

INQUIRY INTO ABILITY OF LOCAL GOVERNMENTS TO FUND INFRASTRUCTURE AND SERVICES

Organisation: Regional Cities New South Wales (RCNSW)

Date Received: 7 June 2024

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The Hon Emily Suvaal MLC
Chair of Standing Committee on State Development
Member of the Legislative Council
Parliament House
Macquarie Street
SYDNEY NSW 2001

Via: State.Development@parliament.nsw.gov.au

Dear Ms Suvaal,

RE: Regional Cities NSW - Inquiry into the ability of local governments to fund infrastructure and services

On behalf of the Regional Cities NSW (RCNSW) Membership, I thank you for the opportunity to provide a submission into the inquiry into the ability of local governments to fund infrastructure and services.

RCNSW is an alliance of 15 regional cities from across the State. The alliance aims to grow regional cities in New South Wales (NSW) through increased investment that will build productive, liveable, and connected regions.

Regional cities are thriving urban centres that provide a high level of economic activity, amenity, and affordability. These cities are strong regional hubs providing a central point to access essential transport, health, business, employment, education and other services.

RCNSW recognises the role that our individual members and also Local Government NSW have in relation to providing the sector wide and local content in relation to this inquiry. It is not the intention of RCNSW to replicate these viewpoints rather this submission will address two key principles that impact our membership:

1. **The funding environment:** including the current Rate Peg framework and variable nature of state and federal grant funding support which together have created day to day challenges in meeting the increasing costs of services and infrastructure required to run thriving regional cities; and
2. **The expanding delivery role:** for regional city local governments to be strong regional service hubs while simultaneously accommodating a growing population in a cost shifting environment.

It is our proposition that regional cities are fundamental to the success of New South Wales. We want to ensure our cities continue to be great places to live and work while easing the population squeeze being felt in Sydney.

On behalf of our members, we look forward to contributing to the inquiry into the ability of local governments to fund infrastructure and services.

Should you have any questions please contact myself or our Secretariat,

Yours Sincerely,

Councillor Mathew Dickerson
Chair of Regional Cities New South Wales
Mayor of Dubbo Regional Council



REGIONAL CITIES NSW

Submission

NSW Standing Committee on State Development

Inquiry into the Ability of Local Governments to Fund
Infrastructure and Services

Date 31 May 2024

Message from the Chair

Regional Cities NSW is pleased to make this submission to the NSW Standing Committee on State Development Inquiry into the ability of local governments to fund infrastructure and services.

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1. **The funding environment:** including the current Rate Peg framework and variable nature of State and Federal grant funding support which together have created day to day challenges in meeting the increasing costs of services and infrastructure required to run thriving regional cities; and
2. **The expanding delivery role:** for regional city local governments to be strong regional service hubs while simultaneously accommodating a growing population in a cost shifting environment.

Regional cities can be a key part of the State's productivity and liveability story. Our member cities are great places to live and work and are growing rapidly. On this basis our cities are undoubtedly a liveable and affordable alternative for people and businesses seeking to relocate from the congestion of Sydney.

However, more action now must be taken to address the imbalance created between the funding environment and the expanding delivery role for Local Governments in regional cities. If no action is taken large pockets of inequity will grow between Sydney and the rest of NSW.

Looking to the future, RCNSW believes the Inquiry is a great opportunity to create clear recommendations to Government that can provide a more equitable and efficient outcome for our communities, ensuring our member cities truly are the liveable alternative.

Councillor Mathew Dickerson
Chair of Regional Cities New South Wales
Mayor of Dubbo Regional Council



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Overview

About Regional Cities NSW

RCNSW is an alliance of 15 regional cities from across the State. The alliance aims to grow regional cities in New South Wales (NSW) through increased investment that will build productive, liveable and connected regions.

For the benefit of the Committee considerations, the growth patterns and potential for growing regional cities as regional hubs is outlined in this submission so that the current needs of regional communities are fully understood so that the regional city councils are able to adequately meet them.

Regional cities provide a central point to access essential infrastructure and services that are accessed by those in surrounding towns and rural areas, including regional airport facilities that are accessed for business, employment, health and emergency services.

It is the position of RCNSW that while our members should be strengthened as regional hubs, we also have the potential to play a critical and therefore greater role in the future prosperity of NSW.

