



# ECONOMIC CONTRIBUTION OF THE NSROC REGION

## *Executive Summary*

December 2004



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The NSROC region had a resident population of 529 830 at the end of June 2002 (DLG 2004). Its population has grown by an average of 1 per cent per annum over the last five years. This is similar to the five year average population growth experienced in Sydney and the state of 1.1 per cent and 1.2 per cent respectively. The NSROC region has a relatively high population density, with 778 people per sq km compared to 322 people per sq km on average in Sydney.

## NSROC – making a significant contribution to GDP

The NSROC region’s gross regional product (GRP) in 2003-04 is estimated to be around \$32 billion. A break up of this GRP by LGA is provided in table 2.1.

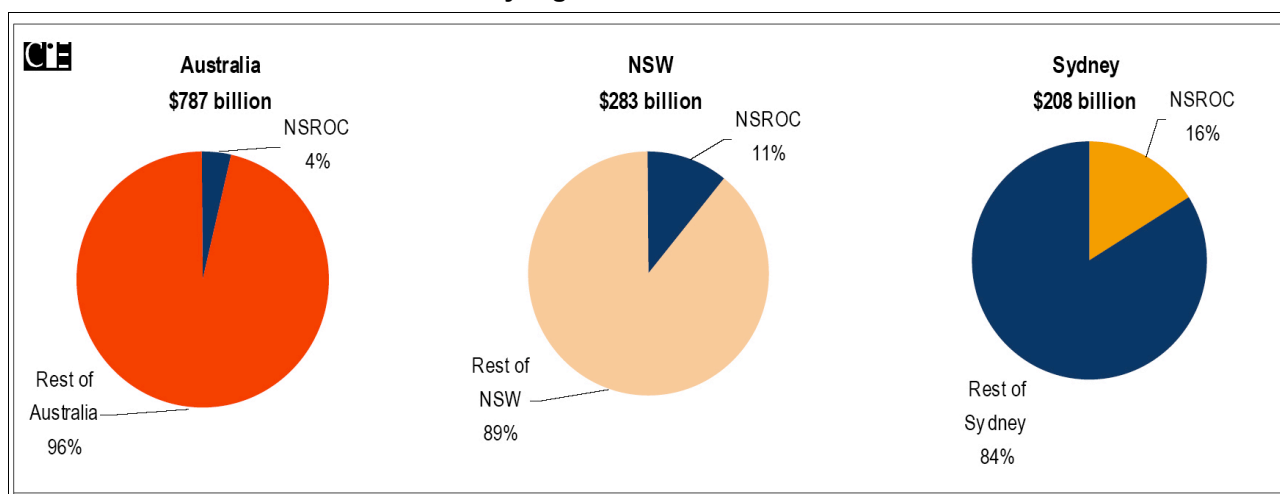
### 2.1 Estimated gross regional product by LGA 2003-04

Region	GRP	\$ billion
Hornsby		7.2
Hunter’s Hill		0.6
Ku-ring-gai		5.4
Lane Cove		2.5
North Sydney		6.5
Ryde		6.0
Willoughby		4.3
NSROC		32.5

Sources: CIE estimates; ABS (2004); ABS census data.

CIE analysis indicates that the NSROC region is a highly productive region, producing a significant proportion of the output from Sydney and gross state product (GSP) for New South Wales. The NSROC region is estimated to contribute approximately 16 per cent of Sydney’s GRP (of \$208 billion), 11 per cent of New South Wales’ estimated GSP (of \$283 billion) and 4 per cent of national output or gross domestic product (GDP) (of \$787 billion) (see chart 2.2).

