

Namoi's Development Opportunities

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Objectives

- Provide an economy-wide perspective to the current discussions
- To present some findings from the Namoi 2030 study
- To indicate some directions for further development of the Namoi region economy

Some Propositions

- Not sufficient to oppose development opportunities
- Need an alternative strategy
- Record is not strong
- Need a broad-based approach to development – not be dominated/overwhelmed by large projects
- Major projects might be imposed, local objectives will need to be developed and implemented locally
- Deficient economic structure

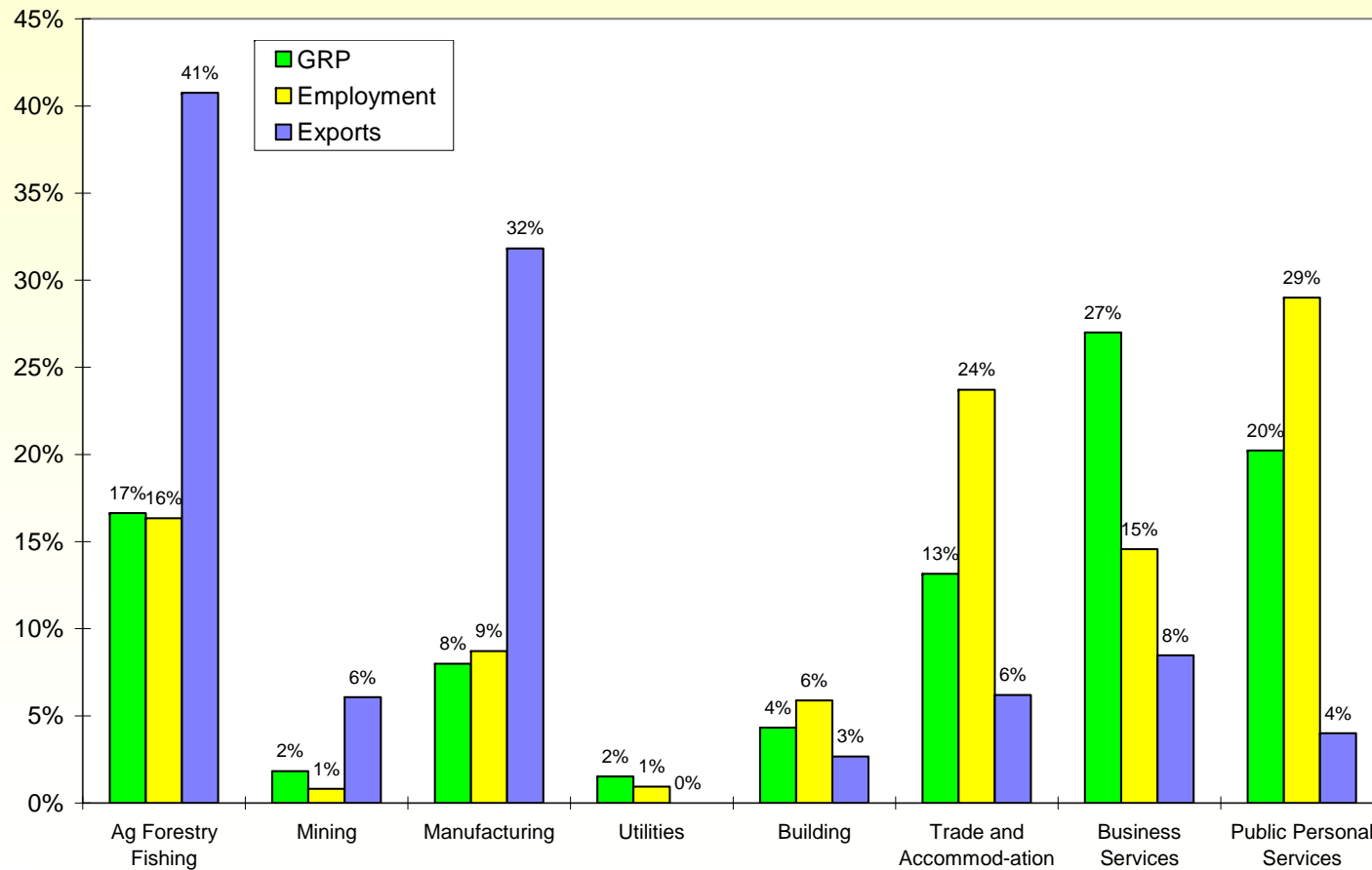
Where is Namoi Now?

- Slow growth region
- Ageing population and loss of school leavers
- High agriculture dependence (40%)
- Few “clusters” (cotton, meat processing)
- Low progress to human capital and technology-based industry
- Limited science and technology within region apart from agriculture and natural resources
- High import dependence

Some Facts

- Less than 2 % of the NSW economy
- Population 2006 = 1981!

