

A DECADE OF DECENTRALISATION

NSW Business Chamber Response to the
Decentralisation Task Force

FEBRUARY 2013



Introduction

The NSW Business Chamber (The Chamber) welcomes the opportunity to comment on the NSW Decentralisation Task Force report to the Deputy Premier and NSW Government on the Decade of Decentralisation Strategy and associated policies and programs.

This Review presents a unique opportunity to contribute the experience of our members in Government policies and assist in the further improvement of Government departments and agencies in NSW.

The NSW Business Chamber is supportive of Government efforts to decentralise core departments and other agencies and welcomes incentives such as plans, schemes and other measures to boost regional business development and population growth. This submission assesses the effectiveness of such government programs and makes recommendations on how the government can best utilise these key policies to further efforts to decentralise government departments and strengthen business within NSW.

Background of the NSW Business Chamber

The NSWBC is one of Australia's largest business support groups, helping around 30,000 businesses each year. Tracing its heritage back to the Sydney Chamber of Commerce established in 1825, the NSWBC works with thousands of businesses from owner operators to large corporations, incorporating product-based manufacturers to service provider enterprises.

The Chamber is a leading business solution provider and advocacy group with strengths in workplace management, occupational health and safety, industrial relations, human resources, international trade and improving business performance.

Operating throughout its network in metropolitan and regional NSW, NSWBC represents the needs of business at a local, state and federal level, advocating on behalf of its members to create a better environment for commerce and industry.

Influencing Factors of Effective Decentralisation

There are many principal influencing factors that contribute to the success or failure of decentralisation efforts. The report '*The decentralisation of core government services*', commissioned by the Urban Development Institute of Australia (UDIA) identified the key steps that lead to effective decentralisations.¹

1. Well planned and executed proposals are most likely to succeed

A feasible business case must be put forward for a successful relocation to occur. This often incorporates a range of economic, social and environmental objectives that an organisation aims to fulfil with the relocation. Decentralisation proposals need to be strategically planned and well managed. Decentralisation in and of itself, should not be the motivating factor in moving a government service. A clear case for relocating an office needs to be demonstrated and clearly enunciated to the public in an open and transparent process. Clear and effective communication strategies are also essential so that employees are constantly aware of developments in the relocation process.

2. The benefits must clearly outweigh the costs

Benefits must clearly outweigh the costs before any move is undertaken. It is no good to decentralise a government service if it leads to a reduction in the quality of that service to the state of NSW. Careful consideration needs to be directed towards minimising the impact on the locations where government services are moved out from by providing appropriate replacement services to maintain or even enhance the viability of the area in question. Relocations are more likely to be successful when they are incentive-based and provide financial and non-financial benefits for the employee (as well as their partners or family) to relocate. Retention strategies for key employees also need to be implemented. This is the only way to avoid the inevitable brain drain. Often, the majority of staff that are willing to relocate within an organisation are young, not married, earn less and have greater residential mobility. The demographics of an office should therefore also be considered closely in weighing up such proposals.

3. Decentralisation must lead to regional growth

Decentralisation can act an effective catalyst for regional growth. With the increase in population, jobs growth inevitably follows. Population increases the demand for more schools, hospitals, shopping centres and further expansion within the community. Seeing considerable growth in a previously underutilised region can be very useful in changing perceptions of a region. Parramatta Council's estimation of the job multiplier effect within their community is that for every Government job created, there are an additional two private ones created.

Workcover NSW provides a good example of addressing the successful navigation of providing ample notice to staff and consulting with employees that refuse to relocate. By announcing a three-year time frame, this permitted all employees to prepare for a move and those that declared their intention not to relocate were able to find alternative employment. The long lead in time meant that many who intended to quit were eventually convinced to

¹ The decentralization of core government services, Urban Development Institute Australia, 2007 [Link](#)

stay with the organisation. All employees that chose to resign were replaced with Central Coast locals who worked 2 days per week in Sydney up until the move to the new location in Gosford occurred in 2001.²

The Parramatta Justice Precinct, which opened in 2005, is another great example of an effective transition of government services stimulating a surge in local employment, including both construction jobs and permanent jobs once completed. A comprehensive communication strategy to staff that encompassed newsletters, emails, seminars, forums, video progress updates and feedback mechanisms were utilised. There was also a significant amount of stakeholder consultation, both internal and external, to gauge the effectiveness of the relocation. Feedback regarding this relocation initiative has been generally positive and a fantastic stimulator for the region as a whole.