The RCNSW membership consists of regional cities from around the State including:

Albury City Council,
Queanbeyan-Palerang Council,
Coffs Harbour City Council,
Griffith City Council,
Goulburn Mulwaree Council,
Maitland City Council,
Bathurst Regional Council,
Broken Hill City Council,

Wagga Wagga City Council,
Orange City Council,
Armidale Regional Council,
Dubbo Regional Council,
Lismore City Council,
Tweed Shire Council and
Tamworth Regional Council.

Our member cities aspire to grow and attract a larger share of the State's population and economic activity – providing relief to congested public and freight transport systems while also providing a liveable alternative to an overcrowded and unaffordable Sydney.

Regional Cities NSW – Our Agenda

To understand the ability of regional city local governments to adequately fund services and infrastructure it is important to understand our current agenda and the pressures our cities are currently under.

Population Growth

According to the Australian Bureau of Statistics over the period 2011-23 regional NSW's population grew by 253,400¹. This growth is the equivalent to creating a new regional city the size of Bathurst every two years. The most recent growth in our member cities is the direct result of the appetite for regional living that continues to see an exodus from the major capital cities.

In the 12 months to March 2023, the largest capital of NSW, Sydney was the main source of total net outflows from capitals into regions. The outflow from Sydney accounted for a majority in its own right (73 per cent of total net outflows). Of those leaving Sydney, 75% of these settled in regional NSW².

There can be no doubt that regional city living is on the agenda for many Australians. This was first initiated by the pandemic wave of late 2019 and then sustained by the ability to work from anywhere.

Regional city councils are facing pressures on many fronts that impact growth. These pressures are outlined below for the Committee's reference and evaluation of the current needs of regional cities and communities.

Population growth is currently underestimated

While it is clear that our cities are currently growing, it is the position of RCNSW that our member cities have been growing for some time. However, population forecasts developed by State and Federal Governments have a trend of underestimating the population of our member cities.

This is a policy that requires immediate action if these issues are to be addressed so our members can accurately plan for a vibrant future for their communities.

Housing Stress

This rapid growth has placed immense pressure on our housing sector, creating a perfect storm of market stress that is squeezing the availability of housing across our cities. This stress extends to all parts of the housing sector including public, social, rental and new homes.

¹ <https://www.abs.gov.au/statistics/people/population/regional-population/latest-release#regions>

² <https://www.regionalaustralia.org.au/Regional-Movers-Index?hkey=6eb5f956-9bf0-4f2d-8ce7-10cca8387a7c>

Skills Stress

Despite this growth our economies are also experiencing stress as job vacancies hit all-time highs. This means competition to access a skilled workforce is putting pressure on regional employers – including local government.

This experience has been confirmed by the Regional Australia Institute that found that there were 83,300 regional vacancies across the nation in June 2022 (23.3 per cent higher than a year earlier), regional NSW's share of this was just under 24,000 vacancies³.

Furthermore, it was reported that recruitment difficulty in regions remains high – data from the National Skills Commission shows that 67 per cent of regional employers reported difficulties recruiting in June 2022 – a share that is materially larger than in 2021, when an average of 57 per cent of regional employers were experiencing recruitment difficulty through the year⁴.

Local government cannot deliver on its responsibilities if it does not have the skills to do so – attracting the right workforce is also a local government issue to be addressed.

Connectivity Stress

Regional connections are also under stress creating risks (short and long term) to both the movement of goods and people - if the right levels of investment do not take place.

The recent challenges due to COVID-19 impacts (including population growth) and natural disasters have shown both our region's *reliance* on efficient road, rail and air connections and the *resilience* needed to be built into these systems.

As Australia pivots to a greater focus on the dual task of both growing our exports and building our at home manufacturing capability getting regional connectivity right will be key.

Our members are 'owners' of a large share of the road network and operators of regional airports. As the demands for betterment to address climate impacts on the road network in addition to managing the variable nature of regional aviation increase pressure on local government balance sheets, we know that solving these issues must be a priority to ensure our communities and economies can continue to thrive and to play our part in a successful NSW.

