

REPORT OF PROCEEDINGS BEFORE

**STANDING COMMITTEE
ON STATE DEVELOPMENT**

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

CORRECTED PROOF

At Sydney on Monday, 12 September 2011

The Committee met at 9.30 a.m.

PRESENT

The Hon. R. Colless (Chair)
The Hon. P. Green
The Hon. C. Lynn
The Hon. Dr P. Phelps
The Hon. M. Veitch
The Hon. S. Whan

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CHAIR: Welcome, everybody, to the first public hearing of the State Development Committee Inquiry into economic and social development in central western New South Wales.

The inquiry terms of reference require the Committee to inquire into and report on a range of factors influencing the economic and social development of central western New South Wales, including health, education and cultural facilities, population decline or growth in different areas and transport infrastructure. The Committee will also examine ways to encourage the development of local enterprises and ways for local governments to cooperate to achieve increased infrastructure funding and economic growth.

Today we will be hearing from representatives from a number of organisations, including the Department of Trade and Investment, Regional Infrastructure and Services, the Central NSW Councils (CENTROC) and the Local Government and Shires Association. In November, we will be travelling to Parkes in central western New South Wales, and also to Broken Hill, to hear from local people about what is needed to ensure the economic and social sustainability of our regional and rural communities.

I also take this opportunity to welcome you all to the Parliament's brand new, state of the art hearing room. This is the first time that this room has been used for a New South Wales parliamentary committee and I am very pleased that the State Development Committee is the first committee to hold a hearing here in the Macquarie Room. So welcome one and all to this brand new room.

Before we do commence today, I would just like to make some comments about certain aspects of the hearing.

There is an issue relating to adverse mention. These hearings are not intended to provide a forum for people to make adverse reflections about specific individuals. The protection afforded to committee witnesses under parliamentary privilege should not be abused during these hearings. I therefore request that witnesses avoid the mention of individuals unless it is essential to address the terms of reference.

I just remind you all that this hearing is being broadcast throughout the parliamentary system. Behind us, the big sign at the top there says "On Air" and indicates that the cameras are on and everything is being recorded. We have previously resolved to authorise the media to broadcast sound and video excerpts of these public proceedings. Copies of the guidelines governing the broadcast of the proceedings are available from the table by the door.

In accordance with those guidelines, a member of the Committee and witnesses may be filmed or recorded. However, people in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, the media must take responsibility for what they publish or what interpretation is placed on anything that is said before the Committee.

In addition to that, can I also indicate that there are students here from UTS today who will be recording some of our proceedings. Can I say welcome to those people. It is a pleasure to have you in the gallery and I hope you enjoy the day's proceedings as we go through.

Witnesses, members and their staff are advised that any messages that need to be delivered to the Committee members or the witnesses should be delivered through the attendants that are here and/or the Committee clerks. I also advise that, under Standing Orders of the Legislative Council, any documents presented to the Committee that have not yet been tabled in Parliament may not, except with the permission of the Committee, be disclosed or published by any member of such committee or by any other person.

Can you please turn your mobile phones off for the duration of the hearing, including those phones that are on silent, as they do interfere with Hansard's recording of the proceedings.

I would now like to welcome our first witnesses, Mr Michael Cullen and Mr Alok Ralhan from the Department of Trade and Investment, Regional Infrastructure and Services. Again, welcome,

and congratulations on being the first witnesses to appear before a parliamentary committee in this room.

If you have a look at your microphone there, it has a button that says "speak", if you would like to press those buttons and leave them on for the duration. The members will be turning them on and off as they are asking questions, but you are more than welcome to have yours remain on. I will say that these microphones are extremely sensitive, so if there is anything you want to discuss between yourselves that you do not want recorded, you must turn your microphone off, otherwise it will be recorded.

ALOK RALHAN, Director, Industry Strategy and Stakeholder Engagement, NSW Department of Trade and Investment, Regional Infrastructure and Services, affirmed and examined, and

MICHAEL CULLEN, Executive Director, Enterprise Small Business and Regional Development, NSW Department of Trade and Investment, Regional Infrastructure and Services, sworn and examined:

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr RALHAN: Yes.

CHAIR: Are you conversant with the Committee's terms of reference?

Mr CULLEN: Yes, I am.

CHAIR: If at any stage during the hearing there is evidence you wish to give or documents you would like to table that should only be heard or seen by the Committee, please indicate to us that matter and we will resolve that the Committee go in-camera to consider that matter. Can I ask you then, gentlemen, if you would like to start with a short opening statement?

Mr RALHAN: Thank you, Chair. As we just said, we are representing the Department of Trade and Investment, Regional Infrastructure and Services. The department is a super agency formed recently after the March election. A number of agencies have been brought together, namely that of industries dealing with agriculture, fisheries, mining, energy, water, regional business and development, small business, tourism, liquor and gaming and the arts.

As a super agency, we have a number of roles which span regulatory roles, which cover crown lands, liquor gaming, food safety, et cetera, and we also have economic development roles, dealing with state development, regional development, small business development and the like. The principal activities that we conduct are relating to building productive capacity in the State, related to investment infrastructure and supporting businesses to grow and contribute jobs to the community.

Very briefly, in relation to central western New South Wales, I think it would be good to just put it in context. The population of central western New South Wales is about 227,000 in the State. There is wide disparity. For example, the central west area is almost 185,000 out of the 227,000, which is more than 50 per cent. The north west area is about 120,000 people and the far west is 23,000 people. There are challenges related to the spatial distribution and concentration within the area and also comparative to the rest of the State.

These numbers indicate the challenges in central western New South Wales, even though at an overall level, for example, the unemployment rate in the area is very similar to the rest of the State. However, there are regions which have quite a lot of socio economic disadvantage in central western New South Wales. As you would expect, in the region the industrial structure is largely related to what can be done on the land, which is mining and agriculture. Because of substantial productivity gains in the last few decades, while the volume of mining is going down, although it is picking up in other areas, the overall employment levels in the sectors have declined and that is reflected in the way the demography of the entire region shows up. Over the last ten years, for example, the population of New South Wales has grown by about 10 per cent, while far western New South Wales is more or less static, it has grown by one and a half per cent, but within that there are very strong demographic trends and they relate to the fact that the working age population has in fact declined a little bit and there are substantial growths at either end, the younger people and the older people in the community.

It is interesting that if you look at the gross unemployment levels, it is comparable with the rest of the State, but, once again, in the smaller communities in far west New South Wales, the variations are quite substantial. There are areas with a very high unemployment rate and entrenched unemployment in those areas, while there are others in western New South Wales which are going quite well. There are a lot of issues in terms of what sort of action the Government can take either in terms of service delivery or in terms of ameliorating any of the impacts which arise from that.

Some of the key issues I would like to pass on to Michael.

Mr CULLEN: Thank you, Chair. I have responsibility for the Enterprise Small Business and Regional Development Unit. We have a range of programs and services across the State with the objective of facilitating business investment and employment. So it is that context that I am talking about issues in Western NSW.

Central west New South Wales, as defined for this Committee, presents some particular challenges. What we are seeing within that region is very much a two speed growth. You have areas like Orange and Bathurst which have good, steady growth. A lot of that is backed by mining operations like Cadia. So in fact we are dealing with some issues of how you manage that growth, as distinct from other locations, in remote locations where there is a lack of critical mass and actual geographic isolation. So you cannot look at the region as all being one thing. It is quite common to have two speed growth across the locations.

There are some demographic challenges. You have got an ageing population as Mr Ralhan mentioned, but also you have got strong pockets of socially disadvantaged areas with indigenous people disproportionately represented in those areas. There are some particular challenges arising from these circumstances.

Water security is a challenge. It is part of the Murray Darling basin, so it is wrapped up in all of those issues. But also, many of those locations have just recovered from the drought that has lasted for 10 years in many cases.

There is also a perception from businesses when we talk to them that the freight logistics does not work as well as it should, so moving your product from locations is a problem, and also in terms of skills shortages. I will just stop there and say that the skill shortage is many different things. For places like Orange and Bathurst the skill shortage is about some of those people with skills are heading over to Western Australia to take up opportunities there where they can see they have greater wages, but in other locations, say Brewarrina or Wilcannia, the shortage of skills issue is more about a perception that people do not physically want to go to those locations because of the publicity that they hear about. The skills shortage thing, again, is not just one problem.

We are probably at that stage Mr Chair, just to lay out some of the challenges that we deal with and we will answer any questions that we can that the Committee wishes to put to us.

CHAIR: The way that we are going to organise the questions is that I am actually going to ask a couple of short questions to start with the get things rolling. After that I will be granting 20 minutes to the Opposition, 10 minutes to Mr Green, representing the cross bench and 20 minutes to the Government members. Then we will go around again depending how the time pans out.

Two of our members of this Committee do need to go to a meeting at 10 o'clock. I will go first to Mr Green and then to the Government and by then you two should be back and we will be able to take it from there.

Just to get things under way, your comments Mr Cullen regarding the freight issues that are constraining those western areas, what sort of things need to be put in place to overcome that and is it only freight or is it other forms of transport as well, individual personal transport? What are the major issues you see there and what suggestions do you have?

Mr CULLEN: I think in terms of talking about it from a business perspective, it is very much about the broad challenge and I think the feedback that we get from business is that, for instance, you have a limit to where they can double stack trains from western New South Wales into Sydney, so that becomes an issue of then having to change from one type of transport of freight on roads to transport on train, and that costs money every time you have to move from one form of transport to another.

You have got issues like at Dubbo where the rail system is right down the middle of town and basically business would say to us that it just does not make sense for them in terms of being able to get transport efficiently moved in and out of the location.

What I was really expressing is this is the feedback we get from business, that essentially they tend to move material by road. The train lines that are available have some limitations. There are places like Blayney and Bathurst which are starting to develop as inter-modal type operations, but there really isn't that capacity in any concentrated way across western New South Wales that makes the freight logistics movements a sensible viable proposition for businesses.

CHAIR: Do you have any figures on the amount of freight that comes from say, Adelaide through Broken Hill into Sydney?

Mr CULLEN: I would not have Mr Chair. I think we can work with colleagues and provide them to you but they are not figures that I would have off the top of my head.

CHAIR: It would be a significant amount of freight that would come from there as well as the freight that comes from western New South Wales itself?

Mr CULLEN: I know when the Bemax Minerals Processing plant was being set up in Broken Hill, one of the challenges there was that Bemax's original thought process was that it was actually cheaper to go back through Adelaide than it was to come across to one of the coastal ports in New South Wales. Certainly that is the perception but I do not have the figures that I can back that up with right at the moment Mr Chair.

CHAIR: What about the capacity to get freight over the mountains, is that security constrained as well?

Mr CULLEN: Again I think it is a whole freight movement type issue. If you think about it in terms of where our freight goes at the moment, it basically runs not too badly north and south - although people would disagree that it is necessarily what you need to be really 100 per cent effective. But I think in terms of the western New South Wales challenge, I know the feedback that we get from firms is that the trip across the mountains with trucks is an issue in terms of the limited route that is available and the constraints around the Great Western Highway.

Certainly in terms of the rail movement that comes through there, again the feedback that we get is that it does not meet their time requirements, so what they will tend to do is put the goods on trucks, even though if there was a really good rail solution, that would be something that they would look at.

CHAIR: In relation to the budget this year that allocated \$53 million to Regional Industries and Industries Investment Fund, can you just tell the Committee what that fund is and what it hopes to achieve?

Mr CULLEN: There were a number of programs that were operated in the regional development space previously. They were funds like the Regional Business Development Scheme, Illawarra Advantage Fund, Hunter Advantage Fund, et cetera. What has happened is all of those programs have been consolidated into a single program. One of the rationales for that was business stakeholders were confused about what program started when it finished. So the whole idea is to have a single fund that can accommodate those various regions.

It includes basically the business investment attraction type funds. It also includes some of the programs that would have been about helping community economic development. So we ran a program called Enterprising Regions which has also been folded into these new arrangements. As I said, it is about providing a simple focus for businesses to come into one fund rather than be confused about which one of 11 funds that it has replaced that would have been relevant to their situation.

CHAIR: In the area we are talking about, what sort of industries have benefited from that at this point in time?

Mr CULLEN: There are a probably a couple of examples, but for instance, there is a company called Race Dental that established an operation at Woodstock, not very far from Cowra, and essentially that's a dental milling operation. The good thing about that project is that it has

brought production back to Australia from offshore. I don't know if many of you are familiar with this, but a lot of the different dentures et cetera that are made for Australian residents were being made in Asia. They are actually now being made in Cowra so it is a good example of something where the cost equation works better in a regional New South Wales location and we have assisted to bring that activity back to Australia. So that is one example.

Another example would be Macquarie Drilling, which was a company that is based in Broken Hill and essentially they provide services to the mining industry. So there are a range of those businesses. I suppose the point I would make though Mr Chair is a lot of those tend to go to locations where there is strong critical mass rather than necessarily to the smaller locations and I think that is a particular challenge for the region. Those are just a couple of examples and if the Committee would like, we can provide some more details of some more cases.

CHAIR: I think that would be a good idea; that is something we could really focus on, so I would appreciate that. I guess the outcomes have been very positive for those particular reasons. For example in Race Dental, how many people do they employ?

Mr CULLEN: They will ultimately get to a workforce - I won't be absolutely quoted on this - but in terms of my recollection of it was to reach about 120 employees; so not insignificant and the Macquarie Drilling operation was around 20, 25 employees. But again, I can confirm those figures for you but that is the sort of scale of what they were.

The other example I might give you is in terms of we have also dealt with Electrolux which maybe if you look back 10 years ago, their operation looked very much with a new owner that it might close down the operation in Orange. That operation has been maintained, I would have to say with less people but I think that is the tendency in terms of manufacturing where there is a focus on higher productivity with less people but it is a sustainable business, fingers crossed, going forward.

The Hon. PAUL GREEN: In relation to the regional relocation grants, the Government has done a one off payment of \$7,000 and I am wondering how this has affected you in terms of what has been the uptake for the level of interest in these grants for people relocating to central west New South Wales?

Mr CULLEN: The relocation grant is managed by the Office of State Revenue. It came into place on July 1. One of our roles is to work with local councils in terms of whether they wish to opt in or opt out of that scheme. What I would say to you is that there has not really been a council in western New South Wales who has thought about opting out; they are quite keen on the scheme. What there has been is quite a lot of interest, but in terms of conversion, I think we are probably fairly early in the project at this stage, but it is something that we would need to verify with the Office of State Revenue.

It came into force on July 1, so it has really been in place now for three months. We know there has been lots of interest. For instance, there was a recent Country Regional Living Expo that was held in Rosehill and the Office of State Revenue had a booth at that stand. There was quite a lengthy queue of people interested in the Relocation Grant.

The point we would make about the regional relocation grant though is it is a good tool once people have actually thought about whether they wish to move or not. Really what people need to get through first is where they wish to go to and also when they are looking at that, what they are looking for is not only potentially a job for themselves, but for their family they are looking for a whole series of other things, such as is there schooling available? Are there multiple employers that might take my skills?

I suppose the point of all of that is what we expect is that there will probably be a fairly lengthy lag time while that is being taken up because people need to go through that thought process and we know from dealing with the country regional living expo, sometimes people might actually be in that process of thinking about relocation for two or three years before they actually make the move.

The relocation grant has certainly been popular in terms of interest but I think the test will be in terms of its conversion.

The Hon. PAUL GREEN: Is it helpful?

Mr CULLEN: If people are looking at making a move to a location, I think in terms of anything that helps offset the costs of those moves; that will be helpful to the process. Is it sufficient on its own? Probably not sufficient on its own, it needs other things that need to work as well. Is there a job available? Can I purchase a home that makes sense to me? Can my family find a school that is suitable for my kids? If I am a business that is moving, are there suppliers locally, who can I work with? There are a whole string of other things in the equation but any assistance that offsets some of those big costs of actually moving to another location; certainly would be helpful in the equation.

The Hon. PAUL GREEN: The submission from the Aboriginal Land Council noted the relativity of untapped economic and social potential of Aboriginal communities and that the Aboriginal population of the regions is increasing. I notice that you mentioned the Aboriginal population is disproportionate in your terms. The question is: Are you aware of any Government strategies to utilise untapped potential in terms of these communities?

Mr CULLEN: It is probably not something I would put my hand up and say we are necessarily expert in. We tend to deal with Aboriginal owned businesses in terms of setting up. What I would say is that there is certainly work that is being done in that sphere, but I would also say that it is quite intensive work in terms of those opportunities being pursued. In other parts of the State I am aware of work being done to look at Aboriginal people as a pool for skill shortage areas. I know some of the mining companies, for instance, have got quite a strong ethic of looking to engage Aboriginal people in terms of taking up local job opportunities, and I think some of the mining operations in western New South Wales would be no different from that, but in terms of the actual strategies around that, in terms of employment, Aboriginal Affairs is probably the better place to give you the detail of how that is working.

The Hon. PAUL GREEN: That is fine. I know you have not got all the answers. One of the great initiatives throughout regional New South Wales has been the Evocities program. I have a few questions on that. I will set them out so you can get a grasp of them and then answer them.

What is the department's involvement with this program? What are the aims of the Evocities initiative? What have been the outcomes from the Evocities initiative? We will start with the first one: What is the department's involvement in this program? It could be a question for either of you. I do not know who is in charge of that area.

Mr CULLEN: Sure. In terms of the Evocities program, it is seven major centres. Three of those are in western New South Wales: Dubbo, Bathurst, Orange. The rest are not in the area covered by this inquiry. Our involvement is, number one, we work very closely with them to promote regional locations, but we have provided some funding to assist the back office operation. Our view on these sorts of activities is they are only as good as the back office, that is, if you get an inquiry, what you are doing to follow it up and convert it as an opportunity. So we have provided funding to that back-up system in terms of being able to follow up the inquiries.