Potential Benefits and Risks of Decentralisation

There are many potential benefits and risks that can accompany the decentralisation of government agencies and departments.

At an operational level, benefits that can be achieved through decentralisation include cost savings through cheaper real estate, labour, rent or capital costs as well as through economies of scale and co-location. Relocation of departments can stimulate significant regional growth including increased employment as well as strengthened communication between regional and city areas. Relocations can also revitalise the way businesses approach and can often result in a positive change in image.

Improved technology could reduce commuting times for employees, thus reducing traffic congestion, as well as the time and distance travelled by employees. In sustainability terms, decentralised premises may be more environmentally friendly with improved technology reducing energy use and carbon footprints. The aforementioned factors can greatly enhance the quality of life for employees, which may impact positively on their productivity.

However, there some operational risks are associated with decentralising services which need to be balanced and considered closely. These include the potential for job losses from the original location, immediate labour costs, shortages, and redundancy payments and a potential loss of leadership and experience within the organisation. Some cost savings may also be unsustainable over the long term. Sydney is home to the very best services and networks in Australia which drive the global competitiveness of the city. Relocating from these advantages could do more harm than good. Furthermore, much of the top talent within the state (and Australia) is attracted to Sydney. Decentralisation could mean we fail to attract these favourable potential employees to Government positions due to policy-making.

While decentralisation can boost growth within regional areas, services should only be moved to regions which show strong independent growth for the future. Problems could be

² Workplace Info, WorkCover NSW Relocation Case Study [Link](#)

encountered when areas are too dependent on the agency to sustain the population. Agencies also have the potential to become very inwardly-focussed. The relocation of agencies to a regional area might exacerbate this and create further problems.

Current drivers of decentralisation in NSW

The following are just some of the several drivers of decentralisation in NSW:

- **High rental prices in Sydney CBD** - Sydney's rental property prices for office spaces are significantly higher than that of outer-metropolitan and regional areas, reaching close to \$800 per square metre. Office locations outside the CBD such as Parramatta are almost half the price, even less (around 45%) in Wollongong and Newcastle, and considerably less in other regional locations.³ It is becoming highly attractive and cost efficient to establish government departments outside of Sydney.
- **Decreasing office vacancy levels** – As of February 2013, office vacancy levels in Sydney have dropped to their lowest level in four years to 7.2% from 8.1% in July 2012.⁴ As the economy slowly recovers from a prolonged period of economic uncertainty and businesses begin to expand, office rental space will continue to diminish. Decentralisation can open up the market for other businesses to prosper, as well as enable Government departments to find or build more desirable locations ideally suited to their objectives.
- **Higher labour costs and lower labour availability in Sydney CBD** – The location and cost of labour in Sydney plays an important role in whether a business is successful or not. As space in inner Sydney is gradually exhausted, there will be a greater proportion of residents living further away from the city. Relocation of agencies and departments will open up the city more and utilise the people close
- **Modern technology and globalisation** – Utilising the most modern technology to conduct business is a great incentive to relocate offices. With the roll out of the National Broadband Network, many businesses are seeking to capitalise by moving to areas of the state where cutting edge technology is helping businesses more efficiently deliver their objectives.
- **Current state of Sydney road infrastructure and increasing traffic congestion** – Sydney roads are becoming increasingly congested, especially during peak business hours. Even the smallest commute can be an arduous task. Decentralising services can provide employment for people much closer to where they live, thus easing the pressure on the rush towards the city each morning and afternoon.
- **Increasing emphasis on the quality of life** – This driver incorporates many of the others previously mentioned. Congested cities, a lengthy commute, poor location, and unsuitable hours can heavily impact on the quality of life for employees. Decentralisation to a more spacious, convenient location could improve this measure immensely.

