing skilled talent pools, perceived 'distinctive competitive advantage' and the availability of economic infrastructure and public facilities – the "build it and they will come" approach.

The economic development environment in the ACT

The ACT economy is characterised by a situation of *excess demand*. Paradoxically, it is also constrained by infrastructure gaps on the supply side that limit the ability of businesses to capture opportunities to diversify the economic and industry base. *Excess demand, emanating from the public sector, is crowding out private sector business opportunities.*

A response to crowding out could be to seek to limit public sector demand to 'make room' for the private sector. But this would be difficult given that Canberra was established specifically as a 'government town'. The alternative would be to increase capacity for private sector growth by extending the population and resource base.

In 2012 the demand for goods and services by entities in the ACT was given as a total of \$47 billion. This exceeded production of goods and services by approximately \$17 billion or 57 per cent. This excess demand reflects the massive requirement of the Commonwealth for goods and services and places pressure on available productive resources. Production that is not met from ACT capacity is met from elsewhere – the region and nationally.

The Commonwealth pressure on resources is reflected in increasing costs, prices, and shortages in various markets – including the labour market, housing, rental accommodation, etc. These matters are being addressed, but probably not at a scale to ameliorate the demand pressures. Recent plans and announcements in the area of housing, urban development and urban services in Canberra are welcome.

But, to be effective, capacity building initiatives need to be spread across the immediate Capital Region (or 'Greater Canberra') – specifically the LGAs of Queanbeyan, Goulburn-Mulware, Yass, and Palerang. Other LGAs in the broader 'Capital Region' should also be included in considering building resource capability.

The economic environment in Canberra is influenced by periodic cutbacks in public expenditure and employment in accordance with budgetary cycles and priorities. The largest impacts are generally on the construction industry: it is relatively easy to announce and achieve cuts in works programs. But cuts in expenditure and employment (and regulation) following elections and changes in Government are never sustained. Notwithstanding the rhetoric, the reality is that business of government goes on, at an increasing rate.

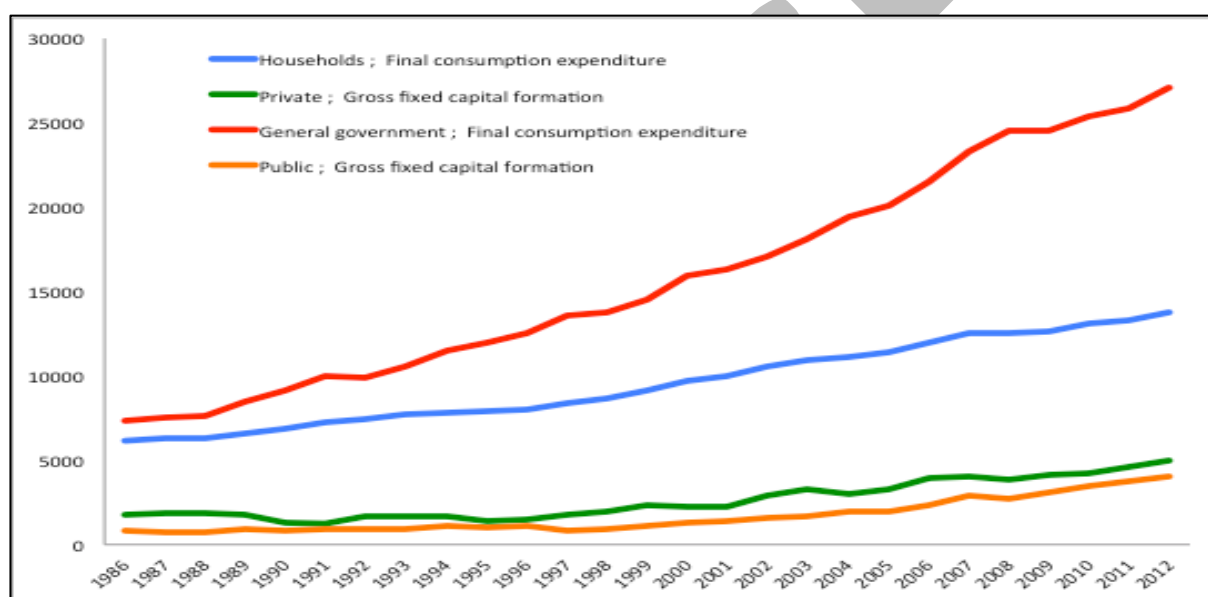
With 226 Commonwealth Senators and Members, an Executive of 18 Ministerial Portfolios, populated with 47 Ministers and Parliamentary Secretaries, together with Chiefs of Staff, Advisers, and Press Secretaries, this will continue to be the case. The overwhelming pressure is for Government to do more, to get bigger – not smaller.

The long-term impact of the Commonwealth Government on the Canberra economy is outlined below.

The economic impact of the Commonwealth Government

The economic influence of the Commonwealth has been growing at a rapid rate over the 25-year period from 1986 to 2012. Commonwealth recurrent expenditure has increased, in real terms, from \$7.0 billion in 1985-86 to \$22.1 billion in 2011-12. All other components of demand have increased at markedly slower rates. This is illustrated in Figure 1. The red line for General Government Final Consumption expenditure includes a small expenditure component of the ACT Government.

Figure 1: Canberra economy - components of demand 1986-2012 - chain volume measures (\$m)



Compiled from, ABS, *Australian National Accounts: National Income, Expenditure and Product*, Table 29. State Final Demand, Detailed Components: Australian Capital Territory, Cat, 5206.0

Of particular interest, and concern, is the much slower rate of increase in private investment (green line), which includes housing and residential construction. Housing developments have lagged in Canberra with the direct result excess demand leading to higher housing costs and rents. This issue is currently being addressed with new urban development announcements, but building capacity to reduce pressures must continue.

Some pressure is released in the economy as a significant proportion of Commonwealth demand 'leaks out' through the fly-in-fly-out workforce and procurement contracts awarded to businesses located in other parts of Australia – and the world. However, this does little to grow the population base and create opportunities for private sector development.

As indicated, there is little evidence to suggest that Commonwealth demand will abate. The proportion of Australian Public Service Act (APS) employees located in Canberra (currently 40 per cent) is increasing and the business of Government is expanding.

There may be some short-term slow down in employment growth as occurred between 1993 and 1999 (the APS lost 50,000 staff *nationally* over that period, but the loss was largely compensated for by outsourcing and professional services consultancy). The Professional, scientific and technical

services industry expanded rapidly and, in the process, built a strong capability for working with Government. Consultants, advisers, and university research centres now have a much greater role in program evaluation, policy research and providing advice in an evidence based policy context.

The recent growth in the 'business' of the Commonwealth Government has been concentrated in the security and compliance areas, evidenced by the growing presence of ASIO, the Australian Federal Police, Defence Signals, Office of National Assessments, the Australian Taxation Office and the Department of Immigration.

There has also been a large growth in staff in the Parliamentary Service (not counted as APS employees) and in the private offices of Ministers, shadow ministers and backbench members. The private sector lobbying industry has been booming in recent years as industry and the professions seek to influence and direct government decision-making.

There have been financial pressures across individual agencies as they work towards achieving 'efficiency dividends'. This has, at the same time, encouraged agencies to look for productivity enhancing innovations – particularly through the application of ICT and, more recently, social media. It has also encouraged contracting and outsourcing as a way of achieving more efficient delivery solutions.

Growth in Commonwealth Government employment has been concentrated at the middle management levels (See Attachment 1) which has placed severe recruitment and retention pressure on private businesses in Canberra.

Implications

Canberra has a very small population and resource base to meet the demand for goods and services generated by the Commonwealth and provide a platform for economic diversification.

Current ACT Government policy is looking towards an ACT population of 500,000 by 2030. However, for resource capability to be developed and sustained, it is important that supply side considerations look to the ACT and Capital Region (current population 215,000), and that a population of significantly larger dimension be entertained.

An appropriate population target for the ACT and Capital Region warrants further discussion and analysis. Scenarios around one million and greater should be discussed – in order to ensure that the resource base appropriate for the development of a balanced regional economy is secured. A population target of 500,000 for the ACT by 2030 is unlikely to provide the base for the development and growth of a robust private sector in the ACT and region.

In this context, economic development policy and strategy must give priority to:

- Ensuring that the Canberra and Region population base is large enough to provide a balance to address demand components – particularly between private and government consumption
- Strategic investments in economic and social infrastructure
- Attracting private investment to create and extend industries of major significance – such as professional services, ICT, and manufacturing
- Ensuring that there is a viable and sustainable small to medium business sector that is innovative, agile and responsive to opportunities presented in the broad economic context.

Proposed specific strategic initiatives developed in the context of this paper are outlined below. They are developed in the context of the analysis contained in Section 5 – building regional capacity.

Economic development initiatives

1. Establish protocols, procedures and programs to ensure a seamless interconnection between Canberra and the surrounding LGAs, and regional health and education administrations to achieve a coordinated approach to economic development, urban development, the delivery of urban services and business regulation.27
2. A conversation be started between business leaders, ACT and LGA representatives, and the broader community to set an appropriate population target for Canberra and the Capital region – sufficient to ensure sustained and diversified economic development to 205027
3. An arrangement be established to facilitate the exchange of policies, information and decisions between the Commonwealth, the ACT and regional LGAs on matters that factors that affect the demand for and supply of resources in the economic development of Canberra.28
4. Ensure effective linkages between government, business and tertiary education institutions in meeting the human capital needs and addressing research knowledge transfer opportunities in Canberra and the Capital Region28
5. The ACT Government and LGAs in the capital region commit to the development of a twenty year economic infrastructure plan covering the provision of essential economic infrastructure services that would underpin economic development in the region.29
6. The ACT Government and regional LGAs collaborate in the planning and development of housing and urban services infrastructure across the region.29
7. The ACT Government establish an entity to be known as *Invest Canberra*. Invest Canberra will bring together a range of business investment, entrepreneurial development and other business support initiatives into a strong investment promotion, facilitation and enterprise development entity. Regional LGAs would be invited to join Invest Canberra.30
8. An economic development prospectus for Canberra and the Capital Region be prepared through a collaboration between the ACT Government and Regional LGAs.31
9. The Director of the ACT Economic Development Directorate, CEOs of adjoining LGAs, and leaders in key industry organisations form a Canberra and Capital Regional Development Leaders Forum.31

Actions for specific industries

Some specific actions relating to specific industries are summarised below.

Public Administration and Safety

- Encouraging population growth in Canberra and across the Capital Region
- Ensuring that land is available for the construction of premium quality office buildings;
- Appropriate housing options are available and affordable;
- Urban services and infrastructure is of a high standard;
- Education and training institutions are aware of skill shortages and are in a position to target their recruitment and research programs accordingly.

Professional, Scientific and Technical Services

- Encouraging professionals services firms to build business and locate in Canberra;
- Ensuring the availability of appropriate housing, land development and lifestyle choice for professionals – including small acreage in surrounding LGAs
- Urban infrastructure is of a high standard

Construction and Real Estate

- Taking a regional view of the building and construction industry

- Ensure that Canberra businesses have access to the trades and paraprofessional skills
- Supporting demand driven investments in trade and para-professional qualifications by working collaboratively with industry and trades associations

Technology

- Supporting the development, growth and relocation of ICT businesses that are focussed on surviving the public sector market
- Ensure education and raining institutions are providing appropriate courses and programs to ensure the availability of skills and competencies to meet industry requirements
- Continue support for commercialisation and technology transfer.

Tourism and Hospitality

- Develop a regional tourism plan as a collaboration between the ACT and regional LGAs and promote Canberra and the Capital Region as a tourist destination
- Address the shortage of tourist accommodation on a regional basis
- Ensure the planning and development applications processes do not inhibit the provision of appropriate hotel accommodation.

Transport air, road, rail

- Develop an integrated regional transport strategy across Canberra and the Capital region
- In the absence of a commitment for a VFT, ensure the upgrade of the Canberra-Sydney rail link to allow commercially viable speeds.

Tertiary Education

- Ensure that potential students and mature age students have access to tertiary education
- Facilitate the development of partnerships and collaborations between universities and industry.

1. Introduction

1.1 Approaches to economic development

Present day approaches to economic development focus on the role of *businesses* in making investment and production decisions in response to opportunities identified in the course of developing and implementing their businesses strategies. Business strategies are primarily focussed on selling goods and services to a customer to satisfy identified, or anticipated, wants. Strategies are guided by prospects for adoption, application and use of new ideas, knowledge, technology and business models.

