

## **INQUIRY INTO REGIONAL DEVELOPMENT AND A GLOBAL SYDNEY**

**Organisation:** Blue Mountains City Council

**Date received:** 1 June 2017

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## **Blue Mountains City Council**

# **Submission to the NSW Legislative Council Inquiry into Regional Development and a Global Sydney**

### **Executive Summary**

The Blue Mountains' unique environment, dispersed settlement and low population densities distinguish it from other local government areas in greater Sydney. The key challenge for the City of Blue Mountains is how to capitalise on Sydney as a global city and foster social and economic well-being, whilst maintaining and protecting the surrounding World Heritage environment. It is also important to respond to the impact of climate change on the Blue Mountains in a way that is adaptive and that fosters resilience. This challenge is intensified as Sydney's prominence as a global city grows; leading to increased environmental impacts from major infrastructure projects, increased visitor numbers, and increased traffic and congestion.

To address this challenge and realise the value of the area's built and natural character and heritage, it is critical to protect the Blue Mountains from the impacts of the proposed Western Sydney Airport (WSA). Furthermore, the growing impact of visitors on resident and Blue Mountains City Council (Council) costs requires additional funding from State and Commonwealth governments to support upgrades to tourism experiences and infrastructure.

The Blue Mountains population is ageing faster than the rest of Sydney, resulting in increased demand for health services. Investment is required to grow employment in the health sector, including funding for an upgrade of the district hospital at Katoomba.

Given the Blue Mountains' remoteness from employment and education centres it is critical to recognise and support the role of local education institutions in developing skills needed in the local workforce, and that will foster growth in local business. Improvement in digital connectivity is integral to the improvement in local education and business. As not all education and employment can be provided locally in the Blue Mountains, it is also critical that the train service to the Blue Mountains be greatly improved.

These improvements must be supported by increased collaboration across levels of government. The West District Plan and Western Sydney City deal provide important vehicles to support this, but currently lack specificity, particularly around infrastructure funding mechanisms.

## **Introduction**

### **Background**

Located on the western fringe of the Greater Sydney Region, the City of Blue Mountains is one of only two cities in the world surrounded by a UNESCO declared World Heritage National Park. The

City comprises 27 towns and villages spread over 100km of mountainous ridgeline terrain and has a population of almost 80,000. Population forecasts for 2036 vary from 82,800 to over 90,000 people.

The key challenge and opportunity for the City of Blue Mountains is to foster the social and economic well-being of its communities, while maintaining and protecting the surrounding World Heritage Area for future generations. The aim is to grow the economy in an environmentally sensitive area, amidst a global climate of rapid technological innovation and climate change. Climate change holds implications for all aspects of city life, and the economy is no exception. It means that the City must be prepared and resilient in the face of natural disaster and other local and global economic shocks.

The Blue Mountains economy has reasonable diversity across the health, education, tourism and arts sectors. The area's rich cultural heritage combines well with the City's unique natural assets and advantage of being a City within a World Heritage National Park.

At present the key employment sectors in the Blue Mountains are:

- Health Care and Social Assistance (17.4% of all jobs in the Blue Mountains)
- Retail and Trade (12.3%)
- Tourism (11.9%)
- Education and Training (11.6%)
- Professional Scientific and Technical Services (6.9%)

Key sectors predicted to experience growth in the next five years are Health Care and Social Assistance, Retail Trade and other areas associated with Tourism, Professional Scientific and Technical Services, Construction and Education and Training.

The Blue Mountains is one of the most highly visited tourist destinations in Australia, with over 3 million visitors per year increasing to 4.5 million in 2025. Improvements to the Great Western Highway (GWH) have reduced travel time and increased interest in real estate and tourist visitation.

The Greater Blue Mountains World Heritage Area is promoted by the Australian Government as one of 16 national landscapes that are a "must see" nature tourism destination. The Blue Mountains natural environment adds immeasurably to the local, regional, state and national economy, with 80% of all international visitors citing "Australia's natural environment" as their main motivation for visiting. It is estimated that tourism contributes over \$500 million annually to the local economy and is the third largest employer.