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<https://www.regionalaustralia.org.au/Web/Toolkits-Indexes/Regional-Jobs-Update/Updates/2022/Regional-Labour-Market-Update-June-Quarter-2022.aspx>

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<https://www.regionalaustralia.org.au/Web/Toolkits-Indexes/Regional-Jobs-Update/Updates/2022/Regional-Labour-Market-Update-June-Quarter-2022.aspx>

Key priorities

It is on this basis that Regional Cities NSW has five key policy priorities that have been identified to support our member cities to grow sustainably:

1. Address the **methodology for forecasting the growth** of NSW regional cities;
2. Increase the **availability of a diverse range of housing** to support our growing cities;
3. Increase the **availability of skills** in our member cities to support regional employers;
4. Invest in the **road and port freight connectivity** across regional NSW to support our industries to grow; and
5. Provide funding for **regional programs that will reinforce the liveability as well as Civic and Community** strength of our member cities.

To read our **full priorities** document please [click here](#)

Funding for Local Government

The Rate Peg: The Methodology

In 2022, RCNSW provided a submission to the NSW Independent Pricing and Regulatory Tribunal's Draft Report of its Review of the Rate Peg Methodology. The feedback sought from IPART are relevant to this inquiry.

RCNSW's submission highlighted that 100% of our members believed that the current framework around the rating system and other local government revenue sources had created an environment where councils are falling further behind in their capacity to provide and maintain services and infrastructure.

IPART highlighted this challenge **noting council costs have historically increased with population growth. Council expenditure however increases 0.85 percent for every one percent increase in population, while councils' general income increases by only approximately one quarter of a percentage point.** Reference [Page 7 and page 21 IPART report](#).

The most prominent outcome of these statistics was the deferment in construction and maintenance and ability to simply meet the need (general services) as population growth increased demand. The basis for these issues are summarised below:

- **No indexation:** The framework is not currently indexed meaning that revenue from rates does not allow councils to address the significant pressures brought about by record increases in inflation;
- **Population growth:** there must continue to be a clear relationship between population growth and council costs in any future reform of the rate peg, matched by a review of state population forecasts which continue to underestimate regional city populations;
- **Special Variations:** are a damaging, costly, protracted and blunt measure to address the infrastructure and service gap created by the rate peg and these issues should be addressed through a new methodology thus reducing the need for SRV applications
- **There are ongoing but variable costs that should be included in the rate peg:**
 - o **External costs:** for example, inflation or maintenance cost of infrastructure;
 - o **Council specific adjustments:** for example, climate change/disaster response and escalating depreciation;
 - o **Council costs that are not uniform:** for example, the Emergency Services Levy and pensioner rebates; and
 - o **Cost shifting:** for example, the cost of implementing new regulations imposed by state and federal government and contributions to the NSW rural fire service.

Our full response to the IPART review can be found [here](#).

Variability of Government Grants

Local Governments in regional cities are highly reliant on state and federal grants to support their operations, services, maintenance and city growth. Grants often reflect the priorities of State and Federal Government rather than what communities deem as priorities or more importantly fundamentally need.

Despite the importance, grants are however variable by nature, dependant on State and Federal decision making and often competitive leaving local governments at risk of further budget pressures or without means to upgrade facilities or invest in important services.

The impact of the variable nature has been provided in examples below.

Financial Assistance Grants

Despite being considered an imperative revenue source (estimated to be 20 percent of annual operating revenue for around one in four councils) and the only source of untied grant funding for Local Government, Financial Assistance Grants (FAGs) are in decline⁵.

According to the Australian Local Government Association's (ALGA) analysis, this core federal funding to local government has significantly declined since the mid-1980s. Local government was initially funded by the Commonwealth Government through a tax sharing arrangement⁶.

This ensured funding was aligned with the growth of the Australian economy. However, this arrangement was subsequently changed to only increase the grant by a population growth and consumer price indexation and has resulted in a significant reduction in the grants from 1% to just 0.53 percent of Commonwealth taxation revenue⁷. Despite this decline the expectation on Local Government to continue to fund services and infrastructure has not declined but increased.

Local Road and Community Infrastructure Funding

Community Infrastructure

Both the state and federal governments have had various competitive and non-competitive infrastructure funds to support development in regional NSW. While investment is always welcome, these funds are often announced and delivered in an adhoc nature meaning there is no certainty that growing regional cities can get access to funds when required.

