Territorial Development Strategies in a Period of Austerity and Prosperity: The (re)Balancing of Economic Growth in Contemporary Australia

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Agenda

• The Australian Economic Miracle and the Resource Curse
• The Patchwork Economy and Structural Adjustment in the Manufacturing Sector
• Governance, community and politics
  – Beyond the ‘technical fix’
Iron Ore Prices into Australia, 2000-12

Graph B1

Iron Ore Prices

US$/t

Spot*

Contract**

Average Australian export price

0 40 80 120 160


US$/t

* Month average; iron ore fines; free on board basis
** RBA estimate of quarterly contract from 2010 onward
Sources: ABARES; ABS; Bloomberg; RBA
Bulk Commodity Prices Received in Australia, 2006-12

Bulk Commodity Prices
Free on board basis

US$/t

Iron ore
Spot*
Average Australian export price

Coking coal

US$/t

* Iron ore fines and premium hard coking coal
Sources: ABS; Bloomberg; Citigroup; Energy Publishing; Macquarie Bank; RBA
Australian Exports by Sector: 1979-80 to 2009-10

Contribution to Australia’s Total Exports by Sector
Real value as a percentage of total exports

Sources: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), Australian Commodity Statistics 2010, Australian Economy Table 7, (Released 2 December 2010); Austrade
And an appreciating currency....
A Patchwork Nation

• Growth in minerals production in remote and regional Australia
  – The Pilbara
  – Central Queensland etc

• Decline of manufacturing and retail in the major centres of SE Australia
Industry adjustment measures in Australia typically provide the following areas of support:

- The offer of skills assessment of retrenched workers, as well as training opportunities in order to acquire the skills needed to gain a job;
- Support for apprentices made redundant to remain in training while they find another employer;
- Career and financial counselling from Centrelink;
- Access to support from Job Services Australia for eligible job seekers;
- Advice and support services from AusIndustry and Enterprise Connect brokers to identify new business opportunities;
- Job Expos to bring employers and potential employees together; and,
- Innovation Investment Funds to support investment by companies leading to economic development and jobs in the region.
A Patchwork Nation

• First wave structural adjustment funds carried negative impacts:
  – Applied in conjunction with redundancy payments resulting in loss of skilled labour during a period of skills shortages in many industries, including resources
  – Daley and Lancy (2011) noted the high cost of such programs $20,000 to $60,000 per job
  – Redundant workers did not acquire additional skills
    • High rates of unemployment and under employment
    • Remain concentrated in vulnerable industries
  – Limited investment in growth industries
  – No change to the structural conditions of the economy, infrastructure provision or the settlement system
AUSTRALIAN STRUCTURAL ADJUSTMENT PACKAGES SINCE 2000

**HIGHER EDUCATION**
- Collaboration and Structural Reform Fund (CASR)
- Diversity and Structural Adjustment Fund
- Structural Adjustment Fund (SAF)

**ENVIRONMENT, WATER and CLIMATE CHANGE**
- Climate Change Adjustment Program (CCAP)
- Clean Energy Future (CEF) Plan
- Latrobe Valley Industry and Infrastructure Fund (LVIIF)
- Jobs and Competitiveness Program (JCP)
- Ipswich Regional Recycled Water and Economic Structural Adjustment Strategy (IRRWESAS)
- Water Smart Australia (WSA)
- Water for the Future
- Murray Darling Basin Plan
- Restoring the Balance in the Murray-Darling Basin
- Strengthening Basin Communities Program
- On-Farm Irrigation Efficiency Program (OFIEP)
- Strategic Sub-System Reconfiguration Program
- FarmBis
- Farm Help
- FarmReady
- Briquette Restructuring Package
- Green Building Fund
- Clean Technology Investment Program
- Clean Technology Food and Foundries Investment Program
- Clean Technology Innovation Program
- Carbon Farming Initiative (CFI)
- Carbon Farming Futures
- Indigenous Carbon Farming Fund
- Biochar Capacity Building Program
- FISHING and MARINE PARKS
- Moreton Bay Marine Park Structural Adjustment Package
- Securing Our Fishing Future Package (SFFP)
- Great Barrier Reef Structural Adjustment Package
- Fisheries Adjustment Assistance Package (FAAP) from 2013
- Victoria’s Marine National Parks and Sanctuaries Compensation Scheme
- Recreational Fishing Community Grants Program (RFCGP)
- FORESTRY
- Tasmanian Forest Industry Development Programme
- Tasmanian Country Sawmills Assistance Programme
Tasmanian Softwood Industry Development Programme
Tasmanian Forest Contractors Exit Assistance Program
Tasmanian Forest Contractors Financial Support Program
NSW River Red gum Structural Adjustment Package (RRGSAP)
Forest Industry Structural Adjustment Package (FISAP)
South-West Forests Structural Adjustment Package
Tasmanian Innovation and Investment Fund (TIIF)
North West and Northern Tasmania Innovation and Investment Fund (NWNTIIF)
North East Tasmania Innovation and Investment Fund (NETIIF)
Eden Regional Adjustment Package (ERAP)
Our Forests, Our Future
North East Tasmania Micro Program (NETMicro)

