



# ECONOMIC DEVELOPMENT


## *QUARTERLY*

THE OFFICIAL JOURNAL OF ECONOMIC DEVELOPMENT AUSTRALIA

# NEDC18

National Economic  
Development Conference

Join us for EDA's flagship event in  
**Rockhampton, October 16-19**  
[www.nedc2018.com.au](http://www.nedc2018.com.au)

 SEE PAGES 2-3 FOR DETAILS





# NEDC18

## NATIONAL ECONOMIC DEVELOPMENT CONFERENCE

OCTOBER 16 -19 2018

**ROCKHAMPTON**

NEDC is the flagship event of **Economic Development Australia (EDA)**, the peak national body for economic development practitioners.

The City of Rockhampton will host the 2018 National Economic Development Conference (NEDC18) from 16-19 October at The Pilbeam Theatre in the heart of this historic city.

The three-day conference will attract economic development practitioners from Australia and around the world, as well as representatives from all levels of government and the private sector.

**REGISTER NOW**



### CONFERENCE THEMES

The 2018 conference will feature a compelling program of highly regarded thought leaders whose knowledge and expertise will challenge delegates, and encourage robust dialogue around the conference's central themes:

#### DAY 1

**Winning in job and business creation: An old game with new rules for success.**

#### DAY 2

**Disruptive innovation to diversify economic growth.**



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## REGISTRATIONS NOW OPEN!

Registrations are now open for Australia's National Economic Development Conference (NEDC 2018) with three leading business and innovation experts confirmed as headline speakers.

To be held in Rockhampton on October 16-19, NEDC is the flagship event of Economic Development Australia (EDA), the peak national body for economic development practitioners. The annual conference is the biggest forum for economic development practitioners across the country and allows delegates to share knowledge regarding latest trends and best practice in building the prosperity of Australian communities.

**This year's conference themes include:**

- **Winning in job and business creation: an old game with new rules for success and;**
- **Disruptive innovation to diversify economic growth.**

The 2018 program features a range of speakers who will bring their world-class knowledge and insights to the NEDC conference program. These experts will compliment the interactive peer panels; intensive masterclass and dynamic discussions, which will all, ensure this year's event provides a transformational professional development opportunity for anyone working in economic development in Australia.

## HEADLINE SPEAKERS



**MARK BOURIS**

**Mark Bouris** has established a successful career from building disruptive businesses to challenge the market and provide smarter solutions for consumers. Mark is the author of *Wealth Wizard*, *The Yellow Brick Road to Your Financial Security*, and

What it Takes, and has recently created and produced a new TV show along with Channel 7 called *The Mentor*, which aired in April this year.



**DR CATHERINE BALL**

**Dr Catherine Ball** is an author, founder, and ethics advocate working across global projects where robotics and new technology meet environmental protection. A sought after voice in industry, Dr Ball is now working with the application of Remotely Piloted Aircraft Systems (RPAS) aka drone technology across remote communities, schools, industry, and citizen scientists. Dr Ball is leading the call for discussions around the ethics of spatial data, and commercial drone operations.



**CHRIS HELDER**

**Chris Helder** is a business communication genius and master storyteller whose presentations have radically transformed how thousands of people worldwide communicate with clients,

customers, colleagues, staff and teams. He is the author of three bestselling books "The Ultimate Book of Influence" which has been published in five languages, "Useful Belief", which is one of the highest selling Australian business books of all time and "Cut The Noise".

NEDC will lift the lid on how economic development practitioners can succeed in creating wealth in their communities. With digital disruption rewriting every part of our lives, the adoption of disruptive technologies will be critical to economic growth in Australia. NEDC will help delegates explore how disruptive technologies will affect innovation and drive economic growth.

**Early bird specials are available until August 14 and EDA members receive a significant NEDC discount.**

**REGISTER NOW!**

# EDA

ECONOMIC DEVELOPMENT AUSTRALIA

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### Economic Development Australia Journal

[www.edaaustralia.com.au](http://www.edaaustralia.com.au)

The Economic Development Australia Journal is produced quarterly by EDA for EDA members. Submissions are welcome from practitioners, academics and other interested parties.

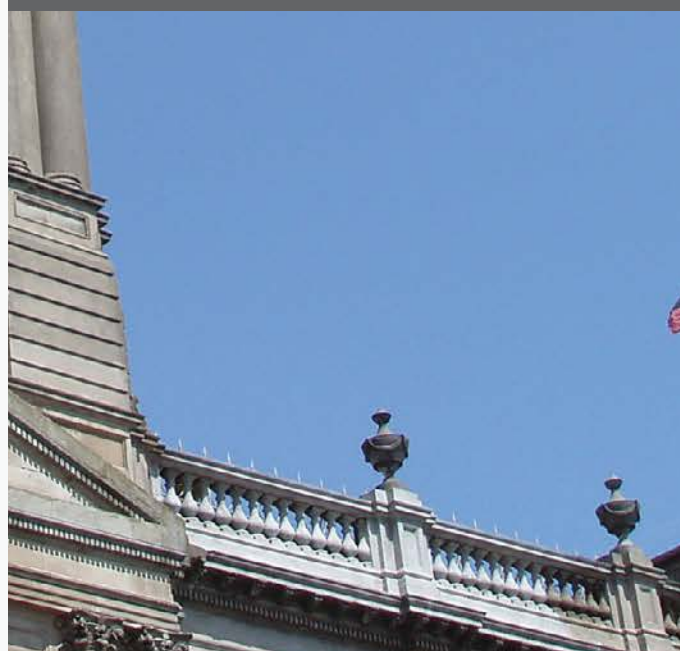
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## FROM THE CHAIR

This time last year, we announced that Economic Development Australia (EDA) was ready to invest in growth. The EDA Board appointed a part time executive officer and prioritised a range of initiatives with the aim of positioning the organisation strongly as the peak national body for economic development.

As we reflect on the last 12 months, I am proud to announce that membership has doubled, increasing to over 550 members. The new membership structure has yielded stronger engagement in EDA amongst the economic development practitioner community which will assist the organisation continue to flourish.

The revised Study Tour Program, the economic development webinar series and the many high-quality professional development events and projects that have been delivered across the country over the last 12 months indicate a great appetite amongst Australia's economic development practitioners for collaboration and professional and personal development. I look forward to further growth and exciting developments for EDA over the next 12 months.

We hope to see you at the National Economic Development Conference (NEDC) 2018 in Rockhampton from 16-19 October. The three-day conference will attract economic development practitioners from around the country and representatives from all levels of government. EDA's flagship event will feature a compelling program which will challenge delegates, and encourage robust dialogue around the conference's central themes:

**DAY 1: Winning in job and business creation: An old game with new rules for success:** *The Conference will explore how economic development practitioners can succeed in creating wealth in their communities. Job and business creation is at the heart of strong economic development and NEDC will feature presentations, content and panel discussions, which deliver practical skills, advice, techniques and best practice case studies to illustrate job and business creation success.*

**DAY 2: Disruptive innovation to diversify economic growth:** *With digital disruption rewriting every part of our lives, all industry sectors are being affected by the dramatic changes being delivered by innovation. The adoption of disruptive technologies will be critical to economic growth in Australia. National Economic Development Conference (NEDC) 2018 will explore how disruptive technologies will affect innovation and drive economic growth. The Conference will provide skills, advice and techniques to help economic development practitioners foster and facilitate innovation, global competitiveness and diversification.*

A number of headline speakers have already been announced including, Mark Bouris, Dr Catherine Ball and Chris Helder. The full program and the networking events offer a range of opportunities to mix with thought leaders in economic development and we hope to see you there! [www.nedc.com.au](http://www.nedc.com.au)

Welcome to all our new EDA members. We urge you to get in touch, let us know what you would like from your peak national body and how EDA can support you as an economic development practitioner.

Thank you to the State Practitioner Network (SPN) committees who work tirelessly to plan and deliver quality events and projects for EDA members in their states. A huge welcome to the new Tasmania State Practitioner Network!

I would like to extend my sincere thanks and great appreciation to each of the current EDA directors, Virginia Miller, Paul Martins, Paula Brennan, Greg Fenwick, David Power, Susie Bower and Jason McFarlane for investing their valuable time and effort in directing the strategic direction of the organisation with innovation and vision.

Kind regards,

**Mark Holdsworth ACEcD**  
National Chair,  
Economic Development Australia



## FROM THE CEO

It is my pleasure to introduce the 2018 winter edition of Economic Development Australia's (EDA) Journal. I thank the practitioners and organisations who have contributed to this edition and encourage other economic development practitioners to share their projects and insights for future editions. Information regarding submitting an article for the Journal can be found [here](#).

This edition's articles share some similar themes, notably a number of authors make reference to the race by many US cities to secure the second headquarters of Amazon. Without a doubt, the stakes are high, with Amazon indicating it will create 50,000 high-tech jobs and spend \$5 billion on construction. Amazon used the word 'incentive' 21 times in its call for bids.

In this EDA Journal article, Alex Lever-Shaw discusses the importance of being able to use financial incentives in order to attract investment. *"Do you need to have the ability to offer financial incentives to be successful in this space? Simply put, yes. However, the more accurate question is, do I need to use financial incentives? The answer, maybe not."* Alex presents a compelling argument for having incentives 'up your sleeve' in order to get a seat at the table but suggests that in the long-term, other non-financial attributes may in fact be the deciding factor in positioning your region competitively.

Ian Martinus and Bill Mallard both saw the scramble to secure Amazon HQ2 first hand during their respective visits to the US last year. Ian gives a fascinating insight into his experience travelling to the States as a recipient of the EDA Study Tour Program.

Further information regarding this EDA exclusive grant program can be found [here](#). The current round closes on September 5, but the program will be offered regularly for EDA members.

The article by Roger Gibbins and Sasha Lennon highlights the importance of a holistic view when assessing the value of infrastructure development, such as a rural road project. The article presents the example of the Strzelecki Track and presents the true value of the productivity dividend delivered to the regional economy. This article references REMPLAN data which was used to evaluate and articulate the wider economic benefit of that regional road development. EDA and REMPLAN recently partnered to provide a full suite of economic data for EDA members. Access and analyses of quality data helps EDA members identify risk and opportunity and equips them to better understand the levers for competitiveness. The REMPLAN profiles available on the [EDA website](#) exclusively for members are designed to help EDA members lift the performance of economic development throughout Australia.