The Blue Mountains economy is also impacted by changing demographics. The population of the Blue Mountains is ageing faster than greater Sydney. Between 2011 and 2026, age structure forecasts indicate a 62.7% increase in population of retirement age, an 8.7% decrease in population of working age, and a 9.2% decrease in population under working age. The loss of young adults in their late teens and twenties leaving home is expected in many areas as some will leave the City to find employment and education opportunities in metropolitan Sydney.



## **Ensuring regions can benefit from a global Sydney**

The Council sees the ongoing development of the District Plans by the Greater Sydney Commission and the development of a Western Sydney City Deal as significant processes for ensuring the Blue Mountains can benefit from a global Sydney and, at the same time, protect the Blue Mountains from the impact of a growing Sydney.

The Council has recently contributed to the preparation of the draft West District Plan (the Plan) including making a detailed submission and is currently participating in development of the Western Sydney City Deal. The Blue Mountains' World Heritage listing, its environment and topography, dispersed settlement and low population densities distinguish it from other local government areas in the West District and greater Sydney. While ensuring the Blue Mountains benefits from the expansion of international trade, infrastructure, employment, tourism, innovation and research in the greater Sydney region, the challenge is to ensure that the Blue Mountains retains those characteristics that distinguish it from Greater Sydney.

To benefit from Sydney as a global city, some of the key priorities for the Blue Mountains include:

### ***Protect village character and world heritage areas***

The built and natural character and heritage of the Blue Mountains villages is a point of difference that provides significant economic value for NSW. These elements are what make the Blue Mountains an international and national icon and the economic benefits that derive from them also advantage Sydney and surrounding regions. It is important they are protected from the impacts of the proposed Western Sydney Airport (WSA), including villages, tourism sites and sensitive world heritage areas.

In the Council's submission on the draft Plan, Council has emphasised the importance of the Blue Mountains' natural areas to recreation and the visitor economy, being Greater Sydney's playground as well as a national and international tourist destination. The draft Plan needs to acknowledge this along with the Council's opposition to the WSA and the significant concerns regarding the potential impact of flight paths on the World Heritage Area and villages in the Blue Mountains.

Funding needs to be invested in the upgrade of towns and villages across the region that have remaining heritage conservation areas, including the towns of Katoomba, Leura and Blackheath. This will unlock the potential of these towns to contribute to the visitor economy.

Given the Blue Mountains remoteness from other major centres, the leisure/tourism function is increasing in importance for all Blue Mountains towns. However, town centre infrastructure is generally old. Vibrant town centres support the social life of local communities, are significant to local economies, and can contribute to growing tourism in the Blue Mountains. Local communities are keen to see public domain improvements to their town centres (as stated in Council's Community Strategic Plan) while maintaining town and village character.

To benefit from a global Sydney, a tourist town investment program is required to plan for and provide vibrant and attractive tourist towns across the region that have the infrastructure and

support facilities to support high visitor growth and peak periods. This is essential to support the growth of the night time economy in these centres, initially through event development.

### ***Fund upgrades to tourism experiences and infrastructure***

Tourism is significant to the Blue Mountains economy and employment and adds to the character of some of its town and visitor precincts. However, currently visitor facilities in the Blue Mountains are over capacity and the impact of increasing tourist buses, parking, amenities and track and lookout safety are all issues that need to be managed.

In the Council's submission on the draft Plan, Council has a major concern with the understated importance of the Blue Mountains' natural areas and the Greater Blue Mountains World Heritage Area to regional, national and international recreation and tourism, and the understated need to fund infrastructure to accommodate this wider demand. At present infrastructure upgrades and maintenance that serve a much wider recreational and tourist population are heavily subsidised by local ratepayers. Better recognition in the West District Plan may assist in attracting City Deal and other funding.

