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Dear Sir/Madam,

The operation, effectiveness, and consequences of the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016

Please find attached a submission in regards to the above mentioned inquiry.

This submission represents the Far North SA region and takes into account the status quo, the worth of region, case studies and views of governance in remote Australia.

Yours sincerely



Claire Wiseman
Chief Executive Officer

SUBMISSION FOR THE OPERATIONS, EFFECTIVENESS, AND CONSEQUENCES OF THE PUBLIC GOVERNANCE, PERFORMANCE AND ACCOUNTABILITY (LOCATION OF CORPORATE COMMONWEALTH ENTITIES) ORDER 2016

The Far North SA Region

The Far North region of South Australia, as per Regional Development Australia Committee boundaries, covers approximately 80% of South Australia. The area has a land mass of just under 800,000km² with a population of ¹28,212 and incorporates the Anangu Pitjantjatjara Yankunytjatjara Lands. The region takes in the iconic Flinders Ranges and Outback region, popular and well visited tourism destinations in the State. The Flinders Ranges is also now recognised as a National Landscape.

The main townships in the region include (but are not limited to) Port Augusta, Quorn, Hawker, Leigh Creek, Copley, Lyndhurst, Marree, Innamincka, William Creek, Oodnadatta, Marla, Mintabie, Coober Pedy, Glendambo, Pimba, Woomera and Roxby Downs. Some of these remote townships are between 800 - 1,000 kilometres from Port Augusta, the largest city in the region (population of ¹13,985).

A region's comparative advantage can stem from various resources, such as its geographical location, availability of natural resources, the existence of industry clusters, access to infrastructure or the skill profile of the local population. These underlying attributes influence the types of economic activity that are likely to be successful. They also have implications for development initiatives, which are generally more effective where they build on an existing strength.

Introduction

It is worth noting that the information contained in this submission is not specific to the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016 made by Mathias Cormann, Minister for Finance on 23 November 2016. It is in response to an invitation to submit received from Senator the Honourable Fiona Nash and the Honourable Barnaby Joyce MP. Ms Nash and Mr Joyce sought our submission based on providing regional information on the operation, effectiveness and consequences of relocating corporate Commonwealth entities, as well as the economic, environment and capability implications.

²Commonwealth Entities Currently in the Far North Region

The following Commonwealth Government Departments and Entities have a presence in the Far North region:

Non-corporate Commonwealth entity – commonwealth entity that is not a body corporate

Department of Defence (M, #)

- Cultana Training Facility

Department of Education and Training (M)

¹ ABS Census Data, 2011

² Australian Government Department of Finance, Public Governance, Performance and Accountability Act 2013 (PGPA Act) Commonwealth entities and companies 1 July 2015. www.finance.gov.au/flipchart

- ³Department for Education and Child Development – 18 schools (not including preschools, child care centres, occasional care centres or after school hours care) with 7,650 students (including School of the Air).

Department of Employment (M)

Australian Electoral Commission (M, #)

Department of Human Services (Centrelink and Medicare) (M)

Department of Infrastructure and Regional Development (M)

- Regional Development Australia Far North

Department of the Prime Minister and Cabinet (M)

- Department of Social Services (M)

Commonwealth Company – Corporations Act 2001 company that the Commonwealth Controls

Outback Stores Pty Ltd (^)

- Mimili, Oak Valley and Yalata

²(M – Material entities (comprising 99% of revenues, expenses, assets and liabilities of the total General Government Sector). All Departments of State are considered material in nature.

- Entities can engage officials under enabling legislation as well as *Public Service Act 1999*. These include Defence under the *Defence Act 1903*, the *Naval Defence Act 1920* and the *Air Force Act 1923*.

^ - Entities that do not engage staff under the *Public Service Act 1999*)

The total employment figures of these Commonwealth entities is unknown, however the contribution of these entities to the overall employment figures for the region is worth noting and taking into consideration.

The worth of the regions'

To understand why Commonwealth entities should be located in and service regional and remote Australia, we must consider the worth and contribution to the economy of these regions.

According to the Regional Australia Institute ⁴regional Australia accounts for around 40% of national economic output and employees around one third of Australia's workforce. This is a significant contribution from sometimes very remote and sparsely populated areas. The regions house some of the largest contributors to that economy, those being mining and construction industries.