³ NSW Trade and Investment, Infrastructure and Business Costs [Link](#)

⁴ Domain, Current Vacancy Rates in Sydney [Link](#)

Relocation of Government Departments and Agencies to suitable regional locations

Many regional centres and outer-metropolitan areas in NSW would benefit from the decentralisation of services out from metropolitan Sydney. Understandably, Western Sydney is currently the favoured option for the relocation of government departments due to its relative proximity to Sydney City and the substantial growth it has experienced (plus potential for additional growth).

In addition to the recentralisation of Parramatta and Greater Western Sydney, there have previously been significant efforts on behalf of the NSW Government to move existing agencies and departments out of central Sydney and into the outer metropolitan areas of Newcastle and the neighbouring Hunter region, Wollongong and the Illawarra, and the Central Coast area, especially Gosford. The close proximity of these large outer metropolitan centres to Sydney and high level of professional workers and existing infrastructure and services makes them an attractive and suitable alternative location for many government services that can easily be undertaken in places other than Sydney with minimal disruption.

However, there are also many major regional areas that are prime candidates for a suitable government agency or department relocation. There are many major regional centres with substantial populations such as Wagga Wagga, Coffs Harbour, Tamworth, Port Macquarie, Orange, Dubbo, Nowra, Bathurst and Lismore which could effectively accommodate a full or partial departmental relocation.

In addition, there are also several highly populated border towns that could benefit from the relocation of Government services to their region such as Albury, Tweed Heads and Queanbeyan. These areas could also benefit from the establishment of a special economic zone to ensure they are able to effectively compete with their neighbours across the border.

Examples of Government agencies that have their head office outside of inner or outer metropolitan Sydney include the State Emergency Service in Wollongong and WorkCover Authority of NSW in Gosford. However, these are still technically classified by the State Government as metropolitan areas so when looking at a strictly regional level, there are only three agencies with their head offices located in regional NSW areas (not including area-specific bodies such as Cobar Water Board, for example).

- Rural Assistance Authority in Orange
- Division of Local Government in Nowra
- State Water Corporation in Dubbo

This is a disappointing result so far, and more areas need to be considered for their suitability in housing an agency or department.

The relocation of the WorkCover NSW head office building to Gosford has generally been viewed as a success. To ensure its continued viability and to help the ongoing work in revitalising the Gosford Waterfront precinct, it is however, essential the State Government

look to take up more commercial space to help anchor new investment in the area to allow the revitalisation project to move forward.⁵ WorkCover NSW also highlights the success that relocation of government agencies and departments to regional areas can have in creating significant flow-on effects to the local community. In relocating to their new premises, the agency engaged many local contractors (78%), subcontractors (75%) and obtained all supplies from surrounding businesses when undertaking their relocation in 2001.

Whilst many departments maintain regional offices, these are usually scaled back and considerably smaller than the main metropolitan or outer-metropolitan offices. Greater utilisation of these regional offices can help to increase jobs in regional areas. Priority should be given to relocating employees or expanding these regional offices to assume positions that need not necessarily be located in Sydney.

Only a rigorous program that actively seeks to support major regional cities through creating opportunities for business relocation and a strong government presence will be effective in slowing or halting the professional gravitation towards major capital cities. Albury is one such example of a regional centre that has benefited from government funding and active programs of decentralisation and is thus proof that through well-planned and focussed initiatives, Governments can encourage regional centre growth that, once established initially, can form its own momentum and continue building on the local economy.

Teleworking and the establishment of multi-departmental government hubs

Teleworking, or telecommuting, is a business practice that permits employees of a particular organisation to undertake meaningful work away from the office. There are many advantages associated with teleworking that can include increasing workforce participation and enterprise productivity, a reduction in urban congestion on roads and public transport in peak hours, and providing time and cost savings for employees as well as employers.⁶

Roughly 6% of current Australian employees have some degree of telework arrangements with their employers. The Australian Government's Digital Economy Goal is to double this to 12%. Many more Federal and State Government departments have telework policies in place, but many are underutilised or not utilised at all by staff. Greater communication of such policies should be undertaken to try and increase their use by Government.

