

**Submission  
No 34**

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

**Name:** Department of Infrastructure and Regional Development

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**Australian Government**

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**Department of Infrastructure and Regional Development**

Submission to the NSW Legislative Council Standing  
Committee on State Development Inquiry

*Regional development and a global Sydney*

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## 1. Introduction

The Department of Infrastructure and Regional Development (the Department) is pleased to provide this submission to the NSW Legislative Council Standing Committee on State Development for the inquiry into 'Regional development and a global Sydney'.

The Australian Government is committed to creating jobs, driving economic growth, and supporting vibrant and strong regional communities across Australia. Around eight million people live in regional Australia, representing a third of Australia's population. In this context, the Department is responsible for the design and implementation of the Australian Government's infrastructure, transport and regional development policies and programs. Its purpose is to:

- promote, plan, evaluate and invest in infrastructure and regional development;
- foster an efficient, sustainable, competitive, safe and secure transport system;
- strengthen the sustainability, capacity and diversity of regional economies and support local communities; and
- provide good governance in the Australian territories.

## 2. Regional development and capital cities

Australia's regions and cities need each other to prosper, both economically and socially. This interconnectedness, while important to both regions and cities, is difficult to map and measure. The Department recognises the complex interdependencies between regional and metropolitan NSW and the reality that well connected cities and regional communities can improve economic and social outcomes.

Taking account of these connections is vital to effective regional development. The Productivity Commission's initial report into *Transitioning Regional Economies* states that 'Governments can best support regional development through policies that are...aimed at investing in a region's assets and its connections to other regions and markets'<sup>1</sup>. Likewise, the OECD distinguishes between rural areas depending on their proximity to 'functional urban areas', acknowledging that the degree of physical distance and linkages are important factors in the development of regional areas<sup>2</sup>.

### 2.1 The Australian economy is an interconnected network

The Australian economy is an interconnected network, with all regions contributing to the national economy. This interdependent system represents the endless transactions of businesses, consumers and governments, each with a unique spatial pattern of activity. No region is self-contained: activities are carried out both within and across other regions, including internationally.

Supply chains, labour markets, freight flows, production processes and personal interactions are just part of the many interconnections and interdependencies that shape our economy. Trade between regions enables each to perform particular functions within the larger economy. This creates the ongoing need to facilitate the flow of goods and services across markets. This flow can occur in such areas as employment, education and training, knowledge and technology, investment, recreation and tourism, cultural activities and shopping and commerce.

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<sup>1</sup> Productivity Commission 2017 <http://www.pc.gov.au/inquiries/current/transitioning-regions/initial/transitioning-regions-initial.pdf>

<sup>2</sup> OECD *Rural Policy 3.0* <http://www.oecd.org/cfe/regional-policy/understanding-rural-economies.htm>

These interconnections and a focus on particular functions mean that regions are often interdependent. From the perspective of an individual or business, this means that both production and consumption needs (in the varied flow types discussed above) are met across regions. An example of this is the way in which regional activities (such as mines) involve buying services from cities, while people and businesses in cities buy goods and services from regional areas, such as agricultural products, manufactured goods and services while visiting.

A consequence of these increasing interdependencies is that regions can draw on their competitive advantages to make the most of the linkages. These advantages may relate to natural resources (such as mineral resources), labour resources (industry expertise) and capital resources (including existing infrastructure). Regions which are located in close proximity to capital cities like Sydney, and those with quality transport links, have a clear advantage in this respect.

Contributions to the Productivity Commission's report have 'emphasised the importance of connectivity (in terms of broadband, telecommunications, roads, rail, ports and airports) to economic opportunity in regional centres. Connectivity is a function of both location and physical infrastructure – the actual 'time to market' being the critical factor. For example, a location could be closer to a key market, but if transportation linkages are poor, they will be disadvantaged compared with a more connected regional centre<sup>3</sup>.'

The Australian Government's investment in regional development and infrastructure, as outlined in this submission, acknowledges the importance of these connections. Quality transport links allow regions to avoid replicating services; decentralisation can improve the resilience of local economies; and the Western Sydney Airport has the potential to change patterns of employment, business and trade in NSW.

