

MEMO

**TO: LORRAINE MCLOUGHLIN, MANAGER, PROGRAMS
EMPLOYMENT SA**

**FROM: VANCE THOMAS, EXECUTIVE OFFICER, EYRE REGIONAL
DEVELOPMENT BOARD**

DATE: 11 March 1998
Submitted to the Productivity
Commission inquiry into the Impact
of Competition Policy Reforms on
Rural and Regional Australia,
27 October 1998

SUBJECT: SENATE INQUIRY INTO REGIONAL EMPLOYMENT - EYRE

(1) A Brief Regional Profile

Eyre Peninsula is a vast and unspoilt coastal region occupying most of the southern central land mass of South Australia, situated to the west of Adelaide, the State's capital.

It is bounded by Spencer Gulf in the east and stretches close to 1,000 kilometres across the Nullarbor to the South Australian-Western Australian border. The Gawler Ranges makes up its northern boundary, with Port Lincoln completing the southern point of this region's triangular land mass some 400 kilometres to the south.

The region supports a population of 33,000 people spread over a land mass of approximately 55,000 square kilometres. In order of economic importance the region's top four industries are agriculture, fishing, business and tourism. Key growth sectors are identified as aquaculture, alternative agriculture/horticulture and ecotourism. Following recent aerial geo-surveys and exploration in the Gawler Craton, mining has also been identified as an industry with enormous development potential in the future.

Although comprising just 2.3% of South Australia's population, in an average year those same industrious people produce 33% of South Australia's grain harvest, 65% of the State's harvest of seafood, and attract more visitors than any other country tourist region in South Australia.

These 3 industries alone inject in excess of half a billion dollars into the South Australian economy each year, much of it in valuable export dollars.

(2) Historic Employment Trends

Over the past several decades, Eyre Peninsula has observed a contraction of the number of people employed in agriculture, as economic necessity has witnessed the trend towards larger and larger farms, combined with significant advances in farming methods and equipment technology.

Example ①

50 years ago in the Hundred of Pygery in the District Council of Le Hunte, 39 sections of land were occupied and operated by 39 separate farmers. Today those 39 sections are owned by 14 land owners, of whom only 9 reside in the district.

Example ②

During the tough years of the mid-eighties, of the 28 students of a Year 12 class in Kimba, only three have remained in the district.

Example ③

A broadacre cereal growing operation in Cummins:-

- *1960 family farm of 3200 acres*
- *1997 operation consists of 5500 acres*
- *72% increase in size, a doubling of the return per acre but the number of employment weeks remains the same*
- *casual wages paid for essential work reduced by half*

Example ④

Across Eyre Peninsula, our brightest young people are completing their secondary education, then leaving the region to pursue tertiary studies en route to their chosen career. A large number never return due to lack of appropriate job opportunities at the regional level.

This involuntary export of the cream of this region's youth has significant implications for Eyre Peninsula's future.

Offsetting this contraction in the broadacre farming sector, Eyre Peninsula is witnessing healthy economic development occur in other industry sectors, namely:-

(a) Aquaculture

- Tuna Farming - in early 1991 the first experimental tuna farm commenced operation off Port Lincoln's North Shore. Seven years on, we have an \$84 million industry employing about 240 people, and indirectly responsible for another 300 jobs.
- Land based abalone mariculture
- Rock lobster grow-out in sea cages
- Oysters
- Prawns
- Mussels
- Finish aquaculture

(b) Horticulture/Alternative Cash Crops

- Specialised grain varieties (malting barley/noodle wheat)
- Canola
- Premium wine grape growing
- Olives
- Pulses
- Floriculture
- Bush tucker

(c) Tourism

- Nature based or ecotourism
- Development of tour packaged product
- Country conventions market
- Marine based tourism activity
- Backpackers, farmstay and special events
- Overseas visitation (especially second time around variety)