Namoi Industry Structure



Employment Change 2001-06

Note

1. Simultaneous growth and decline
2. Growing meat processing and the public-funded sectors
3. Decline in wholesaling and agriculture
4. Poor growth in business services (between green arrows)
5. Limited capacity in science and technology (red arrows)



Past Drivers

- Agricultural development
- Intensive irrigation and livestock-cropping integration
- Consumer spending
- What next?
- **Coal and gas?**
- **Knowledge and technology-based industries?**
- **Vibrant small businesses growing rapidly?**

Namoi 2030

- Examination of possible scenarios to 2030 and exploration of the implications for planning
- Prospect of large projects prompted the study
- Large projects had adverse spillovers elsewhere!
- Is there an alternative path?
- Strong current relevance!
- **The project process included several workshops on the analyses and their interpretation to share knowledge and understanding of the issues.**

Scenarios

Two themes

1. Based on proactive local business development projects
2. Based on large resource development projects (coal mining)

Because large projects are the domain of State governments, local areas need to be able to offer an alternative development path to have any chance of resisting or modifying the will of powerful governments and businesses.

The Four Scenarios

	Continuing commodity trends	Accelerated growth in energy and commodity prices
Economic development modest in funding, scope and structure and mostly reactive	More of the Same	Cruising the Commodity Surge
Economic development is strategic, proactive, well resourced and researched, and Namoi focused	Local Economic Development Impetus	The Best of Everything

A New Growth Era

- Prospects for growth up to 1.5% pa (much faster than any time in last 3 decades)

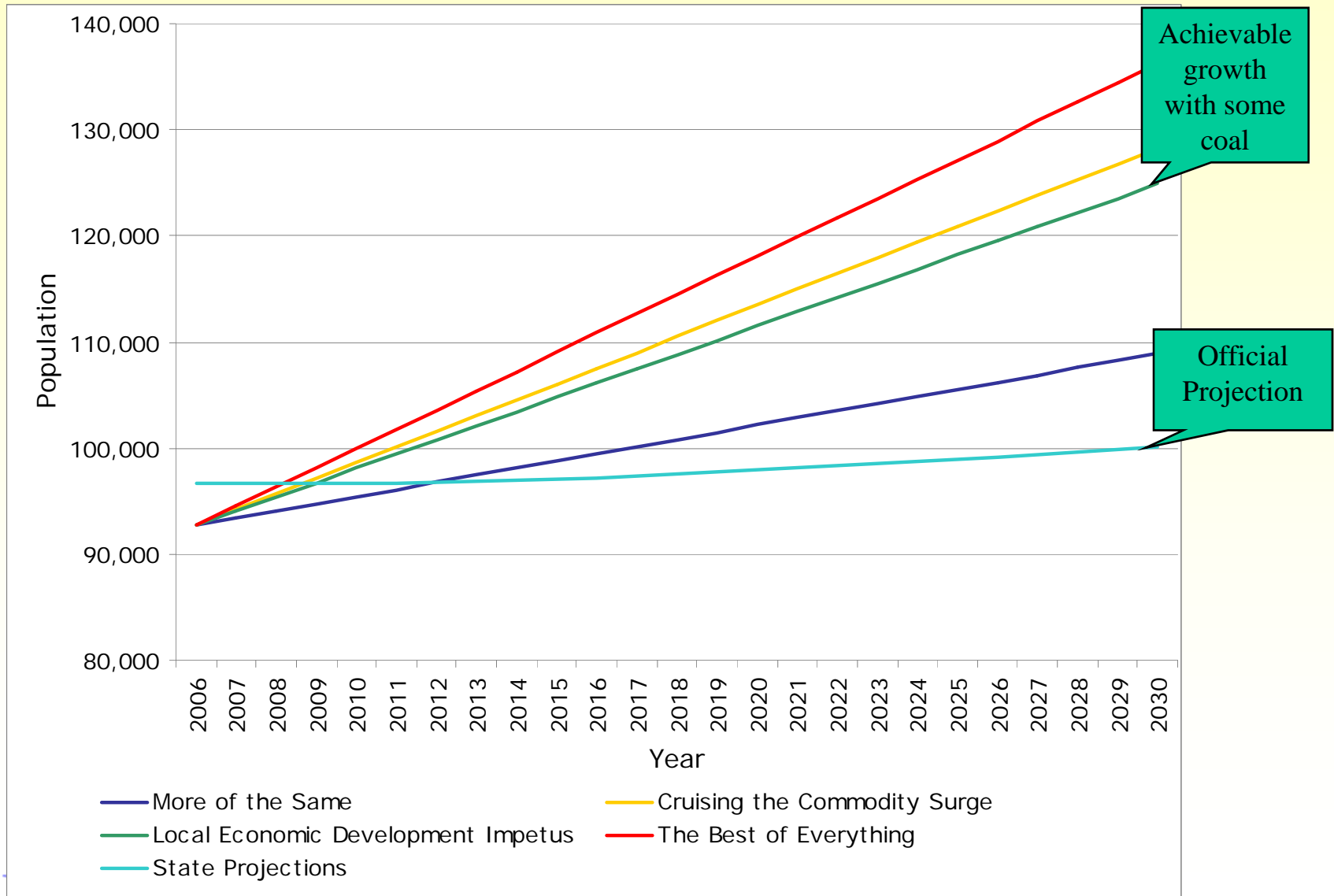
Will require labour migration to region, otherwise large spillover impacts on other industries

- Will the likely development path address key structural issues in the Namoi economy?