## 2.2 Measuring connections

The impact of these complex interdependencies and connections between regions and cities are difficult to measure. The quality of the evidence base used by the inquiry to examine the relationship between regions, particularly Sydney and its surrounds, will therefore be key.

The Department considers that this evidence base should combine data related to both population movements, and inter-business relationships and trade. For example, the inquiry might like to consider residents moving between Sydney and other regions (e.g. students moving to Sydney for educational reasons, older people moving out of Sydney to retire elsewhere); commuting patterns to and from Sydney; visitors to Sydney and the purpose of those visits; Sydney residents accessing tourist destinations in NSW regional areas; and access to services across regional centres.

On the other hand, when looking at business and trade factors, the inquiry might look at local business demography for regions outside of Sydney; the reach of tradable and non-tradable businesses; the reach of multi-location businesses; transport networks; and perhaps most difficult, the trade in goods and services between regional centres and Sydney.

Such analysis will likely identify a number of data gaps, as well as the need for nationally comparable data sets such as those published by the Australian Bureau of Statistics. The Department also publishes data sets such as those compiled by BITRE, as well as the Yearbook as part of the Progress in Australian Regions series. The Department would be willing to provide assistance to the inquiry in this context.

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<sup>3</sup> Productivity Commission 2017 <http://www.pc.gov.au/inquiries/current/transitioning-regions/initial/transitioning-regions-initial.pdf> p95

## 2.3 Cities investment that benefits regions

The Australian Government acknowledges that strong cities benefit their surrounding regions and a number of current projects are aimed at improving cities in ways that will have broader regional benefits.

In 2016, the Government started a new chapter in working collaboratively across all levels of government through the development of City Deals. City Deals target both urban and regional cities, bringing together the three levels of government to deliver a coordinated, integrated package of initiatives, aimed at unlocking the economic and social potential of our cities, big and small. Townsville and Launceston have already signed up, and a Western Sydney City Deal is currently under development.

As announced in the 2017-18 Budget, the Australian Government is delivering the new Western Sydney airport, due to open in 2026. The Western Sydney Airport will deliver significant benefits to the Western Sydney economy by creating jobs, encouraging investment and being a source of business growth. The new airport will be a critical national infrastructure asset and is vital to securing Sydney's aviation capacity into the future. It will provide better access to air travel for two million people who will be closer to Western Sydney Airport than Kingsford Smith Airport.

With an expected benefit-cost ratio of over 1.8, the Western Sydney Airport will deliver real long-term benefits to the national economy. In the early 2030s, the airport is expected to generate \$77 million annually in value-add for Western Sydney, with a further \$145 million for the rest of Sydney. By 2063, this figure is expected to grow to \$1.5 billion of value-add in Western Sydney and \$4.6 billion of value-add in the rest of Sydney.

The Australian Government's commitment to build the Western Sydney Airport and to deliver other related projects integrates with key components of the NSW Government's *Plan for Growing Sydney*, including the Global Economic Corridor, the Western Sydney Employment Area, and the ongoing expansion and consolidation of Greater Parramatta as a Strategic Centre.

## 3. Australian Government support for infrastructure

The Australian Government is committed to delivering vital infrastructure and services in communities across regional Australia. Transport infrastructure in particular provides some of the greatest opportunities for regional areas. These infrastructure and service investments connect regions to the global economy and enable the safe and efficient movement of millions of tonnes of freight from farm gates and factories, to markets across Australia and overseas. Improvements to transport infrastructure enable people residing in regional areas to access larger labour markets and more employment opportunities. As well, it enables businesses to conduct their activities at a distance and across traditional regions. For these reasons the Australian Government is focusing its investment on infrastructure that improves national productivity, supports the nation's growing freight task and increases connectivity between regional centres to capital cities.

### 3.1 Infrastructure Investment

The Australian Government has committed over \$70 billion from 2013-14 to 2020-21 to transport infrastructure across Australia, using a combination of grant funding, loans and equity investments, to improve long-term productivity, increase and spread Australia's economic growth, and deliver higher incomes for Australians.