In this context economic development policy and strategy is generally concerned with one or more of the following:

- Making strategic investments in enabling economic (hard) and social (soft) infrastructure
- Building institutions that encourage and support investment and capital formation by new, emerging and existing businesses;
- Encouraging and supporting population growth through immigration, particularly in areas where there are skills shortages and business development opportunities;
- Building links within the regional innovation system – between businesses, research organisations, tertiary education, and technology investors;
- Stimulating demand for goods and services from external sources, nationally and internationally, through support for marketing, communication, and relationship building
- Leadership, vision and foresight – from business, the community, and government;
- Ensuring that Government does not unduly constrain or limit investment decisions made by business to initiate, expand and sustain the production of goods and services.

Economic development policy and strategy is generally focussed on demand side issues (leveraging strategic assets and increasing the utilisation of productive resources) and supply side issues (building and sustaining productive capacity and capability).

Demand side approaches are often premised on an assumption that a region's productive potential and capacity is strong (and possibly unique). Strategies are generally built around stimulating demand by creating awareness, advertising, promotion, sales and marketing, and facilitating private sector investment. Tourism development policies, for example, have a very strong sales and marketing approach.

Strong demand will, through the operation of the market, call forward supply responses from current and potentially new businesses and investors.

Supply side approaches concentrate on investment in new infrastructure assets, support for and promotion of existing and new industries through regulation and subsidy, building resource capability through education and training and providing risk capital for new and emerging businesses. Supply side approaches may be based on the existence of what is considered to be a strategic asset – for example, a potential tourist 'attraction', or a strong track record in biomedical research.

Supply side approaches are often criticised for 'picking winners' or a misguided belief in 'build it and they will come'. Turning strategic assets into distinctive capabilities that will form a base for the formation and development of new industries that employ large numbers of people and generate wealth for a region is a hard road to follow.

There are in many regions, for example, that have identified or 'manufactured' features that are not distinctive or unique, and have limited potential in economic development strategy. For example, 10-15 years ago Melbourne and Sydney identified bio-medical clusters, which formed the focus of policy attention. But this did not result in the creation of a mass of successful start up companies, or a strong and robust Australian pharmaceutical industry (although they have helped the global pharmaceutical industry). Co-location and agglomeration is not the same as innovation 'clustering'.

In Canberra, Parliament House, the War Memorial, and the City layout are unique. But many of the education, cultural and collecting institutions are not; and they compete for attention and resources with highly regarded universities, museums and galleries in State capitals.

An effective regional economic development policy and strategy is built around both demand and supply issues. It will be based on a clear understanding of the structure and components of demand for goods and services and the existing impacts as well as gaps and opportunities on the supply side.

1.2 The ACT and Canberra as a national and regional hub

The ACT is a city-state – with most of the population living in the city of Canberra. The term ACT has little meaning to people who associate Canberra as being Australia’s national capital – just as DC has little meaning in references to Washington as a national capital. Greater Washington extends into the States of Maryland and Virginia. Ottawa is located in the provincial border of Ontario and Quebec.

Cities, not states and territories, define economic location. Cities perform roles as centres and hubs for regional economic development. Canberra is also the demographic and economic hub for what is often termed the Capital Region of NSW – sometimes taken to coincide with the Statistical Division of South East Region of NSW. Canberra is by far the largest population centre in the region and there are strong economic, social and cultural linkages between the city and the region.

Increasingly the role of cities as hubs for regional development is being recognised in urban and regional development policy. In the remainder of this document reference will be made to Canberra and the Capital Region – and the term ACT will be avoided.

Canberra also performs a role as a national hub. It is Australia’s National Capital. Being the National Capital is the major source of Canberra’s strategic competitive advantage and distinctiveness. No other city in Australia can claim this distinctiveness. As the National Capital Canberra is the centre of Commonwealth Government public policy formation, implementation, and administration.

As the national capital, Canberra also has an important *national stewardship* role. It is a role that Canberrans should take pride in – and stands above the gratuitous commentary about Canberra’s political, social and cultural context.

Development strategies that ignore this critical role will fail to achieve traction. Economic development strategies must aim to further build and sustain Canberra’s national role – not only in terms of government policy and administration, but also as a national and international centre for the development and application of knowledge, communication and dialogue, and a place in the world.

1.3 The Canberra economic development context

Canberra has a unique economic development ‘problem’. The economy is characterised by *excess* demand: unemployment is virtually non-existent, there are severe labour shortages in key professional and para-professional occupations, per capita incomes are the highest in Australia, it has the highest rate of educational attainment, housing and rental costs are among the highest in Australia, and land available for housing and urban development is running out.

Economic development in Canberra has been driven largely by the investment and expenditure decisions of the Commonwealth Government. The economic influence of the Commonwealth Government is pervasive – in terms of demand for goods and services, their production (through direct employment and purchases), and support for national education, science, cultural, and heritage institutions.

Public Administration and Safety is the largest industry, which accounts for 31.3 per cent of total production (38.9 per cent in 1990). Professional, Scientific and Professional Services and Construction are the next largest industries, each accounting for 9.7 per cent of production. The Professional Services industry has grown through providing services to Government on a consultancy basis,

stimulated through outsourcing and procurement policies and strategies of Government. The lobbying and advocacy business is enormous.

There is, however, evidence that the Commonwealth is 'crowding out' the private sector through its employment, recruitment and remuneration practices and placing severe pressure on a relatively small population base capable of generating a strong middle management capacity. This is offset, to some extent, by the willingness of the Commonwealth to recruit nationally and internationally at the graduate and senior management levels.

1.4 Canberra and the region

The Australian Capital Territory (ACT), measured in terms of economic output, represents 2.2 per cent of the Australian economy. It is larger than the Tasmanian economy (1.6 per cent) and the Northern Territory (1.3 per cent).

The ACT, is 'surrounded' by New South Wales (NSW), which produces 30.9 per cent of national output. The State capital, Sydney, and the Sydney region dominate the NSW economy. There are, however, important regional economies within NSW. These include the Hunter Region, with Newcastle as its hub, and the Illawarra, with Wollongong as its major centre.

A significant component of Canberra economic activity is directed towards meeting regional and national requirements. But the Canberra resource base does not have the capacity to effectively meet the industry and workforce demands placed upon it. Workforce capability and skills shortages have been canvassed in many recent reports and papers – for example, by the ACT Skills Commission (ACT Skills Commission, 2008).

Education, infrastructure, transport and urban development strategies tend to have a 'small target' – generally only addressing only ACT matters. This reflects, in many ways, a market failure issue. Health issues are now being addressed in a regional health network context.

The potential scale and scope of economic activity in Canberra is much larger than the geographic boundaries and administrative jurisdiction of the Australian Capital Territory Government. Already, a significant proportion of state-type services (health, education, recreation and the arts) meet demands from the broader Capital Region. The ACT Treasury is compensated for some of this through direct payments from NSW and by Grants Commission calculations. But the arrangements are cumbersome.

Canberra, Queanbeyan and Goulburn provide the regional headquarters for national businesses (banks, finance and insurance companies) and NSW state Government departments and agencies. Whilst offices may be located 'across the border', staff may reside in Canberra. Large retailers and wholesalers use Canberra as a base for regional market. Canberra is also the South East region office, as well as the national office for most Commonwealth Departments and agencies.

Manufacturing businesses serving the Canberra market are finding it attractive to locate in Queanbeyan due to lower costs and lower NSW taxes. This trend may increase as the ACT Government shifts the burden of property taxes from households to businesses. The limited supply of land in Queanbeyan is a limiting factor on further movement.

Canberra office workers are acquiring larger residences in surrounding LGAs on larger allotments and acreages. It is estimated that 600 workers commute daily from Goulburn-Mulwaree to Canberra each day. Several LGAs have policies and strategies to attract Commonwealth Government departments and agencies to locate in their areas. This makes some sense in a broader regional context. But the supporting infrastructure (roads, transport particularly) is poorly developed.

1.5 Demography

1.5.1 Regional population

Canberra, with a population of 368,000, is the demographic and economic hub for what the ABS (and some signposting on the Hume Highway) refers to as the Capital Region of NSW. At 30 June 2011 the estimated resident population of Canberra and the Capital region was 583,000. The demographic profile is represented in Table 1.

Table 1: Canberra and Capital region - demographic profile - June 2011

	Estimated Resident Population 30 June 2011 No.	Increase 2001- 2011 %	Increase 2001- 2011 No.	Proportion of total 2011
CANBERRA	367,752	15.2	48,435	63.1%
CAPITAL REGION				
Queanbeyan	55,867	22.5	10,279	9.6%
Goulburn - Yass	69,423	8.7	5,542	11.9%
Snowy Mountains	19,505	2.9	543	3.3%
South Coast	70,188	8.4	5,450	12.0%
TOTAL CAPITAL REGION	214,983	11.3	21,814	36.9%
TOTAL CANBERRA AND CAPITAL REGION	582,735	11.4	70,249	100.0%

Source: ABS, Regional Population Growth, Australia 3218.0, 31 July 2012

Canberra constitutes 63 per cent of the resident population in the Region. People in Goulburn, Yass, Queanbeyan, Cooma, Jindabyne, and the towns along the South Coast look to Canberra as a major centre for education, health, recreation and the arts, business opportunities, employment, domestic air travel, and the purchase, sale and distribution of goods and services.

Recent population data indicates that some of the surrounding LGAs, and particularly Queanbeyan, are growing at a much faster rate than Canberra.

1.5.2 Mobility

Demographic data suggest that the Canberra population is highly mobile. In 2010-11 there were a total of 100,883 arrivals and departures – suggesting that 27 per cent of Canberra's population 'turned over' in that year. Total movements have been similar in previous years. The extent to which the data reflect movements between Canberra and Queanbeyan (and other centres in the Region) is not clear. Net Interstate movements are indicated in Table 2.¹

Table 2: Canberra net interstate migration (number of persons)

	Arrivals	Departures	Total movement	Net Movement
2006-07	52,946	-51,025	103,971	1921
2007-08	50,031	-50,296	100,327	-265
2008-09	49,529	-50,351	99,880	-822
2009-10	48,743	-48,812	97,555	-69
2010-11	51,119	-49,764	100,883	1355

Source: ABS, 34120DO007_201011 Migration, Australia, 2010-11, Table 8. Experimental regional internal migration estimates, Statistical Local Areas, Australian Capital Territory, 2006-07 to 2010-11

The mobility data is consistent with a large project based professional services and contracting sector as well as regular movements of defence personnel.

1.5.3 Overseas migration

The Canberra economy is also impacted by a relatively high level of overseas migration. Over the period 2005-06 to 2009-10 the average net movement of people from overseas was 12,000 per annum, amounting to 3.4 per cent of the City's population. Apart from Australian citizens travelling

¹ The ABS uses a number of administrative data sources to produce estimates of interstate migration, including electoral roll registrations and family allowance payments. Currently the ABS uses information on interstate change of address advised to Medicare Australia and to the Department of Defence in the case of the military. Due to incomplete coverage and the non-compulsory nature of available administrative (indirect) data sources, post-censal quarterly estimates of interstate migration have long been considered the weakest measure of a component of population change.

internationally, movements were highest in the higher education sector, covering both students and staff.

Table 3: Canberra net overseas migration – average 2005-06 to 2009-10

	Arrivals	Departures	Total Movement		Net Movement	
	No.	No.	No.	Proportion	No.	Proportion
Temporary visas	3,268	1,412	4,680	39.1%	1,856	74.3%
<i>Vocational Education and Training sector</i>	208	42	250	2.1%	166	6.6%
<i>Higher education sector</i>	1,096	366	1,462	12.2%	730	29.2%
<i>Student other</i>	634	426	1,060	8.9%	208	8.3%
<i>Business long-stay (457)</i>	520	152	672	5.6%	368	14.7%
<i>Visitor</i>	532	196	728	6.1%	336	13.5%
<i>Working Holiday</i>	162	34	196	1.6%	128	5.1%
<i>Other temporary visas</i>	114	200	314	2.6%	-86	-3.4%
Permanent visas	1,118	62	1,180	9.9%	1,056	42.3%
<i>Family</i>	432	32	464	3.9%	400	16.0%
<i>Skill</i>	526	28	554	4.6%	498	19.9%
<i>Special Eligibility and humanitarian</i>	152	0	152	1.3%	152	6.1%
New Zealand Citizen (444)	322	158	480	4.0%	164	6.6%
Australian Citizen	2,098	2,646	4,744	39.6%	-548	-21.9%
Other	430	458	888	7.4%	-28	-1.1%
Total	7,232	4,734	11,966	100.0%	2,498	100.0%

Source: ABS, Migration, Australia, 2010-11, Cat 34120DO006_201011

1.6 Implications

From a demographic, social, and economic perspective, it makes no sense to think of Canberra, or the Capital Region, as separate and self-contained demographic and economic entities. From a business, industry and regional innovation policy perspective the point of reference must be the region rather than an area defined by administrative boundaries drawn up 100 years ago. The geographic borders, and the political and administrative jurisdictions they define can, when not working in harmony, create significant barriers to regional economic development and innovation.

