

**Submission
No 48**

**INQUIRY INTO ECONOMIC AND SOCIAL DEVELOPMENT
IN CENTRAL WESTERN NEW SOUTH WALES**

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Submission on *Economic and Social development in Central Western NSW*

1. Introduction

The Local Government Association of NSW and the Shires Association of NSW (the Associations) are the peak bodies representing NSW Local Government.

Together, the Associations represent all the 152 NSW general-purpose councils, the special-purpose county councils and the regions of the NSW Aboriginal Lands Council. The mission of the Associations is to be credible, professional organisations representing Local Government and facilitating the development of an effective community-based system of Local Government in NSW. In pursuit of this mission, the Associations represent the views of councils to NSW and Australian Governments; provide industrial relations and specialist services to councils and promote Local Government to the community.

The Associations thank the Legislative Council Standing Committee on State Development (Standing Committee) for the invitation to make a submission to the inquiry into the Economic and Social Development in Central Western NSW (the Inquiry).

The Associations have long been committed to a policy framework for whole of state development. This involves advocating policies that will share growth and development across NSW in an equitable manner and not have it concentrated in the Greater Sydney region and a few other centres. The framework includes support for:

- improved regional services and infrastructure;
- decentralisation policies and programs; and
- regional economic development programs.

The Associations note that the Standing Committee on State Development consider central western New South Wales encompasses the areas surrounding Lithgow, Nyngan, Cobar, Broken Hill, Ivanhoe, West Wyalong and Young and that Standing Committee will inquire into and report on the factors restricting economic and social development in central western New South Wales, and in particular:

- a) the provision of health, education and cultural facilities;
- b) the reasons for population decline or growth in different areas;
- c) the adequacy of transport and road infrastructure;
- d) ways to encourage development of local enterprises and the potential of the region overall;
- e) the comparative level of government business activity located within the region;
- f) methodologies for local government to collectively cooperate to achieve increased infrastructure funding and economic growth; and
- g) any other factor restricting economic and social development in central western New South Wales.

The Associations would like to emphasise that the Central Western area of NSW as defined by the Inquiry is extremely diverse in social, economic and environmental terms. There are great variances in the infrastructure, services, climatic conditions, productivity, demographics, economic prosperity and geography which make it impossible to generalise about the circumstances of the various Local Government Areas within this “region”. There is a great disparity between the socio-economic circumstances and needs of councils within the defined boundaries (e.g. between Orange and Central Darling).

The Associations have addressed the Terms of Reference in broad terms and mostly from a Local Government perspective. However, we request the Standing Committee to consider the vast diversity and differing requirements of specific areas included in the inquiry as part of their deliberations and reporting.



2. General Comments

Communities within this region and other areas of rural and regional NSW variously struggle with problems including:

- the financial impacts of the prolonged drought and/or more recently the floods;
- a decline in access to services outside regional hubs (e.g. retraction of air services and medical services);
- population decline in smaller communities and the issues associated with population centralising towards capital city, regional and coastal hubs;
- inadequate and deteriorating infrastructure;
- difficulty attracting investment;
- skills shortages;
- high long term unemployment rates in some communities;
- ageing populations; and
- limited local revenue bases coupled with inadequate State and Commonwealth funding support, this is particularly acute in the far west of the state.

These issues are not new and have been canvassed in numerous government inquiries over the past couple of decades. There is little, if anything, new to be said or learned. The most recent such report, the NSW Government's *Rural and Regional Task Force Report 2008*, is perhaps the most comprehensive. The Associations largely concur with the Report's findings and strongly support each of its 22 overarching recommendations. The Associations recommend that this Inquiry use the Report as a starting point.

What is really needed is real and substantive action, not another inquiry or report. While successive governments have launched numerous programs and initiatives over the years, their effectiveness has been variable. While many of the initiatives have been well designed, they have generally lacked long term commitment and have been under resourced.

3. Comments on the Terms of Reference

a) The provision of health, education and cultural facilities

Health

Distribution and Provision of Health Services

There are shortfalls and gaps in the provision of adequate health services across country NSW. This presents immediate health care issues that must be addressed. It is also a factor in the population decline of many communities and an impediment to growth. The availability of reasonable health services is essential for attracting and retaining people in rural and regional locations.