The aims of the program are very much about attracting families and skilled people to those locations. This really highlights the different sorts of speeds in the economies of western New South Wales, what you have got is places like Dubbo, Orange and Bathurst not particularly wanting to promote themselves as being rural. They are actually looking to promote themselves as being cities, because one of the things they see for their locations with critical mass is they need to build on being a city, so people are seeing it as being a city to city move. The image that unfortunately is out there sometimes is that rural or regional New South Wales is drought and dead sheep and not enough water, which is an unfair perception, but through the Evocities program they are particularly looking to be quite sophisticated about the way they target people. For instance, I come onto the M5 every morning, and the first day when they had their banner up across the M5 that says, "Do you really need to sit in this traffic", while you are stuck there, is quite effective. It is a good way of promoting what they are doing. I have not got the precise numbers in terms of what are they are attracting.

The Hon. PAUL GREEN: Would we be able to get them?

Mr CULLEN: I think it is probably something that they would be happy to share anyway. I have seen some of the press articles where Dubbo said a number of families have been able to move to a location. They are attracting those individuals and part of our feedback from the program will be about what numbers went to those locations.

The one thing I would say though is that sometimes it is a number of different things that get a person to a location. Someone has seen an Evocities promotion, but has also gone to the country and regional living expo promotion or they might also have been involved in some other promotion. For instance, you asked me what our involvement would be. We are actually working with the Evocities in an event, a career expo, which is on later this month. We, Evocities and the Office of State Revenue are taking a booth jointly. A number of people are looking at a change in career, and what we are promoting is: While you are changing your career, what about changing the location in which you have that career? We are trying different things to tap into a target market of people with skills and expertise which are needed in those locations.

In terms of the feedback, it is something I will need to talk to Evocities about, but I think, again, they are keen to share their successes. Certainly, anecdotally they have had some reasonably good traction in getting people to locations already.

The Hon. PAUL GREEN: The final thing for me is: What are the central recommendations for encouraging economic and social development in central west New South Wales? Really, reduce the rock to gold and get rid of the dross, what would you guys do to stimulate the social economic situation if you had that total leave?

Mr CULLEN: That is a tough question.

The Hon. Dr PETER PHELPS: That is a very tough question to ask.

The Hon. PAUL GREEN: Let us say it is unfettered, it is your world.

Mr CULLEN: First of all, we need to recognise what the problem is and that it is actually broken down into not a single problem. In places like Orange and Dubbo and Bathurst you have got reasonably sustained growth. Managing that growth is actually your challenge, whereas in many of the locations in terms of the unincorporated areas, the smaller towns, et cetera, it is a completely different dimension of problem. I suppose the first thing is to break it down into bite size pieces and to recognise that there is not one solution that you can apply across it and it is not a solution that you can sort of wave a wand tomorrow and it is all fixed, because some of these issues are long-term problems that need long-term solutions.

Part of it is about looking at it differently and basically I think the work within whole of government about joining things up - for instance, we will see issues from a business end, but if you actually have people in the job, you can reduce social problems. So part of it is being able to share some of the wealth in that region across the location and probably think about how government interacts differently to come up with some solutions, because what we are doing at the moment is challenged in terms of how well it is working. I do not think that is the answer, but I think you have to distil down the problem and understand what the moving bits are and then apply some lateral solutions which are across government solutions, rather than single agencies.

The Hon. PAUL GREEN: I was after your lateral solutions.

The Hon. Dr PETER PHELPS: Have either of you or both of you looked at the Grattan Institute's 2011 report into regional development programs?

Mr CULLEN: I have seen the Grattan Institute's report and I have certainly seen the reaction to it out in the regions in terms of "Grattan says that spending money on regional development is a waste of time". Essentially that is what it says. The second thing is it said that universities do not really have an impact in places like Bathurst. I have seen people like the Western Research Institute's response to that and Charles Sturt University, where they would obviously very strongly disagree with it.

The Hon. Dr PETER PHELPS: Without wishing to verbal the Grattan Institute, they do say that perhaps there is a social argument for large scale government spending in rural and regional locations but that regional assistance does not promote economic growth in regions that do not already have a critical mass of population and industry and a well educated population.

Regional development programs that attempt to increase growth in lagging regions but do not have these necessary growth drivers are ultimately wasteful attempts to push economic water uphill.

Would you agree with that?

Mr CULLEN: No.

Mr RALHAN: No.

The Hon. Dr PETER PHELPS: Why not?

Mr CULLEN: Essentially, what you are saying is that you are looking at the State as just in areas where there is critical mass, you are only looking at the coast as being the place you develop. Clearly, if you are looking at developing resources and opportunities, it has to be a whole of State approach. It cannot just be that area where the critical mass exists, but I would also say what it does not look at is where there have been successes in terms of regional development, where places like Orange are showing steady growth because there is a commercial driver for it, but government has been working with those business investment principles to help that happen as well.

It is not saying government is the sole reason for it. What it is saying is that a responsive government is a critical thing in terms of the mood of development being able to be undertaken. I think in terms of the Grattan Institute work, it also said very much that regional universities were an important catalyst for economic growth as well. I think if you looked at places like Charles Sturt you would see that a lot of the work they did in terms of wine industry research, et cetera, has actually been quite important as providing a base for somewhere like Griffith, which was seen as a bulk wine area, to move to be higher niche, higher quality type wine.

Again, you cannot put your finger on this and say this is the result of a government or a university intervention, but it is all part of getting the climate right for that growth to happen, and universities and proactive government work is quite important.

The Hon. Dr PETER PHELPS: To take that argument, you could say that the University of Sydney's Department of Agriculture has done the same in Camden, why would that be any different to Charles Sturt University being located in Bathurst producing those results?

Mr CULLEN: I think one of the things that people also say is that if you have graduates that are in regional locations, a proportion of them tend to stay in that location, but also they might not stay there immediately but it is an area they may well come back to. I think it is important in terms of demonstrating that there is nothing quite like having lived in a location and understanding what it is to be an attractor going back to that location at a later stage in life as well.

One of the things when people are asking about relocation grants, et cetera, what we hear anecdotally is people go to a location because they either have family there, they have had an experience of that location, that might be a holiday, or they have actually gone to university in those locations. It is quite important in terms of a person's psyche about the location that you might move to.

The Hon. Dr PETER PHELPS: Let me take it a little bit further. Whilst cities such as Wagga Wagga, Albury, Orange and Bathurst have a potential for growth, I would argue that the potential for growth largely occurs because there is already agglomeration economics, that is big towns are more viable than small towns. So ultimately, in the next 50 years in the State, what you will eventually see is larger single individual cities in New South Wales, excluding the coast but looking inland away from the coast, in 50 years you will probably see residential development from here to the Tweed and down to Eden, because of the sea changers, but inland New South Wales will see a gradual death of small towns. The raw factors of agglomeration economics are pushing people towards larger towns. The old 20 mile towns, the old Cobb & Co. rest stops, are basically going to die, are they not, unless they can carve out a niche for themselves like Temora. Temora is an example of a town, if it

did not seek a niche for itself, its long-term viability would be under question. A number of smaller towns around New South Wales are ultimately going to die simply because the economics of the situation mean that it is more effective to be in larger towns, for an individual, for a business, for State entities.

Mr CULLEN: I think one of the things that obviously drives opportunity is critical mass, there is no denying that, but I think one of the important things to note is that not everybody wants to live in a large regional centre. There are satellite communities. If they can carve themselves a niche, they will be a location where people are choosing a different sort of lifestyle. It is quite important to have that mix of things as well. But I think in terms of where you are going to see more economic activity, it is going to be in the larger centres, that is what the trends say, but there certainly are opportunities for smaller towns and what we hope is—

The Hon. Dr PETER PHELPS: But they will have to find those things in and of themselves, otherwise they are effectively asking for an indefinite subsidy to keep their lifestyles going. What Temora did was they consciously sought out Lowy to create the aviation museum, which created a tourist boom, which is driving money into that economy. That is an example where they did not require government intervention, but sought out and said, "Our long-term future depends upon us diversifying. We have to do it in an economically responsible way". They have created a niche market. Tamworth created the music festival, again a situation where, rather than relying on government funding per se, local communities said, "We have to diversify. What are we good at? What do we need to do", and moving in that direction, rather than having a central view that "This community will survive because we have put a new rail line through it" or "a new road network through it". Isn't that what you are looking at?

Mr CULLEN: I think the important point about this is that there is a lot of work that we do with the Temoras and with the Tamworths. It is what we call community economic development. What it is is working with those people to find out what the niche opportunities are. There has to be local ownership; it is the only way it works in terms of being sustainable. There is a lot of effort that goes in to help those people build that case. They need to be able to tap into resources to be able to build the case, whether you are a very small community or whether you are a larger one in relative terms, like Temora.

I think concerns of, is it the Big Bang dollar from Government that helps those things, probably not, unless there is a really commercially strong reason for that to happen.

The Hon. Dr PETER PHELPS: But if there is a commercially strong reason for it to happen, then it should not require the Government dollar in the first place.

Mr CULLEN: I am not saying it does but sometimes the commercially strong reason to be in a location can actually find that there is a piece of infrastructure that is not there that needs to happen to allow the commercial opportunity to go ahead.

A lot of the process behind our programs is very much about working with what the commercial opportunity is and removing the impediment that stops that being able to happen, whether it be working with other Government agencies to solve the problem without dollars or whether there is a need for some sort of relatively minor assistance to move a roadblock out of the way. So that is the approach that we certainly take.

The Hon. Dr PETER PHELPS: You speak about removing impediments, but effectively what you are doing is, you are offering a Government funded subsidy for a business to develop, to grow, whatever, where in ordinary circumstances it would not and they would seek an alternate location where there would be the critical mass of infrastructure or people or resources where it could grow. Aren't you simply shuffling the cards rather than letting the cards fall where they may?

Mr CULLEN: I would not agree with that. I think basically if you are looking at international investment, essentially they go to the location where there is some support to allow that happen. It may well be that it is not commercially viable, that something in Africa might be viable or something in Iceland might be viable, so at the international level that is there, and equally at the state level, there are many locations around Australia where a business can go.

It is not about making ridiculous offers of assistance; that does not work. If something is purely motivated by incentive, then it is not sufficient. It is about removing some of the roadblocks out of the way to a location to make it competitive in terms of the alternative locations either internationally or domestically.

The Hon. Dr PETER PHELPS: Why is that the responsibility of Government to do that? Why wouldn't that be the responsibility of the individual companies if they consider a location is desirable but for this one aspect, why wouldn't they do it themselves?

Mr CULLEN: Because they have multiple places they can put investment, so it is about us attracting them to our location and making sure it works.

The Hon. Dr PETER PHELPS: You speak about attracting; basically you are paying for them the costs. I do not mean to say it in such blunt terms, but it is socialising the costs and privatising the profits.

Mr CULLEN: I disagree very strongly and it is maybe not for this Committee, but in terms of the assistance that is provided, it is modest. Assistance is primarily based on providing facilitation services and it is certainly not buying something that would not otherwise go to a location.

To give you an example, it may well be that we do not have a workforce in that location that allows us to grow our opportunities so we will not go there. If Government wants that opportunity to go to a location, they need to work out a strategy.

The Hon. Dr PETER PHELPS: Isn't that the problem, it is Government saying we really would like development there. Isn't that an imposition on the market?

Mr CULLEN: No it is not.

The Hon. Dr PETER PHELPS: How is it not an imposition on the market if Government says: We would really like to have a firm there. Location A is not economically viable, economic viability would only occur in B but because of political necessity, we really want something to go to A. How is that not a complete and utter corruption of the market?

Mr CULLEN: I do not really understand the logic there.

The Hon. Dr PETER PHELPS: You have got a firm and you have two locations to choose from, A which has roadblocks or difficulties, whatever you call it and B, which has no roadblocks and no difficulties. B is, on the face of it, on pure economic consideration the more attractive location, why is it the role of the Government to intervene in the market and make A as attractive or even more attractive than B by using taxpayers' funds to develop A?

Mr CULLEN: Sorry, I think that is flawed logic. I will give you an example. If a silica smelter operation is looking at a number of different places, including a regional New South Wales location and that, if it was able to be attractive, creates 400 jobs in a regional location and all the benefits that has and essentially we have advantages in an Australian context, but there are other international advantages. So really at all ends what you have got is governments minimising the disadvantage of their location so it is a level playing field in terms of decision.

It is not distorting the market. It is basically making sure that the platform is there to be able to attract that business. So if it is a skills issue, making sure the skilled workforce is there. That is what the outcome for the state is, we actually get those skilled jobs in the location we would not otherwise get them.

The Hon. Dr PETER PHELPS: But again, at what cost? What is the opportunity cost of spending the money to produce those jobs which that money could be used for alternatively? Is any analysis done on that?

Mr CULLEN: Of course there is, but in terms of this it is a question of realising that capital from business is mobile and what I will do is stop here and say to you, this is not all about attracting international investment, part of what we are trying to do is entrench existing businesses at those locations to employ more people at those locations. There is a need to be able to resolve issues where there might be a government agency issue that is impeding something that is happening.

That is the whole set of things that we do. It is not a dumb pay people money type approach, it is about how do we get that business there, what is the solution to it, what is the facilitation solution to it and if there is not, what does that cost? Then looking at the analysis of that cost and basically seeing what the costs and benefits are in relation to that. It is certainly a process which we look through that quite rigorously.

The other thing I would say, in many of these locations, we are dwelling on very much the large investment, but there are 650,000 small businesses in New South Wales and of those around 574,000 actually do not employ anybody except themselves.¹ There are a whole stream of services that is about information services to those people so that they can grow, because that is actually a really important base in terms of growth in regional locations and particularly in this region where it is probably more dominated by smaller activities because of the nature of the location.

The Hon. Dr PETER PHELPS: So it is governments trying to help businesses become better, is it?

Mr RALHAN: Two comments in relation to that I would like to make. One is with respect to the critical mass issue which came up earlier. Depending upon the activity, it is not a case of one critical mass of 100,000 people or 50,000 people, it depends on the activities. For example, if we are talking about catchment management, it is place-based and possibly the critical mass required is much lower and therefore there can be local activity in that sense.

The second issue of yours as to why we should help companies to establish in location A versus location B; the first question to reflect on is whether A and B are both in New South Wales or are in different jurisdictions; so that could be one reason to help them.

Secondly, I think first order impacts might lead us to think in terms of helping a company in this location or it might be in another location and while we are helping here are we privatising a certain amount of profit or socialising the cost of the project? But we also need to recognise the vast dependency on economic development. If A is there it will lead to other benefits to the local community. It will create economic activity which has flow on effects to the retail trade, the wholesale trade, the schools and so on and so forth.

I think these are not one off transactions. We have to recognise them in the order of time. There is a lot of path dependency. If we take some actions today it can have longer term impacts and we try and model that in the analysis but like most economic modelling, it is a fraught area and like Michael said, ultimately it is a modest amount of assistance which goes into these projects. What we are hoping to do is help the local community stakeholders along the way.

At the end of the day there is no alternative to the people owning economic development in the places that we work in.

The Hon. Dr PETER PHELPS: What is the quantum of money available for the regional development fund in New South Wales?

Mr CULLEN: We just mentioned in terms of the Regional Industry and Investment Fund, it is a \$53 million package this financial year, but that reflects many existing commitments. It reflects quite a number of different programs that have been brought together as well. \$53 million is the amount in the Budget.

¹ Mr Cullen further advised the Committee that 400,000 small businesses in NSW do not employ anybody except themselves, while 574,000 employ up to four employees (Correspondence to the Committee, 29 September 2011).

The Hon. Dr PETER PHELPS: Is that the total amount of that total fund which would go out or does that include the administrative arrangements within the department?

Mr CULLEN: No, the \$53 million is program funds and probably the other thing to add in is \$5 million that is available for small business programs that are state-wide as well. So that gives you a better total picture of it.

The Hon. CHARLIE LYNN: The aims of the fund, what does the fund attempt to achieve?

Mr CULLEN: There is probably about four different moving parts to it. One is about attracting investment to regional New South Wales, so that is the first thing. The second part of it is about what we call business development, existing business being helped to then reinvest as well, because the point to make there is that 80 per cent of new investment from our anecdotal research is actually from people who are already there or someone who is in the supply chain.

The third thing is in terms of building some industry development capacity. If there are emerging new opportunities, say for instance in the Broken Hill area, it might be work around being able to help the film industry develop there where there has been a strong hub of activity over many years. The fourth area in terms of that is also looking at where there might be a critical piece of business infrastructure that allows the business investment to be attracted.

To give you an example of that and make it a bit clearer, in the Bomen industrial estate, there was a piece of road funding that was needed to allow that area to attract a number of multiple business investments and that was a strong partnership with Wagga Council for instance.

The Hon. MICK VEITCH: My question relates to the importance of maintaining and supporting existing industries in the central west, as well as trying to grow or attract other industries. Earlier in your introductory comments Mr Cullen you spoke about Electrolux at Orange. What is the assistance that is provided to support existing industries that may be at risk such as Electrolux?

Mr CULLEN: There is probably a number of things at the time and maybe using the Electrolux one is a good example. In terms of their operation with a new owner, they were genuinely looking at whether or not they would maintain operations as they were. One of the things that they looked at was their workforce and whether the training for their workforce was of a sufficient calibre to allow them to improve productivity.

One big part of that package was working with our colleagues from the Department of Education and Training to actually have a workforce program that was developed with the company to put every single employee through to improve the level of their productivity. That was a really important part of it.

Ultimately, there was another part of the exercise that was not taken up, which was to look at a rail siding out at the Electrolux site, and I think for the reasons we talked about before, Chair, that they opted not to go with the rail movement of products. Although it is still probably at the back of their minds as a possibility. There was a lot of work done with the rail authorities at the time to be able to have that as an option going forward. That was important in terms of not just thinking about now but needs in the future. Then there was an amount of work that was done in terms of some of the capital investment, where there were some payroll tax concessions that allowed local management to convince their parent company, which was a brand new parent company that Government actually believed that the company was wanted in New South Wales. So it was those three tiers of things.

