



Where are the Gaps – Harnessing Opportunities for Desert SMEs

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Background

- Desert Australia - 69% of Australia's landmass
- NT, WA, SA, Qld, NSW
- Rich in culture and natural resources
- Fragile environment
- Major source of minerals, labour, agriculture, bush food, tourism, culture and arts

Context

- Desert - major contributor to the Australian economy
- Major contributor to income and employment
- While industries in the desert purchase a large portion of goods and services locally, there is still a significant “leakage” in the economy
- Leakage = opportunities



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Objectives

Main:

- To determine the opportunities for business by identifying regional imports

Specific:

- estimate regional imports
- identify major importing sectors
- Identify external supply sectors
- explore implications and opportunities for SMEs



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Methodology

Identify desert areas

- Taylor et al. (2000)

Analytical framework

- Regional input-output model (REMPPLAN)
- Gap analysis

Sources of data

- ABS census data
- Destination to work data



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Results

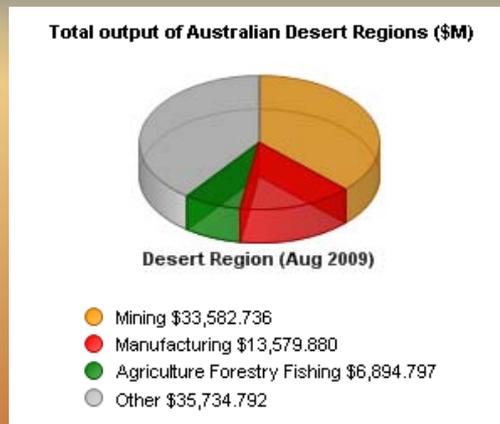


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Output of desert Australia

- The gross revenue from businesses and organisations is about **\$90b**
- Major contributors:
 - Mining (37%)
 - Manufacturing (15%)
 - Agriculture, forestry and fishery (8%)



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Labour & employment

Total employment = **238,562 jobs**

Main contributors:

- * Agriculture (13%)
- * Retail trade (12%)
- * Mining (11%)

Total wages & salaries = **\$16.3b**



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Value-added

Total value-added = **\$40.2 b**

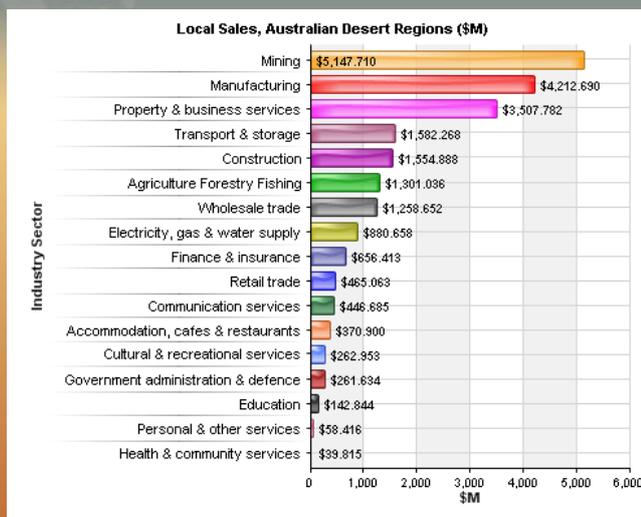
Table 1: Major contributors to value added

| Industry Sector | \$M | % |
|------------------------------|--------|----|
| Mining | 16 070 | 40 |
| Agriculture | 7 729 | 9 |
| Manufacturing | 3 004 | 7 |
| Property & business services | 2 034 | 5 |
| Other | 15 382 | 39 |



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Local sales



Local sales = **\$22.2b**

- Mining (23%)
- Manufacturing – (19%)
- Property & business services (15%)
- Transport & storage (7%)
- Construction (7%)
- Ag, forestry & fishing (6%)



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Regional exports & imports

Exports = \$46.2b

Imports = \$27.4b

Table 2: Regional exports and imports

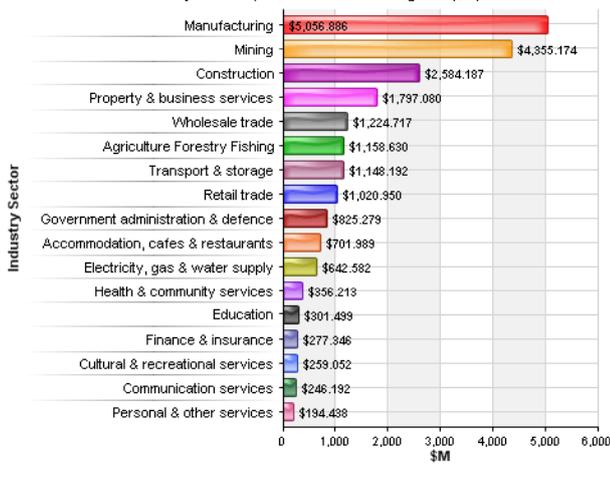
| Sector | Exports | | Imports | |
|------------------------------|---------|----|---------|----|
| | (\$m) | % | (\$m) | % |
| Mining | 28 444 | 62 | 13 157 | 48 |
| Manufacturing | 7 060 | 15 | 5 520 | 20 |
| Agriculture Forestry Fishing | 5 073 | 11 | 2 007 | 7 |
| Construction | 929 | 2 | 1 555 | 6 |
| Transport & storage | 931 | 2 | 832 | 3 |