The Blue Mountains also needs to diversify tourist offerings to encourage repeat and overnight visitation. The majority of visitors are domestic day trippers. Converting a proportion of these day trippers into overnight visitors will grow yield and reduce pressure on stretched facilities. The difference in expenditure between domestic day trippers (\$83), domestic overnight (\$342) and international (\$220) overnight spending is significant. Economic modelling demonstrates that the effect of a successful three day event in the Blue Mountains brings the region an additional 38 jobs, and generates \$8.8 million in total output, taking into account the flow on effects of greater demand for goods and services and increased consumption from wages.

To benefit from a global Sydney, there is therefore a need to fund upgrades to tourism experiences and infrastructure, for example:

- Upgrade visitor and cultural facilities, walking trails, and town centres.
- Improve coach/car parking facilities and public amenities such as toilets.
- Improve tourist and visitor facilities on rail and bus links to Blue Mountains, and local shuttle buses to tourist sites.
- Fund tourism initiatives including the upgrade of Govetts Leap NPWS Interpretive Centre, investment in the Southern Scenic Escarpment and Echo Point tourism precincts.
- Develop and market an overnight iconic walk for the Blue Mountains and NSW ("Great Walk").
- Develop and market the Grand Clifftop Walk Experience - a series of half and one-day walking experiences utilising existing accommodation.
- Develop a tourism precinct in the Blue Mountains, with adventure attractions.



- Night time economy – establish major events that encourage overnight stays and a night-time economy in the upper Blue Mountains tourist villages.
- Re-use government lands, including Defence and Crown lands to provide opportunities for investment attraction.
- Tourism development sites - strategically plan for tourism sites, including consideration of the use of surplus Government land for accommodation, conference facilities and tourism products.

### ***Improve transport connections and support active transport***

Recent Blue Mountains community feedback (as per Council's Community Strategic Plan) highlights the need to improve the timeliness and connectivity of rail and bus services. The Blue Mountains is also facing increasing road congestion from visitor and freight traffic:

- The number of heavy vehicles on the GWH has doubled in the last 2 years;
- There has been a 9% increase in use of the Western Line (trains) in the last year and this is expected to more than double again by 2031;
- Visitors access key Blue Mountains destinations through local roads and residential communities; and
- 50.3% of residents work outside the City.

Good transport infrastructure and connectivity is essential to support the tourist economy, provide access to employment, and address increasing congestion. Access to a greater supply of quality jobs in Penrith and Parramatta is improved by faster highway access and planned better public transport links (particularly to southwest Sydney job opportunities).

To benefit from a global Sydney, there is a need to improve transport connections and support active transport. Initiatives include:

- Improve transport connections – road, rail and tourist bus interchange and parking.
- Invest in upgrade to interchanges from the GWH to major centres in the Blue Mountains at Katoomba, including Yeaman's Bridge, and Springwood to allow them to grow as district service as well as tourism centres.
- Establish local transport alternatives to cope with increased visitation e.g. shuttle buses, park and ride.
- Upgrade local tourist and link roads to accommodate tourist buses safely and efficiently.
- Create link roads to augment the Great Western Highway (GWH).
- Upgrade of Bells Line of Road - linking to the WS road network to provide an alternate linkage for road freight to central NSW.

- Upgrade the GWH - Federal and State Government funding is needed for the continued upgrade of the GWH east of Katoomba to Hartley and reduce impacts of heavy vehicle traffic on the towns of Blackheath and Mount Victoria.
- Regional freight upgrade - review opportunities, and infrastructure upgrade requirements, for transfer of movement of freight from road to rail between Western Sydney and regional NSW and connecting to the WSA and ports.
- Upgrade the inter-regional train system along the Blue Mountains line from Bathurst, through the Blue Mountains to the Sydney CBD including new rolling stock, provision for improved frequency and capacity for regional trains along the western line and improved speed for regional rail commuters and visitors. The trains to the Blue Mountains from Sydney should be set up as visitor friendly with high quality facilities, information and priority. Consideration should be given to improved inter-regional trains from Goulburn and Campbelltown into the Sydney CBD with improved speeds as well as inter-regional trains from the Hawkesbury.
- Active transport funding program – redirect funding into the establishment of an active transport program that provides funding for provision and upgrade of urban footpath networks, cycling connections and open space and natural areas walking trails as a key part of encouraging active transport.
- Construct the WSA/St Marys rail as this is crucial to the Blue Mountains receiving any benefit from the WSA (should the airport proposal go ahead).
- Improve the main western rail service (frequency, reliability, safety and access, integration with other transport modes, station access upgrades, integration with Greater Sydney transport network, capacity) to ensuring the economic survival of the Blue Mountains and its commuter communities.