Thomas Devitt from Geografia provides a robust thought piece presenting ways for regions to avoid economic 'leakage'.

Thanks to Peter Jeffrey and the team at Grant Guru for summarising the funding opportunities presented in the latest Federal Budget.

Once again, we hope you enjoy this EDA Journal winter edition and if you would like further information about any of EDA's activities or initiatives, please don't hesitate to get in touch.

Kind regards,

**Jacqueline Brinkman**  
CEO  
Economic Development Australia

# INVESTMENT ATTRACTION – WHAT'S OLD IS NEW AGAIN

BY ALEX LEVER-SHAW

## A NOTE FROM THE AUTHOR:

*This is my first attempt at writing an article for EDA, so I may require your patience as a reader. I am most certainly not an academic, therefore I have not approached this as a professionally researched and documented paper, but rather from the perspective of a tactical practitioner. Having been in the economic development field in various capacities for the best part of 15 years and having had a good relationship with EDA over that time, I feel it is now appropriate to impart some hard-learned lessons on to the next generation of practitioners, or anyone who wishes to consider my thoughts about Investment Attraction. With organisations like Regional Development Australia and various state and local governments (and others) now looking to return to this space, I also hope it is timely. There is no requirement to agree with my views but rather consider them when coming to your own.*

*Having practiced the undertaking of Investment Attraction activities at both the state and local levels of government for some time and having close exposure to the Federal Government's activities in this space through professional colleagues, I broadly understand where the Australian Government has attempted to engage within investment attraction and what has or hasn't led to successful outcomes. Additionally, the projects I have worked on in the roles I have held, have been across many industries and business sizes.*

*In the industrial sector I have had the pleasure of working with major companies like Orica, Boral and Visy Corp, securing investment wins on ammonia nitrate plants, plaster board facilities and paper recycling plants, all worth in the hundreds of millions of dollars. I have worked in the services sector with back office providers, including Stellar Asia Pacific, Auto and General and SNC Lavalin to name a few. I engaged with Youi Insurance when they were a start-up business of three staff in 2006 to over 1300 staff today, thanks to amazing leadership and entrepreneurship in their management teams. From small sheds of a few hundred square metres to big sheds such as Capral Aluminium's 70,000*

*square metre development, I have seen a fair depth and breadth of projects. I only offer the above to demonstrate experience and regardless of the project, the sector or size, the fundamentals remain the same. The client wants to make money and the community wants jobs or technology transfer. If you can break it down to the basics, a quicker resolution is often achieved.*

## SO WHY ENGAGE IN INVESTMENT ATTRACTION?

The debate rages in various publications as to the role of government or semi-government organisations intervening in the market to affect an outcome and there are many strong arguments for and against. We are seeing a good example play out now as several North American cities vie for Amazon's second headquarters. The incentive packages mentioned in the press are at best, eye watering. However, in my view the discussion is like the climate change debate in that 'the science is clear', but those with agendas will want to argue the case regardless of the evidence.

**Pictured below: ENGEO'S Guy Cassidy (centre) and Tomasz Krawczynski (right) with Sunshine Coast Council's Head of Investment Attraction Alex Lever-Shaw (left) celebrate the opening of ENGEO's first Australian office on the Sunshine Coast.**





Analysis of 30,000 Foreign Direct Investment projects by the World Bank (1) demonstrated that government-provided assistance significantly influenced investor decisions to locate in one economy or another. A University of Oxford study (2) showed “one dollar spent on investment promotion increases Foreign Direct Investment inflows by \$189 and that \$78 spent on investment promotion created an additional job by a foreign affiliate” (estimates).

Right here in Australia, a research project by Southern Melbourne RDA (undertaken by AEC Group) looked at the Casey-Cardinia region of Victoria. The report concluded that investment attraction activities over a 20-year period had provided additional GRP of \$1.7billion per annum, an additional 32,405 jobs, a reduction of residents leaving the region to work, an increase in self-sufficiency (12.4% to 75.7%) and a reduction in costs to the community by reducing the commute to employment, detailed as:

- 1) \$61 million saved in personal worker travel costs
- 2) 2.26 million worker days saved, personal time that could be reinvested into the community
- 3) Less impact on infrastructure, due to fewer commuters (not valued)
- 4) More time with family resulting in better social cohesion (not valued)
- 5) Other benefits to personal health and wellbeing (not valued).

I think the answer is even simpler. If you can demonstrate that you can invest a dollar of community funds into a project which delivers a positive, measurable impact on net economic benefit for that community, why wouldn't you do it? The numbers are without question, as is the positive press for our community leaders for their commitment to investing rates into these activities and the long-term career opportunities they are creating for their constituents. This would appear to be better than the return on investment than can be achieved in most financial institutions currently.

### **WHAT IS BEST PRACTICE FOR INVESTMENT ATTRACTION?**

It concerns me when organisations who pursue Investment Attraction initiatives go hot and cold on their commitment. It is not good for the long

term professional development of the people who do the work, who need the career paths to build experience. We don't expect our doctors to go from taking temperatures to doing major surgery overnight, nor can we expect those who are charged with undertaking investment attraction to do the job without clear career paths with support through training and other resources provided for the job to be undertaken. It also goes without saying that lack of long term support by organisations who are charged with undertaking investment attraction activities will create uncertainty in the minds of investors leading to less investment outcomes for the affected communities.

I understand that in North America there are well over 300 well-funded and highly motivated investment attraction agencies trying to source investment and jobs for their cities and regions. Australia's efforts to win investment against these, as well as others based in the Asia-Pacific and even Europe, who may have larger staffing, budgets, tax free zones and other tools at their disposable is hard enough. Chopping and changing our commitment about whether to be in or out of the business makes our task that little bit more challenging, perhaps much more challenging, so we need to commit wholeheartedly and seek to deliver best practice.

To achieve best practice, the World Bank recommends developing comprehensive sector profiles, responding effectively to investor enquiries, fostering partnerships to develop sector specific knowledge and undertaking activities to promote investor confidence, all of which takes money. If you don't have the financial resources, you can't have a professional approach to winning investment. Budgets will differ from agency to agency; only you will know whether your organisation is serious about wanting to be in this space based on the budget allocated to the activity. Size is not the determining factor, but budget allocation in comparison to the revenue of the organisation is a good starting point, as is the commitment to the length of funding.

The activities mentioned above do not even begin to address the issues of investment lead generation, the ongoing lead management process from generation to closure, nor the training required to upskill staff to give them a commercial sales focused mindset to be able to compete in a highly competitive and aggressive space. It is imperative to manage those who expect quick wins, as the more complex the project is (with arguably the biggest returns), the longer the gestation of the project will generally be. Companies don't generally uproot and shift or expand into a new location overnight.



It is usually part of a long-term repositioning and/or growth strategy and being close to your client through that entire journey allows you to be better positioned to be there when a relocation or expansion investment decision is on the cards.



## SHOW ME THE MONEY

Do you need to have the ability to offer financial incentives to be successful in this space? Simply put, yes. However, the more accurate question is, do I need to use financial incentives? The answer, maybe not. You need incentives to get a seat at the table, however it is true that in many instances the non-financial incentives will out-value the financial, and in the longer term, the client may not even wish to pursue financial incentives. But it is without question that when asked by the client or the site selection consultant whether you have financial incentives available, a negative answer will almost always see discussions terminated before they begin. Just like any recruitment process with many applicants, finding a way to shorten the list of candidates is necessary, even if we don't like it.

I don't think anyone would argue that when all is said and done, the actual amount of incentives (particularly here in Australia compared to what can be obtained overseas) may not even be in the top five decision making factors of the client. Issues such as high-speed internet and access to skilled and talented staff tend to take priority, but to get the deal done, you must get through the first-round interview, and financial incentives play a crucial role in that respect. If you don't have them, you need them, as well as a clear and transparent process to ensure that if they are used, they are done so in an appropriate manner and circumstances.

The provision of accessible financial incentives is important, not only from the client's perspective but also for those hoping to win the deal. Those at the table who are negotiating to win the investment need to ensure everyone present is adding value. It was our own experience here in Queensland that when the State Government had an aggressive, well-resourced investment attraction team that could offer incentives, they had a welcome seat at the negotiation table. But when that tool was removed from them, so too was the seat at the table as the only value proposition they could offer was a "streamlined approval process" or similar. This was unfortunate for both the client and the community as the offer put forward was likely not the best offer that could have been given to the client.

I am pleased to say this situation has now somewhat reversed and the state is back in the field of incentives. The negotiation process with client firms will always be challenging particularly if you are not clear on the real value you can provide both from a financial or non-financial perspective.

## BUT THEY'RE ALREADY HERE?

It would be remiss of me not to mention the benefits of a dedicated aftercare program. Three quarters of investment agencies (3) state that 'aftercare is one of the most effective methods for identifying new leads and generating new enquiries' (PWC survey of 12 Foreign Direct Investment agencies). In the same study, it was noted that up to 85% of new investment outcomes originate from someone that already has a connection with a community/region. So generally, there are six key elements that need clarity, unless you have these as a minimum, then you really have to ask if you are in this space at all.

- 1) Have a clear plan with defined objectives.
- 2) Review it regularly to ensure market relevance.
- 3) Set and document KPIs to gauge ongoing success.
- 4) Limit financial assistance to those that meet clear eligibility criteria.
- 5) Ensure documentation of the process meets good governance policy.
- 6) Including dedicated Aftercare, Corporate Partner and Ambassador Programs.