### 2.2 Economic contribution of NSROC by region



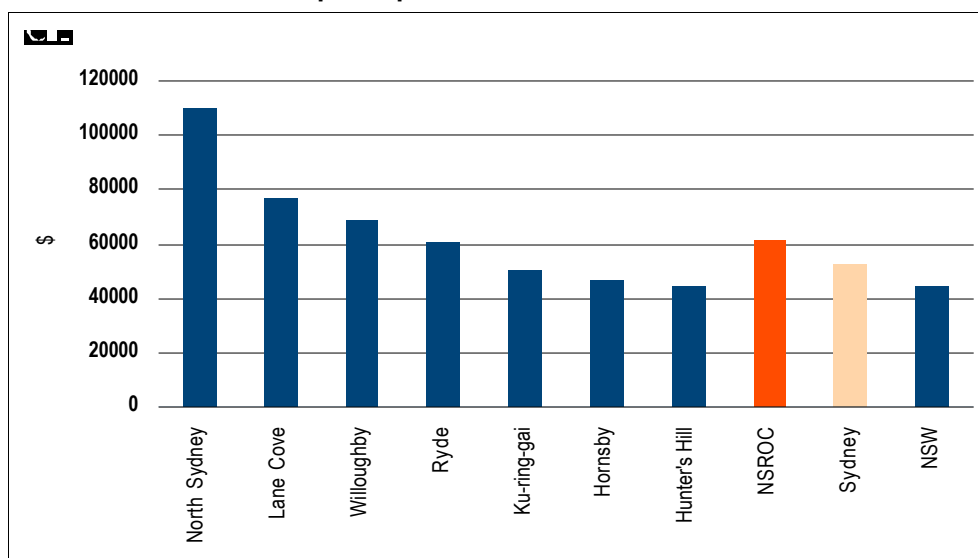
Data sources: CIE estimates; ABS (2004); ABS census data.

The NSROC region produces a sizeable 11 per cent of the state’s GSP, despite only accounting for 8 per cent of its population and less than 1 per cent of its total area (ABS census data, ABS 2002 and NSROC Organisation 2002).

In terms of gross product divided by the population, Sydney’s GRP per capita is above the states’ average GSP per capita (chart 2.3). Reflecting the high level of economic activity in the northern Sydney region, on average NSROC’s estimated GRP per capita is higher than Sydney’s. Average GRP per capita for the NSROC region is nearly \$62 000 compared to Sydney’s \$52 000.

It should be noted that most of the figures for NSROC regional output and productivity reported in this section are estimates. While information on gross product at the national and state level is compiled and analysed by the ABS, this data is not available at the regional level. Gross product at the regional level has been estimated by apportioning Australia’s GDP by industry based on the number of people employed in each LGA by industry sector.

### 2.3 Estimated GRP/GSP per capita 2003-04



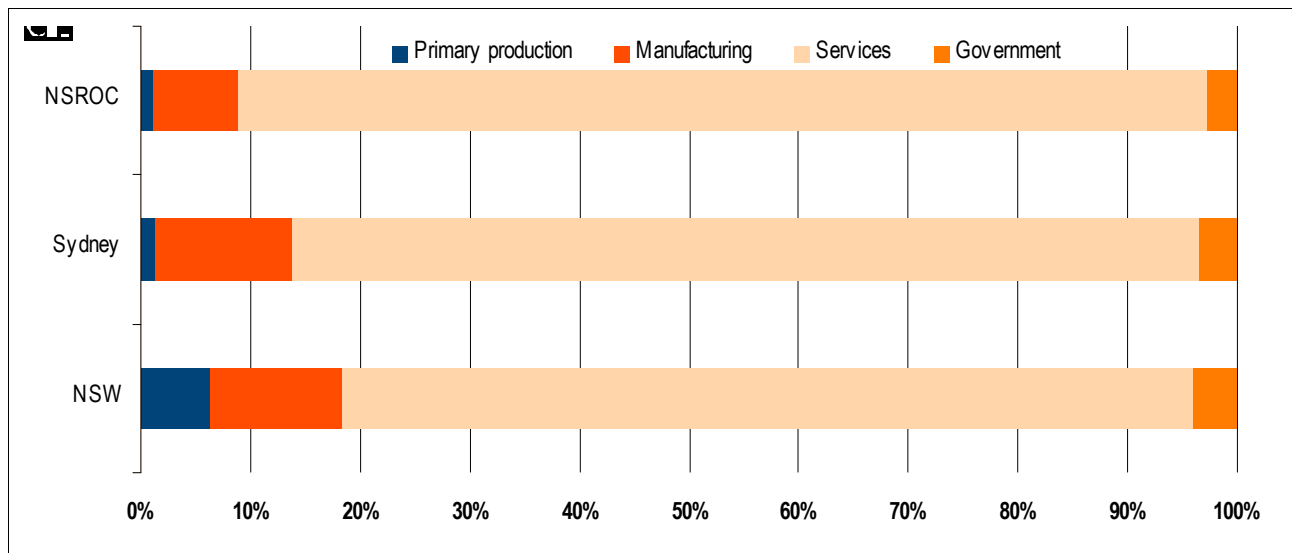
Data sources: CIE estimates; DLG (2004); ABS (2002).