The challenge regional areas face is that often with economic data for Gross State Product/Gross Regional Product it is counted in the area it where it was sold/shipped or final value added, not always in the region where it was originally produced. This is a challenge which frustrates many regional areas and regional researchers alike. Therefore, gauging the correct value add of regions to these end results is skewed and hard to accurately calculate.

³ Department for Education and Childhood Development, www.decd.sa.gov.au, 2015 site summary statistics

⁴ The Economic Contribution of Regions to Australia's Prosperity, Regional Australia Institute, Talking Point

The Regional Australia Institute also state that ⁵the co-operative development of joint regional level implementation structures has emerged as a preferred method for implementing change. Key examples of this now established preference include:

- Health and Hospital Networks and Medicare Locals
- Natural Resource Management Organisations
- Regional Development Australia Committees
- Indigenous Coordination Centres and Regional Operations Centres
- Enterprise Connect
- Job Service Providers.

However, whilst there has been some reform in the area of creating regional offices for these main Commonwealth Government services, keeping it at this current level will not benefit regions or regional populations in the long term. The provision of these services and more needs to be considered if regions are to continue to grow.

Regional Australia provides the electricity to power cities and urban areas, it's where the food is grown and sourced and its where the greatest wealth comes from in terms of major industries such as mining. Mining is undoubtedly the Far North region's dominant industry with 15 operating mines in South Australia, nine (9) of which are located in the Far North region and of the 34 developing projects, 18 of these are in the Far North region.

Industry Output and Value-Added

Economic modelling undertaken by SC Lennon and Associates in preparation of Economic Growth and Investment Strategies for the Outback Communities Authority and Roxby Downs Council shows the following gross revenue and value-added estimates:

- Outback Communities Authority – Gross Revenue = \$4.4b with the regions mining sector accounting for over three quarters of economic output. Total value-added estimate = \$1.7b, which is 55% of the total for the whole Far North region. The majority of the Outback Communities Authority region industry value-added is attributable to mining, which accounts for around three quarters (74%) of the regions total value-added.
- Roxby Downs - Gross Revenue = \$1.2b with the regions mining sector accounting for over two thirds (70%) of economic output. Total value-added estimate = \$400m, which is 13% of the total for the whole Far North region. The majority of the Outback Communities Authority region industry value-added is attributable to mining, which accounts for 60% of the regions total value-added.

⁵ Regional Australia Institute Submission, December 2013 Optimising regional investment: opportunities for reform, innovation and efficiency

The total estimated value of regional exports is as follows:

Outback Communities Authority - \$3.6b (84% of the region's economic output) with mining the largest contributor with 85% of total export value compared to 72% for the wider Far North region.

- Roxby Downs - \$927.5m (77% of the region's economic output) with mining the largest contributor with 89% of total export value compared to 72% for the wider Far North region.

There are many opportunities emerging in the region, particularly in the field of renewable energy generation, defence and intermodal transport hubs. Now is the time to build on and support these as best we can to ensure the long term viability of the regional economy, which in turn feeds into the State and Commonwealth economies.

Case Studies

⁶“Accessibility to the APS is one indicator to gauge citizens' levels of satisfaction. Since the 1977 Coombs Commission, Australian citizens have expressed dissatisfaction with their level of access to Commonwealth public servants, about one-third of whom are based in Canberra. Citizens residing outside state capitals and in remote and rural areas are most likely to report this source of dissatisfaction, and calls to situate public services offices in rural areas are not uncommon.”

In 2003 the Western Australian Government initiated a program to roll all corporate services into one department, with the program being implemented in 2005. The amalgamation was to include 80 of the 150 government agencies corporate services such as payroll, human resources, finance and procurement with health, education and police-related agencies excluded from the program. The basis of this program was to centralise services. It was believed that the implementation of the program would result in \$54 million/year savings, after an initial set-up cost of \$82 million. As of 2011, 58 agencies and 37% of the public sector staff included in the review were transferred. However, due to massive cost blowouts, reported to be in the vicinity of \$401 million, and with only minimal savings achieved the shared services review was decommissioned.