Councils are frequently required to fill the gaps in the provision of health services, necessitating the reallocation of funding from other infrastructure and service needs. Local Government considers this as a direct cost shift from the State and Commonwealth Governments.

In the Associations 2008/2009 cost shifting survey, councils were asked to advise the net cost to council of supporting medical services that would be lost due to insufficient funding by other levels of government (e.g. retaining general practitioners, nurses and dentists; aboriginal and other medical services required by the community). The survey results indicate that a significant number of councils are affected by cost shifting in this area. Of the 69 councils included in the survey, 25 councils indicated specific financial impacts of up to \$300,000 per annum. In the Associations 2009 Social



Policy and Community Services Survey, participating councils acknowledged providing housing for 43 General Practitioners and nurses.

Rural NSW has experienced the centralisation of health services and a reduction in locally available services which force the residents of many communities to travel long distances to access health services. While the centralisation of health services benefits the social and economic development of the health hubs (e.g. Orange, Dubbo) and are beneficial in increasing the level and range of health services provided in the Central West as a whole, it is often to the detriment of smaller towns and fringe communities. These smaller communities still need to be supported by an adequate level of local basic health services.

The Associations request that the NSW Government review the delivery and distribution of the health services provided to rural and regional NSW.

Aged Care Services

The deficiency of aged care services in rural NSW is forcing many people to leave their communities to access aged care services. It is anticipated with an ageing population and with 18% of farmers over the age of 65, the need for aged care services will increase and further perpetuate the depopulation of many rural communities.

The current subsidy arrangement for aged care service delivery in rural areas is not suitable. An inclusion of a subsidy provision for distance traveled to deliver services is necessary to ensure that it becomes a viable business option for the aged care sector to deliver services into rural and remote communities.

Education

Agricultural Curriculum

The agricultural industry confronting several current and emerging issues, such as extreme weather events (extensive floods, extended droughts), an anticipated global food crisis, predicted climate variability, bio-security, water restrictions, a proposed carbon reduction scheme and an aging workforce. Never has it been more important to provide varied quality education that focuses on the agricultural sector. Education that inspires and encourages youth to pursue careers in agricultural production and research industries.

The Associations request the State Government support and expand agricultural education in NSW to support the future of this essential industry.

Funding of Rural Schools

Schools in rural areas of NSW are finding it increasingly difficult to retain appropriate subject choices and special need services for students in comparison with schools in metropolitan area and larger regional centres. Consequently, many students are being relocated to better resourced schools (i.e. boarding schools) to seek a better education.

The Associations request the State Government to review and improve the level of funding to rural schools to ensure quality education is delivered and retention of students ensured.

As with health care, the availability of good local schools is important in attracting and retaining people in rural and regional communities.



Cultural

Adequacy of facilities and services

The availability of reasonable cultural, sporting and other recreational facilities is also important for attracting and retaining people in rural and regional locations. The availability of these facilities greatly improves the livability of living in regional and rural areas.

The Associations advocate establishment of a Local Government arts and cultural development fund, with a key objective being to improve arts infrastructure outside the Sydney CBD.

Eighty five percent (85%) of the NSW Government annual arts funding program in 2009 was given to the Sydney, Newcastle and Wollongong areas, which is not reflective of population distributions. Capital city residents are very well served by state funded cultural institutions, while Local Government provides majority support for regional arts and cultural facilities.

The Associations also request the State Government provide additional support to Local Government for maintaining and establishing libraries, and sporting facilities in rural and regional areas.

b) The reasons for population decline or growth in different areas

A combination of factors contribute to the decline and growth in various areas within rural NSW, these include the following:

- the impacts of extended drought;
- the closure of traditional industries/businesses;
- the lure of capital cities and regional cities with their greater education, employment and lifestyle advantages;
- loss of services;
- ageing farming population, retiring and relocating out of rural communities to access aged care and health services in larger centres.
- social and economic structural changes e.g.: the increasing capital intensity of agricultural production reducing the need for a rural workforce;
- improved roads and improved access, making it easier for people to travel to regional hubs to access goods, services and employment); and
- the lack of strong, comprehensive and successful decentralisation policies with long term commitments.

c) The adequacy of transport and road infrastructure

The infrastructure needs of rural and regional areas of NSW have a significant impact on the contribution of those areas to the NSW economy. Factors such as roads, transport, and other infrastructure affect the viability of local communities and can provide impediments to financially sustainable productive capacity if they are not addressed appropriately.