A region defines an economy in the context of economic transactions between households, businesses and government. Regional economic accounts that record economic transactions relating to demand and production of goods and services, industry structure and employment are important in the development of regional development strategies.

The ABS prepares State/Territory accounts including estimates for the Australian Capital Territory (only part of the Capital Region). State Governments have shown little interest in pushing for regional economic accounts within their States – notwithstanding the importance that such information would provide for regional economic development and innovation policy.

The economic accounts prepared by the ABS for the ACT provide an important insight into the economic demand and production profile of Canberra as the regional hub for Canberra and the Capital Region.

A longer-term project would be the compilation of economic accounts for the region as a whole as a basis for informed policy. (Such a project was initiated by the former Commonwealth Department of Urban and Regional Development in 1973, but discontinued on the basis that this is a State Government matter).

A summary economic profile for Canberra, drawing in ACT data, is provided in the following two Sections – the first on demand for goods and services, and the second on supply (production).

2. Demand side issues

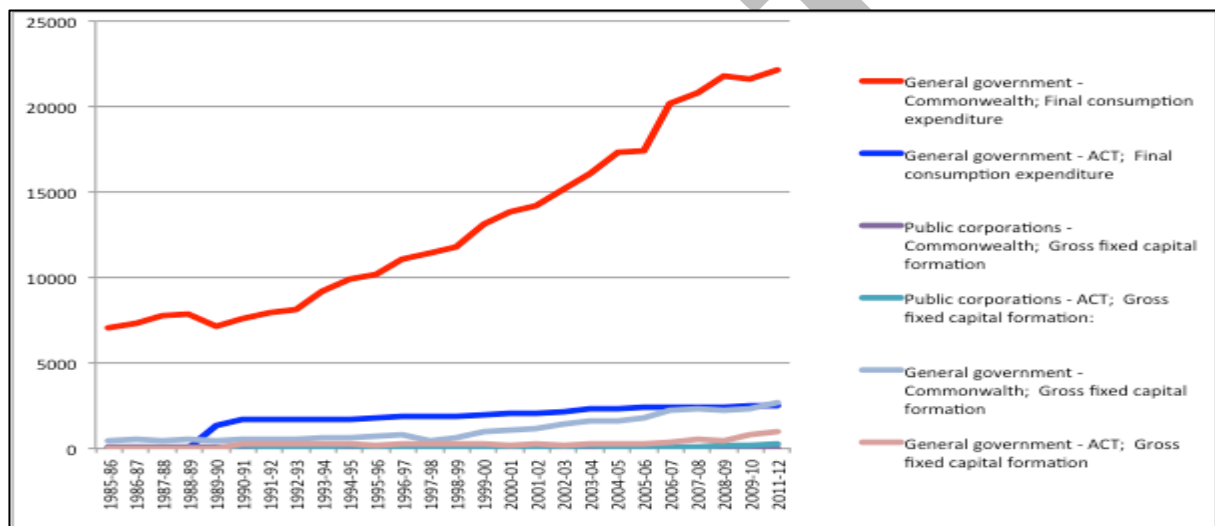
2.1 Public sector demand

The Canberra economy is dominated by public sector demand. The public sector is the major driver of economic activity and is taking an increasing role. Over the period 1986 to 2012 Government demand for goods and services made up 54.3 per cent of the increase in demand, while growth in household consumption expenditure contributed a more modest 27.6 per cent. Only 18 per cent of the growth in demand was sourced to private capital formation (investment).

In the normal course of events, this level of public sector demand would place excruciating pressure on the resources available in the economy, and reflected in rapidly rising prices and high wages costs. There is some evidence that this is occurring (e.g. housing costs), but the reality is that demand is met from outside the Canberra economy – regionally and nationally. There is a significant ‘guest worker’ component of the Canberra workforce, although its size and composition is largely unknown.

Over the period June 1986 to June 2011 public sector demand for goods and services has increased from a proportion of 51.5 per cent of state final demand to 62.0 per cent. Demand peaked during 2008-09 at 62.7 per cent. Trends in public sector demand are shown in Figure 2, which indicates the role of the Commonwealth in pushing the demand for goods and services.

Figure 2: Canberra economy - components of public sector demand 1986-2012, chain volume measures (\$m)



Complied from, ABS, *Australian National Accounts: National Income, Expenditure and Product*, Table 29. State Final Demand, Detailed Components: Australian Capital Territory, Cat, 5206.0

By contrast, Household Final Consumption expenditure has decreased from 36.2 per cent of demand in 1985-86 to 28.6 per cent in 2010-11 – the lowest it has been over the period. Private capital expenditure has fallen from 12.3 per cent of output to 9.4 per cent over the period.

2.2 Crowding out

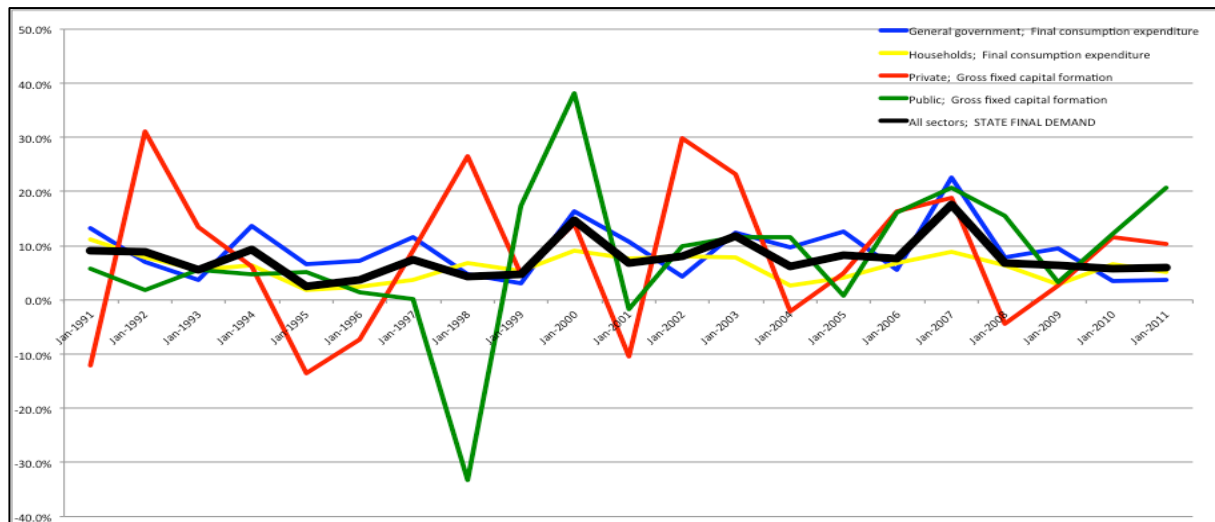
These data point to potential ‘crowding out’ by the Commonwealth, placing considerable pressure on the capacity of the Canberra economy to meet Commonwealth requirements to conduct the business of government. Building capacity and capability to meet Commonwealth demand should be an important priority in the Canberra and region economy. This includes capacity to respond to, and deliver goods and services under Commonwealth procurement contracts.

Policy should also ensure that there is sufficient capacity and capability to support the development and growth of a diversified regional economy – including a major role for the private sector.

2.3 Demand fluctuations

In nominal terms there are significant year on year fluctuations in demand components. In many respects Canberra shows the hallmarks of being a 'rollercoaster' economy subject to changes in demand coming from the Australian Government. This is indicated in Figure 3.

Figure 3: Canberra economy impact of key demand drivers June 1991 to June 2011



Calculated from: *Australian National Accounts: State Accounts*, Cat 5220.0. Table 9 Expenditure, Income and Industry Components of Gross State Product, Australian Capital Territory, Chain volume measures and current prices

Figure 3 indicates that the overall impact of Government final consumption expenditure (blue line) on overall demand for goods and services is pervasive. For the time being at least, the fortunes of the ACT economy will be closely tied to that demand. There are indications of some countercyclical impact between public capital formation (green line) and private capital formation (red line). This was apparent in 1991-92, 1997-98 and to some degree in 2010-11.

2.4 Imports and exports

Canberra is a significant importer of goods and services from overseas. In 2011-11 imports amounted to 3.1 per cent of final demand – although this has fallen from 6.8 per cent in 1989-90. Exports represent 2.6 per cent of demand – having fallen from 3.7 per cent in 1989-90.

2.5 Statistical discrepancies

There is, however, a large discrepancy between ABS calculations of demand for goods and services and supply (production). In 2010-11 total demand was estimated to be \$47.8 billion, and total supply (production, or Gross State Product) was estimated to be \$30.3 billion. The ABS applies a 'balancing item' to ensure that demand equates to supply (i.e. Gross State Product). The discrepancy has increased from 17.9 per cent of State Final Demand in 1989-90 to 35.5 per cent in 2010-11. This discrepancy is negligible in the NSW State Accounts.

The growing discrepancy between calculations of demand and supply in the ACT accounts would suggest that a growing proportion of goods and services consumed in Canberra are sourced from outside the ACT. This would include the South East Region of NSW. Consequently, fluctuations in demand sourced from Canberra, and in particular Government, would have a significant regional impact. The growth on Commonwealth Government demand for goods and services over the last 20 years now poses significant risks for the Canberra and Capital Region economy.

Supply side issues are addressed in the following Section.

3. Supply side issues

As noted in previous sections of the Paper, the production of goods and services in Canberra is dominated by the public sector. This impacts on the structure of industry and the pattern of employment. These are outlined in turn.

3.1 Industry output

The Public Administration and Safety 'industry' is the largest in Canberra. In 2010-11 it produced 30.6 per cent of output in Canberra. It is unlikely that the significance of the industry, in terms of demand, will be reversed – at least in the medium to longer term. However, it is in the interests of the Canberra economy that to the greatest extent possible that production of goods and services to meet that demand remains in Canberra.

Other industries that are predominantly public sector oriented produced an additional 17.0 per cent of output (Education and training 7.4 per cent; Health care and social assistance 5.5 per cent; Electricity gas, water and waste services 2.4 per cent; and Administrative support services 1.7 per cent). Industries that specialise in supply to the public sector include Professional, scientific and technical services (9.7 per cent of output), Construction (9.7 per cent) and Information, media and telecommunications (2.5 per cent).

Industry output data, together with information on average annual increases over the period 1990 to 2011 are provided in Table 4.

Table 4: Canberra economy – industry structure 1990 – 2011 (\$m) Chain volume measure