Generally, in terms of helping firms going through restructuring, you would be well aware of the meat processing industry, for example, which is a very high volume, low margin type industry, and part of it really is about working with firms to improve the quality of their workforce, to improve productivity, but to improve output, not only with the domestically based firms, but to also look at export opportunities as well. We have a range of people who are expert in the export field, they work closely with Austrade, looking for new markets, looking for ways that evaluate a product's opportunities in overseas markets, et cetera. It is not in the area of western New South Wales, but if I could include the example of at Young there was the closure of an abattoir, where part of our role was very much about working with the administrator to find a new owner to take it over and we assisted

that process.

The Hon. MICK VEITCH: Obviously there has been a whole of government approach to a situation like that. What is the trigger point for that whole of government response? How does that work? Where is it decided that this requires a whole of government response to retain an important employer in a rural community?

Mr CULLEN: I would have to say sometimes, Mr Veitch, that unfortunately the time that the response requires to be mobilised is when you hear a really frightening answer, which is where we are dropping 300 employees or 400 employees. In the case of Electrolux we were fortunate enough that the company was not closing up shop, but looking at rationalising operations and they came to talk to Government about what the options were in terms of retaining that facility and what they needed to do in investment terms and what they were looking for from Government was to be supportive of those efforts.

A lot of this is sometimes about Government action being seen to be supportive rather than dismissive of it, but in terms of trigger generally, I have to say one of the things I am really scared about is when someone from Government Relations from a major firm rings, because generally it is bad news. If it is an announcement where it is a sudden closure, like in the case of the Young abattoir, unfortunately, you hear about that when the announcement is made. If I could give you an example at Inverell where the pet food factory closed. That was basically a dialogue with the firm, saying to them, "You have been a long term employer in that area and we believe that you as a long term employer need to leave a legacy to that location", and in that case the company was actually prepared to leave the plant available for community use. Another firm has moved into the facility, not at the same sort of level, but they also left behind some funds which were matched by government to attract some other business to that location. So there are different approaches that can be taken.

The trigger point is often - if it is downsizing you will often hear from a firm at that process and there is a chance to have that dialogue. Unfortunately, in some cases the first that we hear is when the announcement is made, and at that point the mobilisation of government agencies is quite important, because it is about dealing with employer needs first and foremost, but longer term about what other business activity can you attract into that location by working with the various local stakeholders.

The Hon. MICK VEITCH: I have just another train of questions. Some of the submissions have raised the issue about airports and air services into the central west. Of course, it is always a difficult conundrum with the larger regional centres such as Bathurst and Orange, even Parkes, which have an air service, but other places such as Cowra has recently developed a master plan for an airport, trying to reinvigorate usage of their airport. The Government has had most of the control of the airports in the central west.

What is the State Government's role in assisting the councils in developing master plans for specific use of their airports, not just for passenger services, although that is obviously the most talked about one, but also for freight arrangements in aeroplanes?

Mr RALHAN: Like I said, the regional airports are generally the responsibility of the local councils. Where the State Government comes in is under the State Aviation Act, where we provide a concession for certain stakeholders. Operators can be given an exclusive concession up to a certain level of passenger movements, so they have certainty of business and therefore can try and invest in a route. It is only when the custom on a particular route goes beyond a certain level that it is opened to different operators. That is the principal area through which the Government tries to influence the viability of air services.

Ultimately, it is an economic decision by the airlines and what we have found over the last few years is that a lot of airlines have diverted the services towards the mining operations where they fly in and fly out at the expense of passenger movement services.

The Hon. MICK VEITCH: Rather than commercial air services, they now tend to be transferring their air stock or planes to more commercial arrangements for contract flights.

Mr RALHAN: Contract flights to take people and bring them back.

Mr CULLEN: One of the things to add to that though is that some of the councils think of their airports as not just being passenger movement airports but look at what other alternatives there are as well. For instance, in terms of Wagga Wagga airport, there is a precinct around that, so Rex have their flight training college for pilots in that location. Some of the others, at Scone for instance, what they know is that there is a whole collection of people around the horse industry, et cetera, which is a particular niche, and they have also looked at providing small hangars and allowing industrial lots around it. So there are some reasonably clever thoughts around that. Tamworth airport certainly has some aircraft maintenance type operations in the location as well. So there are a string of airports that are more than just the passenger movement type thing. It requires those councils to have some lateral thinking about what the asset is and we have certainly been working with those councils to look at what the options are. At Tamworth airport there is also a defence pilot training operation that sits there as well.

The Hon. Dr PETER PHELPS: And Temora went with tourism.

Mr CULLEN: And Temora went with tourism, yes. So there are opportunities around that to look at what your asset is and how you sweat that asset to give you a multiple income stream.

CHAIR: Can I ask you to expand on that issue of airports and give us a bit of an overview of a comparison between what happens in New South Wales and the Queensland situation where they actually do subsidise some of those lower passenger number areas?

Mr CULLEN: That is probably one for our transport colleagues. They would be able to add a little bit to that. It is better to have an expert person talking to that than us, but the observation I would make is that somewhere like Orange is actually looking at, with the amount of activity that is happening around Cadia and the ability for some of the human resources functions that are to be housed there, sort of looking at that asset differently and being quite lateral and creative about it, I think that is where the thought process can work best.

The Hon. STEVE WHAN: You commented earlier that the Office of State Revenue is dealing with the regional relocation grant. Have you had any indication so far of the geographic areas that people are looking at with that grant? Have you had any feedback along those lines?

Mr CULLEN: When we were talking about it before, what we noted was that at the country regional living expo there was a queue of people around there. I do not have the figures from the Office of State Revenue in terms of interest, but certainly I know that the Evocities people are being quite clever in terms of how they use a relocation grant as part of their publicity as well. So we know the Evocities are getting some reasonably good traction, but in terms of what the figures look like from the Office of State Revenue, it is probably something that we will need to get from them to be able to provide advice. Where there are some existing marketing type strategies like Evocities, they are certainly getting quite a bit of interest in those cities.

The Hon. STEVE WHAN: Can I ask then about freight. You talked a bit about freight rail and access to ports. What is the department's current thinking on the inland freight rail proposal, the north/south proposal and running through Parkes and various other inland centres and accessing ports in the north and south of New South Wales? Is there a current position on that within the department? My memory of this is that there was some concern from New South Wales ports that supporting inland rail might take business away from New South Wales. Do you have any comments on that?

Mr CULLEN: The only thing I might add is that I know in the State plan certainly making sure that the port of Sydney is able to capture some increased freight traffic is an important part of what is being looked at, but it is probably not something that we could provide a really sensible answer to.

The Hon. STEVE WHAN: What struck me is it not being particularly important to try and force the freight through a constrained corridor.

Mr CULLEN: The only thing I would say, and this is the thinking now in southern New

South Wales, is that from a company point of view having competition of freight running to Sydney and to Melbourne and them both being equally strong means there is competition in the market place and means that businesses can actually get a competitive price - it is not just take it or leave it at this price, there is actually some active competition. Certainly that is the feedback that we get from firms in southern New South Wales. They would quite like to see both of them developed. At the moment, the unfortunate part of it is that quite a lot of that traffic actually escapes through the Port of Melbourne rather than through Sydney. I think part of the equation is to build opportunities for freight to move the other way also so that we actually see some choice for those companies in those locations.

The Hon. STEVE WHAN: Is there a current position within the department on support or otherwise for the inland freight rail?

Mr CULLEN: I do not think there is a position on that yet.

The Hon. STEVE WHAN: It has not changed. My next question is on payroll tax incentives. Can you give us some feedback on what businesses are telling you on payroll tax incentives and what works for them? I know in the past there has been assistance for businesses which have expanded in regional areas. Where are we currently at with payroll tax incentives and what are businesses saying to you about it?

Mr CULLEN: The current program around payroll tax incentives is something called the Jobs Action Plan. The Jobs Action Plan is a \$400 million program over two years which essentially provides you \$4000 per year new payroll tax viable job. It is paid in two tranches of \$2000 over two years and \$40,000 of the \$100,000 payroll tax viable jobs targeted through this will be in regional New South Wales. That is basically the program that is in place.

That is a shelf product, if you like, for a business moving to a location, but when we are dealing with a project, it will be useful for them being to be able to count on that shelf product, but often the issues that a business faces in going to a location are more complex. There might be an infrastructure issue, there might be a training issue, and so often the Jobs Action Plan will need to be supplemented by other solutions to address the company's particular problem, and that really is what the Regional Industry Investment Fund is meant to do.

The Hon. STEVE WHAN: The department still has the flexibility to offer not just capital assistance on infrastructure and things but other forms of payroll tax holidays.

Mr CULLEN: I think first and foremost the Jobs Action Plan will be used first. That is administered by the Office of State Revenue, so if you like, that is the shelf product, but in terms of Regional Industry Investment Fund, if I could say two things - one is there are some firms that are growing that may not reach payroll tax threshold, so they will not be able to be accommodated but there are other larger projects that might involve a considerable capital build, which might mean the project does not significantly employ people until three or four years' time.

Under the Regional Industry Investment Fund there is certainly the capability to look at other forms of assistance to meet those sorts of companies' needs to but the jobs action plan is basically the shelf product that is available first and foremost.

CHAIR: What engagement does the department have in NBN rollout around the state in terms of its importance as an infrastructure base for business and does the NBN co-ordinator come under the department or is that located somewhere else?

Mr RALHAN: The NBN co-ordinator is in the Department of Finance and Services and that department is dealing with NBN in terms of assistance so that the State Government can assist faster rollout.

Mr CULLEN: Maybe to add to that, a number of the Regional Development Australia committees have taken a strong role in terms of helping facilitate the NBN, construction task in particular locations.

In terms of fast broadband more generally, I suppose the view would be that the availability of fast broadband is important but what you also need is businesses to actually have the skills to be able to utilise that. There are a number of workshops, if you have a look at say Small Business September, there is quite a lot of work there about how do you build your website? How do you market through the web? How do you use the speed that will be becoming available? We have run some particular fast broadband networks in parts of the state like Armidale, et cetera so that it is not just about the construction, it is also about businesses having the capability to use the tool when it is there.

The Hon. STEVE WHAN: Is it something businesses are talking to you about when they are talking about where they want to relocate though?

Mr CULLEN: We have had some issues where businesses have said if we do not have the right broadband speed then we cannot operate. I have actually had a firm in New England where we needed to work out a solution with one of the telecommunications providers, they had a head office that was in Queensland and what they needed was their financial reporting to be done in real time. Essentially if they did not get the speed it would have actually put their operations at threat. So we have had that sort of thing.

But also in terms of being a location that even gets on the radar, if you are in the film and creative industry, you need to be able to tap into speed. Equally, I think this is a paper reference, it was a training company that was based in Armidale that said the difference between having fast broadband speed and what it had previously was that its customers could load down its flash and video materials in five minutes compared to an hour and that is a game changer for them. That is really an important aspect of not only a company saying we might not go to a location, but with existing firms being able to improve their competitiveness.

The Hon. STEVE WHAN: Does tourism sit in your area?

Mr RALHAN: Destination New South Wales is an independent body reporting to the Minister Souris but the Ministry for Tourism provides a policy which sits within the department.

The Hon. STEVE WHAN: I am just wondering if you have got anything you can update us on, I know there were some quite substantial changes to the regional tourism groups in the central west and western New South Wales. Where is that all currently at?

Mr RALHAN: Western New South Wales treats the division of New South Wales slightly differently to what ABS does. Briefly they define the inner band in western New South Wales, which would be around Bathurst, Orange, Dubbo and Parkes as central New South Wales, while the rest of it would be outback New South Wales, which is based on basically the tourism visitation patterns in these areas.

For example, outback New South Wales is fairly remote communities, including Lightning Ridge and White Cliffs. This is done essentially from the perspective of being able to drive visitation or to help promote the various areas for visitors.

The Hon. STEVE WHAN: There was a regional tourism body though that covered that whole area?

Mr RALHAN: I think there are two of them.

The Hon. STEVE WHAN: I thought there was a merger they were trying to do. Anyway, I will do more homework on that.

CHAIR: I might just ask a question about the levels of which you keep track of what is happening in other jurisdictions in Australia and in particular, a sub-committee of this Committee went up to visit the remote area of the Planning and Development Board based in Longreach, which takes in many of those western shires in Queensland. Are you aware of the work that they are doing and to what level do you keep track of what is happening in other jurisdictions?

Mr CULLEN: Mr Chair, we tend to sort of deal with our central agency equivalents and ministerial councils where those sorts of ideas are put together. I am not entirely sure if the work that you are talking about in terms of Longreach et cetera, because I have to say the issues we are dealing with are probably more the common small business issues or the common general regional development issues than necessarily the specifics that are happening.

But it is certainly something that we are interested in trying to keep on top of. On this particular one I am not aware of the detail. But it tends to be through state forum style arrangements which at the moment, with some changes in Government, probably have not been as frequent as they have over recent years.

CHAIR: The other brief question that I will ask is in relation to your comments regarding enterprise facilitation and so on. Are you aware of the work of the Cobar enterprise facilitation committee and do you see that as a good concept to go forward with development in small country towns?

Mr CULLEN: I think there are all sorts of models that are out there. That is the Sirolli Institute one?

CHAIR: Yes.

Mr CULLEN: There are lots of different things like that. We call that business development, others call it economic gardening, but essentially it is around that concept that most of your business growth is going to be by helping existing activities grow and it is pretty hard to disagree with. In smaller towns that is the platform on which to build and it is a sensible approach to look at how you can improve each business. I think the good thing about the Cobar one is the ingredient we talked about, the local ownership is really important but there is often a need for some of that facilitation expertise.

I suppose the one caution I would say is that with some of those types of things, what happens is you have an expert come in, get everyone motivated and then they walk off and leave it. What you need is basically something behind that can continue to help those businesses. It has got to be self generating. That is why the network that we fund through our business advisory service, which is the business enterprise centres primarily, they are locally owned, they get funding from other sources rather than just Government but our funding allows them to have a good sustainable base to provide an ongoing service. That is, if you like, a service that continues to be available consistently and that is quite important rather than, what the temptation is sometimes to bring someone in, motivate people, then walk off and sometimes they have almost done more damage than good. You need to follow through.

The Hon. PAUL GREEN: Earlier Mr Cullen you mentioned about the two speed growth situation out there in regional New South Wales and not one size fits all. Then you went on to talk about skills shortages. I guess in that two speed economy it would be the same sort of issue but different skills shortages. First of all, what are the skills shortages that you see in that situation for both those two speed economies and secondly, what are you doing to address some of these issues?

Mr CULLEN: I think as I mentioned previously, skills shortages tends to get used as a term to cover a whole set of different things. In terms of places like Orange and Bathurst, the skills shortages are in engineering, are in mining related type activities, are in things like actually finding truck drivers. In terms of freight movements and logistics there is a whole string of things which impact the situation.

That is mainly because the actual workforce need in those locations has grown significantly and some of the skilled people who were there have gone to places like Western Australia because there was a boom and there was basically a sense of being able to get higher wages than you could if you were doing that work for the farming community, which would have been the case five or six years ago, you could probably get double your salary in Western Australia because of the shortage of skilled people over there.

That is one aspect of it. The second aspect is where there are some locations as I mentioned previously that unfortunately public perception is that you would not want to go to those locations and it might even be that in places like Brewarrina and Wilcannia where even filling Government positions is somewhat of a challenge. Part of it is unfortunately because of the public perception of those locations, which is not always fair.

Thirdly, what you have is where there are particular emerging industry opportunities where the skills do not probably exist in the way they need to at the moment. In western New South Wales that might be in terms of Broken Hill, with basically the creative industry around film et cetera, there are some new sorts of skills in that area that might be needed. It is a different set of things.

How do we address that, which I think was the second part of your question; so in terms of the perception issue we support things like Evocities, as mentioned before in terms of the back office arrangement. We also support the Regional and Rural Living Expo, basically what was Country Week previously and what we do is we basically sponsor that as an opportunity.

One of the other important ways to meet some skills needs is through the regional skill migration scheme, so many of the Regional Development Australia committees, original certifying bodies for that scheme, so if there is a particular need for a skill that cannot be located locally, the migration schemes can be used to draw some of those people in.

Then I suppose the other thing that they will say is the skills shortage thing can sometimes too be around a way a company thinks about its workforce. Part of our work is working with those companies to actually bring in some external expertise to help them think about how they use their skills at the moment. For example, there was a company that was in western New South Wales that we went through an exercise with them where they were part of the lean manufacturing group and what they did as part of that process was put their skilled people onto where they were needed and used less skilled people in actual activities that did not actually require the skill. They were not thinking about how they would use the skilled people they had and allowed some of the less skilled people to be applied to those. There are many instances of how that situation arises.

The Hon. CHARLIE LYNN: Are there any union issues, demarcation issues in regard to shifting people around to jobs they are better suited for?

Mr CULLEN: I am not particularly aware of those issues being brought to our attention; they may exist but they are not something that is certainly brought to our attention. In terms of these firms, it was really about them thinking about the workforce they had and how to use the skills they had. There may be some of those sorts of issues but not brought to our attention if there are.

The Hon. CHARLIE LYNN: So they have pretty much good flexibility in that regard?

Mr CULLEN: It comes down to, like a lot of these things, if you have got an employer who thinks about its staff in a holistic way and basically you are less likely to lose staff if you look after your staff. I think there seems to be the flexibility because it has been negotiated with the staff to think about how the task is undertaken. Certainly the people that have come in from other countries to fill positions, again we have not heard of any issues around that being brought to our attention.