In addition to teleworking, there is further merit in Government exploring options to invest in the establishment of multi-departmental teleworking hubs in outer metropolitan or regional centres with hot desk capabilities that contain essential main hub infrastructure (high speed internet, printers, and faxes). This would enable varied government employees within any given region to be able to operate out of these offices on either a permanent basis, or a few days out of their working week, thereby increasing workplace flexibility, boosting productivity and generating a shift towards smarter working arrangements that accommodate both the needs of employees yet allows the employers to reap the benefits of greater productivity by staff.

⁵ Workplace Info, WorkCover NSW Relocation Case Study [Link](#)

⁶ National Broadband Network, [Link](#)

With the changing demographics of NSW workplaces, hubs could present an opportunity to reduce sick leave. As Australians get older and work longer, we need to be able to provide employees with alternative working arrangements. Furthermore, with the mobility of the next generation of workers opportunities to allow them to engage in business via the internet and telephone should also be examined closely.

The Chamber welcomes the December 2012 announcement by the Deputy Premier to work alongside industry in piloting a Smart Work Hubs program throughout outer-metro and regional locations of NSW. UrbanGrowth (previously LandCom) is leading the pilot and the Government is also supporting a project called Innov8Central which seeks to establish a teleworking facility in the Central Coast and build on existing international examples to generate success.⁷

It is the Chamber's strong view that a multi-departmental business hub would provide a viable alternative option for a great percentage of current metropolitan staff to both improve their working conditions and still actively contribute to their organisation. This can help overcome out-dated approaches to management that require employees to be closely watched and confined to the same location for upwards of 9 hours a day. If the capability and technology are available to use these Smart Work Hubs effectively, then businesses should utilise them to their full extent.

An assessment of NSW Government Departments and Agencies

An examination by the Chamber of each NSW Government super department and the location of the main agencies that make up these clusters (comprising of the 132-strong Key List of NSW Government agencies) identified the following:

- Out of the nine super departments currently in operation, only one has its head office, the Department of Attorney-General and Justice, located outside of the inner metro Sydney area (Parramatta).
- Out of the 132 Government agencies that fall under the 9 super departments, we managed to determine that only 41 agencies (31.1%) have some type of regional presence (with Newcastle, Gosford and Wollongong defined as Metropolitan in this instance), whilst 91 agencies and departments were strictly based in metropolitan areas.
- Only 9 of the 41 agencies with a regional presence actually had their Head Office in a regional location. Several, such as Cobar Water Board are very area-specific in that having them elsewhere would make no logical sense.
- The top five regional centres that have a significant government presence appear to be Dubbo, Lismore and Coffs Harbour, Wagga Wagga and Queanbeyan.
 1. **Dubbo** (2 Head Offices and 15 Regional Offices)
 2. **Lismore** (1 Head Office and 9 Regional Offices)
 3. **Coffs Harbour** (10 Regional Offices)
 4. **Wagga Wagga** (9 Regional Offices)
 5. **Queanbeyan** (2 Head offices and 6 Regional Offices)

⁷ Andrew Stoner MP, Deputy Premier of NSW Media Release: Smart Hubs to improve work-life balance and increase productivity, 12 December 2012 [Link](#)

Table: The Chamber's assessment of the degree of regionalisation that NSW Government super departments are currently involved in ⁸

NSW Government Department (132 in total)	Regional Head Offices	Outer Metropolitan Head Offices	Additional Regional Offices	Additional Outer Metropolitan Offices
Department of Attorney General and Justice (17 agencies, 38,354.78 FTE staff)	0	4	34 (plus state-wide police Local Area Commands)	42
Department of Education and Communities (12 agencies, 101,601.43 FTE Staff)	0	4	13	6
Department of Family and Community Services (6 agencies, 17,161.81 FTE Staff)	0	2	12	9
Department of Finance and Services (11 agencies, 11,358.02 FTE Staff)	0	4	30	16
Department of Premier and Cabinet (29 agencies, 7505.18 FTE Staff)	2	5	7 + (plus network of Office of Environment and Heritage & Environmental Protection Agency locations)	5
Department of Trade and Investment, Regional Infrastructure and Services (27 agencies, 24,332.09 FTE Staff)	4	6	43	1
Ministry for Health (14 agencies, 102,232.99 FTE Staff)	3	6	6 + (plus state-wide hospitals)	15
The Treasury (7 agencies, 462.15 FTE Staff)	0	1	0	4
Transport for NSW (9 agencies, 29,546.27 FTE Staff)	0	2	6	5