Local and regional provide the majority of local access and circulation routes for rural and regional production and distribution and for basic accessibility within local communities. Local Government has the primary role in the management of this local road network. Councils are responsible for around 90% of the state's road network, which includes 18,500 km of Regional Roads and 144,000 km of local roads. In many regional areas of NSW, rating revenue is generally insufficient to cover all but a small proportion of local road construction and maintenance activities, so councils in these areas are heavily dependent on government grants for the ongoing costs associated with managing their local road networks.



Also, councils are under increasing pressure from the freight industry to open up local roads to more varied heavy vehicle combinations. In developing policies regarding heavy vehicle access councils must balance economic benefits with the real impacts on road and bridge infrastructure and the road safety and amenity concerns of their local communities.

Local Government feels that rail transport must be explored as an alternative to road transport where possible. This could be through the use of existing under-utilised rail lines, and the development of new routes such as the North-South Inland Rail project can only help to reduce the pressure on local roads. The Associations have also indicated in-principle support for the construction of a Bells Line Expressway to connect the Central West area of NSW to Sydney.

Councils are key stakeholder in the provision of aviation services to regional Australia. Many airports in regional centres are owned and operated by councils, and the infrastructure and associated airline services are vital components for the economic and social development of regional areas. Local Government believes that the Australian and NSW State Governments should provide policies which encourage equitable, safe and accessible air services to regional NSW; and supports the continuing equitable access for regional airlines to Sydney Airport, including peak hour landing slots and access to terminals.

d) Ways to encourage development of local enterprises and the potential of the region overall

The Associations support the range of existing programs that focus on the economic development of regional NSW. Such programs include:

- EVOcities www.evocities.com.au
EVOcities is a partnership between 7 regional cities including Bathurst, Dubbo, and Orange. EVOcities aim is to promote the regional cities into the Sydney to attract businesses and new residents.
- Regional Development Australia (RDA)
Of the 14 RDA's in NSW, 3 are within the Inquiry's areas. RDA's are jointly funded by State and Federal governments for the focus of regional economic and community development by local representatives, including Local Government.
- NSW Building the Country Fund
Allocating \$85 million over 5 years within 7 programs.

The Associations also advocate government support for the proposed Promote Our Regional Towns (PORTS) program. The program is modeled on the EVOcities program, but deals with smaller towns. This initiative currently involves the Parkes, Lithgow, Cowra, Young and Mid Western Council areas. The PORTS program aim is also to attract new residents and industries to their areas from Sydney.

e) The comparative level of government business activity located within the region

The Associations advocate the relocation of the NSW Government agencies and staff to regional NSW. Relocation of government activities is a legitimate tool for promoting economic development and decentralization, providing tangible support for other economic development initiatives, employment diversity and acting as a catalyst for other economic activity.

Several NSW Governments have undertaken regional relocation of agency functions and jobs over many years. However, with a few exceptions (DPI at Orange), these have been sporadic and piecemeal. Relocations from the Sydney CBD to other metropolitan locations have been far more significant (e.g. Parramatta).



It should be noted that Local Government is frequently the largest single employer in many country communities and is arguably the largest sectoral employer in regional NSW.

f) Methodologies for local government to collectively cooperate to achieve increased infrastructure funding and economic growth

Many NSW councils have joined together regionally in Strategic Alliance Networks (SAN), Regional Organisation of Councils (ROC), and regional alliances for Local Water Utilities. Through these successful arrangements councils have strengthened their purchasing power, advocacy and their resource and technical capacities. Some have also partnered with urban councils and have staff swapping arrangements broadening access to skills and building skill levels.