High-quality, safe and efficient transportation is key to regional Australia's connectivity and productivity. Transport infrastructure benefits regional communities in many ways. High-quality connections to urban areas provide safe and reliable routes for regional products to get to domestic markets, and to international markets in the case of our major cities. Transport infrastructure also improves the accessibility of our regional communities, cutting travel times and bringing them closer to economic hubs to build opportunities for further growth and development.

The Infrastructure Australia's Priority List<sup>4</sup> is the reference point for the most important infrastructure investments Australia needs over the next 15 years. It identifies a number of priority projects for NSW that are all underpinned by a robust business case that has been approved by Infrastructure Australia. High Priority and Priority Projects for NSW include:

- Western Sydney Airport – Sydney aviation capacity; and
- Inland Rail (Melbourne to Brisbane via inland NSW) – Freight connectivity between Melbourne and Brisbane.

Priority Initiatives in regional NSW include:

- Newell Highway upgrade – Melbourne to Brisbane connectivity;
- Pacific Highway (A1) upgrade – Coffs Harbour Bypass;
- New England Highway upgrade – Sydney to Brisbane connectivity; and
- Advanced Train Management System implementation on the Australian Rail Track Corporation network aimed at addressing freight rail capacity constraints.

The 2017-18 Budget includes a commitment by the Australian Government to investigate improvements to the rail connections between our cities and surrounding regional areas. \$20 million of funding in 2017-18 will support the development of up to three business cases for further consideration, with an Australian Government prospectus to be published mid-year. This provides greater access to services in the major cities but also the potential for expanded opportunities for housing outside the major cities.

### 3.2 Working alongside State and Territory governments

The Productivity Commission's *Transitioning Regional Economies* initial report states, 'strategies for successful adaptation and development...work best when they are identified and led by the local community, in partnership with all levels of government'<sup>5</sup>. The Australian Government agrees with the need for state and territory governments to deliver long term regional infrastructure plans, as recommended by Infrastructure Australia<sup>6</sup>, and supports a consultative approach to such planning.

For example, under its Infrastructure Investment Program, in 2017-18, the Australian Government will provide \$2.28 billion for projects in NSW, with a total of \$6.5 billion over the forward estimates to 2020-21. This includes funding under the Roads to Recovery Program, Black Spot Program,

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<sup>4</sup> Infrastructure Australia 2017 [http://infrastructureaustralia.gov.au/projects/files/IPL\\_170225.pdf](http://infrastructureaustralia.gov.au/projects/files/IPL_170225.pdf)

<sup>5</sup> Productivity Commission 2017 <http://www.pc.gov.au/inquiries/current/transitioning-regions/initial/transitioning-regions-initial.pdf> p2

<sup>6</sup> Transport and Infrastructure Council 2016 [http://transportinfrastructurecouncil.gov.au/publications/files/Australian\\_Government\\_Response\\_to\\_Australian\\_Infrastructure\\_Plan\\_November\\_2016.pdf](http://transportinfrastructurecouncil.gov.au/publications/files/Australian_Government_Response_to_Australian_Infrastructure_Plan_November_2016.pdf) p28

Bridges Renewal Program, Heavy Vehicle Safety and Productivity Program and untied local roads grants. Such programs are critical to the sustainability of Australia's extensive local road network and ensure better safety and access for local communities.

## 4. Australian Government support for regional development

The Department contributes to strengthening regional Australia through facilitating local partnerships with communities, between all levels of government and supporting effective governance of Australia's local governments and territories. It is critical that our communities have the support they need to build local leadership expertise and maximise opportunities that flow from their comparative advantages. Transport links and improvements are vital to ensuring regions are competitive and well connected; at the same time the Government continues to invest in regional development to ensure they are also places of commerce and community, as outlined below.

### 4.1 Regional Growth Fund

As part of the 2017-18 Budget, the Government announced a \$472.2 million Regional Growth Fund.

The Regional Growth Fund will include \$272.2 million to provide grants of \$10.0 million or more for major transformational projects which support long-term economic growth and create jobs in regions undergoing structural adjustment.

#### 4.1.1 Building Better Regions Fund

Also in the Regional Growth Fund is \$200 million to extend the Building Better Regions Fund (BBRF) for four years from 2017-18 to allow more regional communities across Australia to benefit from the fund. This brings the total Australian Government commitment to the BBRF to nearly \$500 million from 2017-18 to 2020-21.