(d) Mining

- World class deposits of granite, marble and porphyry
- Black and green jade (world's largest deposits)
- Gypsum (75% of Australia's production)
- Graphite
- Potential deposits of gold, uranium, copper, tungsten and other rare minerals in Gawler Craton

(1) Factors that contribute to disparity in employment levels between regions and capital cities

- Physical and economic constraints imposed by size/remoteness of region.
- Low population base (economic and political implications).
- Impediments to developing vital commercial infrastructure (water, power, road, rail, ports, airports, transport, etc).
- Access/Equity to advanced telecommunications technology.
- Sourcing investment finance and development capital.
- Access to government programs and extension services.
- Economic impact of climatic extremes.
- Need for regional incentives eg payroll tax exemptions, fuel subsidies, transport rebates, access/equity in telecommunications, etc.
- Need for improved networking and information exchange between regional business and industry.

(1a) Impact on Job Opportunities as a consequence of increases/decreases in federal, state and local government spending

Surely the answer to this question is self evident.

As an example, the Lincoln Marine Science Centre attracted a grant of \$750,000 from the Federal Department of Housing and Regional Development RDP program.

This grant in turn attracted a shandy of funding from Flinders University, TAFE, SARDI, State Government, the commercial fishing industry and the Port Lincoln Community.

The end result was a \$2.2 million facility that can boast world's best practice in marine research and education.

Similarly, the withdrawal of a government agency can have a significant negative impact on a regional economy.

Not only in the loss of access to programs and services offered, but also the economic impact on the local economy as agency personnel and their families are relocated.

(1b) Direct and indirect loss of income to regional communities

The small township of Cummins is located in the heart of one of Eyre Peninsula's most productive and reliable cereal growing precincts. In wheat and barley alone, it produces \$15-\$18 million per annum in valuable exports.

Yet in the past decade Cummins witnessed a gradual erosion in service, facilities, business activity and population, namely:-

- ANZ Bank closure
- A shoe shop closed
- A drapery shop closed
- Loss of SACBH service depot
- Merger to two local football clubs
- Bank SA closing its doors
- Telstra withdrawing its maintenance depot
- E & WS office closed
- Kids leaving the district because they can't find work on the family farm. Others heading to the city in search of better employment opportunities or tertiary education.
- Numbers dropping at the local Area School
- ETSA closing down its works depot

Economic rationalism, privatisation, competitive pricing, electronic commerce, downsizing, etc, may make some sense in the macro-economic picture, but you would struggle to convince some of our smaller country towns across Eyre Peninsula.

(1c) The Impact of private sector investment on regional communities

Nowhere can the impact of private sector investment on the levels of job creation and commercial activity at the regional level be better illustrated than by the evolution of Eyre Peninsula's aquaculture industry over the past decade.

(a) Tuna Industry:

Farmed tuna - \$55.6 million - 1994/95
Canned tuna - \$9.0 million - 1994/95
Indirect flow-ons - \$19.0 million - 1994/95
Total value - \$84 million
Total tonnage - 3,500 tonnes
Season - December to June
Employment (direct) - 240
Employment (indirect) - 390

(b) Oyster Farming:

Oyster production value - \$3.87 million - 1994/95
Production numbers - 1.05 million dozen per annum
Employment (direct) - 130
Employment (indirect) - 53
Season - April to December (spawning)