Strategic Alliance Network (SAN)

The Strategic Alliance Network promotes and supports collaborative partnerships between councils. Further information about Strategic Alliance Networks is available from the Associations website <http://www.lgsa.org.au/www/html/2101-strategic-alliance-network.asp>

Of particular note is the significant success of the Wellington, Blayney, Carbone, and Central Tablelands Water (WBC) Strategic Alliance. The WBC Strategic Alliance was formed in 2003 and creates an entity with a combined population of more than 30,000 and a total annual budget of \$70 million, giving it the clout of a major regional centre while preserving over 400 jobs and local representation of their local towns and villages. To date the WBC Alliance has made savings of around \$4.2 million.

The WBC Alliance goals are to:

- reduce cost to member councils by aggregating the demand for goods and services by joint procurement;
- reduce cost to member councils by sharing knowledge, skills and methods;
- increase services to member councils by accessing larger amounts of grant funds on a sub-regional basis;
- facilitate staff development and retention by offering opportunities for staff across member councils;
- increase the employment opportunities within member councils by supporting apprenticeships and traineeships with the WBC councils; and
- increase community benefit through lobbying and advocacy.

Regional Organisation of Councils (ROCs)

ROC's are voluntary partnerships between councils in a region that aim to deliver improved outcomes for their operations and communities. NSW has 18 ROC's, the two ROC's predominantly residing in the area covered by this inquiry are the Orana ROC (OROC) and Central NSW ROC (CENTROC):

- Orana ROC (OROC)
- Bogan, Bourke, Brewarrina, Cobar, Coonamble, Dubbo, Gilgandra, Narromine, Walgett, Warren, Warrumbungle
- Central NSW Councils ROC (CENTROC)
- Bathurst Regional, Blayney, Boorowa, Cabonne, Central Tablelands County, Cowra, Forbes, Harden, Lachlan, Lithgow, Oberon, Orange, Parkes, Weddin, Wellington, Young.

Local Water Utilities



Water and sewage services in regional NSW are provided by Local Government. There are currently over 100 council owned and operated local water and sewage utilities (LWU), servicing more than 1.8 million people (30% of the states population). Local Government water utilities in NSW are successful in delivering safe and secure water supply and sewage services. Local water utilities have continuously improved best practice management.

Across NSW Councils are forming LWU alliances. These LWU alliances facilitate the sharing of resources and technical capacity among the councils' LWU's and to ensure best practice management and regulatory requirements are met. Strengthening arrangements for regional co-operation and resource sharing has also helped enable councils to address challenges including:

- implementing regional water resource planning and integrated water cycle management;
- responding to uncertain (reduced) water availability;
- responding to demand variations; and
- building professional capacity to implement ever-increasing technical, environmental and water quality standards.

NSW Community Relationships

Partnerships between two councils can create significant opportunities for Local Government and communities. Relationships between city and country councils are a good example of how working together, sharing staff skills, resources, education, cultural and sporting experiences can help strengthen country councils and communities. Examples include:

- Bankstown and Broken Hill.
- Campbelltown and Coonamble.
- Rockdale and Gilgandra.
- Canterbury and Cobar.
- Penrith and Lachlan.
- Manly and Gunnedah.
- Warringah and Brewarrina.
- Kogarah and Cowra.

g) Any other factor restricting economic and social development in central western New South Wales

Drought and Natural Disaster support

Many NSW farmers and rural communities, after surviving the recent significant and devastating drought were faced with further financial hardship with extensive flooding.

Because of the premature removal of Exceptional Circumstance (EC) declarations prior to financial recovery, effected farmers and communities were no longer able to seek financial and health assistance.

The Associations continue to strongly advocate that EC support programs must include a phased transition period to allow for climatic and financial recovery. Additionally, it's very important that drought support policies should encourage farmers to remain in farming rather than exit farming.

The Associations participated in the national drought policy review and presented its policy positions on drought policy reform which support farmers and rural communities. The submission is available from the Productivity Commissions website <http://www.pc.gov.au/projects/inquiry/drought>



For the 2010/2011 Financial Year NSW has had 152 Natural Disaster Declarations due to flooding in 103 Local Government Areas. While the support provided to farmers, communities, small businesses, and Local Government through the Natural Disaster Relief and Recovery Arrangements (NDRRA) is greatly appreciated, many inequities in the delivery of assistance occurred within NSW and bordering states.

The Associations request the State and Federal Government review drought and natural disaster support to ensure the equity and effectiveness of the natural disaster funding provided. There needs to be certainty about these mechanisms to sustain existing investment and promote new investment.