## NSROC’s economic activity is services-based

The NSROC region economy is heavily services oriented. Out of the four broad industry groupings<sup>1</sup> of primary production, manufacturing, services and government, services make the largest contribution to GDP in New South Wales, Sydney and the NSROC region. However, in the NSROC region, the services sector is an even more dominant sector of its economy. The services sector accounts for 88 per cent of the NSROC regional economy, 83 per cent of Sydney’s economy and 78 per cent of the New South Wales economy. The structure of the NSROC region, Sydney and NSW economies is depicted in chart 2.4.

<sup>1</sup> The four industry groupings combine all industries in the ABS system of national accounts. The ABS system of national accounts uses the industry classification system of the Australian and New Zealand Standard Industrial Classification 1993 (ANZSIC). The four industry groupings above combine national accounts data for industries at the ANZSIC Division level (the broadest level), which are set out in Appendix A.

## 2.4 Contribution to GDP by industry grouping



Data sources: CIE estimates; ABS (2004); ABS census data.

### ***Most NSROC firms are in the property and business services sector***

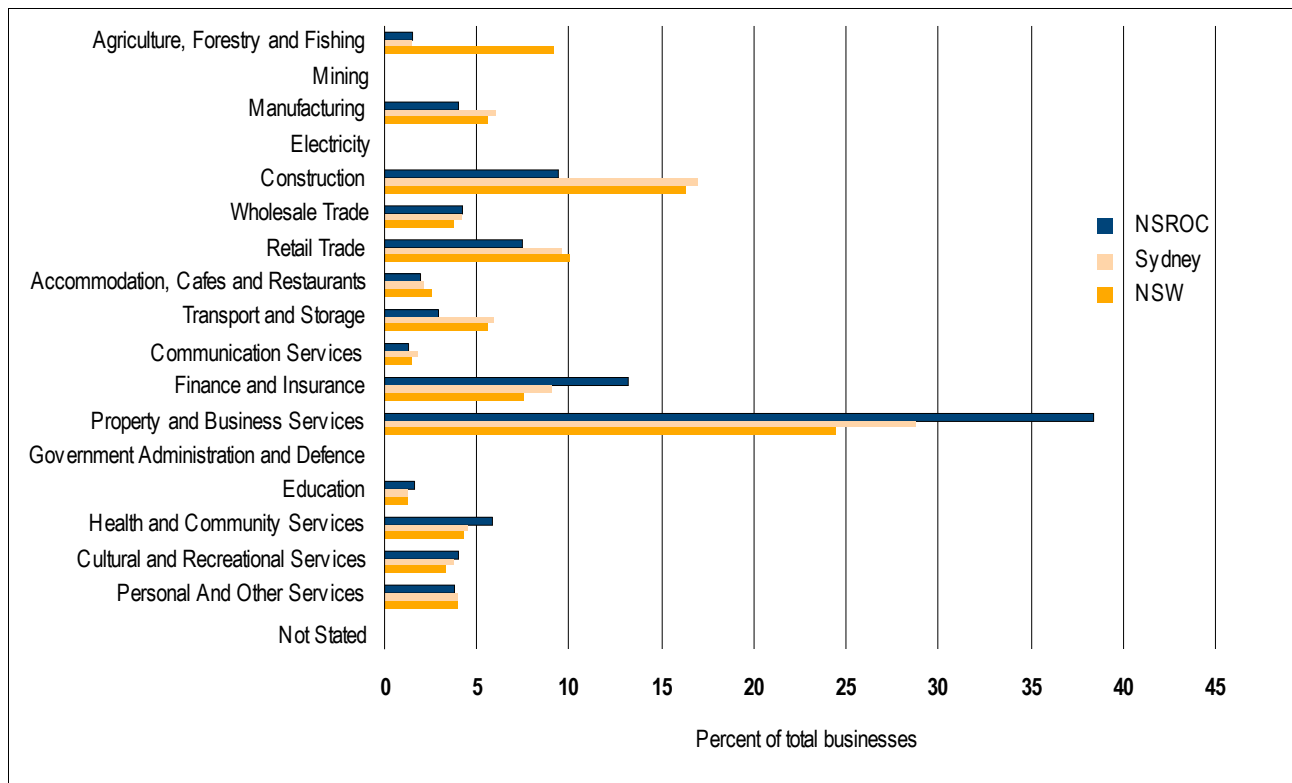
The property and business services sector is the most significant industry in the NSROC region. The property and business services sector comprises a variety of activities such as property development, real estate agency, scientific and technical research, computer services, legal and accounting services, and marketing and business management services. Based on the ABS Business Register, out of approximately 74 550 businesses operating in the NSROC region, 38 per cent are in the property and business sector (ABS 2004). The next largest industry sector in the NSROC region by number of businesses is finance and insurance, with 13 per cent or nearly 10 000 enterprises. Construction, retail trade and health and community services are the next most important industry sectors, comprising 9 per cent, 7 per cent and 6 per cent respectively of all business. The number of businesses in various industries by region<sup>2</sup> is demonstrated in chart 2.5.