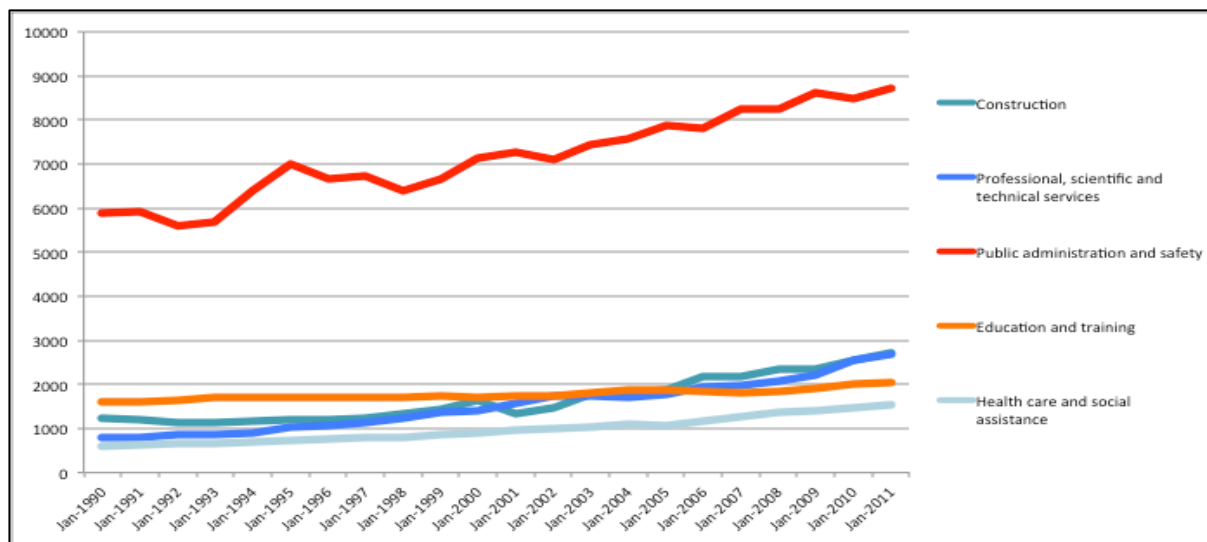
	Jun-90	Jun-93	Jun-96	Jun-99	Jun-02	Jun-05	Jun-08	Jun-11	Share Jun 1990	Share Jun 2011	Ave Annual Incr
Public administration and safety	5886	5681	6658	6672	7096	7889	8246	8724	39.0%	31.3%	7.4%
Construction	1235	1125	1204	1435	1472	1862	2348	2716	8.2%	9.7%	11.0%
Professional, scientific and technical services	805	850	1051	1375	1738	1767	2067	2698	5.3%	9.7%	16.8%
Ownership of dwellings	1133	1272	1398	1519	1673	1809	1933	2102	7.5%	7.5%	9.3%
Education and training	1601	1722	1691	1731	1749	1887	1826	2052	10.6%	7.4%	6.4%
Health care and social assistance	599	665	769	848	1012	1071	1353	1525	4.0%	5.5%	12.7%
Financial and insurance services	553	603	536	590	791	766	1077	1167	3.7%	4.2%	10.6%
Retail trade	417	489	534	597	764	801	864	902	2.8%	3.2%	10.8%
Accommodation and food services	457	508	599	712	779	763	736	776	3.0%	2.8%	8.5%
Other services	466	509	569	630	796	731	682	748	3.1%	2.7%	8.0%
Transport, postal and warehousing	455	452	517	503	535	575	652	713	3.0%	2.6%	7.8%
Information media and telecommunications	202	259	338	422	467	529	621	706	1.3%	2.5%	17.5%
Electricity, gas, water and waste services	489	469	483	617	669	695	711	683	3.2%	2.4%	7.0%
Rental, hiring and real estate services	251	299	360	422	463	555	604	558	1.7%	2.0%	11.1%
Administrative and support services	156	192	225	272	348	357	410	539	1.0%	1.9%	17.3%
Arts and recreation services	307	348	358	389	453	547	470	493	2.0%	1.8%	8.0%
Wholesale trade	220	237	286	343	380	377	397	456	1.5%	1.6%	10.4%
Manufacturing	423	329	287	287	336	343	311	307	2.8%	1.1%	3.6%
Mining	51	54	53	54	48	29	23	23	0.3%	0.1%	2.3%
Agriculture, forestry and fishing	24	22	22	23	25	23	22	20	0.2%	0.1%	4.2%
Total all industries	15087	15616	17503	19056	21405	23227	25366	27907	100.0%	100.0%	9.2%

Calculated from: *Australian National Accounts: State Accounts*, Cat 5220.0. Table 9 Expenditure, Income and Industry Components of Gross State Product, Australian Capital Territory, Chain volume measures and current prices.

Accommodation and food services, which underpins Canberra’s tourism market (recreational, business and education), represents 2.8 per cent of output. Tourism also impacts on the Retail and the Arts and recreation industries. This sector has substantial potential to grow, although it has grown at a slow rate that the average (9,2 per cent) over the 1990 – 2011 period).

Industry growth trends for the larger industries are illustrated in Figure 4

Figure 4: Industry gross value added June 1990 – June 2011: Canberra – larger industries (\$m)

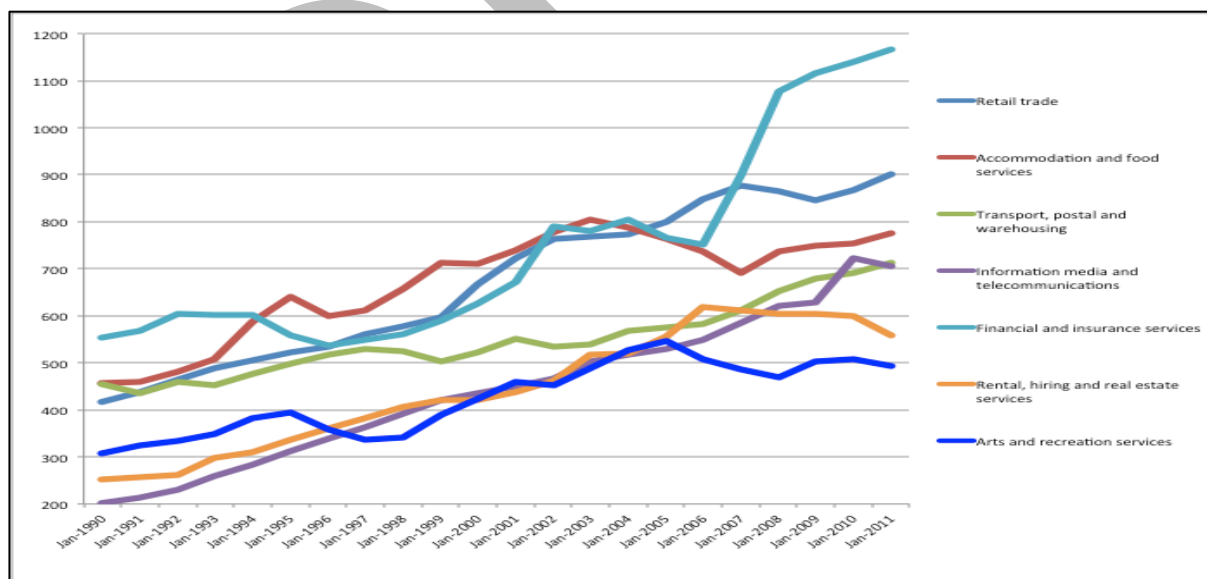


Calculated from: *Australian National Accounts: State Accounts*, Cat 5220.0. Table 9 Expenditure, Income and Industry Components of Gross State Product, Australian Capital Territory, Chain volume measures and current prices.

The trends indicated the impact of Government expenditure cuts over the period 1996 to 2000 (red line), and the stimulus the Professional, scientific and technical services industry (blue line) over the same period. The education and training industry has shown little trend growth over the period.

Trends for other industries are illustrated in Figure 5.

Figure 5: Industry gross value added June 1990–June 2011: Canberra - smaller industries (\$m)



Calculated from: *Australian National Accounts: State Accounts*, Cat 5220.0. Table 9 Expenditure, Income and Industry Components of Gross State Product, Australian Capital Territory, Chain volume measures and current prices.

Figure 5 points to the substantial growth in the Financial and insurance services industry, Retail, and I Information media and telecommunications industries. These are indicative of Canberra’s regional role and the growing importance of digital technologies in in Government and industry generally. The declining level of output in Accommodation and food service from a peak in 2003 may reflect the

growing competition from other centres in the business tourism market – particularly in relation to conferences and conventions.

3.2 Employment

Total employment in Canberra has grown from 118,400 in November 1983 to 207,000 in 2011-12 – an increase of 74.9 per cent over a 20-year period. Full time employees in November 2012 accounted for 74.5 per cent of employment, compared to 81.2 per cent in 1984-85. Further data on employment is provided in Attachment 2.

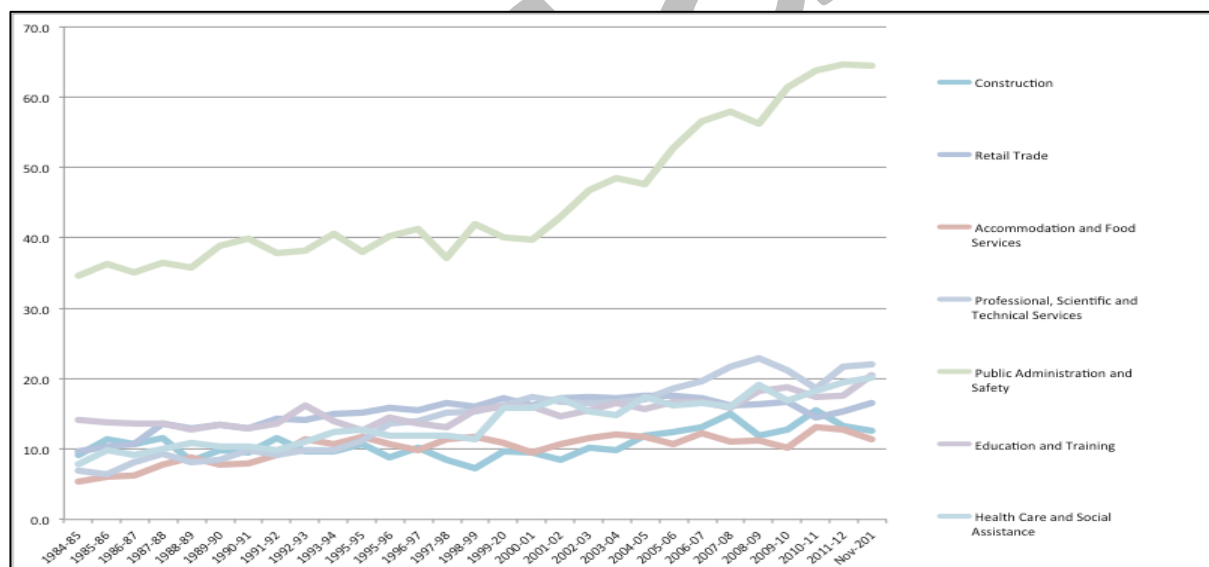
Consistent with data regarding the production of goods and services, employment in Canberra is concentrated in the Public Administration and safety industry. Of the 207,000 Canberra employees in 2011-12, 30.9 per cent were employed in this industry. The proportion has increased from 29.2 per cent in 1984-85. The industry covers both public and private sector employees.

The Public Administration and Safety industry has accounted for the major growth in Canberra employment, particularly since 2000-01. The increases relate predominantly to the growth in the security institutions, including the Australian Federal Police, ASIO, and the Departments of Defence and Immigration. This industry has been responsible for 33.8 per cent of employment growth over the period 1984-85 to 2011-12.

Professional, scientific and technical services employment has accounted for 16.7 per cent of employment growth and Health care and social assistance has accounted for a further 13.8 per cent. Tourist related industries covering Accommodation and food Services and Retail trade were responsible for a combined 14.7 per cent of growth. The contribution of other industries to employment growth has been relatively minor.

The trend growth in these larger employment categories is indicated in Figure 6 below.

Figure 6: Trend growth in larger employment categories 1984-85 to 2011-12



In 2012 the Professional, scientific and technical services industry, constituted 10.5 per cent of the Canberra workforce (5.9 per cent in 1984-85). As indicated, the growing significance of this industry is due, in large part, to the demand from the Commonwealth for legal, accounting and other highly specialised services, as well as continuing outsourcing strategies.

Significantly, the Information, media and telecommunications industry, while representing 2.5 per cent of output (3.2 per cent in 1990), accounts for only 1.3 per cent of employment (2.4 per cent in 1984-85). Given that the Commonwealth is a major purchaser of information, media and telecommunications services, the data suggest that demand is being met from forms and staff located outside Canberra.

The third largest employment sector is by Education and Training with 9.8 per cent of the total (11.9 per cent in 1985-85) and Health and Social Assistance with 9.6 per cent (6.6 per cent in 1984-85). Retail trade accounted for 8.0 per cent of employment in 2011 (8.1 per cent in 1984-85), Construction accounted for 6.0 per cent (7.7 per cent in 1984-85) and Accommodation and Food Services, a major component of the tourist industry, accounted for 5.5 per cent (4.5 per cent in 1984-85).

Detailed information of employment by industry is provided in Table 5.

Table 5: Canberra economy – employment trends 1984-85 to 2011-12

	1984-85 '000	2011-12 '000	Increase '000	Increase Per cent	Proportion of increase
Agriculture, Forestry and Fishing	0.6	0.6	0.0	1.2	0.0%
Mining	0.1	0.2	0.1	37.5	0.1%
Manufacturing	4.5	3.3	-1.2	-28.7	-1.4%
Electricity, Gas, Water and Waste Services	0.9	2.3	1.3	139.4	1.5%
Construction	9.2	13.3	4.1	45.2	4.7%
Wholesale Trade	2.8	2.5	-0.3	-11.1	-0.4%
Retail Trade	9.6	15.3	5.7	58.8	6.4%
Accommodation and Food Services	5.4	12.7	7.3	136.0	8.3%
Transport, Postal and Warehousing	4.6	4.8	0.2	4.0	0.2%
Information Media and Telecommunications	2.8	4.3	1.5	52.9	1.7%
Financial and Insurance Services	3.6	4.3	0.6	17.9	0.7%
Rental, Hiring and Real Estate Services	1.1	2.8	1.8	165.2	2.0%
Professional, Scientific and Technical Services	7.0	21.8	14.8	212.0	16.7%
Administrative and Support Services	2.4	5.1	2.8	115.4	3.1%
Public Administration and Safety	34.6	64.6	30.0	86.6	33.8%
Education and Training	14.1	17.6	3.5	24.5	3.9%
Health Care and Social Assistance	7.9	19.4	11.5	146.9	13.0%
Arts and Recreation Services	2.9	5.1	2.3	79.3	2.6%
Other Services	4.2	7.0	2.8	65.3	3.1%
Total	118.4	207.0	88.6	74.9	100.0%

3.3 Public sector employment

Of the 207,000 Canberra employees in 2011-12, an estimated 106,400, or 51.4 per cent) were employed by Government. The proportion employed by the Commonwealth was 76.8 per cent.