(Note: For the purposes of this analysis, Outer Metropolitan areas are roughly defined as 20kms outside of the CBD including Parramatta, as well as the metropolitan areas of Gosford, Newcastle and Wollongong. All others not falling in this category would be considered Regional locations. This is a very rough estimate as some information was not complete)

Based on this information it appears that both the Department of Attorney General and Justice, Department of Finance and Services and the Department of Trade and Investment, Regional Infrastructure and Services have the most regional presence with at least 30 regional offices each from agencies within their portfolio. The Department of Premier and

⁸ Public Service Commission, Workforce Profile 2012 Report [Link](#)

Cabinet, NSW Ministry of Health and the Department of Trade and Investment, Regional Infrastructure and Services were the three departments that contained an agency with a regionally located head office. The two departments with the least amount of regionalisation across their agencies were The Treasury and Transport for NSW, though they were also amongst the smallest in terms of numbers of agencies.

Criticisms of NSW Government Schemes to Support Growth in NSW Regions

1. Regional Relocation Schemes

Through our regional stakeholder consultations, NSW Business Chamber members have identified that the Regional Relocation Grant scheme has not been particularly effective due to the fact that it is generally too broad in nature and tries to encompass a pool of potential applicants that is too wide. As a result, this program has not been as well utilised as it might have been and is seen by many to be more of an added bonus or assistance measure rather than an actual incentive to move itself, far from its original intended purpose.

The Chamber recommends that the Regional Relocation Grant be reviewed to better align its objectives with its program parameters. The grant should be primarily focused on bringing people into identified regions with skills shortages. The grant should also be provided in 2 stages rather than completely up-front. Analysis should be undertaken on what jobs are needed and where, so that the program is tailored appropriately. For example, for many NSW towns, the challenge is to lure professional workers to the area. Professionals are required in industries such as accounting, law, education, health with local employers desperately seeking suitably skilled staff to fill these important community roles.

Another issue with the Regional Relocation Grant is that the program is aimed at encouraging the general public to make a tree change to regional areas where jobs can be limited for many professions, and as such can often only accommodate one position, when many of the successful applicants for relocation schemes are couples or families, that require at least one additional job.

With only 1,232 grants having been taken up by applicants since the establishment of the Regional Relocation Grants commenced, it is clear that the Scheme needs to be reviewed.⁹

One strategy for the NSW Government to consider is providing fewer grants, but set at a higher amount. Furthermore, it would be beneficial to enable businesses to qualify for regional relocation schemes. This would greatly assist in job creation, with an added bonus that professionals will follow. This could be provided in the form of grants for assistance packages for a term of up to 3-5 years during the relocation phase.

⁹ General Purpose Standing Committee No. 3 (Tuesday 9 October 2012), Examination of proposed expenditure for the portfolio areas, Trade and Investment, Regional Infrastructure and Services [Link](#)

2. Jobs Action Plan (Payroll Tax Rebate Scheme)

The Jobs Action Plan was implemented by the NSW Government with the target to create 100,000 new jobs in NSW. 40,000 of these were to be prioritised for non-metropolitan areas. The NSW Business Chamber welcomes state-wide strategies to encourage jobs growth throughout NSW.

Business reaction to the Jobs Action Plan has so far been largely negative. The main criticism being that the Plan fails to assist the average business in creating jobs. This is due to the fact that not many businesses with 10 or more employees would be close to benefitting from the reduction in payroll tax. It is quite a disincentive to employ additional staff when your business is hovering around the payroll tax threshold. A \$4,000 two-stage rebate is not enough of an incentive when you still have to pay an ongoing salary.

Since its commencement in July 2011, only 13,115 positions have been registered under the Plan. This represents a much slower than anticipated uptake of the scheme. Initial estimates were that 25,000 jobs would be created per year.¹⁰ While 13,115 newly-created positions is certainly a welcome sign of business growth, the NSW Business Chamber recommends restructuring the Plan and undertaking consultation with businesses to determine why it hasn't been as effective as it should be. On the basis of this consultation, reform strategies could be utilised to encourage greater take up, particularly in the rural and regional areas of NSW which need employment growth to facilitate population growth.

