



Australia - ripe for regionalisation

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The ongoing restrictions associated with the Coronavirus pandemic have demonstrated the significant risk posed by the absolute concentration of economic activity in our two major cities. This shock has put the regionalisation agenda firmly back into the public spotlight, with rural industries, such as agriculture, largely shielding Australia from a much more severe economic malaise.

The regionalisation agenda is no longer just nice to have, it is imperative to ensuring a robust and resilient Australian economy. Agriculture can be the linchpin industry for this regionalisation agenda. Noting agriculture's heavy reliance on exports, the state of our ports, shipping services and land-freight systems will largely determine whether this ambitious regionalisation agenda will come to fruition.

The reinvigoration of the Regional Deals framework can be the catalyst to ensure success of the regionalisation agenda by coordinating industry, local, State and Federal planning processes, regulatory reforms and infrastructure investments that will remove barriers to regional development.

The case for regionalisation and decentralisation

Industries in our major cities have been ravaged by the responses to curb the Coronavirus pandemic, whereas regionally based industries have on the most, fared much better. While the broader Australian economy is forecast to shrink by 4.75 per cent in the fiscal year 2020-21, forecast agricultural production for the same period is set to exceed that of the previous two years, with both domestic and international demand for Australian

food staples remaining steady. Similarly, regionally based food processors and manufacturers have fared better than other manufacturers located in our capital cities.

Our big cities are more susceptible to large-scale shocks including pandemics, physical security threats, cyber-attacks to critical infrastructure, and chronic over-population and congestion. While the likelihood of these events is extremely low, the coronavirus pandemic has shown that their impacts can be socially and economically devastating. Some degree of decentralisation of economic activity would make sense to address this sizeable risk.

Australia is particularly susceptible to the impacts of such shocks, being one of the more urbanised advanced economies in the world. As an example, over 70 per cent of Australians live in our major cities, compared to just 60 per cent in the United States. The comparison becomes starker given that most Australians live in and around just three major cities.

Agriculture as a linchpin to revitalise the regions

Agriculture underpins the economies of most of Australia's regional areas, and agriculture is generally in the top three industries in terms of contribution to regional gross value of product. It is a \$60 billion industry that is fundamentally reliant on regional and rural Australia, with ambitions of becoming a \$100 billion industry by 2030.

The opportunities that agriculture provides go beyond the farmgate, and can be utilised to supercharge the regionalisation agenda. There are significant opportunities to colocate food processing and

manufacturing close to the point of food production, not near the markets and economic infrastructure of capital cities.

There are further opportunities to develop synergies with other complementary industries, including provenance-based food and wine tourism. In 2019, the NSW Farmers' Association put forward an ambitious economic development agenda for New South Wales' Central West centered on agriculture, value-added food and fibre processing, the production and marketing of high value provenance-based food, and food-and-wine-based tourism. The Future Food Systems Cooperative Research Centre highlights significant opportunities in developing agricultural systems to tap into the highly lucrative 'nutraceuticals' market – food produced and marketed for its health and medicinal benefits.

The role of ports, shipping and freight

Given the export orientation of the agricultural sector, all these opportunities are reliant on effective, reliable and affordable freight transport to move these goods to port, and then onto international markets. The current state of our freight and logistics system acts as a major barrier to seizing these significant opportunities, and kickstarting the agricultural-led regionalisation agenda.

The freight sector is made up of diligent and hardworking individuals and organisations that ensure Australians are clothed and fed, and businesses, such as farmers, can get their goods to domestic and international markets. The problems associated with the cost and reliability of freight movements, is a systemic one



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Australia has one of the highest landside freight costs in the world. The cost of landside-transport and logistics can represent more than 35 per cent of the final price of grains, while landside freight costs represent two thirds of total freight costs for the export of vegetables, such as beetroot. The lack of affordability and reliability acts as a major barrier to international competitiveness and col-locating food processing and manufacturing close to farms, necessitating colocation near domestic markets and ports.