Table 6: Canberra economy – public sector employment 2007-08 to 2011-12

	Commonwealth government '000	State/Territory government '000	Total Government '000
2007-08	73.2	19.6	92.8
2008-09	72.9	21.7	94.5
2009-10	75.8	22.7	98.6
2010-11	80.6	24.0	104.6
2011-12	81.7	24.8	106.4

Employment data in Table 6 includes public service staff engaged under the Public Service Act (APS staff) and staff engaged under other legislative authority (serving defence personnel, ASIO operatives, and AFP, Parliamentary Service staff for example). ACT Police, employed by the AFP would be included in the Commonwealth data. The number of APS staff employed in Canberra is 67,400 (representing 40 per cent of all APS employment - see below) is 63 per cent of public sector employment and a third of all employment.

Public sector employment includes full-time, part-time, ongoing, and non-ongoing contractors employed on a casual, temporary or part-time basis – but not people employed by third parties under consulting contracts. Consultants would generally be included within the Professional, Scientific and Technical Services employment category.

Public sector employment also does not cover people engaged in businesses supplying accommodation and food services (e.g. cafeterias) or other businesses that are built and survive on the supply of goods and services to government departments and agencies. These businesses generally work under contracts negotiated after submitting tenders through competitive processes.

To the extent that contracting businesses engage employees who reside in other States (e.g. ICT contractors), they would not be included in *any* ACT employment data. It is likely that ACT employment data significantly understate employment in the Professional, Scientific and Technical Services and the Information, Media and Telecommunications industries.

Further information on APS employment trends is provided in Attachment 1.

3.4 Growth potential

Apart from the Public Administration and Safety industry, industries that have demonstrated significant above average growth and provide a base for ongoing economic development are:

- Information, media and telecommunications (17.5 per cent over the period)
- Professional, scientific and technical services (16.8 per cent)
- Construction (11.0 per cent)

There is also substantial growth potential in currently below average performing industries including Education (higher education and overseas students), Accommodation and Food Services (influenced by recreational, business and educational tourism) and Transport, Postal and Warehousing (regional transport hub).

Although Canberra is not a base for Manufacturing, Mining, and Agriculture, Forestry and Fishing industries, these are vitally important in the region. The city of Canberra provides an important, and potentially growing services hub for these industries.

There is a substantial wine industry around Canberra and a light-manufacturing sector in Queanbeyan.

The manufacturing industry is undergoing substantial change with the emergence of digital manufacture and the demise of the factory as the locus of activity. Manufacturing is no longer driven by the concept of the large factory, economies of scale, and mass production of standardised units. Quality, speed of delivery, and post sales service are more important drivers than price.

3.5 Supply constraints

As indicated earlier in this Paper, the economic problem in Canberra, and parts of the region located close to Canberra, is one of *excess demand*. The demand from the Commonwealth Government has created severe economic pressures in the economy. Announced cutbacks and savings in public expenditure (for example, in 1996 and 2007) occur at the margin and have limited duration and impact.

Announced public expenditure cuts are quickly offset by rapid increases in employment in complementary industries to meet the ongoing, growing, and increasingly complex 'business of government'.

The demand pressures from the Commonwealth are particularly strong in the Public Administration and Safety industry – where there has been a 61.5 per cent increase in employment between 1999-2000 and 2011-12. It is unlikely that this growth will be arrested as the business of Government has been growing rapidly in response to demands in areas such as national security, counter terrorism and border protection. The new ASIO building and the re-furbished Edmund Barton Building, entirely for the AFP, are testimony to this growth.

Commonwealth demand is closely associated with a 35.4 per cent increase in employment in the Professional, Scientific and Technical Services industry. Providers in this industry meet requirements for expert legal, financial, technology and other services not available within Government (or too costly to establish). The Commonwealth also places pressures on industries supplying essential community services, including education, health care and social assistance.

Some of the demand for employment is being met from interstate and international migration. Of the 2,500 increase in total employment between 2010 and 2011 there were 520 Section 457 visas

issued. Canberra's population is increasing too slowly to meet the workforce demands of the Commonwealth and the industries that it stimulates. There is little scope for new industries to grow and prosper.

Commonwealth demand has pushed up average salaries, placed pressure on rental and housing costs, and made it generally unattractive for private sector businesses to grow in Canberra due to difficulties in recruiting and retaining staff. Reports and studies have consistently indicated that there are significant shortages in skilled occupations in Canberra and that Canberra businesses lose newly recruited employees to higher paying and more secure jobs in the Commonwealth. This is a major constraint on industry development and growth.

The Commonwealth is, and will continue to be, a major purchaser of goods and services, but cost structures make it easier for service providers to deliver from interstate. These are missed opportunities for economic diversification. Many companies supplying goods and services to the Commonwealth now only retain sales offices in Canberra.

For example, notwithstanding the strong demand from the Commonwealth for goods and services provided by the Information, Media and Telecommunications industry, this industry employs only 4,300 people in Canberra. Clearly, Commonwealth requirements are being met from suppliers located outside Canberra. 'Fly-in-fly-out' (drive-in-drive-out) workers are meeting a large proportion of demand in this, and other, sectors.

The transient workforce still generates a demand for public infrastructure and urban services, but limits the capacity to develop sustainable industries in Canberra. Moreover, if people are not counted as 'resident' in Canberra, the ACT Treasury misses out in the distribution of GST funds, which in turn, constrains capacity for infrastructure investments and servicing.

The financial and insurance services sector only employs 4,300 people (3.3 per cent of total employment) with the greater part of head office services being delivered from interstate. The finance sector is not sufficiently large to support a viable early stage start-up private equity investment capability.

The manufacturing sector, a major employer of trades skills, employs only 3,300 people – a drop of 1,000 (26.7 per cent) over 20 years. Similarly, wholesaling has reduced employment by 11.4 per cent over the period to 2,400. Of course, much of this employment may have shifted to Queanbeyan.

Transport, Postal and Warehousing has remained in a no growth situation with employment at 4,800. This industry would grow in Canberra were to become a regional freight hub. But, growth will be constrained by difficulties in recruiting suitably skilled, qualified and experienced employees.

At the same time, there are industries that are not yet of sufficient size and scale to be fully viable. Higher education, for example, has five 'production units' (universities) as well as three TAFEs (CIT, Illawarra, Riverina) and a large number of private providers all competing in an increasingly aggressive demand driven environment. The industry is undergoing significant structural change with the advent and growth of online education delivery.

Higher education institutions rely heavily on export of education services to the nation and internationally – an area that is becoming increasingly competitive. Students bring wealth to the economy, but they also place demands on infrastructure – particularly housing and urban services. Policies that encourage students to stay after graduating are welcome.

3.6 Implications

It is clearly apparent that Commonwealth demand is 'crowding out' private sector opportunities. Some reduction in Commonwealth expenditure in the ACT might be welcomed in order for the private sector to grow and flourish.

Alternatively, policy and strategy can focus on growing the supply side through population increase and industry diversification. To that extent planning for the ACT must be fully integrated with the region to ensure that supply constraints are addressed on an integrated basis.

For Canberra to become a viable economic entity, its population must increase to a sustainable level. At 367,000 residents, Canberra is not sustainable and lacks the internal growth dynamic to provide the professional and technical skills required by industry. But the capacity to reach a viable city at, for example, 500,000 is constrained by the availability of land and the cost of its development.

Increasing population will assure the viability of the construction industry in a broader economic development framework.

Draft

4. Regional economic development prospects and priorities

Must go further than observing “Hey, we’ve got these assets, and therefore we have a strategic competitive advantage”. The assets must be distinctive (having something that no-one else has) and capable of being leveraged to create additional wealth, employment, and income flows.

Canberra’s Economic Development Future involves seven potential areas for attention

1. The Commonwealth Government
2. Professional Services – Professional and Technical services to Government/Defence – ICT
3. Construction and real estate
4. Technology and ICT
5. Tourism and hospitality – national institutions, national events, gateway to snowfields
6. Transport – air, rail, road freight hub for region
7. Higher education

These areas are that impact directly, and indirectly, from demand emanating from the Commonwealth Government.

Profile and potential of each is addressed below. Particular attention is given to national and regional impacts and opportunities as well as opportunities within the confines of the ACT jurisdictional boundaries.

4.1 The Commonwealth Government (Public Administration and Safety industry)

Issues

The Commonwealth is a major employer and purchaser of goods and services and provides the base for Canberra’s Public Administration and safety industry. This industry accounts for a third of output and employment in Canberra. It is also a significant industry in the regional economy. Without this industry Canberra would not exist.

The Commonwealth recruits and sources nationally, and internationally. It does not have preferences for local recruitment and purchases. However, supplier location can offer advantage. Public policy should encourage education and training institutions to turn out more people with required skills and capabilities. Commonwealth initiatives relating to the Crawford School and ACT Government support for education and training at the University of Canberra have been important initiatives.

The periodic public rhetoric about public service and public expenditure cutbacks, ‘government overload’, smaller government, and the gloom and doom implications that follow, are a diversion and a distraction. There are cycles, but that is a characteristic of almost any industry. In the modern economy, the business of government will continue to grow and expand.

The Public Administration and Safety industry also stimulates demand in other industries either directly through purchases of goods and services (e.g. ICT, medical services) or indirectly through the household purchases of Canberra resident employees and contractors.

Increasingly governments are purchasing goods and services from the private sector. This is reflected in the growth of the professional, scientific and technical services industry that includes consultants, contractors, and advisers who provide services that Government finds it too expensive, uneconomic or inappropriate to develop capability internally.

National industry and professional organisations have progressively located their headquarters in Canberra and large Australian and international businesses have established Canberra Offices to liaise with Government – including Defence and the Defence Materiel Organisation.

The potential for the Public Administration and Safety industry to grow in Canberra is constrained by availability and cost of staff. Although many people in the private sector like the ‘security’ of the Commonwealth, the pool of potential recruits from the ACT Government and the private sector is diminishing.

Departments and agencies engaged predominantly in processing activity are increasingly ‘footloose’ (for example, Department of Human Services, ATO) and will locate to where they can access cheaper office accommodation and qualified operational and technical staff. There are indications that processing Departments are being attracted to Adelaide.

It is in the overall interests of Canberra and Region economic development that the Public Administration and Safety industry continue to grow and flourish – but not at the expense of other industries.

Economic development response

The most appropriate economic development responses relate to:

- Encouraging population growth in Canberra and across the Capital Region
- Ensuring that land is available for the construction of premium quality office buildings;
- Appropriate housing options are available and affordable;
- Urban services and infrastructure is of a high standard;
- Education and training institutions are aware of skill shortages and are in a position to target their recruitment and research programs accordingly.

4.2 Professional, scientific and technical services

Issues

The public administration and safety industry also stimulates demand in other industries either directly through purchases of goods and services (e.g. ICT, medical services) or indirectly through the household purchases of Canberra resident employees and contractors. The Professional, Scientific and Technical Services industry has seen significant growth over the last 20 years mainly in response to demand from the Commonwealth Government for expertise that it would not otherwise have available.

The industry also includes a growing cadre of industry and professional advocates (lobbyists) who represent and advocate policy positions and changes to Ministers and public service policy officials. National industry and professional organisations have progressively located their headquarters in Canberra and large Australian and international businesses have established Canberra Offices to liaise with Government to solicit business and represent their capability.

Decisions by employees, consultants and contractors to be based in Canberra or commute are influenced by a range of factors including employer national and international business strategy, medium to long term work opportunity, cost of housing, quality of schooling, climate, lifestyle, and family situation. However, little is known about the ‘fly-in fly-out’ workforce and its importance to the Canberra and Capital Region economy.