## IS YOUR REGION OPEN FOR BUSINESS?

Who hears this on a regular basis or even worse still, who of you are responsible for telling the market that your local region, state, territory or other is “open for business”? Let’s assume that no one is shut for business so conversely, everyone is open. The marketing of regions has always been done in very simple terms, a glossy brochure, with nice shots of some buildings and maybe even industrial space available to lease for low cost. So now we are open and cheap! Why wouldn’t you want to uproot all your staff or take a huge financial risk to relocate or expand to that empty product? In 2017 my Council won an EDA award for a cheeky marketing campaign (Mensa Test – Your HQ with IQ) which sought to test clients to see if they would qualify to enter our region as investors. Yes, it was successful, but it demonstrated that we as an industry particularly here in Australia, we need to get away from glorified pamphlets and understand our clients, what they aspire for in their business and personal lives and appeal to those values. Rational or expansion decisions are complex, pamphlet and newspaper adverts are not.

*"In my time, I have seen the interest in commercial grade fibre go from non-existent to as important as the electricity to power the lights. The market changes. Understanding your key strengths and product offerings in a changing market and playing to them, is paramount to attain cut through with your target audience."*

In my time, I have seen the interest in commercial grade fibre go from non-existent to as important as the electricity to power the lights. The market changes. Understanding your key strengths and product offerings in a changing market and playing to them, is paramount to attain cut through with your target audience. On many occasions, your key strengths might to others be viewed as a negative. My region won one of its greatest investments not because it was open for business (it wasn’t at the time) but because there was no other business here and thus provided a good test bed location. Not something one would want to sing from the roof but being aware of what pushes the buttons of your target market and then expressing that regional advantage as a cost benefit to the client’s balance sheet bottom line is paramount. So, what are the things you should know before taking that next half page advert in that industry magazine, because it is a week before deadline and the editor is desperate to shift the space?

- Have clear professional research of what your locals and your audience think of your location as it appears today
- Have a clear understanding of what gap exists between what they think today and how it may need to be thought of tomorrow to attract investment
- Understand what issues need to be addressed to achieve this mindset and the tools you can use to achieve
- Have your 30-second pitch for your region clear, just as others looking for investment need to have their pitch, so must you. The pitch may change by industry
- Make sure your pitch is focused on commercial outcomes and not aspirational statements,
- Lifestyle is important but dollars are more important, you must pitch how the client can have both, and;
- Make sure everything you say and everything you do is backed with a clear and transparent value proposition that substantiates the claims being made.

## TIME TO SELL, SELL, AND SELL.... BUT SELL WHAT?

Every region wants to be a smart region, attract high value employment opportunities for their residents



and be known as the 'place' for innovation, and to some extent they can. What they can't do, is do it all in the one place at the same time, and so we come to the subject of comparative advantages. What does your region have that no one else does? This is a big subject with lots of academic papers written on it. Suffice to say that no region can wake up one day and decide that they are going to be the centre for any industry (aviation for argument's sake) if they don't have the basic building blocks (let's say an airport). There may be arguments to say this is not always the case, such as building solar cell manufacturing plants in the desert like Mr Musk. But I dare say those players have more money and the sustainability of such decisions are not yet proven.

*"For those considering undertaking investment attraction for the first time, I strongly encourage you to do so, as it is a most rewarding profession where the fruits of your labour can be directly seen by the community, whose people are afforded jobs and careers that were once unavailable."*

You need a grain of sand to make a pearl and this is also true in investment attraction. It doesn't matter how small the asset or the advantage, you need to have something small to make something big. I acknowledge those from Northern Grampians and the town of Stawell that took a very big hole in their backyard and have attempted to turn it into an Underground Physics Laboratory in the search for dark matter, having the vision and commitment of taking this asset (a gold mine) to give them a competitive advantage in their quest for innovation, smarts and high paid jobs. This underlines the project is on hold due to the mine going into care and maintenance, but there is certainly nothing wrong with the idea and underlines the need to look at turning existing assets into economic generators if other issues like timing, capital and government/ corporate commitment can also be addressed.

For those considering undertaking investment attraction for the first time, I strongly encourage you to do so, as it is a most rewarding profession where the fruits of your labour can be directly seen by the community, whose people are afforded jobs

and careers that were once unavailable. For those already engaged in this field, I encourage you to compete aggressively (some of my EDA colleagues already do!) as the stronger the competition, the better the outcome for our clients, and bigger and better resources will flow into investment attraction. What can be better than a career that provides better opportunities for our communities? In summary I would like to say:

- Commit to the long haul,
- Be 100% committed or don't commit at all,
- The market is competitive and sophisticated, so should you be,
- Be specific in what you want, what you need to get it and how you go about it,
- Don't overlook the small opportunities, the experience gained will serve you well,
- Don't compete within regions as resources are already tight, complement each other's efforts and add value and;
- Celebrate the wins to garner the support for addressing future challenges as they invariably arise.

#### SOURCES AND OTHER READING

1. Source: Attracting FDI: How Much Does Investment Climate Matter? 2011
2. Source: Roll Out the Red Carpet and They Will Come: Investment Promotion and FDI Inflows 2011
3. Attracting Employment & Investment to the Casey-Cardinia Region, AEC 2011
4. Source: Investment Climate Department, World Bank Group 2012

#### ABOUT THE AUTHOR

Alex is currently the Head of Investment Attraction at Sunshine Coast Council. He holds a postgraduate qualification from the Securities Institute of Australia and undergraduate qualifications in education, marketing and finance from various universities. He is a past Senior Associate of the Australian Institute of Banking and Finance and Associate of the Australian Institute of Management. He has participated as secretariat to various economic and tourism boards and won the 2016 EDA Agent of Change Award as well as other EDA awards in previous years. A father of two young boys, he states his interests are investment destination marketing and watching multiple repeats of Paw Patrol with his boys...

# EDA NOW OFFERING CORPORATE LEVEL MEMBERSHIPS

**EDA is now offering a new Corporate Membership level for a flat fee, which provides unlimited individual EDA memberships to employees within that organisation.**

The Corporate Membership fee is \$2,200 (inc GST) and benefits include:

- Individual EDA membership with full benefits to all nominated employees within the organisation
- Acknowledgement as a corporate member on the EDA website
- Corporate member case study / project to be promoted via EDA website and social media annually
- Promotion as a corporate member at the National Economic Development Conference through presentations, speeches, collateral
- Promotion as a corporate member at the National Economic Development Gala Awards through presentations, signage, speeches, etc.
- Permission to use the EDA logo on approved collateral
- Inclusion of Corporate Members' logo on selected EDA marketing collateral
- Discount rate to EDA events and professional development for all nominated employees
- Opportunity to achieve EDA professional accreditation for all nominated employees
- Opportunity to apply for EDA Study Tours for all nominated employees (3 scholarships, up to \$5,000 available)

The EDA individual membership remains good value at \$400 (inc. GST). [Click here](#) for an up to date run down on individual membership benefits.

Each of the EDA State Practitioner Networks (SPNs) are planning a range of events throughout the year, which will connect economic development practitioners with each other, boost knowledge and skills and drive the development of policy.

## CURRENT EDA CORPORATE MEMBERS:

 CITY OF ADELAIDE	ARUP	CITY OF BALLARAT 
 CITY OF GREATER BENDIGO	 bmee	CITY OF BUNBURY 
 City of Casey	 CITY OF PORT PHILLIP	 QUEENSLAND GOVERNMENT Department of Agriculture and Fisheries
 GREATER DANDENONG City of Opportunity	 City of DAREBIN	 Australian Government Department of Infrastructure, Regional Development and Cities
 Frankston City	 CITY OF GEELONG	 Hobsons Bay CITY COUNCIL
 HUME CITY COUNCIL	 Tasmanian Government	 Rockhampton Regional Council
 Southern Downs REGIONAL COUNCIL	 Sunshine Coast COUNCIL	 WALGA
 City of Wanneroo	 CITY OF WHITEHORSE	 wyndhamcity city coast country



# EDA

ECONOMIC DEVELOPMENT AUSTRALIA

JOIN US AT

[www.edaaustralia.com.au](http://www.edaaustralia.com.au)

as we connect, drive the discussion, share knowledge and raise the performance of economic development throughout Australia.

# ECONOMIC DEVELOPMENT AUSTRALIA

Established in 2007, EDA is the peak national body for economic development practitioners, strengthening and promoting economic development through state and national events, professional development, advocacy and member support.

**Economic Development Australia** offers members a vast array of benefits and opportunities to:



**Connect with your industry and raise your visibility**



**Boost your knowledge, skills and practice**



**Drive the development of policy**



## 10 ways

**to get the most from your membership:**

1. Boost skills and knowledge through a range of professional development conferences, webinars, training workshops and masterclasses.
2. Build networks, connections and professional support through State Practitioner Network (SPN) functions and events.
3. Engage in on-line forums offering resources and peer support from fellow economic development practitioners across Australia.
4. Shine a national spotlight on your work by entering the Economic Development Awards for Excellence.
5. Apply for an EDA International Study Tour to gain world class professional development, valued up to \$5,000.
6. Boost your career by becoming an EDA accredited economic development practitioner.
7. Recruit professionals, source a consultant or find your next exciting role through EDA's network.
8. Connect, learn and set the direction of economic development at EDA's National Economic Development Conference.
9. Raise your visibility by presenting at EDA's National Economic Development Conference.
10. Drive the development of EDA in your state by joining a SPN management committee and contribute to economic development policy development and advocacy.

# TAKING A BIGGER PICTURE APPROACH TO EVALUATING ROAD PROJECTS IN REGIONAL AND REMOTE AUSTRALIA

BY ROGER GIBBINS AND SASHA LENNON

The tool most often applied to evaluate the economic and community benefits of road infrastructure projects is cost-benefit analysis (CBA). While this delivers positive results for high volume roads in urban areas, it is often the case that proposals in Australia's rural and remote regions tend to 'not stack up'. The fundamental reason for this is that the road infrastructure benefits that are normally measured (e.g. aggregate travel time savings, accident cost savings, vehicle operating cost savings, etc.) rely on high traffic volumes to justify the capital and ongoing costs of building or upgrading a road.

In this article it is argued that traditional approaches to project assessment tend to downplay the importance of what have become known as wider economic benefits or 'WEBs', which refer to the economic productivity improvements to be derived from investment in critical regional and rural infrastructure projects.