The BBRF supports the Australian Government's commitment to create jobs, drive economic growth and build stronger regional communities into the future. The program will fund projects in regional Australia outside the major capital cities of Sydney, Melbourne, Brisbane, Perth, Adelaide, and Canberra.

The BBRF consists of two streams. The Infrastructure Projects Stream will support projects which involve the construction of new infrastructure, or the upgrade or extension of existing infrastructure that provide economic and social benefits to regional and remote areas. The Community Investments Stream will fund community building activities including but not limited to, new or expanded local events, strategic regional plans, and leadership and capability building activities. These projects will deliver economic and social benefits to regional and remote communities.

### 4.2 Regional Jobs and Investment Package

The Australian Government has committed \$220 million to the Regional Jobs and Investment Packages (RJIP) to help regions in Australia diversify their economies, stimulate long-term economic growth and deliver sustainable employment.

Ten pilot regions have been chosen to be a part of the RJIP, including the NSW North Coast and the NSW South Coast regions. These regions have much untapped potential which, if unlocked could lead to new sources of growth, economic diversity and the opportunity to pursue export markets. RJIP aims to support these regions to meet the opportunities that will help to secure their economic future.

### 4.3 Regional Development Australia

The \$18.3 million Regional Development Australia (RDA) Committee program supports the Australian Government commitment to strong, confident and vibrant regions. The RDA Committees will have an active and facilitative role in their communities with a clear focus on delivering local jobs, attracting investment and building economic growth in their regions.

There are 14 RDA Committees in NSW covering all areas of the State, including an RDA Committee for Sydney which covers the greater Sydney metropolitan area.

NSW RDA Committees work to drive regional economic development and unlock the economic potential of their regions. They are comprised of local leaders with broad and diverse skills and experience, as well as demonstrated networks within their region. Committee members are individuals who understand the challenges, opportunities and priorities within their local community. The network reflects the need for regional growth and development to be complemented by local leadership and knowledge, as argued in the Productivity Commission's *Transitioning Regional Economies* initial report.

### 4.4 Support for local government

The Australian Government has provided over \$48 billion under the Financial Assistance Grant programme to local governments since 1974-75. The grant is provided under the Local Government (Financial Assistance) Act 1995 (the Act).

The Financial Assistance Grant programme consists of two components:

- A general purpose component which is distributed between the states and territories according to population (i.e. on a per capita basis); and
- An identified local road component which is distributed between the states and territories according to fixed historical shares.

Local Government Grants Commissions in each state and the Northern Territory recommend the distribution of the funding under the Financial Assistance Grant programme to local governing bodies in accordance with the Act and the National Principles for allocating funding under this programme.

The Financial Assistance Grant programme helps councils deliver infrastructure, health, recreation, environmental and employment projects. This year, \$2.3 billion is going to local governments in untied grants to support their important work in our communities.

These support mechanisms reflect the need for all levels of government to work collaboratively and be properly resourced in order to contribute to the development of regional areas and their ability to connect to cities.

### 4.5 Decentralisation

The Australian Government is committed to growing local jobs and boosting economic diversification across regional Australia. The commitment to the structured decentralisation of Australian Government jobs from Canberra, Sydney and Melbourne will benefit regional Australia through the creation of local jobs and career paths, increased economic diversification and the stimulation of economic growth. This commitment builds on the decentralisation of Australian Government activities with core relevance to rural and regional Australia, such as the Rural Industries Research and Development Corporation's relocation to Wagga Wagga.



## 5. Concluding Remarks

In this submission, the Department has argued that regions and cities need each other to prosper, both economically and socially. The connections between and within regions and cities are complex and interdependent. The Australian Government's investments in infrastructure, particularly transport infrastructure including the recently announced Inland Rail project, acknowledge the importance of these connections for regional areas to prosper and take advantage of the benefits in their capital cities. For example, Western Sydney Airport has the potential to fundamentally change patterns of employment, business and trade including drawing surrounding regions into Sydney's economic sphere. At the same time, regional development programs like the BBRF are focused on ensuring that regions are not just well-connected but well supported and resourced themselves. For NSW regions, this means they are better placed to make the most of the opportunities presented by Sydney's growth as a global city.