Professional services firms with significant headcounts in Canberra include:

Firm	Staff numbers
Allen Consulting	
BDO Australia	
Deloitte	
Duesbury	
PricewaterhouseCoopers	
KPMG, Access Economics	
Ernst & Young	
EDS	
Mallesons	
Minter Ellison	
Meyer Vandenburg	
Oakton	
GHD	
SKM	
Etc – others?	

Partners and senior staff in professional services firms tend to be major participants and contributors to community arts, cultural and sporting activity and many occupy leadership roles in these organisations.

This professional services sector will continue to grow, but it is important to address opportunities for more professional services businesses to be Canberra based and service a national and international market rather than relying on the 'fly-in fly-out' (drive-in drive out) pattern that has emerged. GHD, for example has a large Canberra base that serves projects in NSW.

Economic development response

The most appropriate economic development responses relate to:

- Encouraging professional services firms to build business and locate in Canberra;
- Ensuring the availability of appropriate housing, land development and lifestyle choice for professionals – including small acreage in surrounding LGAs
- Urban infrastructure is of a high standard

4.3 Construction and real estate

Issues

Canberra and the Region economy is still on a development trajectory. There are ongoing issues concerning land release, land servicing, and integration of land development with the delivery of urban infrastructure services.

It is important that issues concerned with land development and civil construction be approached on a regional basis, particularly as land availability in the ACT and Queanbeyan is becoming increasingly constrained. It is also important that land development is fully integrated with planning and delivery of infrastructure services and addresses economic development as well as statutory planning issues.

A great deal of progress has been made since the last Machinery of Government changes and a closer connection between land development and economic development agencies. It is important, however, that infrastructure planning extends further than annual/rolling public works programs. Infrastructure should be planned at least over a 20 year horizon.

It is also important to address skills shortages in both trades and para-professional areas. This requires a regional response as well as specific ACT initiatives. It is important to be aware, however, that the Canberra construction workforce is very mobile (and itinerant). People who rent can move very quickly. Building companies source contractors and, employees, from the region (including south coast) and all over NSW. Tradesmen will Travel! Tradesmen from the mid-north coast are currently working in Canberra.

Economic development response

The most appropriate economic development responses relate to:

- Taking a regional view of the building and construction industry
- Ensure that Canberra businesses have access to the trades and paraprofessional skills
- Supporting demand driven investments in trade and para-professional qualifications by working collaboratively with industry and trades associations

4.4 Technology (ICT, materials, and biotechnology)

Issues

As a centre of government and public administration, Canberra is 'information rich'. It has the largest installation of mainframe computer capacity in the country and provides employment for a large number of ICT employees, contractors and service providers.

Canberra has significant ICT research and teaching capability at The ANU, University of Canberra, CIT and NICTA. Arguably, however, it is sub-optimal from the perspective of driving industry and economic development.

Canberra has been the base for the development and growth of a number of ICT software and services businesses (Inteledox, Tower, etc). These enterprises provide a model of entrepreneurship and ability to meet, and lead, public sector requirements.

Canberra is also an important centre for research in biotech through the John Curtin School of Medical Research. Opportunities exist for greater commercialisation of research, but the linkages with technology investors are weak and the Canberra private equity/venture capital sector is under-developed.

Canberra also performs well in terms of providing support for technology transfer, commercialisation and encouraging the growth of new technology based firms. It is important, however, that these initiatives are coordinated with broader enterprise development initiatives as well as being linked to broader investment facilitation and attraction strategies.

Economic development response

The most appropriate economic development responses relate to:

- Supporting the development, growth and relocation of ICT businesses that are focussed on surviving the public sector market
- Ensure education and training institutions are providing appropriate courses and programs to ensure the availability of skills and competencies to meet industry requirements
- Continue support for commercialisation and technology transfer.

4.5 Tourism and hospitality

Issues

As a national capital, and home to a number of the nation's history, cultural and heritage institutions, Canberra is an important tourism destination. As the centre of government, Canberra is also a major destination for visiting government officials, business people and lobbyists.

Through the work of the Canberra Convention Bureau and its "Think Canberra" initiative a great deal is being done to promote business, government and academic tourism. The national cultural institutions, particularly the ANG do a great deal to promote tourism for their 'blockbuster' exhibitions.

Events such as Floriade and Summernats and some key annual conferences (Resource Outlook) are also important visitor drawcards. But these events occur in the absence of an overall tourism development strategy. Canberra's important wine districts are not promoted as an ACT tourism asset.

Tourism relating to sporting events is important in a NSW and regional context. Sport is an important way of building 'brand' recognition for Canberra – a matter well understood by the University of Canberra and the ACT Deputy Chief Minister..

There is, however, a severe shortage of tourist accommodation and appropriate venues to host international conferences and conventions. The strategy of the ACT Government to integrate conference and sporting venues is a way of dealing with problems with scale.

Economic development response

The most appropriate economic development responses relate to:

- Develop a regional tourism plan as a collaboration between the ACT and regional LGAs and promote Canberra and the Capital Region as a tourist destination
- Address the shortage of tourist accommodation on a regional basis

- Ensure the planning and development applications processes do not inhibit the provision of appropriate hotel accommodation.

4.6 Transport – air, rail, road

Issues

The Canberra International Airport development is a major achievement. Regional economic development strategy should leverage this important initiative and capability. The connections that the airport provides with Sydney and through the Sydney-Canberra development corridor will be vitally important for the future of the region.

The airport provides that anchor for a passenger and freight hub for region. Future developments should see the development of a coach terminal at the airport to service the region (Discuss with Airport).

International flights will be important future development for the airport and the region.

The standard and quality of roads in the region is a major issue. Road construction and maintenance receives prominence in RDA Committee planning documents and is clearly a priority.

Economic development response

The most appropriate economic development responses relate to:

- Develop an integrated regional transport strategy across Canberra and the Capital region
- In the absence of a commitment for a VFT, ensure the upgrade of the Canberra-Sydney rail link to allow commercially viable speeds.

4.7 Tertiary Education

Issues

Higher Education is a large, growing, and increasing competitive industry. It has an economic impact through the employment of academic and support staff, demand for goods and services, and the impact on student spending. The broader role of universities in promoting economic development through partnerships, collaborations and technology transfer to industry is also important.

Tertiary education in Canberra is an important industry due to its ability to attract large numbers of international students who make a significant contribution to the economy. The international education market is a challenge and universities handle this well through their own marketing strategies. There is little that State/Territory Governments can effectively do to support the marketing effort. Their role is mainly in enhancing the off-campus student experience.

Tertiary Education in Canberra is important on a *regional basis*. Canberra's universities and the CIT draw more than a third of their students from the region – but there is intense competition within the region from Wollongong University and Charles Sturt University (CSU). There is also a very large number of Canberra school leavers, particularly those who have achieved a high ATAR score, who enrol in more prestigious universities and specialised Institutes in Sydney, Melbourne and other centres.

The critical economic development issue relates to human capital formation – ensuring that students and potential students receive an education that enables them to meet demands for professional, para professional and vocational skills in current and growing industry sectors.

Economic development response

The most appropriate economic development responses relate to:

- Ensure that potential students and mature age students have access to tertiary education
- Facilitate the development of partnerships and collaborations between universities and industry.

4.8 Summary

There are many industries that have the potential to grow faster than the data in Figure 4 suggests, particularly in a regional context. These include higher education, transport, postal and warehousing (reflecting Canberra's regional hub status), information, media and telecommunications (reflecting opportunities for the application of digital technologies).

There are other areas of opportunity. Manufacturing, including food and wine processing, whilst a small component of Canberra's industry structure, increases in scale and importance in a broader regional context. Food processing (including wine, dairy, horticulture, meat) and light manufacturing, including steel and metal fabrication, serve regional, national and international markets and are becoming technology intensive. Canberra is becoming known globally as a premium wine district – but almost all activity is undertaken in NSW.

This paper does not support 'targeted' industry development policy. The role of government is to create the conditions that allow for the growth and development of businesses and industries as they respond to demand and opportunities. This task centres on building regional capacity, and is addressed in the next section.

Draft

5. Building regional capacity for growth: strategic directions and initiatives

Building capacity for growth is an important economic development role. It is a major challenge for Canberra, given that the Commonwealth is already a major driver of growth. But this issue for Canberra is growth built around diversification.

In other words, the demand for goods and services from the Commonwealth must be accommodated, but there must be capacity to allow other industries to grow and prosper in order to create a diversified and resilient economy.

5.1 Regional integration and cross border rationalisation

To address the supply and associated economic management constraints, the population of the Canberra economy must increase. With some sense of foresight initiatives to expand the ACT were commenced in 1973, but met with stiff opposition from the NSW Government.

The 'effective' population of the ACT can be increased by opening up the borders with the surrounding Local Government Areas (LGAs) and working towards seamless interaction on supply side issues associated with economic development as well as in education, health and municipal services.

Seamless integration with surrounding LGAs

Canberra is 'spilling over' into Queanbeyan, Yass and Goulburn – and to a lesser extent Cooma, Snowy River and Eurobodalla.

Recommendation

- 1. Establish protocols, procedures and programs to ensure a seamless interconnection between Canberra and the surrounding LGAs, and regional health and education administrations to achieve a coordinated approach to economic development, urban development, the delivery of urban services and business regulation.**

5.2 Population

The level of demand for goods and services in Canberra being exerted by the Commonwealth has placed undue pressure on the ACT and region's demographic resources. It is important that population be a sufficient size to accommodate the growth in Commonwealth demand and allow for the diversification of the Canberra and regional economy.

It is expected that Canberra's population will reach 500,000 by 2030 (?). Arguably, this should be accompanied by a population growth within the broader region to bring the total to one million by 2030. This would allow for the expansion of the demographic resource base and allow for the development of viable industries in areas where there is significant growth potential.

Recommendation

- 2. A conversation be started between business leaders, ACT and LGA representatives, and the broader community to set an appropriate population target for Canberra and the Capital region – sufficient to ensure sustained and diversified economic development to 2050**

5.3 Collaboration and partnership with the Commonwealth

Decisions by Commonwealth Departments and agencies to increase demand for services, including employees, contractors, consultants and material goods and services have always had a major impact on Canberra. But there are emerging problems with this, including supply constraints relating to housing and accommodation costs and shortages of skilled, knowledgeable and experienced professionals

For the time being at least, growth in Canberra and the immediate surrounding region will be determined by demand and expenditure decisions of the Commonwealth – multiplier effects flow through the economy – but not only in Canberra but also to the region and nationally. The influences come through employment AND procurement.

The ACT Government has not had to do much to ‘claim credit’ for Canberra’s growth and prosperity. Canberra, and the region will grow as long as the Commonwealth Government chooses Canberra as ‘its principal place of business’. There is little risk that the public administration and defence industry that it underwrites will fall into decline resulting in major long-term job losses in the industry and the industries that link to it.

In the short term there will be temporary ‘blips’, but history points to a steady progression in public sector growth. There is, however, an element of risk in this approach. While government will continue to grow, the industry may ‘restructure’ through different ways of working, methods of procurement, and adoption and application of digital technologies.

A major implication of this is that the Commonwealth may reduce its commitment to basing staff in Canberra, particularly with high cost of housing. Digital technologies allow for new ways of working and interacting. Contractors and consultants are generally under little pressure to reside permanently in Canberra.

At the same time, there is a need to avoid the Commonwealth is ‘crowding out’ private sector activity through its impact on employment demand, wages and price levels.

It is important therefore that the Commonwealth, ACT and regional LGAs collaborate through sharing information on factors that affect the demand for and supply of resources in the economic development of Canberra. The point of contact in the Commonwealth should be the Department for Regional Australia, the Department of Finance and Deregulation, the APSC, the Parliamentary Service, and the NCA.

Recommendation

- 3. An arrangement be established to facilitate the exchange of policies, information and decisions between the Commonwealth, the ACT and regional LGAs on matters that factors that affect the demand for and supply of resources in the economic development of Canberra.**

5.4 Regional innovation system capacity

Canberra and the Capital Region has a well developed Regional Innovation System consisting of leading research and teaching institutions, an environment for the development and growth of new technology based firms, and opportunities for knowledge transfer (through commercialisation and engagement) with businesses and government agencies committed to innovation and productivity enhancement.

The ACT Government provides targeted and valuable assistance and support for knowledge transfer and commercialisation. It supports NICTA and supports the Lighthouse Business Incubator and the Epicorp seed investment fund. It also supports a number of projects that aim to connect research organisations with new and developing businesses.

There are multiple players in this process and it is not clear that the connections are the best that they might be at the senior management, operational and delivery level. While a great deal is achieved through various forums and networking events, consideration could be given to instituting formal process to achieve coordination across the Innovation System.