As new governments have been installed at the state and federal level, reviews and restructures have delayed the announcement of these programs having a time lag on announcing successful applicants (and the associated funding) for promised programs.

Structural changes to eligibility and funding amounts to various programs have also caused challenges and the improbability that local needs can be met in a consistent manner once again leaving local government to bridge any funding gaps.

⁵ <https://alga.com.au/policy-centre/financial-sustainability/>

⁶ <https://alga.com.au/policy-centre/financial-sustainability/>

⁷ <https://alga.com.au/policy-centre/financial-sustainability/>

Funding allocated for these grants also do not reflect the current impacts of inflation, so while the grants are provided in recognition of budget constraints of local government – councils are left to carry the cost blow outs on projects meaning many projects will not see completion.

Roads

While there are important road programs that local government receive annually it is clear that funding for constrained local government budgets from a road perspective is a patchwork approach. Both State and Federal Governments have rolling and grant based funds that are in practice adjusted, changed or abolished to reflect the respective state or federal priorities. Increased funding is always welcome, but certainty must be key in addressing issues on our roads such as climate change and increased freight task and often population growth.

Grants to cover cost shifting to local Government

Cost shifting to local government from state and federal government is an ongoing but an unsustainable and debilitating challenge for local leaders.

When a cost shift occurs, it can in some instances be accompanied by a grant to cover in some capacity the cost to local government (for example - the emergency service levy) however in the forthcoming years the gap funding can be removed (also in the example of the emergency services levy) leaving councils to address the shortfall from areas of the budget allocated to key operations or maintenance.

There can be no doubt that the task is growing for local government, however the current structure of additional sources of support for local government needs to be addressed to ensure that there is consistency and reliability to meet local needs.

How are regional cities different?

Beyond the issues outlined in the methodology for the rate peg outlined above, regional cities are different from other 'forms' of local government, these differences are outlined below:

- **Wider service and infrastructure obligations:** regional cities provide a range of services and infrastructure that metropolitan do not supply;
- **Impacts of population growth:** regional cities are rapidly growing creating pressure to meet the services and housing needs to support this growth; and
- **Service hub role:** regional cities are service and infrastructure hubs for their region, servicing not only their communities but those in the smaller rural towns.

These roles increase the pressure on regional city local governments to address service and infrastructure **gaps left by market failure, inequitable and unreliable funding** arrangements and also **unaccounted population growth**. Regional city local leaders face ongoing budget decisions about what can be funded or not, as such the backlog continues to grow.

This has been confirmed by the Office of Local Government as outlined in the table below which shows that regional cities and towns have a significantly higher infrastructure backlog and much higher difference between required and actual asset maintenance.

Table 1: Office of Local Government ⁶⁸ - Infrastructure backlog for different local council categories

Infrastructure Backlog Results	Metropolitan	Regional town/City	Rural
Total cost to bring Infrastructure to satisfactory condition (backlog)	\$32 m	\$63m	\$11m
Backlog per capita	\$314	\$1,137	\$3,616

Examples of where the widening gaps are occurring are stepped out below.

Wider Service Obligations

As stated above regional cities have a wider obligation to provide services and infrastructure that metropolitan cities do not need to supply. If the service or infrastructure is underfunded or in part funded the pressure for regional city local governments to bridge this gap widens exacerbating budget challenges.

Example: Water

Water is provided to regional NSW's 1.8 million people by 93, predominantly council-owned, local water utilities (LWUs), which service a wide range of geographical areas and populations.

As data from the Office of Local Government shows, Metropolitan councils do not have any obligation to provide water on behalf of their ratepayers - regional cities however do have this obligation and it costs almost \$300 per capita, per annum.

While in principle there is a cost recovery component to this service, legislation provides that Council income generated through the provision of wastewater services can only be expended in the wastewater area and income generated from water services can only be expended in the water area.

While larger LWUs are eligible for the allocation of the Safe and Secure Water Program many still find it difficult to fund major capital works and the complex technical resources required for operation of a large LWU.

The allocation of Safe and Secure Water Program funding based on Council water and sewerage income levels means regional cities generally receive only twenty-five percent of the total cost of any infrastructure project, leaving Local Government to bridge the gap.