Another example of an unsuccessful attempt at centralising and sharing services was the Queensland Government's health payroll upgrade. With an original budget of \$98 million and due for completion in July 2008, the project was the subject of a royal commission in 2013 and the cost to tax payers was estimated to be \$1.2 billion by 2020.

South Australia also tried its hand at centralising services through a shared services arrangement which had a focus on Adelaide-based centralisation, with the announcement for the program being made in 2006. The original business case estimated that the implementation of the program would save \$130 million over four years, offset by costs of \$60 million over the same years. The 2006 budget promised savings of \$60 million per year. In 2008 the project was already behind on its timeline as were its estimated savings, however, these were considered attainable over a longer period. In the 2009/10 financial year the project had suffered more delays which results in the expected savings being \$43 million less, and an additional \$8.3m required for implementation. At this stage the timeline was still unclear.

⁶ The State of the Australian Public Service – An alternative report, James Whelan, Centre for Policy Development, August 2011

There are several reasons as to why these above examples have ultimately failed. The first could be seen to be that the Government's didn't learn lessons from the start and previously failed reforms and made the same mistakes again. Also, these were conducted at a State level therefore it could be seen that they may not have had the necessary Commonwealth backing and support needed to successfully implement them. There is also the view that as Government agencies tend to work as individual organisations, attempting to bring some services together may highlight issues with them not having the same goals or issues. The reason for doing the reviews may also be an issue e.g. cost savings as the main focus when maybe a focus on service improvement should be considered a driver.

In December 2009, the Department of Human Services (which incorporates Medicare Australia, Centrelink, Child Support Agency, CSR Australia and Australian Hearing Services) looked at improving its service delivery by reforming areas such as the creation of single point access to a wider range of Government services with co-locating offices, taking services directly to Indigenous community and remote Australia through mobile offices and implementing a "tell us once" system. This reform has been successful. Why? It is believed that the reform had strong leadership and committed backing from the Government and its key staff which drove the reform. It also adds benefits to the end customer who now have a multi-agency access point, hence a focus on service improvement and delivery as a key driver, as mentioned above.

Remote Australia Governance

Many studies and research has been undertaken into the past, present, failings and successful governance models for remote or regional Australia.

In September ⁷2012, Desert Knowledge Australia, through their RemoteFOCUS entity, produced a report entitled *Fixing the hole in Australia's Heartland: How Government needs to work in remote Australia*. Some poignant and relevant findings of this report are as follows:

- Remote Australia's diverse regions are confronted by common issues: issues globally familiar and presenting complex local challenges. They are common to regions where people reside remotely from centres of economic and political power but are facing rapid social and economic change. Whilst it is important to recognise the limited influence that public policy can have on some aspects of these issues, present governance arrangements which have developed incrementally over 20 years or more are not well attuned to the current circumstances and emerging trends in remote Australia. There are many potential ways of remedying these structural governance problems, but the more promising prospects involve greater degrees – and varying patterns – of community engagement and decentralised governance.
- The key outcome of the developing of new governance principles should be the creation of locally appropriate institutions that have sufficient authority, legitimacy and effectiveness to fulfil their functions. The current three-tiered system of government fails to do this adequately in remote Australia.

⁷ Fixing the hole in Australia's Heartland: How Government needs to work in remote Australia, Desert Knowledge Australia, RemoteFOCUS, September 2012 Dr Bruce Walker, Dr Douglas J Porter, Professor Ian Marsh