- (c) Southern Rock Lobster:**
Production value - \$16.6 million
Total catch - 582 tonnes
Employment (direct) - 138
Employment (indirect) - 210
Season - November to August (Female November to May)
- (d) Abalone:**
Production value - \$12.85 million (1994/95)
Catch weight - 492 tonnes (whole region)
Employment (direct) - 46
Employment (indirect) - 85
- (e) Abalone (land based aquaculture):**
3 major operations (Louth Bay Hatcheries, SAABDEV and SA Mariculture
Advanced developmental stage, current moving into commercial mode
Production capacity of up to 1,000,000 cocktail abalone per operation
Potential to expand to 4 million within a couple of years
Employment potential 200-300
PISA current estimates 500 tonnes worth \$18 million
High value export, specifically Japan, China and SE Asia
- (f) Prawn Industry:**
Production value - \$20 million (1994/95)
Catch weight - 1,650 tonnes
Employment (direct) - 135
Employment (indirect) - 185
Season - March to June and November to December
- (g) Marine Scale Fishery:**
Production value - \$16 million (1994/95)
Catch weight - 7,700 tonnes
Employment - 145
- (h) Mussels:**
This sector is still in its developmental stages
Considerable export potential - SE Asia and possibly Europe
Black lipped mussels preferred variety
Production estimates by Year 2000 - 2,500 tonnes worth \$9 million per annum
- (i) Marine Finfish:**
Aquaculture sector still in experimental category
Like species to be farmed:-
- ~ Snapper*
 - ~ Yellowtail Kingfish*
 - ~ Mulloway*
 - ~ King George Whiting*

Similarly, private sector investment in areas such as mining, tourism, viticulture, canola, etc, has the capacity to stimulate additional job creation activity across the Eyre region.

One of the region's largest employers, the small business sector, will be an obvious beneficiary of this increased level of commercial activity.

(1d) Effectiveness of labour market programs and vocational educational training in regional areas

At the Federal level, the Eyre Regional Development Board worked closely with the regional office of DEETYA in the delivery of labour market programs and job creation initiatives.

That four year relationship was both effective and pro-active, particularly in those specialist programs that targeted remote and regional Australia, eg Office of Labour Market Adjustment (OLMA program).

Some concerns have been expressed about the capacity of DEETYA's new labour market/job creation model to deliver the same range and quality of services to remote/rural Australia compared with our metropolitan counterparts.

Those concerns are both economic and geographic.

We have similar concerns about the capacity of the Area Consultative Committee to effectively deliver its range of programs over such a vast region and with such limited resources.

- Spencer Region ACC covers 83% of South Australia, or an area roughly equivalent to NSW.
- It is seriously under-resourced in both physical and financial terms.
- Its sheer size will always make it difficult to attract broad representation to the Board, in terms of leadership qualities, commercial expertise and geographic spread.
- Effective communication will be difficult to achieve across such a broad and diverse tract of Australia.

It would be our recommendation that a major review of the practical operation of Area Consultative Committees be undertaken, with particular focus on optimal economic/geographic areas and program delivery mechanisms.

At the State level, ERDB has had a positive partnership with Employment SA over the past four years in the delivery of the Kickstart program.

This successful employment development initiative has integrated well with our own regional development strategies, providing targeted training and job creation programs for key business and industry sectors.

The Kickstart initiative recently underwent a major review, with a strong focus on business and industry development as a pathway to regional job creation.

(1e) Effectiveness of government programs in regional job creation

Refer (1a), (1b) and (1d).

(2) Future Strategies

Regional economic development relies on two fundamental ingredients:-

- (a) The facilitation of sustainable commercial activity that creates permanent employment opportunities at the regional level.
- (b) Having a "job ready" labour market that matches current or future trends in areas of new industry, business expansion/diversification, value adding, development of new markets, etc..

The two greatest impediments on the creation of commercial activity in this region would be:-

- Lack of appropriate commercial infrastructure.
- Difficulty in accessing venture capital and development finance.

Other issues include:-

- Amount of time consumed by the regulatory/reporting processes by business and industry.
- Assistance in accessing new markets/export incentives.
- Access to new telecommunications technology at competitive prices.
- Improved information exchange at all levels.
- Regional incentives eg payroll tax exemptions, fuel subsidies, freight rebates, etc.
- Investment allowances on purchase of new production plant in key primary sectors.
- Improved networking amongst regional business and industry.
- Streamlining of development/planning/approval processes.
- Research and development incentives.

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11 March 1998