

Regions drive broader economy

TIMOTHY BOREHAM

The “remarkable” population shift from the larger capital cities to regional centres is likely to be an ongoing structural trend rather than a temporary pandemic-era phenomenon, underpinned by the ability to work remotely and improved availability of goods and services.

According to expert participants in The Australian’s Future Australia roundtable, in partnership with APPEA, on making the regional rebound real, the shift is being driven by other potent factors including returning expats opting for a regional lifestyle and improved retention of talented young people.

The regional renaissance contrasts strongly with the prevailing conditions of two years ago, when vast areas of eastern Australia were affected by drought and then the devastating bushfires.

But the influx of tree changers and sea changers to towns such as Byron Bay, Orange, Bathurst, Ballarat and Torquay has also risked straining infrastructure and creating cost pressures, in sectors such as construction and tourism.

HIA (Housing Industry Association) group chief economist Tim Reardon notes the uncommon scenario of strong regional property price and rental growth, at a time when Sydney and Melbourne rents are falling.

“It’s unusual for a skills shortage and housing and rental price growth to be centred in the regions and it’s very encouraging after [the trends of] the past 20 years,” Mr Reardon said.

While Australia lost half a million tourists and backpackers during the pandemic it regained 300,000 permanent citizens – many of whom have opted to settle directly in the regions.

“They are not returning to the centre of Melbourne and Sydney,” he said. “They’re not working in those locations and hence they’re not moving to those locations.”

He said even before the latest pandemic lockdown, Melburnians had been fleeing the city at a “remarkable” speed.

“They’re heading to regional Victoria but they’re [also] heading just about everywhere else,” he said.

Sydneyiders, meanwhile, have been flocking to Queensland – not just the traditional northeast corridor but northern Queens-

land as well. Apart from some anomalous quarters, Adelaide has seen its first positive interstate migration since 1996.

In Western Australia, Perth rather than the regions is absorbing most of the strong migration from the east, as well as intrastate.

The HIA’s data is supported by a report last year from the federal agency Infrastructure Australia, Infrastructure beyond Covid-19, which cited a 200 per cent rise in net migration to the regions.

“We are in unique and unusual times and there is certainly a sense of uncertainty,” said Infrastructure Australia chief executive Romilly Madew.

“The coming months will show whether the trend sticks.” Ms Madew said work flexibility was “now a norm” with traditional CBD-centred office life unlikely to return.

“Employers are making bold statements that you can work anywhere,” she said.

“You can still work for a ... top organisation in Australia or a global company and you can work anywhere.”

“There’s definitely been a movement in our regions because [people] know that they can work in great jobs wherever they are.”

Mr Reardon said tree changers and retirees tended to start building a house within three months, which consolidated their place in the community.

“Our expectation is that 85 per cent of those who have shifted will remain in the region,” Reardon said. “They are not going to revert back.”

He added the pandemic had reversed the 150-year old trend of young adults moving to Sydney and Melbourne in search of a more glittering career and lifestyle.

“It didn’t happen last year or this year and it probably won’t happen next year as well,” he said. “After three years in those regions most of these kids are going to stay.”

However, the regional boom is creating winners and losers.

While the tourism sector is benefiting from a surge in domestic visitations, ratcheting housing values are creating cost-of-living pressures for the sector’s lower paid staff. Many hospitality venues are finding it difficult to attract staff in the first place.

“It’s wonderful for regional development but there are going to be long-term issues from a tour-



RENEE NOWY/TARGET

Infrastructure Australia chief executive Romilly Madew says ‘the ability to work from anywhere is driving the regions’

ism perspective,” said Tourism and Transport Forum chief executive Margy Osmond, adding that tourism may not remain the key economic driver in the regions.

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TIM REARDON
CHIEF ECONOMIST, HIA

Similarly, some agricultural sectors were suffering because of labour difficulties and the logistics challenges of getting goods to market.

“I don’t know if anybody is paying enough attention to what the changing nature of work is going to look like and what it will need to support new industries in those regions,” Ms Osmond said.

She added that the swelling

and more affluent populations were creating infrastructure burdens, with a dearth of everything from cafes to public toilets.

“It won’t necessarily be a great thing for everyday industry unless we understand the sustainability of that shift.”

Australian Petroleum Production and Exploration Association chief executive Andrew McConville said the regional revival was creating a multiplier effect for the resources sector.

While the industry has been accused of fostering a “fly in fly out” model that bypasses gateway regional towns, highly paid workers increasingly were living locally and spending on goods and services previously unobtainable in regional centres.

He said APPEA had long stressed the importance of procuring goods and services locally, especially from small businesses.