### ***Improve health services***

The Blue Mountains population is ageing faster than Greater Sydney and by 2031, 1 in 4 residents will be 65 or over. Chronic illness is increasing and local health care services do not provide tertiary care. There is a need to improve health services in the Blue Mountains which in turn will assist in relieving the pressure on the Nepean Hospital campus:

- A contemporary hospital is needed to improve resident and visitor access to health services.
- The Blue Mountains District Hospital needs to be renewed to provide a recognised local, sustainable health service.
- More specialised community, health and recreational services need to be provided to help older residents remain in their homes.
- A Katoomba health precinct upgrade is needed to provide for the expansion of the district hospital facility to modernise services and relieve pressure on the regional Nepean Hospital campus. Supporting accommodation should be provided and opportunities for allied health professionals on-site should be incorporated in the precinct upgrade.



## **Recommendations**

1. Protect the built and natural character and heritage of the Blue Mountains villages from the impacts of the proposed Western Sydney Airport (WSA).
2. Fund a tourist town investment program for both maintenance and upgrades.
3. Fund upgrades to tourism experiences and infrastructure.
4. Invest in upgrade to road interchanges, local tourist and link roads.
5. Federal and State Government funding is needed for the continued upgrade of the Great Western Highway.
6. Review opportunities, and infrastructure upgrade requirements, for transfer of movement of freight from road to rail between Western Sydney and regional NSW.
7. Improve and upgrade the main western rail service and build a north-south line across Western Sydney to connect Blue Mountains residents to more locations north and south of the existing western line.
8. Redirect funding into the establishment of an active transport program.
9. Invest in improved health services in the Blue Mountains.

## **Sectors of the economy that can provide greatest opportunities for regional development**

As a significant process for ensuring the Blue Mountains can benefit from a global city and, at the same time, protect the Blue Mountains from the impact of a growing Sydney, it is critical that the West District Plan consider strategies that will distribute economic growth throughout the district, including regional areas such as the Blue Mountains. The Council is concerned that in the draft Plan, there is overreliance on the proposed WSA as the driver of the West District's economic growth, education and liveability. There are no options, priorities and actions for the years before the proposed WSA is developed, or if the WSA remains a small regional, overflow and 24 hour freight airport, or for the event that the WSA is not developed.

The focus on WSA and Penrith for employment and education results in a lack of priorities for the Blue Mountains and a lack of priorities and actions that will affect local conditions. While access to employment and education in Greater Sydney needs to be supported by a commitment to improved rail service to the Blue Mountains, there needs to be a distribution of economic growth throughout the West District, and funding to boost local employment and education.

### **Tourism**

The Blue Mountains is one of the most highly visited tourist destinations in Australia, with over 3 million visitors per year increasing to 4.5 million in 2025. Domestic and international tourism is a major contributor to the Blue Mountains economy and employment with flow on economic benefits to Sydney and surrounding regions. It is the third largest sector in terms of output in the Blue



Mountains and is worth \$342M per annum. This equates to 7.8% of total economic output in the Blue Mountains compared with a NSW average of 3.2%<sup>1</sup>. The development of the tourism sector and capturing the employment and economic benefits locally in the Blue Mountains in the visitor economy is of critical importance.

Key tourism providers in the Blue Mountains report a growing number of visitors from key Asian markets (17% and 20% increase in Chinese and Korean visitors at Scenic World in the last year respectively). However, job growth in this sector is not growing in line with demand. This highlights the need to better harness and optimise this tourist spend across all Blue Mountains businesses. Diversification of the Blue Mountains' tourism products is required to meet the needs of different market sectors. Council has prepared a Destination Management Plan outlining priority initiatives to support this.