The NSW Business Chamber has previously called for the Payroll Tax Rebate Scheme to be scrapped and for the savings generated by this to be redirected to increasing the payroll tax threshold. This fully funded scheme would provide more welcome relief to more small businesses as the Jobs Action Plan is viewed more as a temporary measure than a fully functioning and beneficial scheme for NSW businesses.

3. 'Resources for the Region' and 'Restart NSW' Schemes

The NSW Business Chamber welcomes the funding made available by the NSW Government in its State Budget being directed towards Restart NSW's Resources for regional projects in the state. The \$10 million commitment to four Hunter infrastructure projects in mining affected communities will be a welcome relief to those particular areas in great need of repair. The only criticism we have in relation to this scheme is that although mining communities are seriously impacted by exploration activities, there are many other communities needing upgrades of existing or building of new infrastructure projects. The Task Force should consider widening the scope to include such communities.

¹⁰ NSW Parliament Budget Estimates 2012-13, Questions On Notice, Questions relating to the portfolios of Finance and Services, The Illawarra, 8 October 2012 [Link](#)

Other recommendations for strategies that the NSW Government may consider in assisting with Decentralisation efforts

- Explore the benefits that **High Speed Rail** could provide to the state of NSW, and to a wider extent the whole nation. High Speed Rail is shown to reduce traffic congestion, reduce the reliance on fossil fuels and could delay even costlier things such as a second Sydney airport. An effective example of the benefits that High Speed Rail can generate is the prosperous economy now experienced by Lyon, France as a result of its inclusion in the Paris-Lyon route.
- Explore the benefits for **Special Economic Zones** for cross-border communities such as Albury-Wodonga, Gold Coast-Tweed and Queanbeyan-Canberra. As discussed in a previous submission to the NSW Cross-Border Commissioner, these communities would benefit from special economic zones that establish more free-market-oriented laws than the stateside NSW ones.
- There is a need for **Greater Regional Economic Development**. Currently local councils have a high degree of autonomy over their economic development activity. As a result, plans are often too inwardly focused which can cause problems for the area as a whole.
- **Government-supported schemes to promote certain industry clusters** or particular regions could prove highly beneficial. For example, HunterNet is an example of a cooperative of 160 manufacturing firms banding together throughout the Hunter, Newcastle and Central Coast regions. With significant collective experience and innovation, HunterNet is using networking, collaboration and innovation to benefit and grow the engineering industries of each of these regions.
- There needs to be **greater incentives for young Australians to remain in rural and regional areas** or strategies to attract other young professionals to these areas. Many regional centres have a common problem whereby many of the talented young people embark on higher education pursuits in metropolitan areas and choose not to return to the area once they complete their studies. More needs to be done to either retain the young skilled workers in regional areas by way of:
 - offering a competitive range of highly regarded educational or employment opportunities to young people to retain them within the regions
 - strategies to attract young workers to gain their skills and return once completed
 - attracting young people to move to larger regional centres as an alternative to city life.
- **Greater transparency of government department staffing and location data** – One of the problems that NSW Business Chamber encountered in attempting to make recommendations as to what government services could best be decentralised was the lack of availability of easily accessible data that highlighted where each agency and department was; what additional offices it had; and how many staff it had. Greater transparency from the Government in this respect will lead to more

effective evaluation from key stakeholders as to what services they see as being essential for central Sydney, and what other jobs might be better suited in other locations.

Conclusion

The NSW Business Chamber thanks the Decentralisation Task Force for seeking our involvement in the 'Decade of Decentralisation' Review. We remain committed to working with the NSW Government to build a better working environment for businesses across NSW.

Should you have any questions or require additional information, please contact Mr Craig Milton, Policy Analyst, NSW Business Chamber on (02) 9458 7913 or at craig.milton@nswbc.com.au .

Kind Regards

A handwritten signature in black ink that reads "Paul Orton".

Paul Orton
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