- What is required is an intense regional engagement around issues, needs, objectives, responsibilities and capabilities, and structures to develop new governance arrangements that meet the criteria outlined above. Such engagement across all sectors has to be mandated by political leadership in those sectors.
- A Desert Knowledge Australia remoteFOCUS workshop in November 2010 gathered a large and diverse group of community people and public servants from remote Australia to frame and refine eight key concerns that would have to be addressed in order to judge success of public sector governance reforms across remote Australia:
 - Key Concern 4: Sustained Long Term Investment in Local Communities and Institutions (Civil Society). Remote Australia is characterized by inadequate institutional capacity and governance arrangements that significantly undermine efforts to improve outcomes, deliver meaningful service and improve underlying conditions. Local communities, regions and institutions too often struggle to effectively engage with governments and with the issues that government is trying to tackle. Governments, likewise, too often do not have the capacity, capability, perspective or governance arrangements to effectively engage with the issues and with local communities and institutions.
 - Key Concern 5: Ensuring Continuity and Effectiveness of Public Servants Servicing Remote Australia. Public servants do not have attractive or rewarding career incentives to work in remote Australia. As a result remote Australia suffers from a chronically high turnover of public servants. Consequently little accumulated knowledge is retained in public institutions. There are few incentives to 'see through' specific initiatives and there is weak accountability for achieving tangible outcomes. The result is a fragmented unduly high cost and inconsistent interface between governments and remote citizens in which frustration erodes positive working relationships.
 - Key Concern 6: Closing the Gap between Intentions and Outcomes. Governments contract other institutions to deliver services in remote Australia. This model does not work. The transparency and accountability of the contracting process and the relationship between the service purchaser and provider plays a significant role in the ongoing difficulties in achieving effective service delivery and development of realistic and effective programs that address local needs and conditions. It also skews data and policy development.
 - Key Concern 7: A National Social and Economic Strategy for Remote Australia. There is no strategy, no considered development framework and, despite many successive attempts, little coordination amongst the tiers of government, the various jurisdictions or the people and communities that make up remote Australia.
- We demonstrate that governance arrangements are a threshold cause of policy failure. Centralised protocols and siloed departments undercut local responsiveness. Effective governance can ultimately be achieved with the active involvement of the affected citizens.
- Nonetheless, based on our review of experience of remote Australia, and global trends in how generically similar problems across a wide range of situations are being tackled, we feel that a higher degree of local autonomy – possibly including the creation of new authorities on a regional basis – will be required. If coupled with greater clarity and stability in the assignment of responsibilities amongst local, regional and higher level authorities and, crucially, adequate and predictable financing, this is likely to both improve the quality of outcomes and increase accountability for the achievement of those outcomes.

Whilst the above extracts relate to a study undertaken in 2012, the findings are still relevant to today. The people that know how our regions work, what the issues are, who to connect with regionally etc are based in our regions, not in capital cities. The people that work 'on the ground' have the knowledge and connections. This is evident when government departments that come to the regions to consult with residents and businesses do so through their regional counterparts or organisations, such as Regional Development Australia committees. If you want to know what our regions want....ask us. Only those that live and work in the regions can really tell you what is needed, what works well and what doesn't and what service they would like to see from government.

Regions and remote areas of Australia should have the same standard of service delivery as the metropolitan and urban based residents. In other words, they should be able to talk face to face with a Commonwealth Government/Department employee they require assistance from in the same way you can walk into an office in the city and do so.

There are some 180 Commonwealth entities and companies in total, with only approximately 4% of these having regional offices in the Far North SA region. Whilst the majority of Commonwealth entities and companies can be accessed via telephone or the internet, this in turn poses a problem for many in the remote and regional areas who do not have reliable access to phone lines or the internet. Creating more regional Commonwealth offices in the regions brings more employment options, which in turns lifts housing affordability and supports local small and medium business. It increases the population which also has flow on effects for schools and educational institutes. Whilst regional placement of staff may not save money, it may lead to increased efficiency and effectiveness as there will be a greater understanding of local delivery nuances.

Not only does it have all the economic benefits as mentioned above, but the regions offers safe and clean environments for families, easy access to schools and parks, affordable housing, no traffic jams, quiet and laid back lifestyles and a chance for residents to be part of supportive and thriving communities.

We invite and would welcome the Finance and Public Administration References Committee to visit the Far North Region and undertake a tour to provide an opportunity for further input via presentation to this submission.

⁸There is a critical need for a different governance structure to be implemented for the Outback. A structure that is essentially one of support for the Outback, agreed to by the Australian people with implementation carried out at the regional or local level. This requires a structure that has the authority to focus solely on Outback Australia, to provide regional coordination and address the current imbalance at a cross jurisdictional level.

⁸ Gavin, J. (2015) Outback Policy Paper. *The Future of Outback Australia*. Remarkable NRM