Based on the authors' experience assessing the economic and community benefits of major road infrastructure projects – most recently, the proposed sealing of the Strzelecki Track in Outback South Australia - it is argued that, to better inform the 'business case' for investing in regional and remote



Australia, these wider economic benefits should in fact be the focus of project evaluations, and not just a 'second-order add-on'.

Accepting that the principal purpose of building roads is the wider economic benefits they generate, it follows that the emphasis of evaluations of road projects in remote and regional areas should switch to estimating the value of the 'productivity dividend' delivered to the regional economy concerned. Only then can road funding be programmed and priorities set on a sound basis.

## COST-BENEFIT ANALYSIS (CBA)

This article focuses on the role that wider economic benefits can play in the application of cost-benefit analysis techniques. An understanding of CBA is therefore a necessary precursor to the use and application of data to estimate wider economic benefits.

CBA is the industry standard evaluation tool for assessing the economic benefits of road projects. Application of this tool requires an understanding of some micro-economic theory (e.g. 'consumer surplus'), the concepts of 'opportunity cost' and 'shadow pricing' as well as 'discounted cash-flow analysis' (DCF).

CBA estimates the stream of societal costs and benefits associated with a project relative to a 'base case', that is, the scenario that will unfold without the project. The costs and benefits are expressed in 'present value' (PV) terms (by applying the discount rate) and the benefit-cost ratio is the PV of benefits over the PV of costs. If the ratio is greater than one, the project is 'worth doing'.

It is standard practice that a CBA applied to transport projects usually takes into account:

- Travel time costs (TTC);
- Vehicle operating costs (VOC); and
- Accident costs.



Generally, a project will deliver savings in these cost areas and these are the main benefits to road users. In addition to these direct costs and benefits there are potential costs and benefits to external parties termed 'externalities'. Externalities that are often included in a transport project CBA include:

- Air pollution;
- Greenhouse gas emissions;
- Noise;
- Water;
- Nature and landscape impacts;
- Urban separation; and
- Downstream effects.

A number of manuals provide guidance on monetising these costs and benefits (for example: Austroads (2014), Updating Environmental Externalities Unit Values).

It is often argued that there are benefits of road projects that are seldom given sufficient weight, such as benefits that flow from greater choice in access to housing and to jobs and recreational opportunities. But it can be argued that these are to a large extent captured in the travel cost savings that are a measure of 'willingness to pay' for the new road or road upgrade.

## **EVALUATING WIDER ECONOMIC BENEFITS (WEBs)**

To capture the true value that a major road infrastructure investment will have for a regional economy and community, it is necessary to consider the wider economic benefits (WEBs). Examples of WEBs include: (1) benefits to firms; and (2) benefits to consumers.

### **Benefits to firms:**

- Agglomeration benefits in cities (e.g. proximity enhanced communications).
- Enhanced competition between firms.
- Increased output in the economy.
- Enhanced labour supply.

### **Benefits to Consumers:**

- Improved access to jobs.
- Improved education outcomes.
- Improved community health outcomes.
- Improved access to cultural, social and recreational development activities.

Taken together these benefits all relate to the concept of 'productivity'.

Productivity measures how efficiently production inputs, such as labour and capital, are being used

in an economy to produce a given level of output. Productivity is considered a key source of economic growth and competitiveness, and one of the most widely used measures of productivity is Gross Domestic Product (GDP), or at the regional level, Gross Regional Product (GRP) per hour worked. To take account of the role of capital inputs, a measure is the flow of productive services that can be drawn from the cumulative stock of past investments (such as machinery and equipment).

After computing the contributions of labour and capital to output, the so-called 'multi-factor productivity' (MFP) effect can be derived. MFP measures the residual growth that cannot be explained by the rate of change in the services of labour, capital and intermediate outputs, and is often interpreted as the contribution to economic growth made by factors such as technical and organisational innovation.

When a road in a regional or remote area is built, or upgraded (e.g. sealed) the various industries that operate in the area receive a productivity dividend due to:

- Reduced travel times and vehicle operating costs (including fuel, emissions and maintenance costs), particularly for heavy vehicles;
- Improved travel time reliability for freight (including, for example, gas, beef and cattle), by reducing the frequency and duration of road closures and providing safer opportunities for overtaking slower moving vehicles;



- Reducing the frequency and severity of crashes associated with overtaking, fatigue and the uneven road surface;
- Improving access for high productivity freight vehicles; and
- Attracting tourist visitation and spending, particularly drive tourism.

It is stated by Austroads (2016):

*“The rationale for remote and regional roads is typically related to improving accessibility to a particular region, leading to associated improvements in wider social and economic outcomes”.*

This means travel time and vehicle operating cost savings are often not the primary reason for investing in remote and regional roads. Accepting that the principal purpose of building roads is the WEBs they generate, it follows that the emphasis of evaluations of road projects in remote and regional areas should switch to estimating the value of the productivity dividend delivered to the regional economy. The question is – how can this be achieved?

## A METHODOLOGY FOR ESTIMATING WEBs

In order to reliably estimate the WEBs generated by a road project the following steps are recommended:

**Step 1: Document the Output of Industry Sectors** - Data on output by industry sector is available from the Australian Bureau of Statistics (ABS), or alternatively from the web-based product ‘REMPAN Economy’.

**Step 2: Estimate Output Uplift for Industry Sectors** - This step should focus on the key sectors, which in many regional and remote areas are agriculture, mining, transport and tourism. Estimates may be informed by case studies and supply chain analysis to identify the factors of production that can be affected to deliver a productivity uplift.

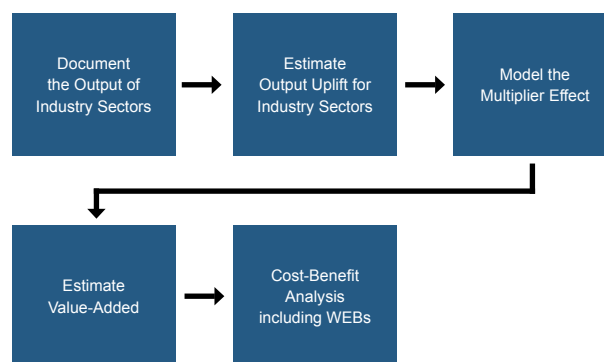
**Step 3: Model the Multiplier Effect** - Uplifts in outputs in key industry sectors will have a multiplier effect in the regional economy. From a direct increase in output there will be an increase in the demand for intermediate goods and services. These ‘industrial effects’ include multiple rounds of flow-on effects, as servicing sectors increase their own

output and demand for local goods and services in response to the direct change to the economy. The increases in direct and indirect output would typically correspond to the creation of jobs in the economy.

Corresponding to this change in employment would be an increase in the total of wages and salaries paid to employees. A proportion of these wages and salaries are typically spent on consumption and a proportion of this expenditure is captured in the local economy. Total output, including all direct, industrial and consumption effects can then be estimated.

This modelling can be done by reference to the Australian Bureau of Statistics’ input-output tables, but these are somewhat static and dated. REMPLAN Economy Software provides a menu-driven model to make these estimates.

**Figure 1. A Methodology for Evaluating Wider Economic Benefits**



Source: SC Lennon & Associates

**Step 4: Estimate Value-Added** - The productivity dividend for a region is measured in terms of ‘value-added’ where this is defined as follows:

*Value-Added data represents the marginal economic value that is added by each industry sector in a defined region. Value-added can be calculated by subtracting local expenditure and expenditure on regional imports from the output generated by an industry sector, or alternatively, by adding the wages and salaries paid to local employees, the gross operating surplus and taxes on products and production. Value-added by industry sector is the major element in the calculation of Gross Regional Product / Gross State Product / Gross Domestic Product.*

(Source: REMPLAN Economy Software, December 2017)

Again, REMPLAN Economy Software provides a menu driven model to provide an estimate of value-added.



### Step 5: Cost-Benefit Analysis including WEBs -

The traditional variable in the cost-benefit analysis (e.g. savings in travel time, vehicle operating costs and accident costs) can still form the basis of the CBA but the estimate of value-added to the regional economy can be added to the benefits side of the equation.

According to the Queensland Department of Transport and Main Roads (2011), *“International experience suggests that these wider economic benefits for transport projects add between 10% and 40% to the conventionally measured benefits”*. However, this relates to urban projects where the direct benefits measured by conventional means are significant. In rural and remote areas, the aggregate of direct user benefits is lower so the relative significance of the WEBs is greater.

### A CASE STUDY – SEALING THE STRZELECKI TRACK

In early 2018, SC Lennon & Associates prepared a report on behalf of Regional Development Australia Far North (RDAFN), the Outback Communities Authority (OCA) and The Flinders Ranges Council,

which estimates the regional economic benefits of sealing the Strzelecki Track, a 472-kilometre unsealed regional road that links the towns of Lyndhurst to Innamincka in the north east of South Australia.

The Strzelecki Track is a vital supply link for major oil and gas facilities in the Cooper Basin and is an essential transport corridor for outback communities, tourism and pastoralists. Situated in the Outback Region, the Strzelecki Track provides a link from Adelaide into south-western Queensland via Port Augusta and the towns of Quorn and Hawker (which is just south of the Ikara-Flinders Ranges National Park) in The Flinders Ranges Council area.

Tourism, mining and pastoralism are three ‘key industries’ providing strong prospects for Outback South Australia’s economic growth and development based on existing comparative and competitive advantages and opportunities to diversify the region’s economic activity. The assessment of the wider economic benefits of sealing the Strzelecki Track focussed on these three key industries.



The Strzelecki Track, if sealed, would provide a vital piece of enabling infrastructure to support the growth and development of tourism activity in the Outback region and beyond. Regional and remote communities could benefit from the income generated from drive tourists (on stopovers), as those passing through often buy local tourism products and services, and basic travel necessities like fuel, food and other supplies. Drive tourism provides a number of benefits to businesses, including: opportunities for new business start-ups; increased demand for new products and services; opportunities for business collaboration; and additional income and employment.