The Hon. Dr PETER PHELPS: In those areas where there is low growth high unemployment, is there an argument perhaps to be made for a bit more flexible wages structure allowed for those areas to promote business development there or is it simply a case of these areas have such a toxic name that no incentive is going to drive businesses out there?

Mr CULLEN: It is probably not something I can sensibly comment on. For instance, there is a group called the Barwon Darling Alliance, that existed out in western New South Wales and their view was that if there was some sort of enterprise which allowed there to be some differentiation in terms of wages or taxation or whatever, so that was a proposal put forward by that group. But essentially that weighed very firmly into commonwealth issues in terms of what the taxation arrangements were.

The Hon. Dr PETER PHELPS: What was that group?

Mr CULLEN: Barwon Darling Alliance. I am not sure if they still exist but basically that was a very strong part of their push, was to look at some sort of enterprise zone for those areas because they were disadvantaged, which is the sort of concept you are talking about.

CHAIR: You did take issues on notice, so the staff will be in contact with you regarding those specific details, if you could respond and have your answers back to us within 21 days; that would be very much appreciated.

(The witnesses withdrew)

(Short adjournment)

CHAIR: Welcome, gentlemen. To turn your microphones on, press the red button and you can leave it on for the duration. The members will turn theirs on and off as they talk.

Can I just also let you know that this hearing is being recorded by sound and video and it is being transmitted through the building. This is the first day of hearings that we have had in this new room. The previous session was the first session, but you people are here on the second. It is a first for the New South Wales Parliament. It is the highest tech room we have in the Parliament. The microphones are very sensitive, so just be a little careful.

ALLAN SMITH, Vice-President, Local Government Association, and Councillor, Dubbo City Council and

ADAM MARSHALL, Vice-President, Local Government and Shires Association, and Mayor, Gunnedah Shire Council sworn and examined:

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr SMITH: I am.

Mr MARSHALL: Yes, I am.

CHAIR: Can I just, before starting, let you know that if at any stage you wish to give evidence or table documents that you wish only to be heard or seen by the Committee, can you please indicate that fact and we will organise to go in-camera for you to give that evidence. I will ask you perhaps to make a short opening statement and we will get under way.

Mr SMITH: Thank you, Mr Chairman. First of all, can I thank the Committee for giving us this time to give our evidence and allow our submission to be placed on the record before this hearing.

The Local Government and Shires Association does place a lot of emphasis in relation to the socio-economic growth of its membership base, its local councils, and we do appreciate the efforts that are put into that, I can assure you, Mr Chairman. Could I say that we are a little concerned how broad the inquiry is, when it is named central west, and when you look at the names which are attached or classed as central west, from Lithgow to Broken Hill, from Young way up to the north, people within most of those regions would not class themselves as central west.

CHAIR: Before you go on, could I just explain that, because it was a point of discussion that the Committee had at some length I have got to say. What we were looking at was rather than central west per se, we were looking at the central western areas of New South Wales, in other words the western areas but in the central part of the State. That was the reason for it, but I understand your concern.

Mr SMITH: People out there would prefer to see it is as central and western, rather than central west. That created an issue I thought that needed to be put forward as part of our statement.

The associations have had a good look at the terms of reference and have put forward a fairly comprehensive submission. Our submission would have to be fairly broad because there is a large number of communities within that fairly large area base that have quite a diverse range of issues in relation to their economic development. We will touch on some of those as we go through and perhaps there will be questions that come forward to bring that out.

We also understand that there was a previous inquiry some time ago in 2008. That was the most recent one, which was the New South Wales Government's Rural and Regional Task Force Report that came forward in 2008. We think that was one of the most comprehensive reports in recent times. The association largely concurs with the findings of that report. I think there were 22 recommendations that came forward from that. We are supportive of that.

When it comes to the individual issues though, health is one of those larger issues. Local government in itself has been committed to health for its communities for quite some time. We see part of the problem as cost shifts that have taken place over a period of time. If you take the Orana ROC, there was a survey done there about 18 months or two years ago, and of the councils that are in that ROC about \$25 million worth of capital has been sucked up by the councils for health issues with a recurrent cost of somewhere between \$2 to \$3 million a year, which is really not the role of local government. That has to be done to maintain the socio-economic benefit that is required.

Of course, we will touch on the issues of centralising health as well into hubs like Orange. Some say Dubbo as well, but Dubbo has a lot of investment to go yet before it can be a health hub. Hopefully the State Government will continue that. At the same time there are issues of centralising

those hubs and the loss of some of the basic services from some of the smaller hospitals which are much further afield, which then can cause populations shrinkage when those services are not available in those communities.

Our written submission touches on aged care services. It also touches on education, funding for rural schools and, of course, commitment to even the smaller things, such as cultural facilities and cultural events within communities to make those communities places of, for want of a better word, livable communities. It is not just about being there. You have to have some form of lifestyle as well to remain in these communities.

Our submission also touches on the adequacy of transport and road infrastructure, which is very important. Some people think that transport and rail are the one thing, but it is very clear that rail in regional New South Wales has an important role to play in the future and air transport has a very important role, not only delivering people who want to travel in and out for their daily business to Sydney, but to bring those very important services, medical services, engineers, all sorts of those professional people out to the regions as well. Without those appropriate air services that cannot be fulfilled.

We do touch on the ways that we can encourage development within private enterprise. That was in our submission. One thing that does come forward was the New South Wales Building the Country Fund that came from the Rural and Regional Task Force report. There was money coming forward but it is also good to assist those smaller communities stay viable. Our submission does touch on that.

We also touch on comprehensive level of business activity located within the regions. The association has advocated the relocation of New South Wales Government agencies and staff to regional New South Wales. The relocation of Government activities is a legitimate tool for promoting economic development and decentralisation. It has been done by previous governments in different forms and of different quality of relocation. We see that as a legitimate way of having improvement in that diverse area you are talking about.

I will hand it then over to Adam.

Mr MARSHALL: Thank you, Councillor. Thank you, Mr Chairman and members. Councillor Smith has done a very good job of outlining the Local Government and Shires Association's submission. I will not go through it, except to highlight three areas which I think are of significance.

Firstly, as Councillor Smith said, the Rural and Regional Task Force in 2008 did a very comprehensive report on the issues facing rural and regional New South Wales and possible solutions to that. They did make 22 recommendations, as Councillor Smith said. If Committee members have not already, I would encourage you to have a good look at that, because there are some very good recommendations and thoughts in there about how best to tackle some of the issues, some of which have been taken up by the previous Government, and of course the new Government. We would encourage the Committee to give that report new life, because it was not, in the association's view, a political report. It was very much based on these are the issues and here are some thoughts on how to address those, many of which are seeking to be addressed in the terms of reference of this inquiry as well.

Firstly, air services are absolutely critical. If we are serious as a State about decentralisation and reinvigorating rural areas, air services and air links into Sydney, as our State capital and our business hub, are absolutely essential. At the moment, as members will be aware, it is an extremely difficult climate for regional air services to be expanding, let alone establishing, not just because of the economics of passenger transfer in regional areas, but also because of the restrictions of the bottleneck at Kingsford Smith Airport. The task force of 2008 does make some recommendations in that regard. We would emphasise as an association that critical for our membership and our communities to expanding is having reliable air services into Sydney. The State Government can play a role, despite the Federal legislation, in encouraging that and providing incentives.

Mr MARSHALL: Transport infrastructure, particularly roads and the further west you go is a huge restriction to business, especially any business involving primary production, the added cost of port transport links and getting produce from the paddock to final destination are huge. Our members are increasingly pressed for funding to maintain, let alone improve road infrastructure in the central west and far west. Again, it is a bit of a broken record of course from our association, but we are responsible as an industry as Local Government for 90 per cent of the road infrastructure in this state and yet the funding that we are able to generate locally and then receive from other governments is not even commensurate with our responsibilities in terms of our portion of assets.

If we had the right funding mix to support our road infrastructure we could look after the rest. In terms of removing restrictions for economic development, councils are more than willing and happy to in a number of cases, and already do, provide a number of incentive programs for business to establish locally, whether it be through rate reductions for a period of time; whether it be through business partner programs to offer cash incentives, that occurs but it is increasingly difficult to provide that suite of assistance programs when more and more of our resources are being chewed up trying to maintain our crumbling infrastructure, especially transport infrastructure.

As an extension of that, the further west you go, those councils are often the biggest employer in those communities and therefore have the most capacity to generate economic development in a community and encourage investment and diversity, but as I said, with the pressing economic situation, rate pegging is a part of that but not the only part and certainly not the major part, but it is a part of it. It is increasingly difficult.

I might go on Mr Chairman but I think the submission is very self explanatory and I think we might leave it there and take any questions.

CHAIR: Could I just ask you first in relation to your submission where you are talking about councils are frequently required to fill the gaps in the provision of health services, why do you think councils have expanded the types of services that they provide in the community?

Mr SMITH: If I could Mr Chairman, I would start by saying I can deal with this in relation to the questions that I have asked of the smaller communities in western New South Wales, in Narromines, through Bogan, to Bourke, Brewarrina, that type of size of councils. The need in the community for services is high and to attract the basic services that those communities I think have a right to, they have to supply doctor housing or surgeries, sometimes dental surgeries, fully equipped or else they just do not attract anyone. Then that community loses basic services. I do not mean specialist services, just basic services that we would all take for granted in the more heavily populated communities.

Because they are the closest form of government to their community, a lot of pressure is applied to those councils to supply those services and of course because they are there on a daily basis getting that pressure applied to them, they fold and give those services to their community, which really is the role of a State or Federal Government but if the State or Federal Government is not stepping up to the plate, then someone has to because what we are talking about is just basic GP services, basic dental services. You may be able to put up with for a day or so a broken arm, but it is very hard to put up with a tooth ache for a few days, especially if you are elderly and you cannot travel.

The services in some of those smaller communities have been declining in relation to access to their regional type hubs. They cannot get there, they might not drive, they have got to rely on community type transport mechanisms or the State Rail or CountryLink coach and that does not run every hour on the hour. It is sometimes a several day trip down and back.

To service those communities which have a large percentage of elderly, most of them have reasonably high Aboriginal percentages of the community as well, councils have had to step up to the plate.

Mr MARSHALL: Unfortunately Mr Chairman it is such a competitive market, the provision of health and basic health is now a market like any other and rural communities have to compete on that open market to attract the attention of those professionals. The vast majority of our

member councils who are captured within the area defined by this inquiry are offering incentive programs. They are providing, as Councillor Smith said, housing, they are providing surgeries. Some of them are paying GPs to come to their community, paying dentists. Gilgandra Shire Council actually not only are supplying but paying for the rural financial counselling service, being a community. It is a huge drain on a council's finances and on a ratepayer's purse, but what choice do a lot of these communities have? If they do not step up to the plate as Councillor Smith said, these services just simply are not available for their community.

So it is a difficult situation that councils find themselves in because it is not necessarily their responsibility, it is partly every level of government's responsibility but the buck often stops locally because the community demands services and demands action. Mind you, they also want everything else provided as well, but to spend extra money on one thing, you have got to take money from somewhere else and that is always the challenge which our members find, especially the further west you go.

CHAIR: So the impact on your members' financial situation in that regard must be that obviously if they are paying for those sorts of services something else drops off the other end. In your view what is dropping off the other end that they are not providing?

Mr MARSHALL: Usually the first thing to go is the regular maintenance and upkeep of infrastructure, because that is the easiest one to knock off without an immediate impact but there is a longer term impact. Now the chickens are starting to come home to roost the further west you go with the deterioration of, as I said, the most obvious; which is our key road infrastructure; which underpins all economic development out west.

Mr SMITH: As Councillor Marshall said, the infrastructure black hole continues to grow. As I have said, it underpins the economic viability of a lot of those communities. As I said earlier, the Orana regional group of councils did a survey some 18 months, two years ago just to get some rough idea of what is being put in and at that stage there was some \$25 million worth of capital being stumped up. That \$25 million is not going on the infrastructure, it is on new pieces of infrastructure to maintain the medical services, which will then have a further infrastructure problem to be maintained and then they have also stumped up a recurring cost of somewhere between \$2 million to \$3 million, which naturally comes out of the general rate area, which reduces their capacity to give the services they require for their community in other areas or reduces their capacity to maintain the infrastructure.

The Hon. MICK VEITCH: A quite interesting conundrum in defining what is the central west, obviously from Young and we sometimes draw towards the Riverina and sometimes we want to go towards Canberra and sometimes we go to the central west. The central west is not just the larger centres such as Bathurst, Orange and Dubbo, there are also sub-regional centres like Forbes and Parkes, although Parkes may say that they are a regional centre. But also there are the smaller communities as well, from the Cargoes through, those types of communities.

Really interesting your statements around infrastructure and in particular councils having to make the decision to transfer dollars away from infrastructure spend to underpin important elements of society such as health. I know some councils have made the decision rather than build accommodation that they will actually pay money to fly doctors in Monday to Friday, which raises the issue about airports. I will ask Councillor Marshall about the importance of airports and air services? Just as a matter of interest, councils' investment in their airports, how do they make that decision? How many of them have master plans, strategic plans around their airports in the central west and not just air services, but also freight?

Mr SMITH: Perhaps I could start to answer that. In relation to first of all saying Bathurst, Orange and Dubbo are central west - Dubbo does not see itself in the central west. It is very clear it never was, never has been and does not like the principle. Can I just make that very clear to this very good gathering of people, it actually sees itself as being disadvantaged by being slowly but surely bundled into central west by governments of the past, because it sees services, the same as the smaller communities see Dubbo taking services away from them, we see the bundling of Dubbo into the central west as taking services away from Dubbo.

You don't have to look very far to see that happening, especially when it comes to health and a quarter of a billion dollar investment in Orange, which will be a dead duck. It will not get the people coming from the western parts of New South Wales to Orange to take its services. They will come to Dubbo to still get their services, because that is their service centre and if they cannot achieve those services in Dubbo, they will come to Sydney. They will not spend another hour and a half in a car driving to Orange; they will fly straight over the top.

In relation to the airport, it is a different variation that happens within airports. If you take the bigger communities, which have busy airports, they would have master plans. Dubbo has a master plan. Tamworth would have a master plan. The Waggas of this world have a master plan. A lot of the coastal airports have master plans. Orange most probably has a master plan, Bathurst and in that master plan there would be an investment process based on how they see the future. As you move out to the smaller communities, for the same reasons that they do not invest the appropriate amount of cash into a lot of their infrastructure; that same argument applies to the master plans. They do not have the where-for-all to allow that investment in those master plans to take place. Some of them would, but I would suggest the majority will not have a full blown master plan.

They are vitally airports in those smaller communities, as they are in all communities, but even more in those smaller communities, just to get the basic facilities like the Royal Flying Doctor, you have got to have a good all weather airport or the Air Ambulance and things like that as well, because fixed wing over those big distances is very, very important. It is alright to talk about rotary wing helicopters, they are good for short distances; but they are not good for big long distances. They are not very economical and they are not very fast. So it is very, very important.

As far as regional airports in relation to freight, I think most of those look at that and they look at ways now of attracting what I would call air type businesses to those airports; types of businesses that relate to aircraft, whether it's painting them, maintaining them, air freight services, flying schools, those types of businesses that can cohabit at those airports, even emergency services. The Rural Fire Service has looked at cohabitating at airports so they can have their air services flying backwards and forwards on emergencies, especially in the regional hubs.

Mr MARSHALL: The only thing I would add to that Mr Chairman would be that I think a lot of our members, the further out west; they probably do not have the master plans in place. They do maintain the strips to a standard that is capable of fixed wing aircraft, because a lot of them would still be utilised by aerial spraying companies, flying doctor service. Some of the communities have active aero clubs, so that is not a problem but without a realistic chance of attracting a regular passenger transport service, a lot of them would not have those plans in place.

It is a bit of a chicken and an egg case, because without that master plan, that investment in place, it proves more difficult to attract those services. Again, it is a question of limited resources, where do you allocate those resources and what are the demands on the community at that time, and in the market as I touched on earlier, with limited scope to attract those services at the moment, that investment goes somewhere else aside from maintaining the strips to prove adequate for small fixed wing planes.

The Hon. MICK VEITCH: Can I just go to another item contained in the submission which relates to local water utilities. I want to flesh out here the importance of local water utilities to the central west. What are some of the things you would see as barriers to the operation of those water utilities within the framework of the terms of reference of this inquiry?

Mr SMITH: First of all, I make a general comment. Local government in New South Wales, unlike some people say, does an extremely good job with its water utilities. I would be quite happy to compare our water utilities with Sydney Water any day. The quality of the water that is delivered, the boiled water alerts in New South Wales are quite low in number. So we do a very good job with a very small resource base.

I might add, just as a quick add, within local government water services are not rate pegged. So we do a very good job, and the community thinks we do a good job with water. That is worthwhile noting. Take the lower Macquarie region, which comprises an alliance now, all the water utilities stand-alone, and the lower Macquarie has Wellington, Dubbo, Narromine, Bogan, Warren, Cobar,

because it draws water from the Macquarie, and now Brewarrina and Bourke, because there are some synergies that they drive into Dubbo for their services. We have come together and by combining the larger water utilities with the smaller utilities as an alliance, where they did not have a resource base to do some of the planning processes that need to be done or they need advice from a more skilled engineer, which they might not be able to have within their community, we have been able to help them along that line.

Water utilities are important to those communities, they are being serviced well and where there are shortfalls, councils are looking at innovative ways to overcome that by co-operation or alliances to help that happen. The smaller communities still continue to struggle to put the infrastructure in the ground that needs to be there because they have a very low population but you still have to have all those dollars in the ground before you can turn on the tap to get one litre of water out of it, and the returns on investment would be quite low because of the amount of water that was used out of a very heavy capital expenditure.