Notwithstanding, it needs to be noted that tourism is a significant cost to the Blue Mountains community – residents are effectively subsidising tourism infrastructure - and there are costs in managing amenity impacts with the rapid growth in visitor numbers that is projected to continue. The means of leveraging tourism expenditure to benefit the Blue Mountains, and to reinvest in Blue Mountains' tourism infrastructure and service delivery, needs to be considered at a wider level.

Economic strategies need to focus on complementing the visitor economy through developing a diverse economy locally and improving the local skills base, particularly in sectors that will serve the local population as well as tourism and recreation such as health and social assistance; retail and trade; food and accommodation; customer service; and education and training.

## **Education**

Access to employment opportunities and distribution of economic growth needs to be supported by a funding boost to local education. Education is the second largest employer of Blue Mountains residents, with 14.9% or 5,211 of residents employed in this sector. In terms of local jobs, education is the fourth most populous sector, with 1,998 education related jobs.

Given the topography of 27 villages in the Blue Mountains with most villages having a primary school, the Blue Mountains has more educational infrastructure than most local government areas. The recently established Torrens University, located in Leura, positions itself as Australia's global university for hospitality and related business. Further, the Blue Mountains is fast developing as a desirable destination for study and experiential (short course) tourism, evidenced by the recent establishment of the Blue Mountains Datong Chinese School in Leura.

However, the draft Plan focuses on WSA and Penrith for employment and education and consequently there is a lack of priorities and actions for the Blue Mountains that will affect local conditions. Wentworth Falls TAFE, Katoomba TAFE and the Torrens University Campus in Leura are important local education resources where local education and skills development to meet local needs could be enhanced. In addition there are also opportunities in relation to educational or experience-based tourism in the Blue Mountains tourism sector where a suite of tourist offerings

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<sup>1</sup> <http://economicprofile.com.au/bluemountains/tourism/output>, based on 2013/14 data.

from indigenous packages, walking/ garden tours and adventure tourism to pottery, painting and craft courses are being developed.

There is also a need to provide basic trades courses (currently at Wetherill Park) so that local apprentices can match study with on the job learning, and this is particularly important to address local youth unemployment.

## **Health**

Improving local health services is critical to support the Blue Mountains ageing population. Growth of employment in this sector requires an upgrade of the current Katoomba District Hospital and facilitation of health related businesses and services.

Retention of the District Hospital in Katoomba is important as well as the need to significantly upgrade and expand these health facilities (and allocate appropriate funding through the state infrastructure plan), in addition and complementary to any upgrade of Nepean Hospital.

## **Digital economy**

Improvement in digital connectivity is integral to the improvement in local education and business. Given its relative remoteness, transport and digital connectivity is important to support the Blue Mountains. Strategies are required to support local business and educations (such as digital precincts, smart hubs and managed work spaces).

The Blue Mountains has a large concentration of knowledge workers and creative industries. Growing the creative and learning industries, e-commerce and home-based employment is important to strengthening the local economy and community wellbeing. The continuing NBN rollout will be key to driving innovation and securing higher levels of collaboration.

Key to strengthening the Blue Mountains' economy and diversifying Blue Mountains employment opportunities should be the use of smart technologies, capitalising on the Blue Mountains early NBN rollout. The pursuit of innovation across business, health, tourism and professional industries will foster collaboration, greater retention of employees in the City and work to position the Blue Mountains as a smart hub, with exceptional access to Sydney and global markets.

To benefit from Sydney as a global city, the Blue Mountains needs:

- A Smart City Strategy.
- Co-working hubs - work with partners including universities to establish co-working/smart working hubs within key towns in the peri-urban areas of the region that promote working from home as well as working remotely. These will require high quality communications technology as well as business support.
- NBN rollout across the region as a priority.