As noted by the NSW Productivity Commission's Alternative Funding Models for Local Water Utilities Issues Paper, the current approach to state government funding – focused on capital grants or meeting critical water needs during times of drought – means long term sustainability may not be being addressed. As our climate continues to rapidly change this is a high-risk scenario for regional communities that needs a long-term solution.

Example: Regional Roads

Local roads are considered the bread and butter of Local government however these assets take a toll on the bottom line of regional councils which is evident from the following statistics:

- Almost 85% of Australia's road networks are managed by local government;
- The up-front cost of building a road represents only about one-fifth of its lifetime cost;
- The cost per person to maintain sealed roads in regional and remote communities is five times higher compared to metropolitan areas; and
- The Local Government Association puts the cost for regional cities to maintain the local road network (including bridges) almost three times (\$298) per capita higher than that of a metropolitan council (\$106).

Importantly research has also found that heavy vehicles account for 94% of deep road wear and tear. As most regional cities are important freight hubs, often local roads form part of the freight network, meaning local governments in regional cities are facilitating the almost a third of NSW's Gross State Product (GSP) and 33 per cent of goods manufactured in NSW. This is something that metropolitan councils do not have to account for in their budget for road maintenance.

Facilitating growing connections

What is not bread and butter for councils, however, is a good example of how pressure is building on regional city local government's budgets facilitating access to national road networks.

These cities have a unique circumstance where there is an expectation to facilitate growing connections that do not apply for metropolitan councils.

An example of this is regional cities in NSW with a population of less than 100,000 often must fund on and off ramps to major freeways. This threshold does not consider border councils like Tweed, Queanbeyan and Albury that have external traffic flows from and to other NSW or other states.

A metropolitan council is not required to fund the ramps to the new M5 for new developments as part of their road contribution plans, whereas Tweed with a population of 700,000 and over 16,000 trip movements each day across the border has to plan for on ramps to the Pacific Motorway Freeway (M1) in Cobaki. A situation that again forces choices for councils between many and varied priorities to support growth.

Example: Emergency Services Levy Contributions

The current Emergency Services Levy (ESL) contribution model puts unreasonable pressure on regional city local government's due to the contribution outstripping the rate peg assessment.

The current model of funding for emergency services draws on multiple sources, provides no certainty or transparency and places an inequitable and growing burden on local councils.

At present:

- **73.7%:** from insurance companies, with the remainder coming from;
- **14.6%:** NSW State Government; and
- **11.7%:** Local governments with a one-year lag.

Councils fund the contribution from rates revenues, however the growing costs of emergency services in some areas has seen the quantum of the contribution grow by more than 50% in two years in some LGAs, while increases to Council rates are limited to the annual rate peg of around 2.5%.

An example of this is that between the following years 2018-2019 to 2020-2021 the contribution quantum increased as follows:

- Albury City Council: 38%,
- Queanbeyan-Palerang Council: 55%;
- Bathurst City Council: 50% and
- Wagga Wagga City Council: 79.5%.

The burden is also growing across the asset component of the emergency services which is seen as a cost shifting exercise impacting local government budgets, across these key areas:

- Emergency Services asset maintenance repair and renewal;
- Emergency Services asset depreciation; and

- Insurance premium levies.

RCNSW notes that the NSW State Government provided assistance grants to offset the Emergency Services levy increases in 2019-20 and 2020-21, however there was no such commitment for local government in the 2024-25 financial year.

RCNSW also notes that IPART's rate peg for 2024-25 takes into consideration an Emergency Services Levy (ESL) factor to reflect annual changes in each council's ESL contributions.

This may be a way to address operational efficiency issues with the councils' ESL contributions and the effectiveness or otherwise of this new methodology will only become clearer over time once it's implemented from the next financial year.

RCNSW's Full Position on this issue can be found [here](#).

Impacts of Population Growth

Example: Developer Contributions

Another potentially important source of council funding are infrastructure contributions that are provided by developers that can be contributed via money, land, works -in-kind or a combination of these. The genesis of this is for developers to share the costs of providing new infrastructure, including footpaths, cycleways, and roads.

Developer contributions are heavily regulated and their use is restricted. The contributions have been capped since August 2012 at \$20,000 per each brownfield dwelling and \$30,000 for a greenfield dwelling; without regard to Council's costs in providing related services and infrastructure.