Recommendation

- 4. Ensure effective linkages between government, business and tertiary education institutions in meeting the human capital needs and addressing research knowledge transfer opportunities in Canberra and the Capital Region**

5.5 Essential economic infrastructure

Efficient and effective economic infrastructure (transport, communication, energy, water, urban services) is an essential base for regional economic development. The following considerations are relevant:

- The Canberra International Airport investment is a critical lead investment, reflecting vision and foresight on the part of leading Canberra entrepreneurs;
- The delivery of broadband services across the region will be important for underpinning industry development in the ICT and professional services arenas;
- In the absence of a commitment by the Commonwealth to a VFT initiative, investment in upgrading the rail system to provide a 'reasonably' fast train to meet regional passenger and freight requirements would be appropriate. An effective rail connection to the proposed hub at Moorebank is essential.
- The regional road system is inadequate to support the development of a freight hub and facilitate commuter travel across the region – interstate regional regulatory and licensing issues must be addressed
- Water supply must be sufficient to underpin regional development and growth

Addressing these issues requires strong and effective collaboration with LGAs and NSW infrastructure development agencies (Roads and Maritime Services, State Rail, Department of Transport, NSW Trade and Investment, for example).

Recommendation

- 5. The ACT Government and LGAs in the capital region commit to the development of a twenty year economic infrastructure plan covering the provision of essential economic infrastructure services that would underpin economic development in the region.**

5.6 Housing and urban services infrastructure

The ACT Government and Capital Regional LGAs must collaborate to plan and provide for a regional population in the vicinity of 1,000,000 by 2030. The ACT Government has already embarked on a series of initiatives to facilitate the delivery of housing and urban services infrastructure, and this is welcomed.

It is important, however, that the land use planning and urban development process in Queanbeyan, Yass, Goulburn and Palerang are consistent and complementary to the strategies being developed in Canberra.

Recommendation

- 6. The ACT Government and regional LGAs collaborate in the planning and development of housing and urban services infrastructure across the region.**

5.7 Private sector investment

A major issue for concern in the economic development of Canberra (and probably the region) is the very low level of private capital investment, and the declining proportion of private consumption expenditure in overall aggregate demand.

The data suggests that Canberrans are either becoming higher savers and/or purchasing goods and services elsewhere. Canberra's savings are no doubt being channelled to other parts of the economy – this would be rational behaviour on the part of Australian banks and financial institutions.

It is probably the case that Canberrans are substantial net lenders to the rest of the Australian economy (while the economy as a whole the private sector is a major international borrower).

The Commonwealth Government, as the key component of the lead industry (public administration and safety) draws in small business development – as suppliers to government needs and

requirements. Businesses will make investment decisions having regard to sales opportunities, access to capital and expected returns on assets employed.

The Commonwealth, quite rightly, does not have a local purchase preference scheme, and does not provide incentives for businesses to locate in Canberra.

Canberra has a robust business development policy that is heavily oriented towards supporting and sustaining small business and technology based start-ups. However, the ACT Government does not have a strategy to attract and retain large or rapidly growing businesses that could form a locus for the development of growth of small business. Economic development proceeds well when there are large 'anchor' businesses (such as the Australian Government). Diversification requires business in industries other than Public Administration and Safety industry.

Some Canberrans do, however, make a strong commitment to the economy, and have done very well – particularly in the construction sector. But there is a need to look at other sectors – in context of economic diversification.

In focussing on private investment there may be advantage in bringing together a range of business investment, entrepreneurial development and other business support initiatives into a strong investment promotion, facilitation and enterprise development entity. The City of Ottawa has recently taken such an initiative.

Invest Ottawa

Invest Ottawa delivers economic development programs and initiatives that increase entrepreneurial momentum, wealth and jobs in the City of Ottawa and its surrounding region. Its goal is to make Ottawa the best place in Canada to start and grow a knowledge-based business.

Invest Ottawa services include start-up incubation and mentorship, acceleration for existing companies, global business attraction and local business retention, targeted sector development, commercialization, and marketing Ottawa's diversified economy and high quality of life.

Invest Ottawa delivers collaborative economic development programs and initiatives that increase entrepreneurial momentum, wealth and jobs in the City of Ottawa and its surrounding region while marketing Ottawa's diversified economy and high quality of life.

Invest Ottawa reports directly to the City of Ottawa through a CEO and Board of Directors. Invest Ottawa also seeks input from a private sector-driven Working Groups to ensure the needs of the business community are fully aligned with the City's economic development objectives.

Collaboration and partnership are primary pillars of the Invest Ottawa mandate. Invest Ottawa will support and mentor high-potential young entrepreneurs in new knowledge-based sectors like life sciences, green energy, digital media and film and television. Within the broader economic development community, Invest Ottawa will share information and opportunities among groups like Ottawa Tourism and the Chambers of Commerce.

Invest Ottawa will work closely with its partners including the Ottawa Community Loan Fund, Industrial Research Assistance Program, Ontario Centres of Excellence, Ottawa's Young Entrepreneurs, and several local business incubation initiatives that combined, can provide one-stop access to entrepreneurial support and advice.

In addition, Invest Ottawa works closely with students in Ottawa universities and colleges to encourage them to stay in Ottawa to start their own companies or discover job opportunities at existing companies.

Through an Annual Operation Plan, the City has set a number of goals, objectives and performance metrics for Invest Ottawa to achieve, primarily focused on investment and jobs. These metrics will include tracking inbound trade delegations, square footage leased, dollars invested, training programs delivered and jobs created.

Invest Ottawa is primarily funded by the City Ottawa. In addition, it also receives funding from the Province and Federal Government as well as through corporate sponsorships and some minor fees for service. Rent received from sub-tenants (Ottawa Community Loan Fund, Industrial Research Assistance Program, Ontario Centres of Excellence, Ottawa's Young Entrepreneurs) is also a source of revenue.

The private sector is involved with Invest Ottawa in two ways: first as clients of the organization and second as advisors through the Invest Ottawa Board of Directors and its Working Groups.

The top three priorities for Invest Ottawa are: entrepreneurial development, foreign direct investment, and business retention and expansion are the top three priorities for the organization.

<http://investottawa.ca/about-invest-ottawa>

The Ottawa Government has recently established Invest Ottawa. It provides a framework for thinking about a similar initiative for Canberra and the Capital Region

Recommendation

- 7. The ACT Government establish an entity to be known as *Invest Canberra*. Invest Canberra will bring together a range of business investment, entrepreneurial development and other business support initiatives into a strong investment promotion, facilitation and enterprise development entity. Regional LGAs would be invited to join Invest Canberra.**

[The alternative is for Canberra Business Council to develop into “Invest Canberra” under a MoU/Deed of Agreement with the ACT Government and Regional LGAs. This would follow the path being taken with CBC delivering a range of ACT Government enterprise development programs]

5.8 An economic development prospectus

There is no shortage of marketing and promotional material for Canberra and the LGAs in the region. Publications are strong on style, image and presentation, but usually light on for content and articulation of specific development opportunities.

They have a string tourist development focus – encouraging visitors to the range of attractions and natural features. These documents are important in promotion places to visit, meet and live.

There is, however, a shortage of material that outlines opportunities to invest and to grow and sustain a business. There is important content on the ACT Government website, but the focus is informational rather than promotional.

A prospectus is designed to attract investor attention. Many cities have done this, or are doing this well (e.g. Newcastle, Geelong, Brisbane). It needs to be much more than glossy public relations brochures, and something that would form a place marker for key decision makers in business and commerce.

Recommendation

- 8. An economic development prospectus for Canberra and the Capital Region be prepared through a collaboration between the ACT Government and Regional LGAs.**

5.9 Leadership, vision and foresight

Economic development requires strong partnerships and collaborations between the multiple agencies involved in land use planning, infrastructure delivery, and the provision of urban and regional services.

In the Canberra context, it is also important that there is effective communication with the Commonwealth – particularly with agencies making decisions to invest in new office accommodation and deployment of significant numbers of staff into the region.

This must be addressed by ongoing communication at the senior and middle management levels as well as periodic meetings between Agency CEOs.

It is not proposed that a new political structure be instituted – but there is an opportunity for the ACT Government to take leadership in addressing economic development planning for Canberra in a framework of the broader Capital Region. A Canberra and Capital Regional Leaders Forum is therefore proposed.

Regular briefings would be provided to ACT Ministers and Mayors and recommendations for decision made as appropriate.

High-level leaders meetings must be followed up with specific actions and clear responsibilities and accountabilities.

Recommendation

- 9. The Director of the ACT Economic Development Directorate, CEOs of adjoining LGAs, and leaders in key industry organisations form a Canberra and Capital Regional Development Leaders Forum.**

Attachment 1: Australian Public Service (APS) employment

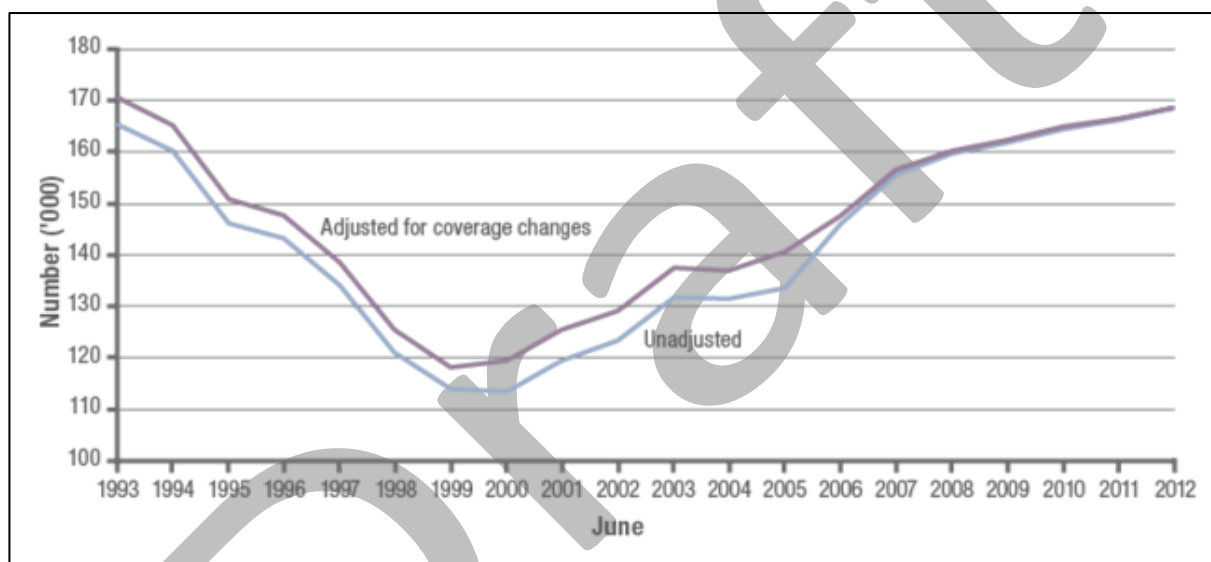
Trends in Australian Public Service (APS) employment have a significant effect on the overall employment profile in the ACT and region. The APS is the largest employer category and sets benchmarks for salaries, terms and conditions in other parts of the economy. Moreover, trends in the structure of employment, including the balance between ongoing and non-ongoing employment, full-time and part-time, and recruitment and retirements, have significant implications for the ACT labour market.

Overall

At June 2012, there were 154,307 ongoing employees in the APS and 14,273 non-ongoing employees, giving a total of 168,580.

Figure xx below shows the change in total APS employee numbers for the past 20 years. These are Australia wide figures, including the ACT. The adjusted line takes account of coverage changes in the APS during each year, by adjusting total employee numbers in the APS by the number of employees performing those functions as the function moved into or out of coverage of the Public Service Act.

Figure A1.1 APS employees, 1993 to 2012



Source: APSED

The data shows that APS employment declined sharply over the period 1993-1999 (a loss of 50,000 staff), and increasing over subsequent years to reach a level in 2012 equivalent to the 1993 level. The decline in APS employment over the 1993-1999 period is more than offset by increases in other categories of employment in industries that provide services to Government under contract and consultancy arrangements.

More than 40 per cent of APS employees (61,720) are located in the Australian Capital Territory (ACT). This proportion has risen steadily for many years—in 1998, for example, 33.3% of ongoing employees were based in the ACT.

The proportion of employees located in the ACT increases at higher classifications. For example, at June 2012, 62.3% of all ongoing EL employees and 76.8% of all ongoing SES were in the ACT, compared with 20.1% of APS 1-2 and 17.6% of APS 3-4. Table A1.3 shows the classification profile, by location, for ongoing employees at June 2012.