The analysis undertaken by SC Lennon & Associates using REMPLAN Economy Software shows that when the proposed sealing of the Strzelecki Track is complete, and after allowing three years for 'ramp-up', there is a potential for an uplift of \$7.1 million per annum in visitor spending in year 1 as a direct result of sealing the road. This is expected to increase to around \$17.4 million per annum after a further 7 years (i.e. in Year 10 - expressed in present values).

*"The analysis of wider economic benefits revealed that sealing the Strzelecki Track has potential to deliver a 'value add' to the economy in the order of \$87 million in year 10 after a ramp-up period."*

In addition to the estimated economic benefits to the tourism industry, estimates were made on the economic uplift to other key sectors – namely mining, the beef cattle industry and the road freight industry – from sealing the Strzelecki Track, based on the productivity enhancements that the project could deliver.

The analysis of wider economic benefits revealed that sealing the Strzelecki Track has potential to deliver a 'value add' to the economy in the order of \$87 million in year 10 after a ramp-up period. If this is projected out over 40 years and discounted at a rate of 5% per annum, the present value of the benefit stream is \$1.4 billion. Given the nature of the assumptions that have had to be made, the tolerance should be around +/- 30%. Hence the range is between \$1.0 billion and \$1.8 billion.

In a separately-commissioned cost-benefit analysis

of sealing the Strzelecki, the South Australian Government Department of Planning, Transport and Infrastructure estimated the present value of direct transport benefits (from travel time savings, accident cost savings and vehicle operating cost savings) to be \$1.3 billion. Hence, consideration of the wider economic benefits, as summarised above, has a potential to double this figure to between \$2.3 billion and \$3.1 billion.

## IN CONCLUSION

CBA when applied to evaluating road projects in rural and remote areas only tells part of the story. The technique focuses on direct user benefits and externalities but it tends to under-value the real purpose of building roads in rural and remote areas, which is to underpin the productivity of the regional economy, not to mention social cohesion in these areas.

There exists a sound methodology for estimating wider economic benefits in terms of the productivity dividend associated with a road project in rural and remote areas. In so doing, as demonstrated by the example of the Strzelecki Track, the true value of the productivity dividend delivered to the regional economy can be assessed and articulated. Only then can road funding be programmed and priorities set on a sound basis.

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## ABOUT THE AUTHORS

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# NEW YORK STATE STUDY TOUR AND PRESENTATIONS

EDAC (NIAGARA, CA) & IEDC (TORONTO, CA) NATIONAL CONFERENCES SEPTEMBER 2017

EDA STUDY TOUR SCHOLARSHIP RECIPIENT: DR. IAN MARTINUS



## BACKGROUND

As part of the EDA Study Tour Scholarship Program, Dr. Ian Martinus, Manager Advocacy and Economic Development at the City of Wanneroo in Western Australian successfully applied for, and visited North America in September 2017 to pursue professional development activities.



The International Economic Development Council (IEDC) is the world's largest professional body with over 5000 members, mainly from North America, servicing economic development practitioners with professional development and advocacy services.

Prior to the September 2017 Scholarship Trip, Dr. Martinus also separately attended the annual IEDC Federal Forum in March 2017. The Federal Forum was of particular use as it gave the recipient great insight into the strategic motivations, program delivery highlights and budget formulation with respect to state and local government economic development initiatives. At the time, the newly formed Trump Administration was also going through early consultation and formulation of new economic development programs and assistance.

Dr. Martinus presented on Tuesday September 12, 2017 at the Economic Development Association Canada (EDAC) National Conference as part of the EDAC/IEDC/EDA global panel. The topic was 'Managing the Relationship: The Historic Canada/US/Australia Bond.

The purpose and intent of the New York State Study Tour and IEDC/EDAC conference attendance were as follows:

*"I intend to observe how economic development practitioners and their partner networks work together to create environments conducive to attracting policy, budget, and business community support for their research-supported trials, testing and prototyping and their speed to market. Of interest is the navigation around or through roadblocks that turn economic development strategies and action plans into on-ground opportunities and quality outcomes.*

*As detailed below, I intend to observe how research, development and demonstration projects can accelerate innovation in the fields of clean energy, the built environment, and positively contribute to net regional exports. Of particular interest are industry collaboration, how research opportunities are evaluated and formed and the need for a committed industry partner or pipeline of funding."*

A very special thanks to Tracy Verrier, Executive Director of the Cayuga County Chamber of Commerce for organising and coordinating all of the study tour meetings and background information and introductions to her network. <http://www.cayugacountychamber.com/>

## PRACTITIONER VALUE

The opportunity to hear from other global economic developers cannot be underestimated. Engaging in active dialogue and discussion regarding topics such as Indigenous employment and their start-up venture self-determination and the impact of Industry 4.0 are crucial and relevant for ED professional development.

A deep dive into digital technology applications and their positive transformation of government services gave insight into 'real world' smart cities applications. Case studies of small and medium sized manufacturers investing in software, supply chain tools and new equipment gave evidence of the positive benefits of automation and process improvement requirements in business.

The masterful use of data (in Australia this is provided by a number of paid services such as REMPLAN, Forecast ID, Geografia et. al) to better identify trends and to allow the practitioner to take the lead on youth programs, workforce retention, investment attraction and micro-business assistance provided relevant global applications.

Within the North American context, a strong current focus of policy and program (formation and delivery)

is the empowerment of youth entrepreneurs and local youth retention efforts and novel investment platforms that allow government to partner with the local start-ups (such as student investment funds).

One stand out example at the IEDC Conference was a visit to the Ryerson University DMZ Incubator and Zone that boasts strong deliverables including over 300 businesses incubated and accelerated with nearly \$400M in funding raised for the start-ups and close to 300 jobs created since 2010. <https://dmz.ryerson.ca/>

## AMAZON HQ2 – INNOVATIVE ED STRATEGIES & THINKING REQUIRED

It is worth adding commentary on the mad scramble from the majority of North American economic development practitioners their boards of management, associated agencies such as chambers of commerce and commercial ED enterprises to organise their bid to attract the next Amazon headquarters to their regions.

An August 2017 email from Jeff Bezos, the Amazon CEO announcing that Amazon would require a site of 1,000,000 square feet that would eventually house up to 50,000 mostly white collar workers earning \$100,000 (USD) per year sent the ED profession into a frenzy.

Formal bids were due in late October 2017, and the IEDC Chairperson, Michael Langley informed me (at the EDA National Conference in Ballarat) that, most IEDC members would be submitting regional bids where their local government area jurisdictions needed to join forces for the purposes of scaling to suit the Amazon request.

According to IEDC, the successful region would have to demonstrate access to an international airport, a population catchment of approximately one million people, be an area of high amenity (lifestyle, education, activity centres), and have a highly educated workforce living in close proximity to the mega-campus.

It is believed that of the approximately 55 regions submitting bids, that only 16 will pass the first test of complying with Amazon's minimum requirements. According to the IEDC, the Amazon opportunity is tough for economic developers to not invest time and resources in, even when the likelihood of success is almost zero for the majority of bids.

With the disruption of Amazon Web Services being launched on the global stage in 2018, many regions



in North America began formulating forward plans on how to interact with the Amazon HQ2 'supply chain' through strategies and new tactics, rather than focus on the components of the bid itself.

## **TOMPKINS COUNTY AREA DEVELOPMENT**

Visit with the Executive Director Tompkins County Area Development (September 14) Michael Stamm.

Topics discussed:

- a. Community infrastructure investments to attract private investment – The strength of the various public/private board structures add tremendous weight and influence to advocacy for major developments. A lot of time spent on relationships (read: private developers, Cornell University, local municipality place-makers) allows careful manoeuvring of prioritised opportunities in the areas of: higher education, tech-inspired micro manufacturing, software, mobile and tech-enabled service company support, agriculture and tourism,
- b. How to use political influence to articulate policy positions on ED issues – particularly with red-tape reduction and transitioning workforce competency,
- c. How to respond to specific state and federal opportunities where 'shovel-ready' needs strong alignment and board agreement,
- d. How to position regional economies to embrace 'waves' of restructuring activities and subsequent re-organising of capital flows. (60,000 private sector jobs in 2013 – service providing jobs account for 93% of employment in Tompkins County). Higher education in the region is the dominant sector and employer and;
- e. How to achieve a balanced 'energy mix' of renewable and traditional energy sources while aiming to maintain a 'calm' debate that balances local jobs with environmental preservations.

As appears to be universal phenomena, the relationship between headcount, budget and areas of attention need to be carefully balanced for meaningful impact. Tompkins Area Development is mindful of this and spends a great deal of time in the advocacy space, making connections at the state and federal levels of government to deliver on their strategic intentions.



**Michael Stamm, Executive Director of Tompkins County Area Development**

## **SYRACUSE UNIVERSITY CENTRE OF EXCELLENCE (SYRACUSECOE)**

Visit with the Associate Director of Partner Programs Syracuse University Centre of Excellence (September 13) Tamara Rosanio

Topics discussed:

The economic impact (direct company investment), indirect and induced regarding being a regional and global market leader in areas of:

- a. Clean energy (research and development and deployment – RD&D)
- b. Syracuse 'Lab to Market; Market to Lab' research and innovation program. With a primary focus on environmental and energy systems, the practical elements of the R&D provide 'live and real time' demonstrations of building functions and features (such as heating, ventilation, air conditioning, ventilation – HVAC innovations) that attract further funding and commercial opportunities with local and global interest). The green building movement (as a global growth sector) affords industry, government and university collaborations.
- c. The 'live' examples demonstrated the value of research opportunities that aim to provide practical solutions to local and national challenges and the subsequent export opportunities. The 'partner' network and construction of lasting and mutually beneficial relationships relies heavily on human and capital resource commitments (medium term) from all partners.

## CENTERSTATE CEO

Visit with the Centerstate CEO New York (September 15) Steven King Director Central New York International Business Alliance; Michael Novakowski Director of Business Development; Andrew Fish Senior Vice President, Business Development.

Incorporating Unmanned Airborne Vehicle (UAV) research emanating from the Northeast UAS Airspace Integration Research Alliance in Syracuse, the meeting was dominated by the global opportunity afforded New York State to become the world leader in creating the international standards (ISO equivalent) for the drone industry.