“The industry has been the beneficiary of this explosion in supporting services that makes it

easier for our guys to stay and work in the regions.”

In the case of APPEA’s constituency – the oil and gas sector – workers on average are paid double the national average.

“So these folks have the money to spend in the regions and services are coming in behind them.”

The panellists heard the regional revival was in danger of being stymied by a shortage of skilled labour, such as those suited for the emerging industries of carbon capture and hydrogen production.

“There are technical opportunities for Australia to lead the world and create vast new industries,” Mr McConville said. “But we need the skilled people to do it and we need them in the regions.”

Mr Reardon said it would “simply be a missed opportunity” if skilled migrants were deterred from filling the employment gap in sectors such as housing.

Ms Osmond concurred: “there’s never ever been a better

time to get people to come and live in Australia and for the regions to be one of the most attractive places for them to go to.”

She said it would be a “terrible, terrible” waste to ignore the opportunity to “turbocharge” regional communities that were receptive to such economic stimulus.

“But also overlapping this has to be a conversation about both cultural and real sustainability,” she said. “It would be lovely to say there’s going to be a massive population boom ... but can those communities sustain it and do they want to?”

APPEA’s Mr McConville urged a “common shared purpose and vision” in shaping the policy framework for the regions, which already accounts for 9.5 million Australians and one-third of the economy.

“If we don’t get it right we’re not going to go anywhere, because regional Australia is actually the engine that drives the broader economy,” he said.

Rural communities bedrock of recovery

ANDREW McCONVILLE



If Covid has shown us anything, it is the importance of community resilience. It has been communities that have felt the impact of lockdowns and restrictions: of lost jobs and economic disruption, but it is also communities that have helped Australia rebound more quickly than just about any economy in the world.

The resilience of regional and rural communities is the hallmark of the Australian spirit and the bedrock on which our economic recovery is being built. More than 9.5 million Australians call regional Australia home. And when we look at what has helped drive our bounce back it is the resources sector, the agricultural sector and tourism in regional and rural Australia. We must therefore continue to do all we can to nurture and grow regional Australia.

The oil and gas industry supports about 80,000 jobs. Many of these are in rural and regional Australia because this is where the resource is discovered and developed. Perhaps more importantly however, is the 10 additional jobs that every oil and gas job supports – tens of thousands of which are in rural and regional Australia.

We are extremely proud that almost half of all local suppliers engaged by the oil and gas industry are small businesses. From procuring services such as accommodation, transport and hospitality, to engineering and civil works and sourcing inputs for exploration, extraction and processing, our sector is investing today and building for tomorrow.

From the local cafe supplying lunches in Moura, to the helicopter pilots in Gippsland and the air charters to Moomba, to the laundromat in Karratha and the mechanics in Darwin – we cannot lose sight of the jobs generated in and by Australia’s resources sector.

Research by Deloitte Access Economics shows that much of what the oil and gas industry spends with small businesses happens in regional areas. 86 per cent of oil and gas industry expenditure on small business transport services is in regional areas and 66 per cent of the industry’s small business spend on construction services is in rural and regional Australia.

For example, last year in Queensland, the oil and gas industry spent \$3.8 billion on local Queensland goods and services benefiting thousands of regional businesses and organisations. In the Darling Downs region alone, the resource sector contributed more than \$1.8 billion to the gross regional product in the 2018-19 financial year and generated more than 9200 full time jobs. In the Dalby and Chinchilla areas there has been a 20 per cent increase in the number of local businesses since the development of natural gas.

And importantly the oil and gas sector is committed to this development while achieving net zero emissions by 2050. Our challenge is to achieve this, not at the expense of regional and

rural Australia, but by creating opportunities – with new technology like hydrogen and carbon capture, supporting the uptake of renewables and continuing to invest to meet the increasing demand from an energy-hungry Asia. There is no reason at all for rural and regional Australia to be left behind in the world’s energy transition.

Regional development is not an easy task and if there was a silver bullet we would have fired it by now. Rather, it is about the little things: buying locally and wherever possible, employing locally. It is about recognising that to be accepted by the community you must be part of the community because people, like water, will find their own depth. We are doing our part, and others must do theirs.

Policy makers must have the courage to take the long view and be prepared to invest in infrastructure ahead of population movement because, if Covid has shown us anything, it has shown us that if you build it, they will come.

So, governments must continue to invest in basic services – the quality of the NBN and digital infrastructure, world-class access to healthcare and innovation such as telehealth; expanding the offerings of regional universities and helping them cater to growth sectors like resources; road and rail access; and the development of regional

Our sector is investing today and building for tomorrow

airports. In short, our governments must commit to the things that make isolation and distance – long the Achilles heel of Australia’s regional development less of a negative to regional and rural migration.