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Local expenditures

Local Expenditure, Australian Desert Regions (\$M)



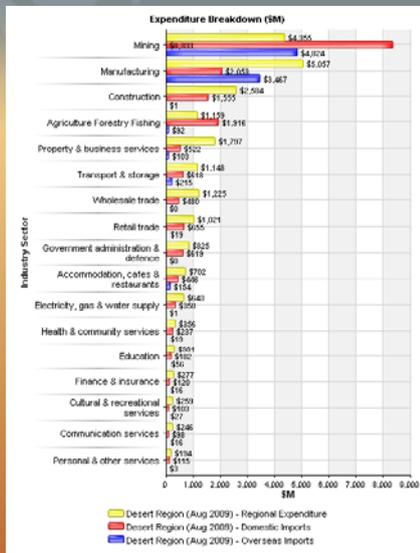
Local expenditures = \$22.2b

- Manufacturing (23%)
- Mining (20%)
- Construction (12%)
- Property & business services (8%)
- Wholesale trade (6%)
- Ag, forestry & fishing (5%)



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Total expenditures

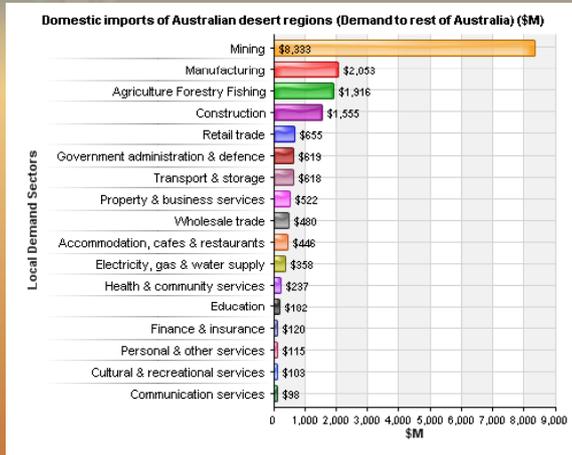


- Total expenditure = **\$49.6b**
 - Regional (local) expenditure = **\$22.2b**
 - Domestic imports = **\$18.4b**
 - International imports = **\$9b**

Where are the gaps?

- Imports reflect demand not supplied locally
- Therefore represent ‘**gaps**’ in local supply chains

Value of domestic imports



Australian desert regions import \$18b of goods and services from the rest of Australia, supporting 45,686 jobs in the rest of Australia

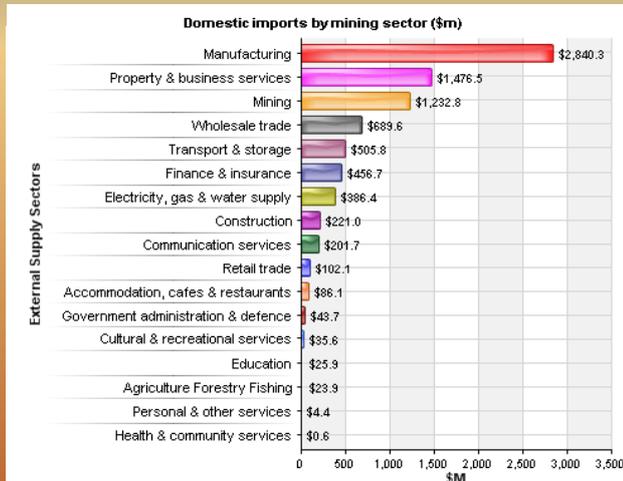
Main importing sectors:

- Mining
- Manufacturing
- Agriculture, forestry & fishing

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What are these local sectors importing? – e.g., Mining

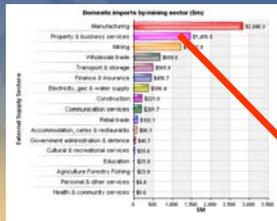


Top 5

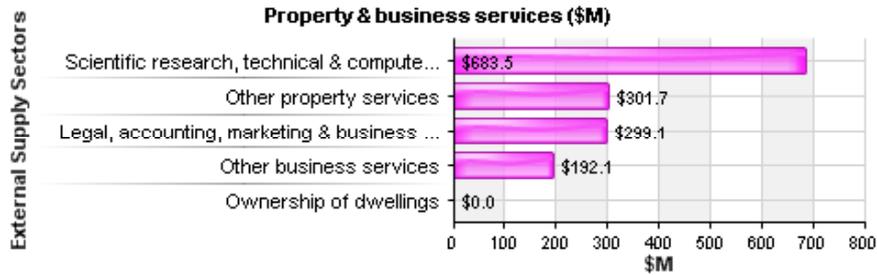
- Manufacturing
- Property & business services
- Other mining
- Wholesale trade
- Transport & storage