Construction and land costs have increased significantly since August 2012. As an example, the average lot in one of our member city councils sold for approximately \$300,000 ten years ago with developer contributions at \$30,000 representing 10% of the land value. Today lots are sold for \$750,000 and contributions are still at \$30,000 (4%). This is an unsustainable figure and is leading to local governments being unable to sustainably develop their communities.

When you consider the rapid growth that is occurring across not only regional NSW but regional Australia (as outlined below) you can see that the issue of managing growth is now a daily challenge for regional city local governments:

According to the Regional Australia Institute December 2023 Report:

- Regional living retains its appeal, as more continue to head to the regions than into the city.
- Those moving from the cities to the regions now account for an 11.3 percent share of all relocations (up by 0.3% on the September 2023 quarter).
- Regional living continues to hold sway with 24.9% more people moving from the city to regions than back in the other direction.

In response to previous reviews on council funding issues, RCNSW has recommended that the government considers indexing the developer infrastructure contributions on an annual basis. RCNSW requests the Committee to give due consideration to this issue as part of this Inquiry.

Example: Regional Housing

Local Government understands that its primary role in meeting Australia's housing challenge is through planning and zoning processes and the provision of local infrastructure.

There is however a growing demand from local government to partner with the State and Federal Governments to deliver social and affordable housing options, but these partnerships cannot be delivered under the current rate pegging structure and also without financial support.

The regional housing environment has some key challenges that have been a call to action for local leaders as they seek to build thriving regional cities that can accommodate growth, respond to state and national policy agendas and not leave people behind:

- **A regional rental vacancy rate:** at 0.8% with regional rents increased by 20%
- **A growing element of derelict housing stock:** that is creating a demand for investment to accommodate more social housing (75% of regional cities report this quality of stock)
- **Growing investment – particularly in the renewables space:** is increasing competition for local housing (Orana Renewable Energy Zone where development of transmission infrastructure and renewables projects is projected to require 6,000 workers)
- **Inability to create shovel ready land:** local infrastructure costs are often a barrier to land release particularly in smaller local governments (in areas where private development isn't occurring) which often lack the financial capacity to invest in local housing infrastructure.

These issues are leading regional city local governments to partner with the State and Federal Governments to deliver more housing that meets the diverse needs of regional communities. These partnerships cannot be delivered under the current rate pegging structure and also without financial support.

These issues have been further articulated in work from [Regional Capitals Australia Housing Paper](#) and also in the [Regional Cities NSW Policy Priorities](#).

Regional Service Hubs

Example: Regional airports

Regional airports are some of the hardest working community assets, that are accessed by not only those in the LGA in which the airport is located but also by surrounding towns and rural communities. Surrounding communities however do not contribute to the operations or maintenance of the facilities.

Unlike airports in capital cities, more than 200 regional airports and aerodromes are owned and operated by local governments across regional Australia.

Regional airports kept essential workers and freight moving during COVID-19 lockdowns. These facilities also service fly-in-fly-out employment, support tourism and trade, provide access to emergency health and education and enable support during floods and bushfires in the regions.

Despite the key role that regional airports play in thriving regional cities, many of these airports are not

financially viable. They depend on cross subsidisation by their local governments that are already burdened by competing demands on their limited financial resources.

This means that regional city local government's play a role in addressing this market failure the key profile of this role is:

1. Forty per cent of Australia's 61 million annual domestic aviation passengers travel through regional airports;
2. Civil Aviation Safety Authority (CASA)'s regulatory imports are higher for regional and remote airports, comprising 12 per cent of total expenditure, compared to about 4 per cent for major airports and major regional airports;
3. Sixty per cent of regional airports operate at a loss. They depend upon cross-subsidisation by their local government owners who are already burdened by competing demands on their limited financial resources; and
4. Almost 40 per cent of regional airports expect persistent budget deficits over the next 10 years.

Regional cities recognise the importance of regional airports in increasing the connectivity of regional Australia where connectivity by public (and state funded) rail is not available. However, there is no recurrent funding to maintain regional airports.

The recent challenges due to COVID-19 impacts (including population growth) and natural disasters have shown both our region's reliance on efficient road, rail and air connections and the resilience needed to be built into these systems.

Our members know that solving these issues must be a priority to ensure our communities and economies can continue to thrive and to play our part in a successful NSW.