AGRICULTURE
Dairy Structural Adjustment Program Scheme 2000 (DSAP Scheme)
Supplementary Dairy Assistance Program (SDA)
Sugar Industry Reform Package
Sugar Industry Reform Programme (SIRP 2004)
Tobacco Grower Adjustment Assistance Package (TGAAP)
Premium Fresh Tasmania
Regional Food Producers Innovation and Productivity Program (RFPIPP)

MINING and MINERALS
Hunter Advantage Fund (HAF)
Illawarra Advantage Fund (ILAF)
Illawarra Region Innovation and Investment Fund (IRIIF)
Port Kembla Industry Facilitation Fund (PKIFF)
Beaconsfield Community Fund
Steel Transformation Plan (STP)
Coal Sector Jobs Package (CSJP)
Point Henry Aluminium Smelter

MANUFACTURING
Textile Clothing the Footwear Structural Adjustment Package (TCF-SAP)
TCF Strategic Investment Program (SIP) Scheme
TCF Post-2005 Strategic Investment Program Scheme
Automotive Industry Structural Adjustment Program (AISAP)
Automotive Competitiveness and Investment Scheme (ACIS)
Structural Adjustment Fund for South Australia (SAFSA)
South Australia Innovation and Investment Fund (SAIIF)
Innovation and Investment Fund for South Australia (IIFSA)
Geelong Investment and Innovation Fund (GIIF)
Bridgestone
Automotive Transformation Scheme (ATS)
Australian Paper’s Maryvale Pulp and Paper Mill
Clothing and Household Textile Building Innovation Capability Scheme (BIC)
Textile, Clothing and Footwear Strategic Capability Program (TCF SCP)
Textile, Clothing and Footwear Small Business Program (TCF SBP)

MISCELLANEOUS
Wide Bay Burnett Structural Adjustment Package
Newcastle Structural Adjustment Fund (NSAF)
South East South Australia Innovation and Investment Fund (SESAIIF)
Scottsdale Industry and Community Development Fund (SICDF)
Insulation Workers Adjustment Package
Insulation Industry Assistance Package
Queensland Workers’ Assistance Package
Regional Solutions Program (RSP)
Sustainable Regions Program
Regional Partnerships Program
Queensland Commercial Horse Small Business Emergency Assistance Scheme
Rural Resilience Package
Commonwealth Flood Assistance Package for Central and Northern New South Wales and Southern Queensland

Federal Flood Recovery Fund
Federal Flood Mitigation Programme
Approved Supply Chain Improvements Program
Australian Government Disaster Recovery Payment (AGDRP)
Exceptional Circumstances Relief Payment (ECRP)
Exceptional Circumstances Exit Grant
Exceptional Circumstances Advice and Retraining Grant
Exceptional Circumstances Relocation Grant
Murray-Darling Basin Small Block Irrigators Exit Grant
Murray-Darling Basin Small Block Irrigators Advice and Retraining Grant
Murray-Darling Basin Small Block Irrigators Removal Grant
Live Animal Exports – Assistance to Individuals
Live Animal Exports – Business Assistance
Tourism Assistance Package (Queensland natural disasters)
Business Support Package (Victorian bushfires)
Tourism Industry Support Package (Victorian bushfires)
Victorian Bushfire Business Investment Fund (VBBIF)
Nation Building – Economic Stimulus Plan (NB-ESP)
NBN Industry Assistance Package (Tasmania)
Tasmanian Health Assistance Package
A Patchwork Nation

• Second Wave
  – Royalties for Regions
    • WA Government
      – $1bn per year
      – Forced by politics
      – Investment in social and economic infrastructure
    • Qld Government
      – $495m per year announced in 2012

– The Green Car Fund
  • Toyota in Melbourne
  • General Motors Holden in Adelaide
Rebalancing Agriculture and the Environment

• Murray Darling Basin
  – Australia’s food bowl
    • 7% of land area,
    • 45 per cent of production

• Small population
  – Reliance on agricultural production, especially irrigated agriculture
    • Few alternative industries
The Murray Darling Basin
Drought and Over Allocation in the Murray Darling Basin
Murray Darling Basin

• Over allocation of water
  – Murray Darling Basin Authority seeking to reduce surface water diversions by 2,750 gl per annum on 2009 baseline flows (and cap diversions at 10,783gl)
    • Greens sought 4,000 gl reductions
    • Basin plan sparked political outrage in affected communities
      – Loss of support politically
Lessons

• Structural adjustment measures
  – Ignore regional conditionalities (OECD 2005) in seeking to address market circumstances only
    • Ignore underlying structural challenges and shifting global markets
  – Minerals wealth allows governments to buy their way out of a problem
    • Or at least appears to
  – But also a feature of Australian Federalism and vertical fiscal imbalance
    • Australian Government pays States and Territories to change