## **Service provision**

At the request of Council, Katoomba is nominated as a Regional/District Centre in the draft Plan. While its size alone does not warrant district centre status, Katoomba is an important regional service centre (with government, health and community support services) that is only replicated in Penrith and partly in Lithgow. However, Katoomba is characterised only as a tourist destination and largely retail based centre in the draft Plan. Katoomba needs assistance to sustain the regional service role it performs for the upper and mid Mountains populations or as a significant employment centre.

## **Recommendations**

1. Support the Blue Mountains Destination Management Plan, including funding for the development of products that diversify Blue Mountain's tourism products
2. The West District Plan to :
  - Address the distribution of economic growth throughout the West District, including funding to boost local employment and education.
  - Commit to retaining the District Hospital in Katoomba, and allocate funding (through the state infrastructure plan) to significantly upgrade and expand these health facilities.
  - Acknowledge and support the role of local education resources, including Wentworth Falls TAFE, Katoomba TAFE and the Torrens University Campus in Leura.
  - Acknowledge Katoomba as regional service centre and significant employment centre.
3. Establish digital infrastructure to support the community and local employment.

## **Collaboration between levels of government**

Improved collaboration between local, State and Commonwealth governments is essential to realise the potential economic benefits of Sydney's global city status. The West District Plan and Western Sydney City Deal provide key opportunities to address this.

The funding of infrastructure is critical to support implementation of the District Plans. It is clear that there will be a funding gap (needed to address infrastructure backlog and growth) particularly for local infrastructure that will not be covered by the Western Sydney City Deal. However, the draft Plan is aspirational and there are few identified funding mechanisms; local government may be left to fund local infrastructure.

To address this, and ensure consistency of infrastructure provision across greater Sydney, funding sources need to be identified in the Plan. The Plan should also consider including development of alternate funding mechanisms and approaches such as:

- A visitor user pays system to provide funding to invest in visitor infrastructure (upgrade and new) to grow the regional visitor economy.
- Linking tourism infrastructure and servicing programs for local government to funds from federal and state government achieved through growth of the visitor economy.

Other opportunities for collaboration between levels of government to foster regional growth include:

- Establishing a regional property investment fund – investigation and sale/development of surplus government land and establishing approaches that allow for this land to be reused, including with a commercial return, with returns from this being available in a regional property investment fund for reinvestment by local government into the region.
- Development contributions (either state or local) for growth areas should include a regional contribution that is provided into a regional fund for upgrade and expansion of regional facilities across Western Sydney, including in established areas.

Improved collaboration must be supported by integrated process and systems. This requires digital transformation of shared systems, such as e-planning and customer service portals.

### ***Recommendation***

The West District Plan and Western Sydney City Deal to:

1. Specify funding sources for infrastructure updates;
2. Consider alternate funding mechanisms, such as visitor user pays schemes or a regional property investment fund; and
3. Develop integrated cross-government process and systems, supported by digital platforms.

### **Definition of “Region”**

The Council would like a consistent definition of what is a region. The Council is of the view that the Blue Mountains is not part of metropolitan Sydney. As a city within a world heritage listed national park, the Blue Mountains has associated constraints such as environmental protection and bushfire risk that places significant restrictions on development in a way that is inconsistent with being part of metropolitan Sydney.

However, the Australian Government’s recently established Building Better Regions (BBR) Fund, which supersedes the National Stronger Regions Fund program, resulted in a change to the funding eligibility requirements based on project location. This has meant that whereas previously, Council could apply for regional grants anywhere in the Blue Mountains, the Council can now only apply for grants for projects to the west of Medlow Bath including the Megalong Valley and the villages off the Bells Line of Road.

If the Blue Mountains is to benefit from Sydney as a global city and also ensure the Blue Mountains is protected from the impact of being Sydney’s playground as well as a national and international tourist destination, it is vital that the Blue Mountains has the same access to Australian and NSW Government grant schemes as other parts of regional NSW.



## **Recommendation**

The Blue Mountains has access to the same grant opportunities as other parts of regional NSW.