Our member cities are also part of a national alliance: Regional Capitals Australia have outlined this issue in more detail [here](#).

Example: Arts and Culture

According to the report, *A View from Middle Australia: Perceptions of arts, culture and creativity*⁹, 'middle' Australians see arts and culture as playing a significant role in building community, defining identity, stimulating creativity, improving mental health, and enriching children's education.

Access to these opportunities should be a rite of passage for Australians, with equal opportunity to access and experience our nation's rich culture and those of visiting nations.

Regional arts and cultural facilities in regional cities are owned and operated by Local Government but are often considered regional facilities accessed by the communities in the surrounding towns and rural villages.

Like those in metropolitan capitals these facilities also help shape the character of our communities and enable communities to express themselves and represent regional life without a metropolitan lens.

⁹ May 2020 report

<https://newapproach.org.au/insight-reports/a-view-from-middle-australia-perceptions-of-arts-culture-and-creativity/>

A Breakdown in Funding for Arts and Culture in Australia

According to the *Cultural Funding by Government - Australia - 2020-2021 Overview*¹⁰ undertaken by the [Office for the Arts, Department of Infrastructure, Transport, Regional Development and Communications](#), the estimated total expenditure funded by the three tiers of government was \$6,863.0m for cultural activities, comprising:

- \$2,709.5m (42% of total) from the Australian Government;
- \$2,297.1m (35%) from State and territory government; and
- \$1,482.2m (23%) from Local government.

Nationally the local government contribution was nearly \$1.5 billion - almost 23 per cent of government financial support.

Apart from direct funding, the Australian Government also aids the operations of these facilities through tax concessions to encourage the donations to public art galleries, museums, libraries and archives.

This is problematic for regional facilities, as an Infrastructure NSW report made clear a small majority (12) of Sydney based arts and culture organisations have had the ability to generate more than half of total private sector funding in New South Wales¹¹.

Operational Funding – Art Galleries – A Case Study

The same Infrastructure NSW report highlighted that Art Galleries were the most reliant (50% of their operating budget on average) on public funding. However not all funding is applied to art galleries equally. Recent reports have shown that two key arts institution (State and National) were the recipients of state and federal funding for operations and maintenance in the 23/34 FY:

- **The Art Gallery of NSW:** September 24 state budget where \$40.6 million for the gallery's running costs in the 2023-24 financial year¹²; and
- **The National Gallery of Australia:** was allocated \$76 million to bolster its operations and an extra \$42 million for maintenance from the Federal Government.¹³

By comparison the Federal Government's Regional Arts Fund for the same period allocated just over \$6million for programs nationally¹⁴ and has a 'national art loan' program and funding available for infrastructure investment.

The NSW Government currently provides program grant funding for regional arts organisations to tour to Sydney¹⁵ and also previously had funding available for infrastructure. There is currently no support for regional arts infrastructure for operations.

Neither level of government provides support for operations and maintenance for regional arts and culture facilities. This role is left to local government alone.

¹⁰ <https://www.arts.gov.au/cultural-data-online/government-cultural-funding-and-participation>

¹¹ https://www.infrastructure.nsw.gov.au/media/ozcjlw3qf/repucm_insw_arts_funding_final.pdf

¹² <https://www.smh.com.au/culture/art-and-design/art-gallery-of-nsw-faces-multimillion-dollar-government-funding-shortfall-20231031-p5egeq.html>

¹³ <https://www.smh.com.au/culture/art-and-design/art-gallery-of-nsw-faces-multimillion-dollar-government-funding-shortfall-20231031-p5egeq.html>

¹⁴ <https://www.arts.gov.au/funding-and-support/regional-arts-fund>

¹⁵ <https://www.nsw.gov.au/grants-and-funding/regional-arts-touring>

While it could be argued that state and national facilities are open and accessible to all Australians the 'cost' to access these facilities is not equitable. If you were to add the transport and accommodation costs into the ticket price to access these facilities it would be clear that the entry fee is out of the realm of affordability for a lot of people living in regional NSW.

To create an accessible opportunity to experience arts and culture – local government in regional cities must bridge the State, Federal and philanthropy gap for day-to-day operations and maintenance which is another burden on the already stretched and rate capped budget.

For More Information