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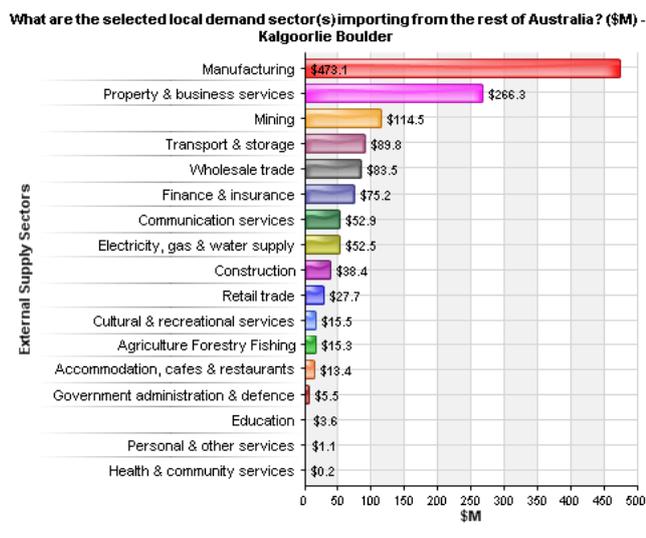




\$299m spent by the mining industry outside desert regions on legal, accounting, marketing; \$684m spent in scientific research, technical & computers



For example, in Kalgoorlie-Boulder



Domestic imports:

- Manufacturing (\$473m)
- Property & business (\$266m)
- Transport & storage (\$90m)



External supply sectors in the desert ...

| External Supply Sectors | Imports (\$m) | % |
|-------------------------------------|---------------|-------|
| Manufacturing | 6713.2 | 36.5% |
| Property & business services | 3364.6 | 18.3% |
| Mining | 1415.7 | 7.7% |
| Finance & insurance | 1321.5 | 7.2% |
| Wholesale trade | 1200.9 | 6.5% |
| Transport & storage | 994.2 | 5.4% |
| Construction | 857.6 | 4.7% |
| Communication services | 667.0 | 3.6% |
| Agriculture Forestry Fishing | 547.9 | 3.0% |
| Electricity, gas & water supply | 464.2 | 2.5% |
| Retail trade | 401.5 | 2.2% |
| Cultural & recreational services | 192.0 | 1.0% |
| Accommodation, cafes & restaurants | 153.7 | 0.8% |
| Government administration & defence | 53.5 | 0.3% |
| Education | 31.3 | 0.2% |
| Personal & other services | 20.9 | 0.1% |
| Health & community services | 9.6 | 0.1% |
| Total | 18409.2 | |

Key sectors

- Manufacturing
- Property & business services
- Mining
- Finance & insurance
- Wholesale trade

These may indicate opportunities for import replacement, increased value-adding and supply chain development in the desert

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Key propulsive sectors in desert Australia

| Industry Sectors | Backward Linkages | Exports | Employment | Value Added | Total | Key Sectors |
|-------------------------------------|-------------------|---------|------------|-------------|-------|-------------|
| Agriculture Forestry Fishing | | ✓ | ✓ | ✓ | 3 | ✓ |
| Mining | | ✓ | ✓ | ✓ | 3 | ✓ |
| Manufacturing | ✓ | ✓ | | ✓ | 3 | ✓ |
| Electricity, gas & water supply | | | | | 0 | |
| Construction | ✓ | ✓ | | | 2 | |
| Wholesale trade | ✓ | | | | 1 | |
| Retail trade | | | ✓ | | 1 | |
| Accommodation, cafes & restaurants | | | | | 0 | |
| Transport & storage | | ✓ | | | 1 | |
| Communication services | | | | | 0 | |
| Finance & insurance | | | | | 0 | |
| Property & business services | ✓ | | | ✓ | 2 | |
| Government administration & defence | | | | | 0 | |
| Education | | | ✓ | | 1 | |
| Health & community services | | | ✓ | ✓ | 2 | |
| Cultural & recreational services | ✓ | | | | 1 | |
| Personal & other services | | | | | 0 | |

Top key drivers:

- Manufacturing
- Mining
- Agriculture Forestry Fishing

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Conclusion & policy implications

- Of the **\$49.6 b** total expenditure of desert regions, more than half (**55.2%**) are sourced outside the regions
 - domestic imports = \$18.4b (37%)
 - overseas = \$9b (18%)
- The main importing sectors are: mining, manufacturing, agriculture, forestry & fishing
- External supply sectors are: manufacturing, property & business services, mining, finance & insurance, wholesale trade



Implications

- These represent potential high value opportunities for import replacement with a view to increasing economic activity in the local economy boosting jobs and value-adding.
- Targeting areas for investment
- Need to focus on areas that have high multiplier effects on the economy
- Importance of local procurement (local sales)
- Industries that are likely to engage in value-adding are likely to have high multiplier impacts





- Private sector participation is instrumental in promoting development both at the social and economic levels

“Increased productivity and investment done by the private sector are key determinants of economic growth”

Salem (2008)



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