The fund that the Government used to have, which was recommended in the report from the rural task force, which was the Country Towns Water and Sewerage Scheme and Water Supply Fund, is a very important fund for Government to consider to maintain. If you are looking for growth within communities, no community, no matter how big it is or how small it is, is going to grow or be able to supply further services to provide opportunities for new business or expanding business if it cannot supply water. The bigger communities have some capacity to be able to do that. The smaller communities have no capacity. So if a new cannery happened to come along, say a cannery that produced canned fruit at Young, if it did not have the capacity in its own community, which it naturally would not, to supply a lot of infrastructure, a lot of infrastructure in water to increase the water volumes and all the rest, that cannery might not come. Young is a place that has plenty of power and gas, so it can produce the heat for that cannery fairly economically, but water may be an issue.

Mr MARSHALL: Just to clarify, Councillor Smith is exactly right, local government is recognised in New South Wales for running local water utilities extremely well. We do meet best practice. Part of the reason is that water utilities are not rate pegged. I just to want to clarify that water utilities are not huge cash cows for local councils, but of course the Act requires that we maintain separate funds for general fund water and waste management. So anything that is collected in water stays in water and is invested back into water and that has allowed us to run very effective water utilities and there is a lot of collaboration across the State between councils, whether it be joint procurement, joint tendering or forming alliance structures.

Also, in terms of how you can use water to try and attract development, attract industry, attract growth, water is a big carrot to dangle, and I would say to the Committee in the context of what is potentially going to happen with the Murray Darling Basin plan, it is absolutely critical that the State Government maintain the allocations as high security for town supplies because they are a huge carrot which gives us some leverage to dangle in front of big industry and big business. The fact is that we have allocations that often in a lot of country areas do have some head space between our actual usage and our allocation and that is a big carrot to dangle in front of a business to say yes, we can supply you 400 megalitres a year, the infrastructure is there or we can construct it at a cost, but we can guarantee a potable supply, you do not ever have to worry about it. Any reduction in those allocations would significantly cripple the community's ability in the central west to be able to attract new business, let alone support the existing business, plus its hopeful population growth as a result of that.

That would be one thing that we would be saying should come out of this inquiry, that that high security has to be maintained, there has to be some certainty for those communities that their allocations will be there. That is often an unpublicised but an absolutely critical part of attracting industry and manufacturing to your community.

Mr SMITH: Can I add one further thing to that. Thank you for clarifying because all the funds that are raised within the water fund have to be spent back on water infrastructure. So they are not siphoned off to the general fund by any means.

Just adding further to the Murray Darling Basin issues that are coming forward, within the program we are looking at sustained diversion limits (SDLs). We believe strongly that local

communities should be exempted from the SDLs in relation to the town water supplies. When you think about the Murray Darling Basin, urban water usage or extraction is somewhere between two and three per cent of the total water availability. So we believe town water or urban water should be exempted from those SDLs for that reason, to allow for growth rather than stifling growth. The fastest way you could ever stifle growth is to cut the water off to the rural urban communities.

Remember as well, we have an inquiry here into basically west of the mountains, the central component of that. Nearly all that area that you are inquiring into is affected by the Murray Darling Basin process. If you want to drive growth away from that region and stick it all on the coast, which is outside the Murray Darling Basin, the quickest way is to push for Government to support the idea of having urban water governed somehow by this new process, because the coastal strip will not be governed by the things that are put in place that govern the Murray Darling Basin process.

The Hon. Dr PETER PHELPS: From your professional experience, do you believe it would be possible for councils to be able to look after not only new, but existing infrastructure to meet the requirements internally if rate pegging were to be removed, wholly or substantially to meet that infrastructure cost?

Mr SMITH: I think the answer to that is substantially. I do not think we could wholly meet those costs. Some years ago that may have been the case. You have got to remember in this State there has been over 30 odd years of rate pegging, and most of those rate pegging procedures are well below what the CPI would have been for that particular year. So I think the capacity to do the lot has been lost. We could substantially do it, but of course you have got to also remember that a lot of the infrastructure that we now have to maintain was either wholly funded or partly funded by the State or Federal Government, where local government will have to take over the total asset maintenance of that, even though they may not have put up the capital in the first place. There are some issues there but it is very clear that local government's capacity to be able to maintain the infrastructure would be enhanced dramatically by the removal of that.

The Hon. Dr PETER PHELPS: Just to clarify this, because I do want to make this quite clear, do you believe that the rate rises which would come about with the removal of rate pegging would not be of such a magnitude as to force people off the land, force people out of country towns, do you believe that they would be of a nature which would meet substantially infrastructure needs but would not have a substantial deleterious effect on the population and businesses in those areas?

Mr MARSHALL: That is correct, we do believe that. As Councillor Smith said, it would substantially assist. You have got a number of factors. Firstly, the effect of rate pegging and the compound effect of pegging over so many years means you will never be able to catch up. It is just an impossibility. You have also got the fact that you have got to look at the community's capacity to pay and councils will not increase rates astronomically to a ridiculous level. You have got Central Darling Shire Council out in the far west. The size of the shire is 55,000 square kilometres. They have a ratepayer base of about 2000 people who pay rates. No matter how much you charge those 2000 ratepayers, you are never going to obtain the money you need to maintain that infrastructure. It is not feasible, plus it is politically unpalatable.

Local councils are elected from their community, just like everyone around this table. We represent our community. We too have to pay. We recognise the capacity of our community to pay and hence we have seen in every other State that did not have rate pegging there have not been ridiculous rises. It has generally been and it will be, through our integrated planning and reporting process, a conversation between the council and the community, these are our infrastructure demands, this is the capital works program, how much are you prepared to pay and let's strike a rate. I would suggest that in the overwhelming number of cases that will occur throughout the State and especially in the central west and further west where councils have a very strong connection with their communities.

Mr SMITH: The real proof is in the pudding. Water or sewerage or waste collection has never been pegged. It is run well. The survey that was done by our associations a few years ago showed that the three most valued services that local government has are those three and they are not rate pegged and there have not been outlandish prices struck within those, for all the reasons that Councillor Marshall has said.

The Hon. CHARLIE LYNN: In the Regional and Rural Task Force report that you referred to earlier you said:

It would be fair to say that evidence given to the task force by local government indicated they felt they were not being treated as an equal partner in relation to it by the New South Wales Government and its agencies and significant work needs to be undertaken to build the relationship. Local government also raised the current status of a proposed intergovernment agreement between the Local Government and Shires Associations and the New South Wales Government, which the task force understands the Government has previously committed to negotiating and signing.

Would you like to provide us with an update on those statements in the report?

Mr SMITH: The previous Government after many years of trying to negotiate an inter-government agreement on the eleventh hour, 59th minute and 30 secondth decided to sign on and that is where that was. The new Government, to their credit, have started looking at an inter-government agreement again. It is very important to us in Local Government, because we need to be seen as partners, not as some subservient servants, even though we do operate under the Local Government Act but we are not recognised under the constitution, and that is another issue that has to come forward somewhere in the future, because there are some arguments about whether Federal Government has the capacity to fund Local Government into the future because of a court case.

But we believe we can work very, very co-operatively with Government as long as Government sees us as a partner and deliver a lot of the services to community that community wants, whether it be a small community or a large community, if we are given the opportunity to do so as partners.

Mr MARSHALL: As an extension to that, Councillor Smith is right, we understand that there is currently some discussions taking place between the Local Government minister, Don Page and the Local Government Shires Association regarding the contents of a new inter-governmental agreement. It has been a long held belief of our association on behalf of our members that there needs to be attached to any piece of legislation or new government regulation, a Local Government impact statement, for want of a better term, so that when decisions are made that the law makers are aware of the full impacts of legislation on local communities.

For example, two that spring to mind, recently the new swimming pool regulation or the food safety regulations, which are very good pieces of legislation that are about ensuring the safety of community when they eat at restaurants or to ensure that swimming pools have the appropriate fencing, but some unintended consequences were that it meant for a lot of our members they had to employ extra staff just to implement those regulations, because we are responsible for regulating them. But there is no financing coming from state to local to compensate councils for taking on those extra staff, because in a lot of those situations there is no capacity for council to generate extra revenue to offset the extra costs in regulating Government law.

I would suggest that was not the intention or I would like to think that was not the intention to create extra costs for Local Government but that was the end consequence and I hope a whole heap of extra safety for the community as well.

That would be one of the keystones I think of an inter-governmental agreement from our perspective and that is about being, as Councillor Smith said, not a master/servant relationship but an equal partner. We want to be equal partners because we feel we have the capacity to deliver a lot of State Government programs well, to drive a lot of economic development in line with state priorities but sometimes we just want to be let off the leash occasionally and allowed to reach our full potential.

The Hon. CHARLIE LYNN: The Local Government impact statement would include issues such as cost shifting, which you referred to earlier on?

Mr MARSHALL: Yes, definitely.

The Hon. CHARLIE LYNN: And the adverse consequences of that?

Mr MARSHALL: Yes.

The Hon. CHARLIE LYNN: I suppose your issues in rural and regional New South Wales are a lot different, you seem to be focused on outcomes for community rather than some of the political outcomes that inner city councils are involved in.

Mr MARSHALL: For us it is all about that that is what we are here for, we are all about improving our communities, yes; that is the end game.

Mr SMITH: Can I further address that, even in the larger communities in rural New South Wales, where there are people of political persuasions, I can honestly say the overall majority of them elected on councils do what I call a straight bat play. The election is to get elected but from there on in it is about community.

The Hon. PAUL GREEN: In terms of planning, obviously productivity and particularly with the large vastness of land that you have got to make productive in your area, do you find that New South Wales planning instruments, particularly the LEP or Native Veg Act, could they be amended to help productivity or what is your finding with those planning instruments and how they impact in terms of productivity?

Mr SMITH: The answer is yes. Councillor Marshall has been doing a lot of work with the mining industry and mining is a very important industry in this state. I think with the LEPs and all the other things, perhaps I will hand over to Councillor Marshall this time.

Mr MARSHALL: In terms of planning, having the right planning framework is absolutely essential for unlocking the economic potential of the community. I am not sure where to start because this is such a huge issue and we are very, very passionate about it.

Essentially the LEP template across the state is great in theory but it creates a lot of problems for local communities that are looking to do things a little bit differently to create opportunities for business and industry to develop in their communities. Local planning is based on the principle of communities electing their representatives to establish local planning principles in line with state plans of course, which then can shape the future of their local community how the community wishes it to be developed.

The template though creates some difficulty because often it takes the power away from local communities to determine their future and it means that we have to do what everyone else is doing because there is a standard instrument that we all must comply with.

I have lost track of how many member councils have made representations to us saying we want to do this. We have done some consultation with our community with business. This would be a great idea to do such and such but we keep getting the rejection from the Department of Planning.

It does cause some problems, some friction between planning and local councils and definitely, without going into all the detail, we can see that as a huge inhibitor to certain communities going ahead because there is a standard instrument that we all must comply with, instead of having some broad principles and strategy and within that allowing local communities to tailor their planning instruments how best they see fit.

Between planning legislation and LEPs we have got regional plans and areas in the central west is one of these areas that has been identified for development of a strategic land use plan. It is largely being driven by the expansion of the resources sector and those documents will be absolutely critical because they will sit in the planning hierarchy above our local environmental plans. They are currently, as far as we are aware, in the development phase. Our association is seeking a seat at the table on the reference group which is helping develop those plans. At the moment the peak organisation representing Local Government in the state does not have a seat at that reference group table and - to be polite - we are not very impressed about that because these plans will inform our LEPs, they will shape how our communities can develop and they will impact some of the biggest land use issues surrounding our communities in the central west, which are mining versus agriculture

and then if you have mining, how do the offsets work, the environmental offsets? Yet, we do not yet have a seat at the table. That is probably a story for another day.

All we would say is as an association that we do not expect to have ultimate control. There needs to be some state guidelines, some state strategy. There needs to be regional plans but give local communities the autonomy they need to then within that broad strategy develop their communities how they see fit. Give them the ability to take control of their future to be able to have zonings, to be able to have development control plans and planning instruments which allow communities to develop the way they wish to develop.

Mr SMITH: Just to further affirm what Adam is saying, it is very clear, local communities have a strong view about the direction that they see that their community takes. That is why they live there. They want a say in what their community looks like, not have it taken away from them to a centralised position.

But a way forward to meet everyone's needs is, the strategies that the state sees that it needs to put in place, that should be put in place by a very strong regional plan and not every region has a plan at this stage, and then allow councils to - in my view anyway - form their local plans, their local strategies, what the community sees the direction they want to go in and what businesses they want to attract, as long as it is informed by the regional strategy and then the local strategy meets the outcomes that are looked for from the regional strategy.

That is a win/win. The state gets what it wants and the local community gets the capacity to form a community that they want and so I think that is the way that people should start to think but that has not been the case at the present time.

The Hon. PAUL GREEN: I am wondering if you could just be a bit more informative on the Native Veg Act, how that impacts across this sector?

Mr SMITH: It depends who you talk to. It is a disincentive. Whether you are a supporter of less removal of trees or whether you are a supporter of opening up more lands for food production, either way I do not think either side are winning very much out of it at the present time. At least out in our area; the amount of problems we have to go through just to remove regrowth even causes issues in itself.

I can speak from experience; my daughter has bought a property recently that has been cleared twice in the last 100 years. It is now covered in quite substantial trees and the two year program I had to put in place just to get the authority to remove the regrowth was very much a disincentive for her. That has now been overcome but there are still a lot of problems and now her title to her property has a stamp on it that says she has a veg plan attached to it and she and anyone else that buys the property has a responsibility to maintain that veg plan from her until eternity basically.

Not being a broad acre farmer, I cannot give you the full picture but I can say this very, very clearly, because it is spoken about so often, that it is a disincentive to do anything, to invest, to even try and move forward. That is very clear.

Mr MARSHALL: I think if you were to ask many of the communities in the target area of this Inquiry they would very firmly believe that the pendulum has swung too far one way. It needs to be brought back into the middle ground a little bit more.

As Councillor Smith said, it can act as an inhibitor in a lot of areas but in some areas it is quite justified. It has caused enormous problems and enormous friction in communities between various industries. For example, the agricultural sector believes that they are very hard done by through the Native Veg legislation and yet right next door over the paddock fence they can see the mining industry virtually able to avoid its obligations under the Native Veg Act because there are different requirements on that industry.

I am not saying one is right over the other; I am not making that value judgment. It is not for me to make but that alone causes enormous friction and it pours oil on something that is already

burning away quite well in a lot of communities in western New South Wales. As I said, that pendulum, everyone feels needs to come back into the centre a little bit more and it needs to be applied consistently to all industries and not seen as simply singling out one industry over another.

The Hon. PAUL GREEN: Just another question in terms of aged care facilities and services in rural New South Wales, obviously forcing many people to leave their communities to access aged care services. I note that it is going to be quite significant as these next years roll by and of course one of the issues is you have got a lot of aged people that do not want to leave their communities, they do want to call where they were born and raised, many of them, they want to call that place home. So in terms of the deficiencies in aged care in rural New South Wales, what strategies are you suggesting to overcome these deficiencies?

Mr MARSHALL: Well a lot of the measures that affect the provision of aged care are largely dealt with at a federal level. I guess what we have seen across a lot of rural areas is, you are right Mr Green, that people especially in rural areas; they love their community; that is why they live there. They want to grow old there and they ultimately want to die there. That is where their roots are, it is where their families are, but it is becoming increasingly difficult to do so. It has not come into effect yet but recommendations from the Productivity Commission, if adopted, would see us create an almost Woolworths and Coles' effect in the aged care sector, where you will see it being increasingly difficult for your small local aged care facilities to remain viable. The compliance, the funding being constricted and the competitiveness now for aged care packages from Government and the hoops you have to jump through makes it increasingly difficult for your smaller local community operations in western New South Wales to be viable.

Instead a lot of those facilities are being bought out right across the state by a handful of agencies that are collecting or picking up contracts for aged care packages. In terms of the economics of aged care, the money is not in having people in residence, it is in those aged care packages; being able to run an aged care facility which has residents but then has a number of packages which actually service people in their homes.

It is incredibly difficult now and will become more so if the Productivity Commission recommendations are taken up by Government for rural aged care facilities to pick up those aged care packages and really that is where the finance comes from, to make the residential component viable to allow people to remain in their communities.

Sadly, as our submission suggests, the trend is now that people are being forced to relocate in their later years, which is extremely distressing for both them and their families.

CHAIR: We will have to leave it there. If the members have any further questions, they will let the clerks know and we can send them on to the witnesses. Gentlemen, if you do get some supplementary questions from us, we ask that you get that information back to us within 21 days.

(The witnesses withdrew)

IAN MORTON ARMSTRONG, Chairperson, Bells Line Expressway Group, sworn and examined:

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr ARMSTRONG: I am.

CHAIR: If at any stage there is any evidence that you would prefer to give but not be available to the general public, would you please let us know and we will enter into an in-camera situation to receive that.

Mr ARMSTRONG: Thank you.

CHAIR: Would you like to start by making a short opening statement?

Mr ARMSTRONG: Thank you, Mr Chairman and honourable members. I congratulate you for putting this Committee together. I think its general purpose is an excellent idea. There are huge changes occurring in New South Wales, there is no doubt about that, mostly driven by changing economics and the changing demography of our population. I think much of this is not recognised by the general public, nor business. There are opportunities plus and minus; there are negatives as well as positives out there. I appreciate the opportunity to be able to talk about some of the aspects which I think are most important to maximise the opportunities in those areas and to identify the holes that are reflected in the report that I noted.

CHAIR: I will start by asking a general question. You state in your submission that neither the Bells Line of Road nor the Great Western Highway in their current configurations provide an acceptable or a safe corridor across the mountains for movement of either people or freight. Would you care to expand on that?