Only if local areas can direct the economic development effort!

- What will the economy look like in 2030?

Population Growth for Each Scenario



Coal Industry Multipliers

Multiplier	Namoi		Fitzroy		Australia	
	Total	Consumption share*	Total	Consumption share	Total	Consumption share
Gross output	1.66	36	1.61	21	2.5	49
Value added	1.59	40	1.55	32	2.35	53
Household income	2.35	35	2.1	30	3.96	51
Employment	3.07	45	3.11	44	6.44	61
* Consumption-induced share of total flow-on						

Mining v Local Business Development

- Mining multipliers low (in terms of job impacts
2 in mining = 1 in a local business)
- Mining produces uneven development over time
- Infrastructure needs and who provides?
- Business development can be managed, targeted at structural issues and creates local pride

Industry Structure

- Many elements but mostly industry and market concentration/diversity
- Business ownership matters in terms of impacts
- About risk to regions from factors that influence key industry and key markets
- Businesses take action on those risks, so should regions
- Growth and industry scope enables more business opportunities and employment opportunities

Regional Economy Structure

- Large corporations
- Branches of corporations
- Franchises
- Local small businesses (partnerships and companies)
- Impacts of growth increase from top to bottom
 - where do they source their products and services and distribute profits?

Components of Economic Impact

Expenditure Category	Likely source of supply	
	Local ownership	Non-local ownership
Construction costs	Local	Maybe local
Plant and equipment	Non-local	Non-local
Trading stock	Non-local	Non-local
Operating costs	Local	Local
Overhead costs	Local	Non-local
Labour	Local	Mostly local
Finance costs	Partly local	Non-local
Equity returns	Local	Non-local

Only local expenditures generate local impacts!

Development Options

- Passed through an era of “bigger is better” – or maybe not through it yet!
- Too big to fail and too costly to save – an issue in the GFC
- Has the economy changed?
- Has got faster and responses need to be quicker – an advantage of the small, well informed and technology savvy businesses

A Moment in the US

USA Employment Analysis

Jobs	2000	2007	Change	%
Total	155,287,695	156,113,754	826,059	0.5%
Noncommercial	24,452,282	25,153,908	701,626	2.9%
Nonresident	36,201,730	31,306,580	-4,895,150	-13.5%
Resident	94,633,683	99,653,266	5,019,583	5.3%
Stage 1 (1-9)	26,630,096	32,342,415	5,712,319	21.5%
Stage 2 (10-99)	36,057,686	37,888,374	1,830,688	5.1%
Stage 3 (100-499)	15,819,576	15,850,092	30,516	0.2%
Stage 4 (500+)	16,126,325	13,572,385	-2,553,940	-15.8%

Source: Edward Lowe Foundation, USW www.youreconomy.org



Interpretation

- This last decade may have set in place the beginnings of a significant change
 1. A shift from large businesses to small businesses (less than 100 employees)
 2. A shift to local businesses (resident) relative to branch businesses (non-resident)
- **Is that likely here?**

Who are the growing US businesses?

- Mostly small – average 4 employees
- Mostly established > 20 years
- Quadruple sales and employment in 4 years
- No location preference
- Across all industries
- **It seems that the key focus is the business operator and good business practice – this is able to be worked upon in our economic development strategies**
- Source: US Small Business Administration

Namoi Small Business Development

- The Namoi has a large number of small businesses
- Governments at all levels have done little to develop their potential outside of agriculture
- Government credibility with business is low
- Need for a whole of business approach and persistence
- Build the IT and technical support capacity in the region
- Be innovative in the approach to business development

The Take Home Messages

- Cannot just oppose – need alternative strategy
- Economic development performance below par
- Beware large non-local owned business
 - Impacts low
 - Sustainability low
- Build the distinctive features of the region
- Gain control of the development of the region
- New initiatives in small business

Next Steps to a Business Development Project

1. This should be an addition to existing programs
2. Develop a projection of what your economy should look like in (say) 10 years
3. Build a plan to get there
4. Plan and run an “economic gardening” program
5. Economic Gardeners can help this process
6. Contact: Roy Powell 02 67713811, 0419 367 818, roy@care.net.au