The dominance of the property and business services industry is consistent within all of the LGAs in the NSROC region. This sector accounts for a significant majority of all businesses. Maintaining the theme about the importance of the services sector, finance and insurance is the second largest industry in each LGA except for Ryde and Hornsby which have a greater number of construction businesses.

Although property and business services dominate the number of businesses in New South Wales and Sydney, the pattern is more prevalent in the NSROC region. Some 38 per cent of businesses are in this category in the NSROC region compared to 29 per cent for Sydney and 24 per cent for New South Wales. As mentioned above, the finance and insurance sector is the NSROC region's second largest industry. In contrast, construction is the second most important industry to Sydney and New South Wales.

<sup>2</sup> Further detail on operating businesses in each LGA of the NSROC region compared to Sydney and the state is provided in Appendix B.

## 2.5 Businesses operating by industry



Data source: ABS census data.

### *Emerging industries*

New South Wales and Sydney in particular are home to a number of world leading biotechnology research bodies and companies – and NSROC is part of this. Some of the biotechnology organisations operating in this region include Macquarie University Research Park, CSIRO Riverside Corporate Park and BioMed North (Department of State and Regional Development (DSRD) 2004). BioMed North seeks to bring together research groups working in the northern corridor of Sydney to share ideas on priority research areas and key platform technologies (DSRD 2003). It also draws hospitals, industry, and investors together to assist in the commercialisation of research outputs.

NSROC is well known for housing a significant cluster of Information and Communications Technology (ICT) businesses. A recent review by one of Australia’s main ICT industry bodies, the Australian Information Industry Association (AIIA) (2002) confirms this. It found that the largest proportion of successful<sup>3</sup> small and medium ICT firms across Australia were located in the ‘Northern Sydney Corridor’, stretching from Ryde to North Sydney.

<sup>3</sup> The AIIA judged companies to be successful based on their achievement of industry and government awards and revenue.

## Labour market strengths in NSROC

### *Employment*

The NSROC region employs a significant proportion of the Sydney and state workforce. In 2001, 9 per cent of the state's and 14 per cent of Sydney's workforce were in the NSROC region (ABS census data). There were a total of 245 771 NSROC residents who were either full-time or part-time employed at the last census. The portion of part time workers in the employed workforce in 2001 was similar for NSROC and Sydney at 31.3 per cent and 30.3 per cent respectively. In New South Wales as a whole, part-time work accounts for a relatively lower proportion of total employment at 26.2 per cent.

The NSROC region has enjoyed significant employment growth over the past decade. Between 1991 and 2001, the number of people employed in the region expanded by 13 per cent. This compares to 16.7 per cent for Sydney and 14 per cent for New South Wales. Within the NSROC region, Hornsby, North Sydney and Willoughby, experienced employment growth above the Sydney and state averages, at 20.2 per cent, 17.1 and 17.5 per cent respectively (table 2.6).

The majority of employment growth for the NSROC region, Sydney and New South Wales was in part-time work. In the NSROC region part-time work increased by 32.8 per cent and full time work increased by 8.8 per cent, compared to Sydney which had a 42.1 per cent increase in part-time work and an 11.2 per cent increase in full time work. At a state level, part-time and full-time employment expanded by 43.6 per cent and 8 per cent respectively.

### 2.6 Current employment by region and trends over time

<i>Region</i>	<i>Full time employment</i>	<i>Part time employment</i>	<i>Portion of part time to full time</i>	<i>Total employment growth<sup>a</sup></i>
	no	no	per cent	per cent
Hornsby	46 865	23 698	33.6	20.2
Hunter's Hill	3 662	1 751	32.3	12.2
Ku-ring-gai	28 478	16 996	37.4	4.3
Lane Cove	11 314	4 594	28.9	10.4
North Sydney	26 433	7 680	22.5	17.1
Ryde	31 711	13 774	30.3	7.5
Willoughby	20 358	8 457	29.3	17.5
NSROC	168 821	76 950	31.3	13.0
Sydney	1 227 661	532 740	30.3	16.7
NSW	1 805 433	858 483	26.2	14.6

<sup>a</sup> 1991 to 2001.