Mr ARMSTRONG: Firstly, on the Great Western Highway, in the 76 kilometres leading up to Windsor, this morning battling through there I counted 46 speed changes. That is indicative of the difficulty with that road and that section of the road is completed in terms of the upgrade. It will be 76 kilometres when the road is completed. Next, as far as the Bells Line of Road is concerned, you have got a 12 per cent greater chance of getting killed on that road than any other road in New South Wales statistically. NRMA and New South Wales RTA figures support that figure. It gives me no joy to say that at all but that is the bottom line. I think it might be getting worse rather than better, in terms of the disruption, in terms of the costs to the community, in terms of the general impression that the public have, that business has. I heard mentioned in the closing times of the last presentation about retired people, that is one of our biggest industries in New South Wales. I live in the town of Cowra. We have had some major expansion of the retirement industry of recent times. It employs close to 400 people in that town.

The other thing, of course, is that the economy is changing rapidly. We do not have an air service out of Cootamundra, Young, Cowra, West Wyalong and Condoblin; they have all gone in the last 15 years, and Bathurst is being reviewed by the operators currently. We do not have a passenger train service to those towns. We do have a bus service, which is somewhat itinerant I must say, and therefore does not attract a lot of usage. Therefore, people either do not travel or take their businesses elsewhere.

Businesses have changed very much in terms of being a local business and re-investing in those towns. We have seen a major incursion of Woolworths, Coles, Aldis, et cetera. In my home town of Cowra, both the chemist shops are now outside the town. Bunnings has come to town, very much welcome I might say, but again, opened outside of town. One of the largest employees, a steel fabrication operation, is also owned outside of town. Fortunately, we have a major furniture manufacture there, who supplies Harvey Norman. They are doing a very good job and we want to keep them, but all their product is transported by road to Sydney and the goods to make the furniture are brought out by road too. We have an abattoir employing about 140 people, a very high quality abattoir, supplies some of our better butcher shops here in Sydney. Again, all of that product comes to Sydney, except a little bit for locally, and that relies on safe roads. Seven nights a week for 52 weeks of the year, you can say, give or take 1000 or 1500 tonnes of fruit and vegetables and meat are

transported down to Sydney and the coastal areas and that all comes down those two roads I talked about a while ago.

We have two tiers of economy in those towns that I speak about. We have an increasing aged population and an increasing social service population. The earning population, the small businessman who might have had a grocery store there 30 years ago, when he made some money he built another shop. He has gone. So we are not getting re-investment of those retailers and wholesalers in our local towns. They are not re-investing locally. That is causing a distortion in our local economies. The biggest employer in all these towns these days is local government and that is not necessarily a productive thing to do, as we know, because governments should not be the biggest investor. They should be supporting the bigger investors in those towns.

Again, it comes back to transport. There is an old saying: There are two things that every animal needs to survive, and that is water and a track to get to it. We have not got the track to get to it, and that is getting worse rather than better. The existing roads, the foundations and so forth for them, were never designed to carry the existing loads and demands. That is one of the reasons we have got so much cost of repairing and retaining and so forth for tourism, and of course, tourism is quite a significant industry throughout there and it is suffering too because the bus operators are not particularly keen on operating through there.

We have opportunities at Cowra for the mine at Orange. It is only an hour and five minutes from Cowra. Quite a few people do commute each day, but it is not a very safe way to get across there I must say. There are a lot of accidents there. I cannot give you the figures, but that would be something that if we had good access through there we could probably house more people because the cost of housing in Cowra is not cheap. I chair a community development trust in Cowra and we build a house for TAFE nearly every year and then we put it on the market and sell it. The one we have got on this year you can buy for \$310,000. It has four bedrooms, en suites, all the gizmos under the sun and we are finding it very hard to sell. We have built four in the last four years and had no problem selling them at all. Things have just got tight because of all the facts that I have talked about.

The Hon. CHARLIE LYNN: On the road, two things, the route and also would you see it as being part of infrastructure in New South Wales or a toll road, what is the answer and what is the timeframe?

Mr ARMSTRONG: Thank you for the question. Firstly, it has been a long challenge I suppose for governments over the years, particularly the local government, to try and update this road. About seven or eight years ago now I pulled local government together along with various well known people and the Charles Sturt University to try and get the Bells Line of Road updated to a new road. There have been two studies done by Government into updating that road. We spent nearly \$3 million on that study. They decided about 12 months ago that they wanted to do another study. One has to question why. Anyway it was to be completed by June but I am told now that that is not necessarily the case, and that is going to identify a route to be preserved some time in the future. It will be, I am told, through the south of the existing route. So we have yet to identify a route.

Secondly, how will it be paid for? My group has suggested that it be a partnership between Government and private enterprise. We have also suggested that the heavy vehicle industry has indicated to us that they would be more than happy to pay a significant toll. Obviously they will pass it on to their clients, but in terms of safety. One of the biggest operators said to me he works on a 30 minute rate for his deliveries and pick-ups, and if he has an accident the cost of that accident to him is enormous. So if he had to pay a toll he would be more than happy. I must say I did welcome the announcement made by the Premier a couple of weeks that they were considering making bonds and that is the sort of thing I would like to see paying for a road such as this. The bottom line is that it has been studied to death. The need is there. I do not know how many more studies we are going to have before we decide it has got to be done.

The Hon. CHARLIE LYNN: Would you be looking at a road rail corridor?

Mr ARMSTRONG: No, not necessarily. I know that has been suggested, but that would be hugely expensive over the mountains as far as rail is concerned. At this stage of the piece, current demand seems to be reasonably adequate for that rail, but we are suggesting that road is the first

requirement.

The Hon. Dr PETER PHELPS: Just getting back to the issue of rail, the major bottleneck across the Blue Mountains is currently serviced by a semi adequate rail link, the Great Western Highway and Bells Line of Road. If you are planning to upgrade Bells Line of Road, does that not effectively make it even less likely that rural and regional rail service across the great divide will become economically viable? Is upgrading Bells Line of Road basically signalling the death knell for rail west of the great divide and consequently placing a further burden on local councils west of the great divide to make sure that their roads are up to heavy duty B double traffic?

Mr ARMSTRONG: If Government was prepared to restore the passenger services to Cowra, Young, Condoblin, Lake Conjelico, then that might be a proposition, but you have got a declining population through there. I will just touch on that for a moment. Why the population is declining is because there have been less people employed—

The Hon. Dr PETER PHELPS: But the issue with those roads is not car traffic, it is not your Mazdas and your Holdens—

Mr ARMSTRONG: No.

The Hon. Dr PETER PHELPS: It is the fact that there are large amounts of far greater levels of heavy traffic over those roads.

Mr ARMSTRONG: I agree.

The Hon. Dr PETER PHELPS: So by spending the limited amount of infrastructure funds we have on further road development across that bottleneck, are we not in effect advantaging road transport over rail transport?

Mr ARMSTRONG: We are recognising that rail transport has to have road transport to service it. We are recognising that perishables in particular need road transport. We are recognising that tourism is mostly based on road transport. We are recognising—

The Hon. Dr PETER PHELPS: We agree with you there.

Mr ARMSTRONG: Well, you might, but the bottom line is that I have been up there for years and years. I used to be a stock and station agent. I know that region like the back of my hand, if I might say so, and I have significant investments through there. I have had them over the years, places like Boorowa and Condoblin. I am a great rail supporter I must say, very much so, but I just cannot see sufficient population to support a rail infrastructure when we need fast, reliable transport, overnight transport, bus transport for day trips out to the Oberons and the Lithgows and the Bathursts and so forth. Two day traffic out through Bathurst, that is out through Mudgee or going out through Bathurst, Cowra, across to Canberra, back to Sydney every three days, they are the sort of tourist trips being undertaken now.

The Hon. Dr PETER PHELPS: Why would that not be accommodated by the upgrade of the Great Western Highway with a rationalisation of speed zones through that 78 kilometre space? Why would that not be accommodated by the upgrade of the—

Mr ARMSTRONG: I am not too sure how you would rationalise them unless you are going to build a new road through there.

The Hon. Dr PETER PHELPS: You do not think that the roadworks—

Mr ARMSTRONG: That is not me saying that; that is the RTA saying it. They decided that the road was not safe to travel at 100 kilometres an hour, so they put on 42 in 72 kilometres. Some of those are for schools. If we shift the schools off, if we abandon speed zones for schools—

The Hon. Dr PETER PHELPS: Or we introduce crossings.

Mr ARMSTRONG: We could too or we could put overhead bridges for traffic or something like that.

CHAIR: Perhaps you could go on to another question, if you would not mind.

The Hon. Dr PETER PHELPS: That is all.

The Hon. PAUL GREEN: This submission suggests that the construction of the Bells Line Expressway will alleviate pressures in the northwest and south west agriculture lands of Sydney Basin. Why do you consider this to be the case?

Mr ARMSTRONG: Well, because there is considerable pressure say from Leppington to St Marys, now as we know the housing recently approved out there and of course that has been a major dairy area for many years, a major vegetable growing area, such as Kellyville used to be. I used to have a vegetable farm down there once upon a time down Rosebery Road and that is now wall to wall houses. That is what is occurring in the Sydney Basin, so where are the products going to come from for food and so forth for Sydney, it has got to come, by the look of it, either from the south down the Hume Highway and the water is not there to do that, that has never been a great vegetable growing area, or it has got to come from the west. It has got to come out of the Lachlan Valley or off the edge of the Murrumbidgee.

It is a matter of food supply really, and milk too I might say. Redlea Dairy, the Perish family dairies are all in the new area and they are all milking now west of the mountains. One of the biggest dairies in the southern hemisphere is between Forbes and Cowra. They milk 3000 cows three times a day seven days a week. That is the Moxey family. They moved from Windsor out there about 15 years ago. I understand there is another dairy west of Forbes about to start up again too. So, that is Sydney's milk.

The Hon. MICK VEITCH: There are a couple of things in the submission that I wanted to just pick up. There is a statement here where you say your organisation does not support an upgrade of the Bells Line of Road but essentially the expressway is the only solution. To move from no upgrades to the expressway, my position would be there would have to be a corridor identified and preserved, and I do not think that is the case at the moment. There is no actual preserved corridor for the expressway?

Mr ARMSTRONG: No there is not. That is why the latest study is occurring in fact. The first two studies made recommendations. The first one was done by Sinclair Knight; the second one was done by Sinclair Knight Merz. There has been major work, as we know, on the expressways for the New South Wales Government. The last recommendation was for one to come up the Richmond Road, that is to be preserved and then at the Bankstown turn off for it to go slightly south west, through the back of the old dairy, across the river and then it would go up south of the existing Bells Line of Road by about two to three kilometres south, go through some of the apple orchards, it would cross the existing Bells Line of Road at Kurrajong, go round the village of Kurrajong, round Mt Bell and then onto the Bell Plateau, across the plateau to Newnes and then from Newnes it would go across the Newnes Plateau and come out just west of the gaol at Lithgow at the intersection of the Mudgee Road; come straight down that long ridge.

That was the recommendation of Sinclair Knight Merz and it seemed to have a logistical apparently engineering possibility and pluses attached to it. Yes, there are some difficulties with it. The first thing, the apple growers would not be very happy indeed about that in terms of coming up south of the existing Bells Line of Road. Secondly, across the Newnes Plateau, it was used during WWII as a practice range and there was some talk that there may be unexploded ammunition still there, et cetera but there were questions asked in the Senate and answers provided to say that there was no knowledge of any unexploded ammunition there. Indeed, it has never been fenced off. There are no warning signs out there because they do not think there is any unexploded ammunition there anyway.

There was talk about Aboriginal artefacts being up there and also some records of when white man first started to cross that Newnes Plateau. In talking to the Aboriginal elders in the area,

they say there was very little Aboriginal activity up there because there was no water up there and there was very little fauna up there either because of that fact, it was mainly down in the gully.

Those are major considerations but it looks as though Sinclair Knight Merz's recommendation might have had a lot of veracity. However, putting that aside, the RTA has decided they want to do another study and that is the one I am talking about now, the one we wait with baited breath for.

The Hon. STEVE WHAN: What is the timetable on coming back with that study?

Mr ARMSTRONG: It was June but we are now in September.

The Hon. STEVE WHAN: I seem to remember when it was announced.

Mr ARMSTRONG: That's right. We keep in reasonable touch with them and a brief came to my Bells Line Expressway committee about six weeks ago, they said that it is progressing well or words something like that. So we just wait.

The Hon. MICK VEITCH: My second question would be, what do you see as the impact on the local road network speeding into the expressway if it was to be constructed?

Mr ARMSTRONG: This is coming on the western side you mean?

The Hon. MICK VEITCH: Yes, on the western side coming in?

Mr ARMSTRONG: I would hope that because of the increased productivity and activity in our country towns and so forth, we can afford to raise more money for Local Government to be able to continue to upgrade those roads too, because irrespective of what happens to the Bells Line of Road, those roads have to be maintained. Dr Phelps talked a while ago about rail, if we are going to have rail, you have still got to have road to get there and those roads are just struggling to cope with the current tonnage and the current movements on them, particularly on the edges, the edges are very difficult.

The road into Lachlan, it does 200,000 tourists a year in a normal year. There are about 100,000 come in from the Goulburn side and about 120,000, 130,000 come in from the western side. That is just one little example. Parkes telescope, major tourist attraction. The Japanese Gardens at Cowra, they put through some 70,000 or 80,000 people a year. They are the sorts of things. There is quite a lot of day to day commercial activity through there.

The Hon. STEVE WHAN: I was going to pursue some of the preservation things too but it does not sound like we can go much further on that at the moment.

I am aware that the Bells Expressway is pretty much an article of faith for all the Local Governments in the central west area. Whenever you go there they will tell you that is their number one priority. What I am wondering is whether or not you have got any idea of how the people in northwest Sydney feel about it and where it would actually link into those areas in terms of impacts on roads there? Has there been any indication of how communities in those areas would be likely to react to the road?

Mr ARMSTRONG: Well if it comes off the expressway and up the Richmond Road, which is the Sinclair Knight Merz recommendation, there is nothing new at all, except up the Richmond Road. The Richmond Road up until earlier this year, I think it was mainly commercial land on both sides of it as you run through. There were some vegetable gardens. There was paintball, a couple of major chicken producers there on the southern side of it but most of those were set back pretty well, but there has been just in recent months, quite a lot of that land has been sold, put up for sale. I noticed sold signs on it. I warned about it but nobody took much notice, but it has happened now. There are new owners out there, new values been put on it. Each day goes by, we muck around and delay, it is going to get more and more difficult, because once that is developed, that option will go out.

The RTA are looking at an option further south of there but still coming off the same expressway and hopefully they can find somewhere clearer.

The Hon. STEVE WHAN: Have there been any studies which would tell us what the approximate cost of the road is and if it was a public/private partnership financing Bells, what sort of levels would it be looking at?

Mr ARMSTRONG: It started off at 1.5 billion that was the first figure. The second figure was around 2 billion and now we are waiting to see what the next one is going to be. It is a bit of a guessing game and as I said a while ago, there is no drop in heavy vehicle trucking industry, the Australian Transport Association; they are very much in favour. They have got members from about eight or nine different organisations in the heavy vehicle industry. Lindsay Fox, Ron Finemore, they are all prepared to pay tolls and are very much on side. Mainly the interest is safety and getting stuff through promptly.

I travel to Sydney probably once every 10 days, whichever way I go it takes me four hours; up the Bells Line of Road, Great Western Highway or go up through Yass and go across through Boorowa; that is another 105 kilometres further but I can do it in the same time, but none of them are enjoyable trips, they are all very difficult trips, particularly the two over the mountains. You have got to have your wits about you all the time,, particularly in this sort of winter weather and that sort of thing.

I was coming down the other day and I was locked in between two pantechs coming down this side of the mountains, down through Bell. You cannot go forward, cannot go back, you cannot get off to the side either. Mind you, I am always intrigued because Governor Lachlan Macquarie built the original one. He built that in something like 29 months, with convicts, horses and carts. I must say that the technology seems to have gone backward since then. It could be to crack the rock you use dry wheat.

The Hon. STEVE WHAN: Where does the Federal infrastructure authority stand at the moment with Bell's expressway, because I seem to remember that was something which was for consideration?

Mr ARMSTRONG: Yes, we have had contact with them. There has been some work done but they are waiting to see what New South Wales wants to do, so we are informed.

The Hon. STEVE WHAN: So they have not allocated any funding towards the—

Mr ARMSTRONG: No, because they are waiting for the study to be completed, et cetera.

CHAIR: In your submission you give us the figures for accident rates per 100 vehicle kilometres. Obviously the Bells Line of Road and the Great Western Highway are very much higher than any of the other major roads in New South Wales. Do you have any figures for the number of kilometres that are travelled on each of those highways?

Mr ARMSTRONG: No, I do not, but I am happy to find them and supply them. Those figures that I have submitted came from the Roads and Traffic Authority and the NRMA. So I am happy to find the figures for that.

CHAIR: Thank you very much for that. Is there anything else that you would like to tell us?

Mr ARMSTRONG: Just that, as I say, many of our communities are finding it difficult to maintain a viable business centre, to keep up with local demands, particularly with the ageing population that we have and we do need more business activity in many of those towns that I just battled through this morning. Unless we can get good transport and reliable transport to get goods out and services in, et cetera, they are going to continue to have great difficulty.

The other thing is that the wool industry has come good; wool went up 40 cents yesterday again. Wool is now dearer than it has ever been in history before, that is for the super fine wools, et cetera. Why? Because we have less than half the sheep we had 20 years ago. We only have an estimated 70 million sheep. We are certainly one of the major suppliers in the world of wheat and this

year the crops looked pretty good but what they need with wheat, they have to get it to the port and that has got to go by road anyhow for a start. Much of the wheat these days has been containerised in paddocks. Those containers are then taken, and yes, they can go to Blayney and be put on rail to Sydney and that works out very well too, but again there is still a lot of ancillary work that requires access to Sydney, and particularly the port of Sydney.