As part of the 'Central NY Rising' Upstate revitalisation initiative blueprint to grow the local economy and C21 jobs (knowledge intensive jobs), the August 2016 \$5m announcement to support and grow the emerging Unmanned Aerial Systems (UAS) will possibly lead the way in designing and managing unmanned aerial traffic management infrastructure. The payday would likely come in the form of manufacturing, testing, prototyping and engineering services in the first instance. The economic developers working within this space are already mapping supply chain advantages over the short and medium term as the emerging market matures and the supply chain forms.

The deliberate strategy of positioning the region as the unmanned aircraft industry hub allows the rapid development and deployment of first generation traffic management systems, delivery systems, national security, government monitoring and commercial (retail supply chain) applications.

The broader lesson for outer metropolitan areas of Australia is the opportunity to create links between relevant research partners, suitable geography and location and testing programs.

The research interest to outer metropolitan Australian local government (2016 population rates of approximately 5m residents as reported by National Growth Areas Alliance NGAA) was the following: creation of active and vibrant activity centres; local supply chain opportunities regarding manufacturing, high-tech, healthcare, retail and tourism/hospitality attraction and activation strategies by the local government and industry bodies.

<http://www.centerstateceo.com/>

<http://www.centerstateceo.com/news-events/nuair-alliance-announces-new-ceo>

*The efficacy of encouraging innovation districts, clean energy trials within both new and legacy suburbs, and how to incorporate micro-grids and novel infrastructure adaptations that require land, local workforce and emerging technologies can incubate local talent and new jobs.*

## CONCLUSION

There is an immediate opportunity for Australian economic developers to play an active role in new technology application (Smart Cities) testing and deployment. The efficacy of encouraging innovation districts, clean energy trials within both new and legacy suburbs, and how to incorporate micro-grids and novel infrastructure adaptations that require land, local workforce and emerging technologies can incubate local talent and new jobs.

The focus of this study tour was specific and deliberate. The opportunity to deeply interact with new economy employment initiatives (e.g. clean technology, digital applications, advanced manufacturing and technical supply chains) and projects requiring partner assembly and execution demonstrated how value can be created and then replicated (exported).

The move toward competitive regional advantages and bespoke activity is a welcome move in the direction of activity centres of differentiation and specialty and not simply 'me-too' lookalike centres. Further investigations and examples reinforcing the value of specialisation will allow local economic developers to execute 'sharper' and customised strategies that focus on their specific competitive advantages. To be vanilla is to be destined to predictable local economy outcomes within the traded (internally lead) economy.

One of the drivers (IEDC Federal Forum Washington DC April 2017) carried over into this study tour and conference attendance and was worth repeating with respect to economic development being integral to place-making.



- Business Improvement Areas (BIA) was a 1970s world first incarnation in Toronto, Canada where businesses actually requested to be part of a voluntary tax to improve and revitalise neighbourhoods. Bloor West Village businesses saw sales volumes increase 40-70%.

<http://torontoist.com/2013/02/toronto-invents-the-business-improvement-area/>

- Economic studies in many US municipalities show that higher density mixed use of between 2-5 storeys return higher rates and taxes to LGAs.
- Downtown Grand Rapids Inc. (Michigan) – inviting entrepreneurs and business to their (refreshed) version of public/private/not-for-profit (they call it triple p) of revitalisation. Incorporation of a 'dot org' group allows them access to public funds. They have also funded studies supporting the notion and evidence of increased economic impact when wage (and ethnic) equalisation occurs in a community.

The central question was raised 'Why people love living somewhere'. The push is for creative place making that provides an economic (direct + indirect) return. Beautification is used as an investment attraction tool.

<http://downtowngr.org/>

The reinvigoration of local manufacturing utilising local skills base was interesting to observe, and the federal government support for technology, innovation, small business funding and export development.

The strong message at the state and federal levels to trumpet local jobs and local vitality was received loud and clear and the opportunities within downtowns and outer metropolitan urban areas was also interesting to observe.



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# GOING GLOBAL – IEDC 2017

## A PERSPECTIVE ON ‘VALUE AND RELEVANCE’ FOR AUSTRALIAN ECONOMIC DEVELOPMENT PRACTITIONERS.

BY BILL MILLARD, DIRECTOR STRATEGIC DEVELOPMENT, HOBSONS BAY CITY COUNCIL



This article will argue that economic development professionals in Australia should consider investing some of their hard earned dollars on an IEDC Annual Conference. The International Economic Development Council is the world's largest professional organisation for economic developers with more than 5,000 members across the United States, Canada, Europe, Australia, New Zealand, and other nations.

The author has been a member of IEDC for several years and has attended three annual conferences including Toronto, Canada in September 2017. Setting aside the opportunities to visit and look ‘back of house’ at vibrant cities and regions, you will meet, eat and socialise with some great people with aligned interests, but also come home with a bag full of ideas.

IEDC 2017 recently concluded in Toronto which was the first time the conference had been held outside of the United States. It was an overwhelming success attracting around 1400 participants including a few hardy souls from Australia and many from around the world.

The ‘Going Global’ theme allowed me to hear about and debate, high quality job creation, revitalising communities, using creative arts to add commercial value, competitive advantage, innovation, entrepreneurship and so on. The presenters were mostly practitioners and many examples were very practical programs aiming to address issues that are faced every day in Australia. Job loss, city centre activation, changing land use, investment capital attraction and business facilitation.

The keynote speaker was Dr Richard Florida who is perhaps the world's leading ‘urbanist’. He has just released a book titled ‘The New Urban Crisis’ and also wrote ‘The Rise of the Creative Class’. He makes a strong argument for corporations to become better corporate citizens and focus on wealth sharing and a fairer economy.

One of the most discussed topics is the current search going on in North America by Amazon for a second headquarters (alongside Seattle Washington). Amazon have released a prospectus seeking cities/regions to pitch for this business which will involve some 50,000 jobs, 8 million square feet of space and an investment by Amazon of \$USD 5 Billion. Not hard to understand that this move has created a bidding frenzy, particularly from cities and regions hard hit by the manufacturing exodus over the past few years in North America.

At one of the best social functions of the conference, some 200 economic development stars and guests from around the world loved the ‘International Dinner’. I was lucky enough to draw a seat beside the Head of Policy from the Falkland Islands. It was fascinating to hear about some of the aspirations and challenges facing the Falklands, but it also put a whole new perspective on ‘remote’.

Earlier in 2017, submission of an abstract to one of the conference themes resulted in an invitation to present at the conference. My topic was ‘Reconciling Objectives of Land Use Planners and Economic Developers’. As background to my presentation I undertook a short survey of town planners in my network to uncover the ‘Top 5 Gripes of Land Use Planners’ in dealing with development applications. Likewise I surveyed economic development professionals and members of the development industry to understand their top 5 gripes of the planning process.

Having worked in regional and metropolitan areas, with responsibilities for land use planning and also economic development, I have developed a strong view that economic developers can play a critical role when they are alongside planners (both statutory and strategic) in a supportive sense, rather than as an advocate for a proponent or investor. My survey showed however, that these myths about the planning process by all parties, are heavily ingrained and new ways of engagement are needed. I suggest a practical approach for economic developers.

In brief, the gripes of all parties are numerous. Consolidation of the recurring themes into the Top 5 Gripes for Land Use Planners in dealing with development applications were;

1. Not the right information to support development applications - inaccurate planning reports and / or technical information (a trust us approach)
2. Lobbying CEO, Directors, state government anyone that will listen to exert pressure when you are not giving them the answer they want to hear
3. Applicants who think their application is the only one that is being dealt with at that time
4. Being contacted (pressured and harassed) by several different parties relating to the same application to only give the same message
5. Higher consideration of the monetary contribution of a development as opposed to a net community benefit

While for the economic developers and proponents Top 5 Gripes were;

1. Timeframes – taking too long to make a decision
2. Planners not returning phone messages and or responding to emails
3. Planners not being prepared to provide informal advice on whether an application is likely to be supported
4. Lack of coordination within Council or between Council and external referral agencies
5. Requiring reports and supporting documents which are not required and or referenced in the planning scheme – i.e. social impact assessment, ESD reports, etc.

In summary, my suggestions for economic developers are to firstly understand (planners are people and skilled professionals), support (take away some of their pain), engage (teach don't tell) and recognise (find subtle ways of recognising good work). This approach can grow the confidence of all parties and lead to a highly engaged team approach to development facilitation.

There were 3 panel members and a moderator and our session was 90 minutes which included 20 minutes for each to present and 30 minutes for questions. In the lead up to the conference we were concerned about our time slot (being the

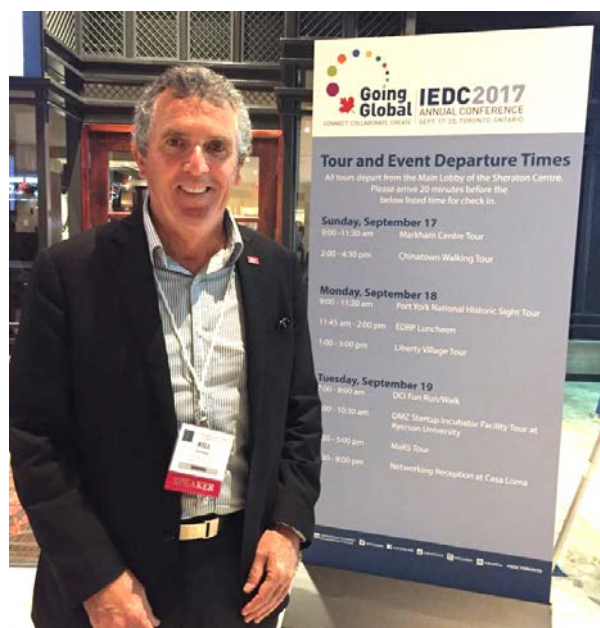
final concurrent session of the conference) and our opposition which is always one of the best attended sessions, the Business Locations Consultants Forum, where site selectors talk about current opportunities they are representing.