Water Policies

The State and Australian Government Water Buy-Back schemes and the impending Murray Darling Basin Plan have created uncertainty within communities and industries of the future social economic impacts.

Water Buy Backs

The Associations are concerned about potential socio-economic impacts of water buybacks on regional and rural communities. Many areas in regional and rural NSW are largely dependent on agricultural industry with significant long-term investment and little opportunity for diversification. The purchase of water entitlements from irrigators and other water dependent industries could ultimately result in these industries leaving rural and regional areas. This could lead to adverse impacts on local employment, economic development, and the viability and cohesion of local communities that are already struggling under current drought conditions. The Associations believe it is critical that these impacts are identified and appropriately managed and that structural adjustment programs are in place where required.

The Associations also believe that, to ensure optimal environmental, social, and economic outcomes, it is important to appropriately coordinate water buy-backs under the Australian Government Murray Darling Basin program with water buy-back programs of the NSW Government (e.g. the Living Murray Program, the Water for Rivers Program, and the Department of Environment and Climate Change's Riverbank Program).

Murray Darling Basin (MDB)

In relation to the Murray Darling Basin Plan socio-economic impacts on affected communities, there is argument over the extent and manageability of actual impacts in terms of loss of agricultural production and jobs. Views range from Murray-Darling Basin Authority (MDBA's) 800 to 1,000 job losses and offsets of production losses through transition to more sustainable activities (in the 2010 Guide) to dramatic job losses going into the 10,000s and the devastation of regional industries and towns. There appears to be an obvious need for further research, particularly on a local scale.

The Associations continue to request State and Australian Governments works in collaboration with Local Government to ensure the Australian Government carries out proper socio-economic analysis in developing the Murray-Darling Basin Plan and provides early, well-targeted mitigation and transition measures to help communities adapt to the final plan. This must include placing greater emphasis on investment in water use efficiency and water saving infrastructure to maintain agricultural production and ensure food security in the basin rather than uncoordinated water entitlement purchases from willing sellers.

Long term unemployment and skills shortages

Many disadvantaged rural areas experience high long term unemployment levels creating welfare dependent communities. These areas are limited in their revenue capacity and resources, making it



difficult for councils to provide infrastructure and services that would help improve the socio-economic outcomes for these communities.

On the other hand, many rural and regional areas continue to suffer chronic shortages of both skilled and unskilled workers placing a brake on growth and development.. The Associations believe that greater support and coordination is required for skills development and migration programs. The Association recommends that the State and Australian Governments extend funding for education and vocational training in rural and regional areas.

Economic Vulnerability/Narrow Economic Bases

The economic and social wellbeing of many country communities is often highly dependent on one particular agriculturally or mining based industry or commodity. Any sudden decline of these industries or commodities has the potential to devastate these communities. While agriculture and mining are critical to the future successes of local, regional, state and national economies and must remain a policy priority, governments must nurture regional economic diversity to help provide community resilience to individual industry downturns.

4. Conclusion & Recommendations

Economic policy directions and a lack of commitment to regional development in particular, have reinforced the growing disparities in performance between regions. The demise of industry policy and agricultural extension services at state and national levels has limited innovation in rural and manufacturing sectors. Similarly, the lack of a coherent regional policy framework at the national level has resulted in frustration and confusion at the local and regional level.

Essentially the aim should be to develop and implement policies that set NSW regions into a virtuous development cycle. This development cycle is where increased regional investment in infrastructure, education, technology, skills, and environmental management improves the competitiveness and attractiveness of regions which in turn attracts further investment and employment. The three spheres of Government are partners in this development process, with Local Government well positioned to initiate and implement economic development strategies with local partners.

As councils work closely within their regions and are the best positioned level of government to represent and assist their communities, all State and Australian Government policies and programs impacting on regional development need to include Local Government either through consultation, delivery, or assistance in extending established successful Local Government programs.

The Associations request the State and Australian Governments to extend and continue to provide the range of funding for regional economic development with a focus upon critical infrastructure required for business establishment, expansion, or relocation and increased employment through skills development. Communities that support a diverse range of industry sectors are more apt to sustain themselves through economic downturns.