Carefully considered structural outcomes – easy to say, but hard to do.

And we must be prepared to tackle head on our fiscal policy settings to further promote investment and development – extending investment allowances to encourage regional businesses to invest locally, supporting the deductibility of labour costs in large scale capital projects, streamlining red and green tape to reduce duplication, simplify approvals processes to promote more development and encourage the efficient and effective operation of markets – whether for gas, electricity or services.

Markets work best when left free to operate without government intervention, and all the more so in regional and rural Australia where competition, not intervention, needs to be the focus.

We are truly blessed in Australia with our regions – the spirit, community resilience and strength of local economy and innovation. The combination of our world-class resources and the massive markets just off our shores presents an opportunity we must commit to taking.

To do anything less would be failing to celebrate, capture and reward everything that makes rural and regional Australia the beating heart of our great nation.

Andrew McConville is chief executive of APPEA

Infrastructure project delays risk derailing economic growth

Potential delays to major infrastructure projects risk derailing strong economic growth in regional Australia, as vast swathes of the population continue to move out of the capital cities.

Infrastructure Australia chief executive Romilly Madew, said that an ongoing skills shortage and building material constraints had raised concerns about the deliverability of projects that were needed to support the swelling populations in regional towns.

Of the 163 unfunded projects that are currently on the government adviser’s infrastructure priority list, more than half directly benefit the regions which have seen a 200 per cent increase in net migration from the major cities since the outbreak of Covid-19.

“Will these projects that the government has based our fiscal stimulus on be delivered on time under these skills and materials

pressures?” Ms Madew asked at the Future Australia roundtable on regional development.

“That is the challenge.” The federal government in its budget last month allocated an extra \$15.2bn to road, rail and community infrastructure projects as it looks to the sector to help drive an economic recovery from the pandemic. These include a \$2bn upgrade of the Great Western Highway in NSW, a \$2 billion investment for a new Melbourne Intermodal Terminal and \$2.5bn for water-related infrastructure. And that’s on top of the \$110bn previously announced 10-year program.

“We’re under this enormous pressure, because of these competing issues that will slow the delivery of the projects that the regions are relying on,” Ms Madew said.

Margy Osmond, chief execu-

tive of the Tourism and Transport Forum, also warned that the skills shortage had the capacity to “materially retard” the resurgence of growth in the regions. She called for a revamp of the visa system to attract more talent to Australia.

“We were concerned two to three years ago that there were not enough people to supply those projects with the skills needed to ensure they were delivered on time and to budget,” Ms Osmond said at the roundtable.

“It could mean that we miss opportunities, where with the right kind of skills on the ground, those regions could diversify into a whole lot of new industries.”

Both Ms Osmond and Ms Madew agreed that while the pandemic had normalised working from home and encouraged more people to move out of the cities, the surrounding infrastructure would determine whether the

largest net movement of Australians since 2001 would become a temporary phenomenon or permanent structural change.

“You can definitely see this beautiful renaissance in our regions,” Ms Madew said.

“But if people don’t have access to a good National Broadband Network, healthcare, education and all the other services that they are used to in the cities, they may move back.”

A report published by Infrastructure Australia late last year found that while the infrastructure sector generally “responded well” to the challenges from Covid-19, it had also accelerated structural trends including digitisation and increased use of local and regional infrastructure.

Other findings include a 23 per cent increase in the use of national parks and green spaces nationally, a general uplift in second-

hand car purchases placing more pressure on roads, spikes in telehealth consults and NBN bandwidth congestion and a 20 per cent jump in municipal waste as more people work from home.

Infrastructure Australia is due to publish two more papers on the sector’s resilience this month and a separate report in August on the strengths and weaknesses of infrastructure in regional Australia.

Ms Osmond said that the government needed to support emerging industries in the regions, especially while they wait for the agriculture sector to pick up after it had been hampered by cargo restraints from fewer planes flying.

She also noted that the state governments in their next round of budgets, many of which were ahead of an election, had to recognise that a different kind of infrastructure was needed in regional communities.

“It’s not just the big-ticket items like hospitals and airports,” Ms Osmond said.

“It’s going to be the smaller things that affect people’s way of life, like capacity in the main street of the town,” she said.

“The reasons people decide to move to a town need to be protected and understood and supported.”

While applauding a regional renaissance, the panellists recognised the devastating impact of the recent long drought and the bushfires that engulfed swathes of regional Australia, and noted the importance of building resilience into any infrastructure projects.

“The drought, the bushfires, the extreme weather events have really highlighted the importance of taking those shocks and stresses into our decision making right at the planning phase,” Ms Madew said.



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