Source: ABS census data.

## Key Issues

The economic contribution of the NSROC region is significant. This report provides some answers and insights to five key questions. These questions and the summary of answers are reported below.

### ***Q. What is the economic contribution of the region?***

A. The economic output of the region is estimated to amount to about \$32 billion each year. That is about 16 per cent of the output for the greater Sydney metropolitan area (the Statistical Division of Sydney) and 11 per cent of New South Wales at large. The NSROC region appears to be highly productive. It produces more per capita than Sydney and New South Wales at large.

### ***Q. What is the nature of economic activity in the region?***

Economic activity in the region is dominated by services industries. Services in the NSROC region account for 88 per cent of the region's output. In comparison, service sector activities account for 83 per cent of activity in Sydney and 78 per cent in New South Wales at large.

The knowledge intensive and high value property and business services sector is the largest single industry category in the NSROC region in terms of the number of business registrations and by employment. This sector is the leading source of growth in employment in the region.

Other services such as retail and wholesale trade, finance and insurance, health and education are also important to the economic base of the NSROC region and are showing sustained growth in employment. While manufacturing activity in the region is growing, it is growing at a slower pace than services. Manufacturing activity in the region is now at a relatively modest level, involving around 4 per cent of registered businesses and around 8 per cent of total employment (trending down gradually).

The NSROC region is home to vigorous, high value, knowledge intensive emerging industries. There is a large number of international ICT firms as well as many small and medium firms, forming a vigorous ICT industry cluster. There is also a grouping of leading biotechnology research organisations operating within the NSROC region.

### ***Q. How many jobs are there in NSROC and what is the structure of the labour market?***

Industries in the NSROC region provide jobs for just over a quarter of a million people. The pattern of employment in the region is in line with structural changes observed earlier. The fastest growth is in services activities, particularly in services that depend on a high level of skills and expertise in transforming knowledge, especially in the professions.

Not surprisingly, given the needs of the economy in the region, the workforce in the NSROC region is highly skilled. More than 30 per cent of the population over 15 years hold a tertiary level qualification and 32 per cent are professionals. This is well ahead of Sydney and the state as a whole.

### ***Q. How is NSROC's economic contribution translated into its well being?***

Reflecting the widespread investment in human capital in the NSROC region, incomes in the region are higher on average than in Sydney and New South Wales at large. The NSROC region also has a lower level of unemployment than Sydney and New South Wales.

Over time higher incomes in a region should be reflected in terms of an increase in wealth. There is evidence that the residents of the NSROC region have invested in at least one asset class — residential housing. Property values in the region are higher on average than for Sydney at large.

***Q. How well supported is the region in terms of services and infrastructure?***

Comparable evidence about service provision at the level of local government areas is difficult to acquire, but the available evidence suggests that the NSROC region has access to a range of health and education to support residents and the wider community. In some instances, the region acts as an ‘exporter’ of such services to people from other regions, particularly in health and education services.

There is also a paucity of data on infrastructure levels at the LGA or regional (within Sydney) level to enable assessments and comparisons. Available information demonstrates that the NSROC region has access to a range of utilities and transport options. However, there are signs of pressure on existing resources. Local councils in the NSROC region have noted that there are problems of increasing traffic congestion and ageing infrastructure.

Residents in areas of the NSROC region that have typically been above average water consumers are attempting to reduce this following a pattern occurring in many parts of Sydney. Cars are the favoured form of transport to work in the NSROC region.

***The overall picture***

The overall picture is of a region that is at the leading edge of a fundamental economic transition that is sweeping Australia and the globe. Post industrialism saw a rise of services, overtaking manufacturing in terms of the value of output and the creation of jobs. Technological change is fuelling further change towards the information or knowledge economy where the next wave of growth and value is driven more by the exchange of knowledge, information and services than physical goods.

While the NSROC region has a broad and diversified economic base, it has made the transition and is strong in service economy capabilities. In particular it has also already established a viable and productive core of high value knowledge workers and businesses in sectors such as property and business services and finance and insurance. The region’s strengths in terms of its large pool of knowledge workers also underpins competitiveness in areas such as science and research, ICT and emerging biotechnology activities.

The NSROC region is successfully converting investment in human capital and know-how into productivity gains and growth in activities that are seeing sustained expansion in demand. The result is higher incomes, less unemployment, greater wealth and higher community economic well being.