Table A1.3 Ongoing employees—proportion by classification and location, June 2012

Classification	ACT %	NSW %	Vic. %	Qld %	SA %	WA %	Tas. %	NT %	OS %	Total %
APS 1–2	20.1	26.2	18.2	15.1	8.7	5.9	2.7	3.1	0.1	100.0
APS 3–4	17.6	26.4	21.0	15.3	7.0	7.0	3.9	1.8	0.1	100.0
APS 5–6	44.2	16.2	15.4	9.9	6.0	4.3	1.8	1.6	0.7	100.0
EL	62.3	10.1	11.2	6.0	4.5	2.3	0.9	0.7	1.9	100.0
SES	76.8	5.8	6.3	2.6	1.3	0.9	0.4	0.4	5.3	100.0
Trainee/Graduate APS	66.6	7.5	10.0	8.4	2.7	2.4	0.6	1.8	0.1	100.0
Total	40.8	17.8	15.9	10.5	5.9	4.6	2.2	1.5	0.9	100.0

Source: APSED

Although the APS is centred in the ACT, there is considerable variation among agencies in the level of employment inside and outside the ACT. At June 2012, 31 out of 104 agencies had all of their ongoing employees in the ACT, 12 had none and 27 had less than one-third. Large agencies with less than one-third included AEC (31.8%), Customs (30.6%), Department of Veterans' Affairs (30.0%), DHS (19.7%), BoM (4.7%) and ASIC (1.1%).

Ongoing employment

At June 2012, there were 154,307 ongoing employees in the APS, an increase of 959 or 0.6% on the previous year. This growth continued the trend that has been evident since 1999–2000, however the growth rate of 0.6% was less than a quarter of the average annual growth rate over this period (3.5%). These data relate to all APS employment, not only in Canberra. However, APS employment is increasingly being concentrated in Canberra.

The largest increases in ongoing employment were in DIISRTE (1,097 or 34.5%), Defence (1,060 or 4.9%) and DIAC (438 or 6.0%). The largest decreases in ongoing employment were in DEEWR (1,232 or 23.2%), DoHA (335 or 6.9%), the Department of the Prime Minister and Cabinet (313 or 31.4%) and the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) (241 or 7.3%).

Non-ongoing employment

At June 2012 there were 14,273 non-ongoing employees, an increase of 1,369 or 10.6 per cent over the previous year and in contrast with a decrease in non-ongoing employment of 3.7% in the previous year. The increase in the number of non-ongoing employees from June 2011 is considered high compared with most of the previous decade.

Non-ongoing employees can be engaged in three categories:

- specified term - 58.1 per cent at June 2012;
- specified task – 3.6 per cent
- irregular or intermittent duties - 38.3%

There is considerable variation in agencies' use of these categories. More than one-third of agencies engage all non-ongoing employees as specified term. In contrast, Finance (89.7%) and the Australian Taxation Office (ATO) (92.3%) engage most non-ongoing employees for irregular or intermittent duties.

At June 2012, non-ongoing employees accounted for 8.5% of total employment. This has decreased from just under 12 per cent in 1998. Agencies with the largest number of non-ongoing employees at June 2012 were the ATO (2,586 or 10.5%), DHS (1,475 or 4.0%) and the AEC (1,236 or 60.6%).

The APSC suggests that agencies are using non-ongoing employment to respond to peaks in workforce demand and the need for specialised skills for specific periods. Smaller agencies are more likely to rely on the use of non-ongoing employees. At June 2012, 24 agencies had at least one-quarter of employees engaged on a non-ongoing basis—one of these was a large agency (AEC), 18 small agencies and the remainder medium-sized.

Between 1999 and 2004 there was a steady decline in non-ongoing employment. Since then, the proportion stabilised at around 8%, increasing to 8.5% at June 2012. The representation rate for women was consistently higher than for men over this period, although the gap between women and men narrowed in the five years to June 2011. At June 2012, 61.0% of non-ongoing employees were women, compared with 57.3% of ongoing employees.

In 2012 the largest increases in non-ongoing employment were in AEC (1,120 or a ten-fold increase)⁴, DIAC (213 or 37.8%), the Department of Agriculture, Fisheries and Forestry (DAFF) (167 or 51.7%), DIISRTE (141 or 34.1%) and the Australian Securities and Investments Commission (ASIC) (121 or 73.3%). The largest decreases in non-ongoing employment were in the Australian Bureau of Statistics (125 or 20.4%), Defence (124 or 19.5%), ATO (120 or 4.4%) and DCCEE (109 or 64.5%).

As well as being concentrated at lower classifications, non-ongoing employees have a younger age profile. At June 2012, 20.4% of non-ongoing employees were less than 25 years of age, compared with only 3.6% of ongoing employees.

Part-time employment

At June 2012, 14.0% of ongoing employees were working part time, up slightly from 13.8% in 2011 which has risen steadily from 4.9% in 1997. The rate of growth was higher for women than for men. Women are still much more likely to work part time, with 21.5% doing so at June 2012, compared with 4.0% of men.

DHS is the largest employer of part-time ongoing employees in the APS, with 8,651 or 40.0% of the total at June 2012. This group accounts for 24.4% of the ongoing DHS workforce, almost twice the APS average (14.0%). Other agencies with large numbers of part-time employees were ATO (2,488), Defence (1,130), DIAC (982) and DAFF (934).

Non-ongoing employees are much more likely to work part time—45.2% were doing so at June 2012, compared with 14.0% of ongoing employees. The non-ongoing workforce has become increasingly part time over the past decade—in 2002 the proportion was only 21.7%.

Classification structures

Table A1.1 compares ongoing employee numbers by classification at June 1998, 2011 and 2012. In the past year, numbers rose for trainees, APS 5, APS 6, EL and SES classification levels. While the number of ongoing APS 1 employees decreased by 65 or 6.8%, the overall number of APS 1 employees at June 2012 (895) is still higher in comparison to June 2010 (849), the lowest point over at least the last 20 years.

Classifications that grew the most during 2011–12 were trainees (up by 35 or 13.6%) and EL 1 (up by 1,188 or 4.3%). Agencies that accounted for the greatest employment of trainees included DHS (108), Australian Customs and Border Protection Service (Customs) (66), Defence (56) and BoM (17).

The agencies that accounted for most of the employment at the graduate APS classification were ATO (256), Defence (215), DHS (119), DEEWR (78) and DoHA (72). Some agencies engage trainees and graduates at the APS 1–2 and APS 3–4 levels respectively rather than in trainee or graduate classifications, and so variations over time may not necessarily reflect agency use of trainees or graduates more broadly.

In recent years, the strongest growth in ongoing employment was in the EL classifications. This year, the number of EL 1s grew by 4.3% and EL 2s by 2.8%, compared with growth of 0.6% for all ongoing employees. The number of ongoing SES grew by 91 or 3.4%.

The APS 6 classification is now the largest in the APS, with 21.3% of all ongoing employees. This is the second year there have been more employees substantively at the APS 6 classification than at APS 4.

Table A1.1 Ongoing employees by base classification, 1998, 2011 and 2012

Classification	1998		2011		2012		% change 2011 to 2012	% change 1998 to 2012
	No.	%	No.	%	No.	%		
APS 1	7,323	6.7	960	0.6	895	0.6	-6.8	-87.8
APS 2	11,135	10.3	3,869	2.5	3,562	2.3	-7.9	-68.0
APS 3	24,694	22.8	19,731	12.9	18,367	11.9	-6.9	-25.6
APS 4	14,111	13.0	30,751	20.1	30,622	19.8	-0.4	117.0
APS 5	13,317	12.3	21,047	13.7	21,518	13.9	2.2	61.6
APS 6	16,807	15.5	31,978	20.9	32,860	21.3	2.8	95.5
EL 1	11,328	10.4	27,630	18.0	28,818	18.7	4.3	154.4
EL 2	6,745	6.2	12,875	8.4	13,231	8.6	2.8	96.2
SES 1	1,157	1.1	1,993	1.3	2,061	1.3	3.4	78.1
SES 2	321	0.3	571	0.4	590	0.4	3.3	83.8
SES 3	89	0.1	131	0.1	135	0.1	3.1	51.7
Trainee	624	0.6	258	0.2	293	0.2	13.6	-53.0
Graduate	773	0.7	1,554	1.0	1,355	0.9	-12.8	75.3
APS								
Total	108,527	100.0	153,348	100.0	154,307	100.0	0.6	42.2

Source: APSED

Over the past 15 years there has been a consistent and strong shift in the classification profile of the APS, with a decline in the proportion of employees at APS 1–2 levels (down 14.1 percentage points) and increases at APS 5–6 levels (up by 7.5 percentage points) and ELs (up by 10.6 percentage points). As a proportion of all ongoing employees, the SES increased from 1.4% at June 1998 to 1.8% at June 2012.

One measure of a shifting classification profile is change over time in the ratio of EL 2 employees to those at lower classifications—trainees and graduate APS, APS 1–6 and EL 1s. Over the past 15 years, the ratio fell from 14.8 employees at lower classifications for each EL 2 to 10.5. As expected, the ratio among agencies varies considerably based on the type of work. At June 2012, in agencies with at least 1,000 ongoing employees, the ratio varied from 30.5 in DHS to 2.8 in ASIC.

This trend towards a higher classification profile at least partly reflects the changing nature of APS employment, with a more skilled workforce undertaking increasingly complex and difficult roles, as well as the outsourcing of a number of less complex functions over time.

Length of service

The median length of service for ongoing employees in the APS at June 2012 was 8.8 years, up from 8.5 years at June 2011.

Engagements and separations

During 2011–12, there were 11,258 engagements and 10,213 separations of ongoing employees. The number of engagements included 213 ongoing employees who moved into coverage of the Act. Engagements decreased by 12.2% from the previous year and separations decreased by 2.2%.

During 2011–12, the overall number of engagements decreased by 12.2%, after increasing by 24.3% in 2010–11. This year there were increases in engagements at the APS 5, SES 1, SES 2 and SES 3 classifications. Women accounted for 54.5% of all ongoing engagements during 2010–11, compared with 57.3% of all ongoing employees at June 2012.

Defence (2,252 or 20.0%), DHS (1,248 or 11.1%) and ATO (890 or 7.9%) accounted for more than one-third of all engagements during 2011–12. These agencies also accounted for more than half the proportion of ongoing employees.

There were 10,213 separations of ongoing employees during 2011–12, a decrease of 2.2% on the 10,448 separations the previous year. The overall separation rate from the APS was 6.6%, down slightly from 6.9% during 2010–11.

Resignations accounted for approximately half of separations during the year, but fell in proportional terms from previous years. The strongest growth in separations was in retrenchments, which increased by 21.3%, from 1,801 to 2,184. The number of terminations fell by 2.7%, from 187 to 182.

Women accounted for 56.2% of all ongoing separations from the APS during 2011–12, up from 55.1% the previous year, and lower than their overall representation in the APS (57.3% of ongoing employees at June 2012).

The agencies with the largest number of ongoing separations from the APS during the year were DHS (1,918), Defence (1,314) and ATO (1,050). These three agencies accounted for 41.9% of all ongoing separations, somewhat lower than their combined 52.1% of ongoing APS employment.

From an agency perspective the separation rate provides the total loss of employees from the agency. This includes what is known as the agency exit rate—separations from the APS as well as promotions and transfers to other agencies.¹³

Of agencies with 1,000 or more ongoing employees at June 2012, those with the highest exit rates were Attorney-General's Department (18.7%), FaHCSIA (17.7%), Department of the Treasury (17.0%) and DEEWR (16.4%).

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Attachment 2: Regional Governance institutions and organisations

NSW State regional administration

Premier and Cabinet

Agriculture

Roads and Maritime Services

Trade and Investment

Cross Border Commissioner

Health Network

Illawarra Institute of TAFE

Catchment Management Authority

National Parks

Local Government Authorities

Queanbeyan

Goulburn

Yass

Palerang

Snowy River

Eurobodalla

Bega Valley

Young

Bombala

Regional Development Australia Committees

ACT RDA

Southern Inland RDA

Regional Organisations

South East Regional Organisation of Councils (SEROC)

- Bombala,
- Boorowa, Cooma-Monaro (old),
- Eurobodalla,
- Goulburn Mulwaree,
- Harden,
- Palerang,
- Queanbeyan (old),
- Snowy River,
- Upper Lachlan,
- Yass Valley,
- Young

Chair: Cllr John S Shaw

Chair of GMAC: Mr John Bell

Executive Officer: Mr Don Cooper

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