Our panel had a telephone conference call prior to the conference in which we shared our presentations and settled on the key messages from each speaker. Despite our concerns we had a full room and surprisingly by a show of hands, around 30 planners. The session went really well and we fielded many questions, with a line-up of people after the presentation seeking more detail and to discuss a particular issue they had. The follow-up feedback on the session by organisers (each session is rated by participants) suggested we hit the mark, ranking highly among all sessions for the conference.

On reflection I think the most satisfying part of putting yourself forward, is to have your ideas tested and argued in front of your peers. Peers are inquiring, challenging, a bit cynical but always looking at the relevance of any contention from their own perspective and as presenter you hope it resonates.

As an Economic Development Australia (EDA) member, taking the time to present is challenging and even a little stressful, but is balanced by the way it opens an opportunity to engage such a wide variety of people in our field, doing quite amazing work.

My network has expanded as a result and the few days in Toronto was a welcome break. The whole experience was refreshing and engaging in my professional development. Relevance 10/10 and Value 10/10. Give it a try and think Atlanta Georgia 2018.





# GLOBALISATION REQUIRES COOPERATION

BY THOMAS DEVITT, ECONOMIST, GEOGRAFIA



- Globalisation of supply chains has driven down local economic multipliers.
- This makes it harder to justify economic development investments and fiscal stimulus.
- A balance is required between self-sufficiency and regional/global cooperation.

## ECONOMIC MULTIPLIERS ARE SHRINKING

Economists often use input-output modelling to measure the broader economic impacts of a single event. If, for example, a \$100 million construction project is announced, we can insert that \$100m into the model, and it tells us how the effect of that construction activity would spread to the rest of the economy.

The difference between the initial construction injection and the broader impact is called the 'multiplier'.

But in recent years, the assumed multiplier in input-output modelling has been falling, meaning that individual investments by industry and/or government are having smaller and smaller knock-on effects on the economy. Why?

Well one explanation lies with globalisation – specifically the globalisation of supply chains. Businesses no longer source all their inputs locally. They can buy machinery from Germany, parts from Bangladesh, and technical expertise from the US. Even one's workforce can be sourced from interstate or overseas.

This means that, even when money is invested in one area, it 'leaks'. This results in ever smaller

general impacts in the location in which the investment was initially made.

## THE LOCAL MANIFESTATION OF THIS – LOCAL GOVERNMENT EXPENDITURE LEAKAGE

Western Australian regional city, Greater Geraldton, for example, suffers from significant economic 'leakage'. A project we undertook last year calculated business 'leakage' alone of \$1.24b, much of which was from the Manufacturing sector (Figure 1). Returning to our construction project above, \$100m here would result in only a \$31m direct economic impact and a \$65m flow-on impact (\$96m total – still smaller than the initial injection). Many of the benefits would be felt elsewhere. Consequently, the broader economic impact was only larger than the initial injection when you include the positive impacts outside Geraldton.

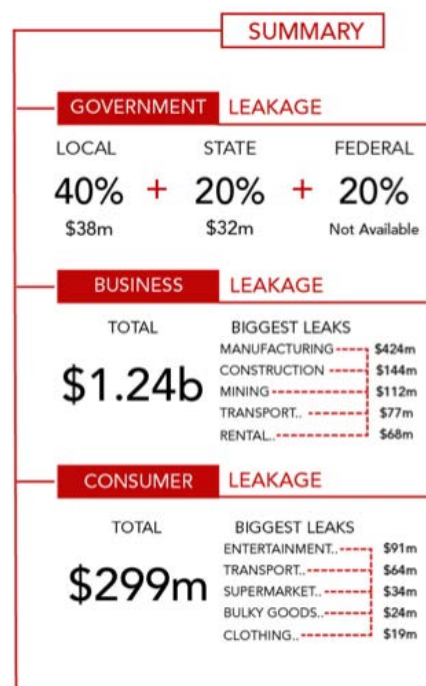


Figure 1: Expenditure Leakage by Source, Greater Geraldton (Source: Geografia, 2016)

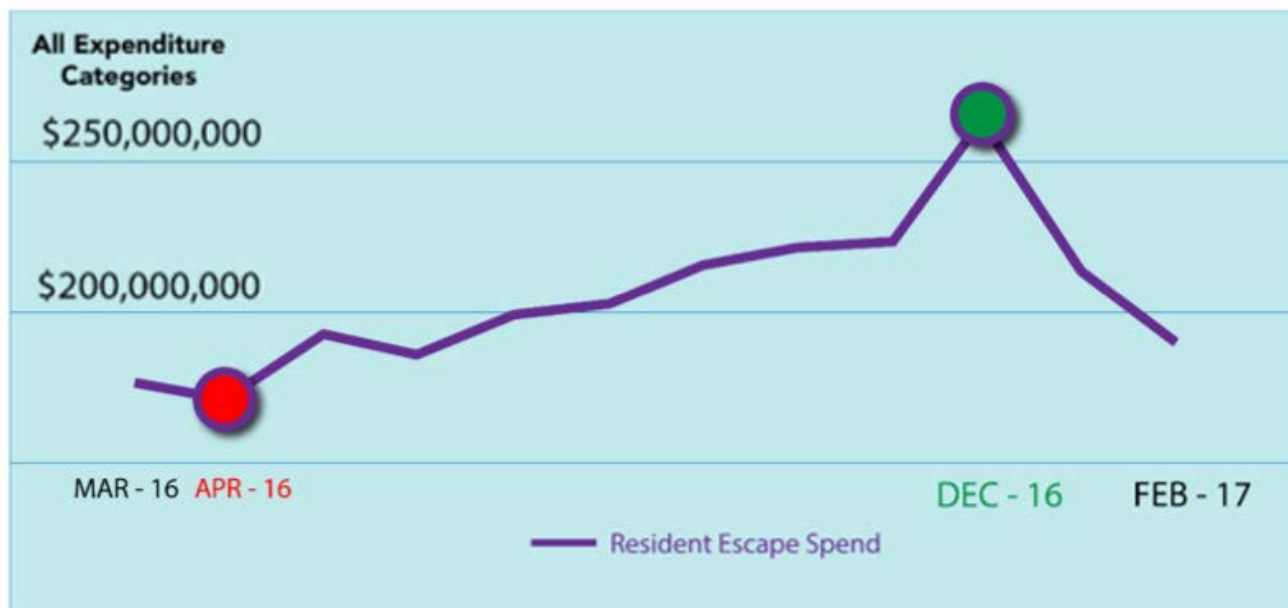


Figure 2: Resident Expenditure Leakage, Casey (Source: Spendmapp, 2017)

Not surprisingly, Geraldton residents spend a lot of money outside of Geraldton. A small regional city (Greater Geraldton's population is around 40,000) just does not have the goods and services available to meet local need.

Outer metropolitan municipalities offer a variation on this theme. They are notorious for out-commuting. And as residents leave every day to work closer in to the city centre, they spend a considerable proportion of their income outside of their home municipality. Let's take Casey in outer metropolitan Melbourne. With a population of 300,000, we can use bank transaction data to see they spent upwards of \$250m just in the month of December 2016. Leakage at that rate in Greater Geraldton would result in around \$340m in resident escape expenditure in Greater Geraldton (compared with the \$299m we actually measured). An annual loss of \$41m in an economy the size of Greater Geraldton's would be a serious hit on local jobs, services and amenities.

As per our construction example above, just \$84m in total would be captured locally if the \$100m project occurred in Casey.

### **MORE LEAKAGE, MEANS SMALLER MULTIPLIERS AND LESS LOCAL IMPACT**

This kind of leakage has significant implications for the economic viability of investment projects. A local government is going to have a harder time justifying a project if they can't demonstrate through

input-output modelling that a large proportion of the benefits from such a project will remain in the local area.

There are also implications for economic recovery after crises. The standard Keynesian approach says that during a recession, fiscal multipliers are especially high and therefore, particularly effective at reviving a lagging economy. In the US, those multipliers have indeed been strong in recent years, justifying a stronger fiscal policy response to an economy that was, until recently, underperforming. But the US is an enormous economy, so their domestic supply chains are well-established and diverse, resulting in minimal economic 'leakage' and strong fiscal multipliers. But for smaller, internationally open economies such as Australia, fiscal policy may be less effective at kick-starting a slumping economy.

### **WHAT CAN WE DO ABOUT IT?**

And this brings me to the solution – self-sustainability vs. cooperation.

In the case of Greater Geraldton, a significant amount of their 'leakage' could be clawed back (we estimated about \$259m of the \$1.24b in business leakage). This can be done by identifying industries where the volume of leakage is so high, it demonstrates a large local market that could be used to entice (and support) a new business to invest locally. 'Buy local' policies could be used to support these businesses. Equally, population growth will

help meet more of the local workforce needs. This increased self-sufficiency would help contain a much larger share of any investment directed at Geraldton. Leakage would be minimised, and multipliers would be higher.

Entire nations have even greater potential to contain leakage by diversifying into more industries along their supply chains, thereby reducing reliance on imported inputs. Investment in education and training can also reduce reliance on foreign skilled labour.

Of course, this kind of self-sustainability is not always possible or advisable. Capital City CBDs for example, are major financial and business hubs – and should remain so. Trying to stimulate their economies by increasing the local resident population, thereby reducing the need to import labour from the rest of the city, will likely detract from its commercial advantages. Yes, it may retain more of its local resident expenditure, but this will reduce floorspace available for commercial use.

And even nationally, it is often not advisable for an economy to try to specialise in everything. Firstly, in a developed country such as Australia, where the private sector hasn't already developed such activity, this would require the government to 'pick winners'. This has been successful in the past (sometimes), but it's a risky option.

Furthermore, often it is just better to import things that other countries are better at doing (like labour-intensive manufacturing from Bangladesh), rather than dedicating resources to an industry in which we will probably never reclaim our competitive advantage (and potentially taking resources away from our real advantages).