The situation is equally challenging for port-side freight movements. There has been a significant escalation of port-side infrastructure charges. As an example, stevedoring costs by a Melbourne provider increased from \$3.50 to over \$85 per container, in under three years! Coastal shipping regulations that reduce competition amongst service providers not only increase the cost of freight but damage the viability of coastal shipping as compared to landside transport.

The provision of port infrastructure suffers a similar fate. As an example, restrictions placed by sState Government on the development of a container facility at the port of Newcastle to increase the sale price of the Sydney Ports assets, has come at the expense of freight users, such as farmers. A container port facility at Newcastle would have provided significant increased capacity and competition for the provision of containerised freight movements, increased access to containerised freight services to New South Wales grain growers, and put downward pressure on port infrastructure costs.

Containerisation also provides greater access to markets in Asia, with shallow ports that are not amenable to bulk movements.

Issues with real-time traceability and quality assurance of freighted goods are completely outside the control of the freight supply chain, limited by the availability of digital infrastructure.

Addressing these problems requires more than just investing in new transport infrastructure, which is only one element to the solution. It requires:

The development of ambitious local production possibility scenarios for

targeted regions, beyond straight line extrapolations, with input from industry, local industries and local government;

Identification of likely future regional industries and commercial activities, including local and State planning provisions to facilitate the colocation of these future industries;

Integrated transport, energy, telecommunications and water infrastructure planning;

Implementing broader policy and regulatory reforms that stifle a truly world-class freight supply chain, including a more robust competition policy framework; and

A workforce, education and social strategy to ensure these regional activations are places people seek to live and work.

Regional deals – bringing together all the ingredients for successful regionalisation

A reinvigorated and focused Regional Deals programme can become the vehicle to bring together the various ingredients to ensure that an agricultural-led regionalisation agenda becomes a reality. This is why the National Farmers Federation (NFF) has called for a prioritised list of Regional Deals across Australia as part of its Get Australia Growing economic recovery plan.

This new approach to Regional Deals should take a bottom-up and top-down approach in identifying regional development opportunities. Federal and State governments should identify potential deal candidate regions with reference to:

- Current and potential industry capabilities and competitive advantages within each region;
- The potential for enabling soft and hard infrastructure (transport being a priority area) or policy and planning reforms to remove any impediments for the region to achieve the economic development and growth sought; and
- The existence of local partners who are willing to develop plans and progress the Regional Deal programme (preferably a consortium of local governments, industry and community groups).

The proposed Regional Deals programme should leverage, coordinate

and supercharge the significant interest and investment in regional development by all levels of government. The New South Wales Government is developing Special Activation Precincts to identify regional areas with such potential and begin the master planning process. The Federal Government has provided significant ongoing funding to Regional Development Australia to coordinate potential regional opportunities, while local governments have established various regional alliances that recognise the benefits of working at a regional rather than local level. The Regional Deals could leverage and reshape the direction of these various programmes to ensure they are all pushing in the same direction.

The final element of the Regional Deal is investment in the required infrastructure and policy and regulatory reform processes that would bring to life Regional Deal proposals that have demonstrated viability, and most importantly demonstrated significant and active support by local communities, industry and governments.

From a transport perspective this could potentially mean significant investments in road and rail infrastructure to sea and airports, including funding for local governments to deal with first and last mile journey issues, investments in digital infrastructure to facilitate real-time traceability and quality assurance for the freight journey from paddock to international plates, and expansion of our port and sea freight capacity.

Just as the Western Sydney City Deal is reinvigorating the economic and social fabric of Western Sydney through industry and community coordination, master planning, and once in a generation investment in infrastructure such as the Western Sydney Airport, road and rail connections, and energy and water infrastructure, Regional Deals can finally harness the massive potential of our regional communities and economies.

AgriFutures and Acil Allen are expected to release a report on the intersections of agriculture and regional development, and the identification of growth opportunities by the end of 2020, which will be of great value in progressing the conversation on regional development.

The will is there to develop vibrant and viable regional economies and the NFF believes that targeted and focused Regional Deals programmes will provide the way. ▲



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