In terms of tourists and that type of thing, and recognising other things happen in country towns, I just want to touch on a couple of things. Temora has 23 accountants. The banks have increased staff in the last couple of years. Most of the TAB country work is done in Temora. The Olympic stadium is being built in Young and much of their draftsmen work and engineering work is being done in Singapore these days. We have got a company in Young that manages probably well over half of Australia's elite athletes. They employ about 30 odd people who are doing it around the world. Because of new technology they can do that sort of thing, but they still have to have ingress and egress by road to service those sort of businesses. So there are huge changes occurring out there.

The mine at Orange, 600 people are coming in there at the moment. Just as an aside there, they have a mine in Papua New Guinea and they are mining it from Orange. It is all done on line. They are actually digging the gold out of Orange in Papua New Guinea. That sort of technology is beyond my thinking but that is how important many of these country towns have been, are and will be into the future, provided we keep the infrastructure, that balancing population between young people coming through, people who retire in those towns and to be able to keep professional people attracted and they have got to be able to come in on each occasion, and have ingress and egress to the capitals, and above all they have want to have safety, safety and safety. We have not got it now.

CHAIR: Thank you very much. I think your presentation here was critical to this inquiry, so I thank you for that. You did take some questions on notice, so the clerks will be in touch with you to advise you what they were and what information we need, and if you are able to get the information back to us in 21 days.

Mr ARMSTRONG: Yes.

(The witness withdrew)

(Luncheon adjournment)

CHAIR: Welcome, everybody, to our inquiry. As I have been saying to everyone today, you are honoured to be witnesses on the first day in this brand new room. It is the first time it has been used by the Parliament for a hearing. It is very high tech. There are cameras everywhere and the microphones are very sensitive. I suggest that you people turn your microphones on up that end and leave them on and we will turn ours on and off as we change between the Committee members.

CARISSA LOUISE BYWATER, General Manager, Forbes Shire Council, and Executive Secretary, CENTROC,

PHYLLIS JANE MILLER, Mayor, Forbes Shire Council, and Chair, CENTROC,

JOHN NEVILLE DAVIS, Mayor, Orange City Council, and Deputy Chair, CENTROC, and

GARRY BEVIN STYLES, General Manager, Orange City Council, and Executive Manager, CENTROC, sworn and examined, and

JENNIFER ANNE BENNETT, Executive Officer, CENTROC, affirmed and examined:

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mrs BYWATER: Yes.

Mr MILLER: Yes.

Mr DAVIS: Yes.

Mr STYLES: Yes.

Ms BENNETT: Yes.

CHAIR: If at any stage you consider that any evidence you would like to give to the Committee or any documents you would like to table should not be made available to the public, please let us know and we will organise to have that part of the inquiry heard in-camera, otherwise everything will be published. Would one of you like to start by making a short opening statement?

Ms MILLER: Yes, thank you very much, Mr Chairman and Committee members. Thank you very much for allowing us the time to give evidence today to the Committee on State Development. As you will be aware from our submissions, we represent 16 local government areas in the central west and have 17 members.

CENTROC for a long time has realised that we need to do planning into the long term of how the central west will look into the future. Very recently, at our planning session for the next four years, we decided to put together a strategic plan that into the future we can work out what kind of education, health, infrastructure and all the needs of that area. We are very serious about trying to lobby governments to be a pilot area, whether it be for Australia, as a rural regional area to do that planning. We believe that we are really learning about the central west, learning about the needs, the way we are conducting our business and it is very important that we do do that planning for the future to sustain the areas in which we live.

You will see that there is a lot in our submission about the work that we have been doing and we are certainly happy to answer any questions and give you some examples. We had some questions sent through to us that may be asked today and we are certainly happy to elaborate on some examples of the work that we have done throughout CENTROC.

CHAIR: Would any other members like to make a brief submission as well?

Mr DAVIS: I would just add to our Chair's submission that the best part about the CENTROC organisation is that I am lucky enough to be the Mayor of the City of Orange, one of the bigger areas in regard to population, but we have a situation where the smaller areas, smaller country councils, in fact over the last five years, in the State arena as well as Federal arena, the governments of the day seem to certainly want to interact and deal with regions. That is what it is all about. CENTROC has been highly successful in regards to getting funds and money within our areas. To get the political clout for a rural council with 6000 or 10,000 people, for example, it is interwoven into 300,000, that is what it is all about, to give a voice to nearly a third of New South Wales basically through this organisation. It is very unusual to see councils (heaven forbid) to be able to co-operate

and to work together in regards to projects, whether it be water or whether it be trying to get people into our areas, or doctors or hospitals or whatever. It is very unusual to see councils that will toe the line and co-operate together, which we are certainly very proud of in the last five years.

CHAIR: Before I hand over to the Opposition members, I might just ask you if you could give us a brief overview of the major factor that you think is holding the central west back?

Ms MILLER: The access over the Blue Mountains, Mr Chairman. Definitely to open up economic development, tourism, even health, we need better access over the Blue Mountains. It is a real impediment for us to really come to our full potential.

CHAIR: Is that both road and rail?

Ms MILLER: Both.

The Hon. MICK VEITCH: At the outset, can I congratulate you on a high quality submission. It is quite an outstanding submission. Those of you who know me will not be surprised that I am going to ask you a couple of questions about rail lines.

First of all, your submission mentions the importance of the Maldon-Dombarton line to the central west and I would like to flesh out why that is so important to the central west. Can you explain to us why you are using the Maldon-Dombarton proposal for the line there and why it is so important to the central west?

Ms BENNETT: It is part of CENTROC policy that we support the Maldon-Dombarton line. From what we can gather, it does provide a connection for the central west as well as for the south, so that we do not need to go through the guts of Sydney basically to get to port, and that is a critical thing for us. It also provides a linkage. We are looking at the future, as I am sure you would be aware, and there is a particular rail link that we are looking at in the centre of New South Wales that was a closed grain rail line. There is some opportunity there for that connection to go back into the Maldon-Dombarton line and provide just another rail linkage for us, because at the moment, I am sure you are aware, rail has gradually been going backwards in that area, so that is something that we are very keen to - we see both of those. There are also issues going across the Blue Mountains as well. Especially going into the port of Sydney, there is a lot of congestion, we have heard anything up to four hours of freight to be waiting, especially for freight rail. So to be able to have a much better connection down into Port Kembla, and also Port Kembla is being developed so it can even take greater capacity.

Mr STYLES: Can I just add a little bit to that? There are some very strong examples in the central west that would benefit strongly from access into Port Kembla: you talk to George Tanos at Blayney, a major cold foods operator; if you look at the slurry that comes from the Cadia mine, it gets frustrated on its way to go overseas to be processed. They would certainly be keen on looking at Port Kembla and then you could use that as your base line to build lots of business out of that.

The Hon. MICK VEITCH: They bring the Cadia slurry down over the mountains, do they not, and that is in expansion at the moment as well, is it not?

Mr STYLES: Cadia is on a \$2.1 billion expansion targeted for about 21 years and it is an intensification of extraction.

Mr DAVIS: And to the north of the main townships is this future mine, Newmont. It has been talked about that it will be of the size of Cadia, or double even, and that is only within five or eight kilometres, in that sort of area, and that would go back into the Blayney, George Tanos organisation, Blayney Frozen Foods. In fact, in December, there will be the new spur line. He has actually put his own money up, \$8 million, to put a spur line in to be able to get basically goods out of that central west area.

Adding to the comments of the other speakers, the situation is you cannot come over the Blue Mountains with freight. It is just a bottleneck. We have a situation where we have got to get it somewhere else, so you have got to go through the Blayney/Cowra area. It was upgraded many years

ago and never used and it has been through a shutdown, and there is certainly a very powerful organisation, as in a lobby group. I think it is headed by the mayor of Weddin, Ray Simpson. He is very passionate about it. He was starting to get some headway because of the expansion at Port Kembla.

Mr STYLES: There are even some opportunities for the export of the coal out of the mid western regional council area because there is a lot of slowness in Newcastle to be aware of.

The Hon. MICK VEITCH: Just then going onto the Blayney-Demondrille line, to do with that process, where they are up to, their final report is meant to be ready. The figures that are quoted in here for the Blayney-Demondrille rail line - it is not a branch line, it is a rail line, it actually goes to the next town - on page 15 of your submission:

An up front investment of \$2.5 million is required to return this line to operation. Over a 15 year period, this will deliver an internal rate of return of 22.5 per cent and a benefit cost ratio of 1.28.

I just cannot see how those numbers are not attractive to governments of any persuasion to do that line.

Ms BENNETT: That is what the Samron folk have found and the other interesting thing about that Samron report is a number of other consultancies have looked at the way they went about it and they have been quite impressed with the methodology involved in that project. So it will be quite interesting to see the next one that they produce, but there has been an interim report by Booths I think, who have come out with different numbers. I guess at the end of the day it is who you focus on.

Mr STYLES: The next report will include a response to that other study.

The Hon. MICK VEITCH: That is the ministerial task force response?

Mrs BENNETT: Yes.

The Hon. MICK VEITCH: The Maldon-Dombarton line is not dependent on the Blayney-Demondrille line, but they are both two missing links, is what you are telling us, of that rail infrastructure?

Ms BENNETT: Yes.

Mr DAVIS: There is certainly a good argument when we are talking about mining but also in regards to Leeton and the rural section of the sector as well and that has been argued for many years. I was the mayor of Blayney, and we are right in the thick of things. As you know, being an ex-railway person, railway lines have not been the flavour of the month.

Mr STYLES: Is there any opportunity for the State Government, with Auslink strategies and things like that, to interact with the Federal Government for the missing links that you mentioned?

CHAIR: That would be one of the things that we may well look at through this inquiry process, yes.

The Hon. STEVE WHAN: I am just interested in CENTROC's view on how the new RDAs are working. Do you have any views you want to impart on that?

Mr STYLES: That might be a question for me. I am the central west RDA. The RDAs are a bit of a patchwork of outcomes. Some of them are doing different things with different levels of engagement with their local government entity. We have gone to a lot of trouble in the central west one to be partners with CENTROC and our councils and that seems to have worked quite well in terms of collaboration. I am aware that others have not taken that view or that approach and there has been a degree of sniping on both parts. So I think it is a bit of a patchwork of outcomes, but certainly the one in the central west is going quite well.

The kick off of the RDAs was a bit of lack of clarity about their role and their responsibilities and things like that, because you pull a federal and state agency together, one agency had had a budget

and had been used to pulling in projects and seeing them happen; the other was a pure advisory thing. So it has taken a while for them to get their act together, to get their strategic plans together. It is only just now that they are getting into adding value and trying to be the eyes and the ears.

In the early years it was all focused on process and getting everything structured and compliance with strategic plans for this mob and strategic plans for that mob. But it seems to be going much better now and they seem to be being asked to provide a view on a lot more things.

If you look at some of the stuff with the feds on the Murray Darling Basin, the RDAF fund and things like that, it has been quite positive. Seeing what was the I & I guys, whatever that name is now, being on that board is a good interaction because you get the equivalent from the feds and the New South Wales boys there. It can work very well in my view.

Ms MILLER: I have got a different opinion and we do not have to agree on this, but what I found with the last round of funding with the RDAs, a lot of work went into that and CENTROC, we got every council to prioritise their projects and then put them in so that we kind of had a plan for the central west. All of that went in. What I found was disappointing with that there was no assessment done at the board level Garry and you can back me up on this. No assessment done with that local knowledge that the RDA board within that area knows. So that all went off to Canberra and there are just piles of paper. It is just trudging through trying to work out the best projects.

We are politically smart enough to know there will be decisions that will sway one way or the other, but at the same time, without any assessment from the local RDA board in going forward with some prioritisation is just a mess.

I would not like to see that happen again, because this has been very slow. It was supposed to be out in July, that first round of funding - nothing - and it is just coming out now. I got knocked back on my pig yard, so I am very filthy on that.

Mr STYLES: Different programs have different criteria and the Murray Darling Basin stuff had a better set up for the RDA to prioritise and things like that.

One of the things that is very frustrating is this focus on you have got to have it shovel ready all the time. Some of the major projects actually need some proper planning in front of it and they need a hand at the planning stage so that the major project can happen. This entire focus on shovel ready, shovel ready all the time - you are not sometimes getting to do some of the key projects.

Ms BENNETT: That is particularly the case I might add with the regional projects. On the one hand you want regional projects that go across Local Government boundary but the strategic work for those, for example, we were just talking about our work in water security needs and the strategic work to progress, sure, council have their hand in their pocket to a certain extent but you would want to think that there was some funding for that type of work as well, as you are talking about something of regional consequence and it is, just thinking about my day to day grind, it is very challenging pulling together say 17 Local Government areas, getting the data, et cetera. What is much easier is when the State Government steps in and for example, with the original water security study, get you guys on board, we will provide the funding if you guys do X, Y, Z, some in kind and whatever else, then you can get some real stuff happening.

Then you have got to turn around and develop these funding agreements across different local councils and that is actually quite challenging. I think the water security model that we used some years ago, we got some fabulous results and it was definitely one of the ways to do business.

Similarly, we were talking earlier about that plan, something along those lines where Local Government has got its hands on the steering wheel but there is some significant funding coming from elsewhere. You can get some really good results that way.

Mr STYLES: It is really about a degree of better coordination between the states and feds on some of those projects.

The Hon. STEVE WHAN: That is why we created the RDAs, to try and pull things together.

Mr STYLES: When it comes to funding and you try and line up big projects, your contribution from Local Government, State Government, Federal Government, so we will pull our bit and then we split and divide. What you get back is if the state is in, the feds will look at it possibly or vice versa. It would be good if we did use the RDAs or some sort of mechanism as a circuit breaker to not get paralysed at that point.

The Hon. PAUL GREEN: It would probably be helpful if there were compulsory linkages. The feds do not sort of say we will choose the assignment, they put compulsory money aside with the state and you know if you make the shovel ready, you get everyone on side, that that money cannot go somewhere else. It is actually allocated to the top three projects that that particular section agreed to, because from what I understand with the shovel ready thing, you get it all ready, you put a lot of your strategic resources into it and you get a cheque for nil and it is really disheartening and it takes away some other key strategies that you could have been working on.

Ms MILLER: We have just done that.

The Hon. STEVE WHAN: I think over my years in Parliament I have seen a lot of projects come up several times and have several goes before they are successful. Certainly that last round, the big one at Griffith airport was an interesting one.

Orange is a part of Evocities I think and you have got some towns which are involved in that and some that are not. Are there any issues that you can highlight for us about the difficulties that small towns have with drifting population away from them and into the major centres that you would like to see us focusing on?

Mr STYLES: As an outcome you see a fair of that, a lot of immigration. In some respects it is still within our region, which is at least some positive. The Evocities have gone out there as an individual group to market a specific product to try and attract settlers and growth from the metropolitan areas to the regional cities. They are a market research based offering. But there is still certainly some drift towards the cities within the regions.

I am not here to tell you what might be the solution to that. I can agree with you on the problem but I don't know if someone else might have a better view on what a solution for that might be.

Mr DAVIS: Evocities we think have been absolutely fantastic and we were one of the original supporting members a number of years ago. There is no risk that some of the smaller councils, the smaller towns and villages outside would sort of say why are you getting all the attention. I operate, and I think my council operate on a slightly different scale to some of the other Evocities because we do not have a very big area in regards to land mass in Orange. It is quite extraordinary. Ours is 250 square kilometres so we have got a situation where I take the view that we cannot fit all the people into the city and if anybody wants land, five acres or 10 acres, 100 acres, for example, so in the Blayney Shire for example, they will get a run off if you want that sort of lifestyle. We operate on a regional basis really that way.

I am not quite sure at Dubbo, for example, whether people at Nyngan would take the same approach but I must admit, when I was the mayor of Blayney, for example, decentralisation and these sort of projects along the way which were really not successful, whereas Evocities, at least if you are going to get some people to come out, you have got a situation where it was their own free will; it was for the advantages of the lifestyle; it was for what we offer in the country areas, whether it be Forbes or wherever, it does not matter; whereas in the previous one 20 years ago, you put incentives on and a lot of the times you brought broke city companies out to the country. Within five years they disappeared. They have got to be a viable business and I know that Forbes have got quite a number that have been very successful, but they were successful businesses in their own right.

You can have a short term view on saying we will give you a few dollars and let's come up, but that doesn't work; whereas Evocities is a different program but it is bringing people out as a result of positive sections of the community which can be offered to metropolitan people.

Ms MILLER: I will answer you from a Forbes point of view, not an Orange point of view. You have had two Orange answers. The only reason that we can stop drift from towns say of my size is about providing good health services, good education services and having a kind of a lifestyle. We found as a Local Government area the amount of money that we have had to contribute to maintaining a very, very good health service has been enormous and about attracting doctors and nurses. People do not want to go anywhere where they do not feel safe, so it is really, really important for us to commit to that. We have committed \$2.4 million to a walk in walk out medical centre so that we can attract doctors without any capital outlay. We have a full complement of midwives and nurses at our hospital. We are about to get more doctors through the generosity of our ratepayers' money in attracting them.

As far as education goes, we are fortunate in Forbes that we do have private and public education. Without that there is no point in going out and trying to attract economic development within a community because people do not want to go where they do not feel safe.

The big thing about John saying he has not got the room there, that is where we can pick up the slack, people that live out and about from Orange. We do have land mass out there. We are doing planning into the future so that we have got a good supply of industrial and commercial land so that we can attract businesses out there.

But it would be very helpful if there was some kind of tax incentive for someone to want to go and relocate and that has always been a downfall as far as coming out to Forbes.

The Hon. STEVE WHAN: Someone as in an individual or a business or what?

Ms MILLER: I believe that it is most probably a federal initiative that needs to be put into place, so that if someone does choose to come out to a rural and regional area, that there is some incentive for them to come out there. Certainly the cities are crowded. It is a good lifestyle. Failing that, I think we need to really focus on the lifestyle that we do have out in the country. There are a lot of people changing the way they do business and with good broadband connections out in our area, that is really going to give us an opportunity to have growth.