*"If Greater Geraldton needs an economic boost but 'leakage' is a concern, fiscal support from the State Government is justified. This way, Geraldton benefits from added assistance, Perth will benefit, given many of Geraldton's inputs would be sourced from Perth, and, in a positive feedback loop, Perth would potentially buy more goods and services from Geraldton."*

Consequently, if self-sufficiency is not possible or advisable, cooperation is needed. If Greater Geraldton needs an economic boost but 'leakage' is a concern, fiscal support from the State Government is justified. This way, Geraldton benefits from added assistance, Perth will benefit, given many of Geraldton's inputs would be sourced from Perth, and, in a positive feedback loop, Perth would potentially buy more goods and services from Geraldton. So, when a small area is susceptible to leakage, the broader area that benefits from this leakage should also assist.

Nationally, this requires global cooperation. During the post-GFC slump in the developed world, efforts by individual countries to stimulate their economies fiscally (if they existed) would have leaked somewhat, having less impact locally. But through international cooperation, nations could have coordinated their fiscal policy programs, with all nations benefitting from the leakage of other nations, via the modern world's globalised supply chains.

The solution, as is often the case, will require a balance. Places, big and small, should not become so overly specialised that they are vulnerable to external shocks, and virtually unaffected by local fiscal stimulus. But at the same time, the benefits of globalisation should not be unwound by attempting to become completely self-sufficient in areas of competitive/comparative disadvantage.

A global economy requires global cooperation.

#### ABOUT THE AUTHOR



Tom has spent the last five years as an economist with several national economic consulting firms, before joining Geografia in July 2017. He contributes to, and project manages the research, analysis and presentation of many projects to assist with policy formulation.

Tom's expertise is in macroeconomic analysis and regional economic development planning. He focuses on mining and resources, property markets, tourism and accommodation and agriculture. He is proficient in economic modelling and data analysis, as well as consultation with government, industry and community.

Tom also undertakes his own economic and political research to further his understanding areas including financial crises (the Great Depression, the Global Financial Crisis, etc.), monetary and fiscal policy, income inequality, globalisation, exchange rate regimes, political economics, international financial markets/ banking systems, international demographic trends, and international economic and political anomalies and history.



# FEDERAL BUDGET

## 2018-19

### SUMMARY FOR LOCAL GOVERNMENT

BY PETER JEFFERY, GRANT GURU

#### 2018 FEDERAL BUDGET: ALL ABOUT TAXATION, MINIMAL IMPACT ON GRANTS

Treasurer Scott Morrison recently handed down his third Federal budget. Tax measures featured heavily in the budget with taxpayers receiving windfalls in the form of tax rate cuts. Protecting the integrity of the tax system was also heavily featured.

This article provides a high-level snapshot of some key funding impacts for Councils and also businesses that might operate in your Local Government Area.

#### INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES

Regional Councils will benefit from key infrastructure programs, such as:

- \$206.5M for round 3 of the Building Better Regions Fund (BBRF) to support construction of community infrastructure.
- \$2.3M for the Regional Jobs and Investment Package for Regional Tasmania to support projects that diversify the regional economy, stimulate economic growth and deliver sustainable employment in the region.

The Government will also provide \$25.9M for the Stronger Communities programme which provides funding of between \$2,500 and \$20,000 for small capital projects that deliver social benefits for local communities.

#### IMPACT TO INDUSTRY

From a grants and funding perspective, the Government's main support for Industry research and development, The R&D Tax Incentive, has proposed changes. These will need to be legislated

before they become operational in the 2018-19 financial year. For larger companies, this involves a proposed overhaul of the level of benefit companies receive based on a sliding scale that rewards increased R&D expenditure as a portion of overall expenditure.

The Export Market Develop Grants remains unchanged, despite calls for additional funding.

Other Grant programs also remain unchanged, with a number receiving top up funding.

#### IN CONCLUSION

This budget, by many accounts, has been quite restrained. The focus has been primarily about the income tax cuts and the overhaul of the personal taxation system. There have been some changes to the R&D Tax Incentive which might penalise larger companies, and extension of many infrastructure grants that could benefit Councils, however grants that impact businesses remain somewhat unchanged. Please find more detail below.

Please contact us if you or your colleagues have further questions about how to identify and secure funding for your priority projects, or would like to know more about the services we provide to help your municipality prosper.



## INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES PORTFOLIO

The Government will invest \$518.9 million from uncommitted funding in the Infrastructure, Regional Development and Cities portfolio, towards:

- Building Better Regions Fund — round three;
- Stronger Communities Programme — round four;
- Remote Airstrip Upgrade Programme — extension;
- Western Sydney City Deal and a Western Sydney Airport Visitor and Information Centre;
- Launceston City Deal — Tamar River;
- Regional Australia Institute;
- Myalup-Wellington project;
- Indian Ocean Territories — essential infrastructure and air services;
- Management of Drones;
- Aviation, Air Cargo and International Mail Security Package; and
- other policy priorities.

## BUILDING BETTER REGIONS FUND — ROUND THREE

The Government will provide \$206.5 million over four years from 2018-19 for round three of the Building Better Regions Fund, to support investment in community infrastructure and capacity building projects in regional areas.

This includes \$45.0 million to improve tourism-related infrastructure, supporting demand driven projects that ensure the benefits of Government investment can be multiplied across the tourism sector in the regions.

This investment increases the funding available to the Building Better Regions Fund to \$641.6 million.

## MORE CHOICES FOR A LONGER LIFE — JOBS AND SKILLS FOR MATURE AGE AUSTRALIANS

The Government will provide \$189.7 million over five years from 2017-18 to support mature age Australians to adapt to the transitioning economy and develop the skills needed to remain in work. The funding includes:

- \$136.4 million over four years from 2018-19 for targeted training to help mature age job seekers aged 45 years and over and who are registered with a jobactive provider to enhance employability, develop digital skills and identify opportunities in local labour markets;

- \$19.3 million over three years from 2018-19 for training funding of up to \$2,000 for workers aged 45 to 70 years to take up reskilling or upskilling opportunities, with the Government contribution to be matched by either the worker or their current employer;
- \$15.2 million over three years from 2018-19 to support mature age workers who are considering early retirement or who are retrenched to look at alternatives to remain in employment;
- \$17.7 million over four years from 2018-19 for additional Inclusive Entrepreneurship Facilitators for an increased focus on mature age people to promote entrepreneurship and new business opportunities and to provide business mentoring; and
- \$1.1 million in 2018-19 to restructure the Employment Fund to allow additional wage subsidy places for mature age employees.

## MORE CHOICES FOR A LONGER LIFE — HEALTHY AGEING AND HIGH-QUALITY CARE

- the Government will provide capital grants funding of \$40.0 million over four years from 2019-20 for aged care facilities in regional, rural and remote Australia;
- the Government will provide funding of \$14.8 million over two years from 2018-19 to support preparatory work for a new national assessment framework for people seeking aged care;

## TRANSITION TO WORK — ADDITIONAL PLACES

The Government is investing an additional \$89.0 million over four years from 2018-19 to the Transition to Work program. This will deliver over 40,000 places to provide intensive and tailored pre-employment support to participants aged 15-21 who are at risk of long-term unemployment.

## REGIONAL EMPLOYMENT TRIALS PROGRAM — ESTABLISHMENT

The Government will provide \$18.4 million over three years from 2018-19 (including \$0.3 million in capital funding in 2018-19) to trial localised approaches to delivering employment services in 10 selected disadvantaged regions. The trial

will commence on 1 October 2018 and will fund Employment Facilitators to work with Regional Development Australia (RDA) Committees. Grants of up to \$1.0 million will be available to each region to support employment-related projects that invest in local communities and job seekers.

#### **SAFER COMMUNITIES FUND — EXTENSION**

The Government will provide \$30.0 million over two years to extend the Safer Communities Fund (SCF). The SCF provides grant funding to local government and community organisations to fund crime prevention initiatives, including closed-circuit television, lights and bollards.

#### **STRONGER COMMUNITIES PROGRAMME — ROUND FOUR**

The Government will provide \$25.9 million over two years from 2018-19 for round four of the Stronger Communities Programme. The Stronger Communities Programme provides funding of between \$2,500 and \$20,000 for small capital projects that deliver social benefits for local communities across Australia.

#### **REGIONAL JOBS AND INVESTMENT PACKAGE — FUNDING FOR TASMANIA**

The Government will provide an additional \$2.3 million in 2018-19 to the Regional Jobs and Investment Package for Regional Tasmania. The cost of the measure will be met by redirecting funding from the Tasmanian Jobs and Investment Fund.

#### **AUSTRALIAN HERITAGE GRANTS PROGRAM — ESTABLISHMENT**

The Government will provide \$23.1 million over four years from 2018-19, and

\$5.7 million annually from 2022-23, to establish a flagship Australian Heritage Grants Program (AHGP). The AHGP will provide grant funding to protect and promote places in Australia with Commonwealth, National or World Heritage values.

#### **REMOTE AIRSTRIP UPGRADE PROGRAMME — EXTENSION**

The Government will provide \$28.3 million over four years from 2018-19 to provide a further three

funding rounds for the Remote Airstrip Upgrade component of the Regional Aviation Access Programme.

The funding will deliver better access and safety upgrades for remote community airstrips. Remote airstrip upgrades ensure continued access to essential, potentially lifesaving, health care as well as fresh food, mail services and access to employment and education opportunities.

#### **DEFENCE EXPORT STRATEGY**

The Government will provide \$80.0 million over four years from 2018-19 (\$20.0 million ongoing) to support the Australian defence industry, including:

- an additional \$4.1 million per year on an ongoing basis to expand the Centre for Defence Industry Capability's grant programs and help build the capability of the Australian defence industry's small-to-medium enterprises to compete internationally;

#### **DEFENCE INDUSTRIAL CAPABILITY PLAN — ESTABLISHMENT OF THE SOVEREIGN INDUSTRIAL CAPABILITY GRANT PROGRAM**

The Government will provide \$68.0 million over four years from 2018-19 (\$17.0 million ongoing) for a dedicated annual grant program to support the development, maintenance and enhancement of the capability of the Australian defence industry. Funding will be provided to eligible small-to-medium enterprises that contribute to one or more of the Sovereign Industrial Capability Priorities.





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