I must say, Forbes is growing. It took a while after the abattoirs closed but we certainly now attract businesses with 10 to 20 employees and get 20 or 30 or those, we have found that if one of those go broke, you have not lost everything within your community. We are focusing on that middle range sized business and that is helping us.

Mr DAVIS: Just to add a little bit more to that, the situation is that, for example, with the growth in the metropolitan areas and the enormous infrastructure costs that are associated with keeping people, for example, in Sydney, we are not coming to the country and saying we need more money. The fact is from a financial point of view it would be a lot better and a lot cheaper I believe that if we had the better roads that will lead over the mountains and also the rail and the transport infrastructure upgraded, it would be cheaper than doing it in Sydney with regards to trying to keep the people here. The lifestyle and the amenities are out in the country, a lot of them, but as the Chair has said, there has got to be upgrading. But the fact is it would be a lot cheaper to do that than continue to do what we are doing in regards to the coastal fringe.

Mr STYLES: There could also be an opportunity for Business New South Wales to collaborate with, particularly the councils there. We see bits and pieces of what they do, putting on different projects or funding this part of the project or that part, but a bit more collaboration I guess, a bit more scope of what they do would probably help a bit. You see a lot of the projects they do fund get to a point and then often we might end up filing the gap or something like that so that businesses or programs can go forward.

A good case in point just recently was the brand of Orange apples that was released in Sydney, there had been some contributions from State and Federal Government to get them to the point of marketing and then we filled the gap to get them on their way. So some of their collaboration

can really stimulate sectors going forward. Sometimes you do not need new businesses. Quite often you need to fill out what you have already got in established clusters to get some of these things to happen and that sort of better profile for Business New South Wales would be I think a good thing.

The Hon. PAUL GREEN: In the Northern Territory there are tax rebates. I think it is something we need to see across New South Wales. There were some comments previously in the earlier sessions on that. Your submission, like most local government areas, mentions that the IPART rate determination of 2.8 is probably below the increases in the cost and provision of infrastructure and committed services. My question is: What impact will the IPART determination have on your councils and the services that they provide to the communities?

Ms MILLER: I am not going to go into rate pegging. I am done and dusted on rate pegging. That will be a Government decision one day. At the end of the day, to actually have a reduction from 3.5 back to 2.8 for efficiencies within local government, we have not even got the percentage increase of what public sector wages were. So it does put you behind the eight ball. If we are going to have fair dinkum rate pegging, let's make it fair dinkum, let's not carve half a per cent or more off just because they think we are going to have efficiencies. I think we are a pretty efficient level of government and we do a lot with the little financial base we have. I can live with rate pegging. We have been living with it for so long and you get tired of fighting the rate pegging bit, but if IPART is going to determine that, they need to determine it in a fair and reasonable way.

Mr DAVIS: I think I am about the only mayor that disagrees with getting rid of rate pegging, because the fact is I think it should be the cost of living, I think it should be 2.8 or 3.2, whatever it is that particular year. The fact is that anyone is kidding themselves in regards to saying get rid of rate pegging and charge whatever you like. I do not believe the community can afford that. I know the argument is if you put it up and it is the wrong thing, you will get replaced in four years at the ballot box. I think that is irresponsible. The fact is we should be holding our own. I appreciate that most costs go up. The general managers certainly will say that insurance has gone up 10 or 15 per cent and something else has gone up, but the fact is that in my community, Orange, we pay one of the highest rates. It is well documented in regards to that, but if you forego one year, you will never catch it up. It is just impossible. I do not believe you are financially responsible if you do forego any, but I would certainly argue against just dropping it, because you get a situation where a lot of councillors would take the easy option and put it up and it would be irresponsible. Certainly, if we faced it, the fact is it would be short-term.

We were in Dubbo the other day at the mayors and general managers under the new Minister and it was certainly discussed there. It was stated, I think I am right in saying, that 50 per cent of councils in New South Wales are unsustainable. I was at a couple of functions that night, for example, where a number of metropolitan mayors were saying, "We went up by 20 per cent last year and our people can afford it". I do not think that is the attitude. We are grown up people and we should be managing it without probably the State Government telling us. However, I do not believe that the local government industry is really capable of doing that. I think it should be as per the CPI.

Ms MILLER: Rate pegging in itself is not going to change local government being sustainable or not, because you can only charge so much for certain services. At the end of the day, destination 2036, agree or disagree with it, there need to be changes within local government. I will stick with my point that I can live with rate pegging but it needs to be sensible, and at the moment it is not sensible in the way that IPART determines it.

Ms BYWATER: It certainly does not recognise the broad ambit of services that local government provides. That is something that is reflected in that report. For example, Ms Miller mentioned Forbes Shire Council invests heavily in health and more recently education facilities to retain our youth in Forbes within the region. There is a youth accommodation facility that has been developed. We recognise that a lot of our youth drift from our areas to the bigger metropolitan areas where the universities are. We want to keep our young in town. That is not something that is inside the core services delivery of local government but there is a gap there that our community needs to service.

Mr STYLES: The rate cap does not address the assets sustainability issue properly, and it is probably not going to. I think the whole assets sustainability work needs to be developed I guess once

the house is in order with asset information in terms of a cut from the Federal Government. You guys would know how changes have occurred in who is accruing the most from the total taxation dollar, whether it be direct tax or rates or whatever, and it is that distribution of funds that is going to be I guess where the asset sustainability thing is met. The rate cap is more closely tied to the ongoing operational and if you look at a lot of the councils in New South Wales, planning for asset sustainability has not been able to be fitted in back, given the scale of it. So obviously it is a bigger picture than just the rate cap in terms of asset sustainability.

The Hon. PAUL GREEN: You have got asset sustainability, and then, as mentioned in the previous session, the State and Federal Governments quite often contributed to a lot of infrastructure we have all got in our local government areas, whereas the asset maintenance of that is falling wholly and solely back 100 per cent on local government.

Ms MILLER: I have a point on that. I think that is really valid. Just as a bit of history, the Country Towns Water Supply and Sewerage Scheme was always a system that was there for different levels of council going and getting a subsidy to do augmentation or water reticulation. What has happened over time, the Government has introduced best practice guidelines so that you are to be charging what it is going to cost to replace that service. For example, if you have done, say, your sewerage augmentation and it is a new system, it is quite acceptable to put user pays charges in that over time will replace that infrastructure, but when you are getting a government, the last one and this one, forcing you to put in pricing principles that are going to replace a piece of infrastructure that was 20 years old before the best practice guidelines came in, it is ridiculous. This is what we need - and those figures have been done because when I was President of the Shires Association they were done. The backlog within just the local water utilities and sewer schemes, they knew exactly where every local government was up to with their backlog of asset needs. If that can be deducted and we put pricing principles in, there will always be a shortfall. We cannot charge our residents what the State Government is expecting us to in order to replace something that was 20 years old when the pricing principles came into place. That really needs a good look at it.

The other thing that you do, you get a median of all the usage of water. That is crap. We have all got different climates. Sydney is different to Orange. Orange and Forbes are totally different areas in our water use because of climatic conditions. You cannot have a median on what it could be around the State. Do it by a catchment and the same kind of climate, but there are so many ridiculous things that we are trying to stick with best practice guidelines that really need another look at.

The Hon. PAUL GREEN: That goes on to my next question, which is: You have noted the importance of water supply security for mining, farming and urban sectors. What is CENTROC doing to improve the water supply security for the region?

Ms MILLER: Heaps.

Ms BENNETT: We have set up a vehicle, the CENTROC Water Utilities Alliance, to do a CENTROC water security study. We have identified, including climate change, in 2059 what needs to happen to ensure a secure quality water supply across the region. Subsequent to that, we have also identified obviously works that need to happen, and I am sure the Orange councillors and others can talk about some of the work that has already happened, but we have also identified the carbon cost and how we would manage that carbon cost. Part of the water security study identified that our councils themselves need to engage in some demand management and other types of activities. So they are now working collectively, all the councils across the region are working collectively to deliver on our component of what we would simply do in relation to water utilities. They got a national engineering award for the work they did for the water security study, which was pretty impressive.

Also the Productivity Commission has come out recently, being quite positive, and we attended a session down here recently about the water utilities, the alliance model that we are using. It really is, we believe, the answer to the correct model that should be in place where local government retains control over the utility but at the same time gets the benefit of collaborative activity through purchasing and sharing information. At the moment we are putting together a training, mentoring, procurement and resource sharing plan, which is talking about the skills gap across the region, how we can manage that collectively. We have come up with some quite interesting solutions in that area as well.

Also what is interesting there is - I do not know how aware you are of the Gellatly water report that came out around how water utilities should be managed and they were talking a lot about how there are these terrible skills gaps and local government should not be doing it and blah, blah, blah. What we actually found out is that they are national skills gap. So there is no real point in putting the gun at the head of local government. Contextually that is what is happening across the country at the moment, but there are some really good solutions that can be sorted and that is the track that we are going down at the moment.

The Hon. PAUL GREEN: I noted that they forgot to ask some of the local water utilities those questions.

The Hon. Dr PETER PHELPS: On something that Councillor Davis said earlier in relation to being against dropping rate pegging, earlier we had evidence from Allan Smith and Adam Marshall that they believed that if not totally funding infrastructure, they would at least be able to go a substantial way to funding their own infrastructure were rate pegging to be dropped. Surely that is a more equitable solution, to allow local people to provide their local representatives with local money to develop the local infrastructure priorities which they believe are important, rather than have to go through a circuitous route of State and Federal direct assistance to local councils.

Mr DAVIS: Before I ask my general manager to maybe help me out, as I did say, I am one of the few mayors that takes the attitude. I am saying that the community at large - I have got to say that I certainly agree that if there is going to be a major project - it could be water, it could be anything, but if a major project was put to the people and it was said, for example, "Are you prepared to spend \$10 a week more" and put it to the State Government, the current system, I think that is reasonable and fair, but in regards to Adam and Allan, yes, they are certainly 80 per cent of the views I think are certainly misunderstood in regards to the point of view that in theory that is perfect. We are not in a perfect world.

The Hon. Dr PETER PHELPS: What imperfection, you mean the political backlash?

Mr DAVIS: For example, you cannot charge - for example, we will be one of the few councils that will come up reasonably well in regards to our asset management, and the general manager will speak to you about that, but the situation is that yes, you can certainly do and charge, but in actual fact it is not practicable, it will not work within the communities, and especially the rural communities.

The Hon. Dr PETER PHELPS: Why is it not practical? If you simply mean it is politically nasty for those people who do it, then that is a different thing to it being not practical. You can do it, surely.

Mr DAVIS: You can but—

Ms MILLER: It is another tax for us. I am not batting the rate pegging. It is okay to say: Yes, you go out and put your rates up. It is another tax. What is the State or Federal Government responsible for?

The Hon. Dr PETER PHELPS: They were of the view that the amount of money which would be required to at least give sustainability to the infrastructure would not be so onerous as to prompt businesses and people to move away from their shires. I am just wondering why they can feel so confident that an ending of rate pegging would have a net positive to their communities, and it seems that Mr Davis is of the view - would it be a net negative? Do you believe that there would be an outflux from rural and regional areas?

Mr DAVIS: In my case I do not believe that we have to go to that position.

The Hon. Dr PETER PHELPS: Is that the Orange view or is that the CENTROC view?

Ms MILLER: It's not CENTROC's view.

Mr DAVIS: No, it is my view and the situation that if, for example, we have the perfect world and we can charge whatever we like, if that was the case I would suggest that the shifting of costs from State and Federal Governments to councils would have to be looked at and shovelled back. For example, if we are going to actually send the bills to our communities, I would suggest a lot of things that we do and the Chair has suggested for example, bringing medical facilities to our areas, \$2.5 million; that should be shovelled back to the relevant government.

The Hon. Dr PETER PHELPS: For things like roads which again from their testimony appears to be the key problem area in terms of infrastructure in their region and presumably your region as well.

Mr DAVIS: That is why we are exempt from that.

Ms MILLER: Roads are always going to be an issue because there are three of us funding them. There is the Australian Government, State and Local Government. We are never ever going to have everyone happy with the roads. It is just prioritising it. Putting rates up is not going to fix the roads but I would like to think even though they are saying it would help us by not having rate pegging, at the same time we have to be responsible on what the capacity to pay within our community is.

The other thing is, what we are doing at the moment is we are picking up the slack of other levels of government that are not delivering for us as far as health, education, giving us opportunities to have further education within our communities. As a council we are taking that up.

The Hon. Dr PETER PHELPS: But isn't that simply a factor of aggregation economics and that is that the bigger towns are actually doing quite well, the Oranges, the Bathursts, the Waggas, the Alburys, the Armidales, those areas which already have large concentrations of population are doing better than the smaller towns simply for the fact that wherever you are going to have a larger number of people you are going to have a greater number of services, you are going to have a range of skills from various people, so the bigger towns there is a natural tendency towards agglomeration.

Ms MILLER: Dr Phelps, you need to go and have a look, especially Armidale, go and have a look at the balance sheet of some of those towns because I am not going to tell you other than that one which other ones and there are a lot better functioning councils, that smaller size down, that have a better balance sheet than any of those that you are mentioning.

The Hon. Dr PETER PHELPS: I am not suggesting that you are not competent, what I am saying is the long term historical trend has been away from the 20 mile towns towards the larger areas, towards a centralised town in a particular area and as the Grattan Institute says, it is like trying to push water uphill.

Ms MILLER: The Grattan Institute report is disgraceful. I have actually let them know what I thought of that. You think about where Government invest their money. They are not worried about the other towns that are around those big regional towns. Where is most of the investment going? It is not fair. There is no equity in delivering money to all the different towns. I am not saying go and prop something up that is dying a natural death, but there are certainly towns out there that are not dying a natural death, but governments of all persuasions continue to prop up the regional centres who have a rate base and an opportunity to prop themselves up.

The Hon. Dr PETER PHELPS: That is the converse to my argument earlier to Councillor Davis, that is that those who can should be able to have a greater self reliance.

The Hon. STEVE WHAN: That is the pitch of the FAGS grants, you are sort of missing out the whole picture there which is a substantial part of Local Government income that is not being used.

Mr DAVIS: The situation in the Oranges case, and I mentioned it right at the start, we pay the highest rates of any regional city.

The Hon. Dr PETER PHELPS: And you give presumably good services.

Mr DAVIS: Not good enough. The expectations are still there. It is alright to say you have got a bigger crowd, a bigger community so therefore you can spread it around and get more money. For example, we have probably another 50,000 people surrounding us and they come into Orange and use our facilities and do not pay any money. So it is not quite as easy as what you are saying.

In the perfect world yes, but it is not perfect and until the governments stop spreading the costs to the councils I would suggest it would be totally inappropriate to go down that track.

Mr STYLES: The boundaries of Local Government are not drawn on something based on what would be sustainable for maintaining their roads. They are historical from many, many years ago. You could have some circumstances where some Local Governments have a vast liability for roads and not a great source of income. There are probably, I don't know, three or four tiers of Local Government if you like. Certainly some of them will be able to do what you say.

If you follow the Dubbo argument, which we have followed, they have been in the media, their gap is \$27 million in general fund and \$5 million plus a year or something to catch up. That is going to be a very big pill for that community to swallow in my view, but you are quite right, it is doable on a mathematical basis where if you raise the rates, that will come.

There is going to be a large group of councils who cannot do that, it is just not going to fit in terms of the rise and their where-with-all.

The Hon. Dr PETER PHELPS: Why not?

Mr STYLES: The length of the roads, the number of people there, just their financial where-with-all to do it.

The Hon. Dr PETER PHELPS: Isn't that an argument for an amalgamation?

Mr STYLES: I do not think that is the solution in some of the less densely populated areas. You pick off your metropolitan councils, they have certainly got smaller areas; they have got a low scope of asset and certainly the capacity to get to a sustainable position. There is a vast diversity of quality asset information across all of Local Government that needs to be tidied up before you can get to that mathematical position of who can fit and who would not.

But you need to look at a few more things inside the box I think in terms of the funding with rate capping that Local Government has been collecting over time. I know your arguments about if you did not have rate capping, has become a lesser and lesser percentage of the total taxation take and I guess the councils might be happy to charge the higher rates to get to a sustainable position, but somewhere in the ledger people have got to pay for this and maybe it is a bit of a hair cut on the Federal Government side which has been amassing the vast majority.

You have got the same problems with hospitals and how much take the feds are getting compared to you blokes, to get to a point of making it work. So there needs to be a few more elements in there and I think you need to differentiate between some of the where-with-all of some of the councils, but certainly for a large chunk I think you could get to that position though.

Mr DAVIS: The situation is if you have got two broke councils, why would you put two of them together and make a bigger broke council or why have a viable council and put a broke one with it? There have been suggestions at the Dubbo meeting that there would be incentives to help out the unsustainable councils. So that will be interesting. I have only gathered, being the mayor, that that is money, because that is the only way that it could happen. It seems to be very unfair in regards to if the costs are coming across to Local Government and so therefore for us to pay for it we as councillors have got to put the rates up \$500 a year so it takes the pressure off the State Government, that does not seem to be in the spirit of things.

CHAIR: Can I follow on from that, particularly in relation to your comments about two small broke councils, in relation to the structure of Local Government then, the current structure, is that the optimum do you think for the benefit of western New South Wales or should we be looking at a complete reformation of Local Government to better reflect the needs in the 21st century?

Mr DAVIS: It comes around to amalgamations; there is no risk about that. We are talking here about regional organisations and regional cooperation of councils; you have got a situation whether you go to that mould in regards to having super councils, that has been around for years. There is metro and there is probably outer metro and then you have got the central west and say far west. At the meeting that was put up by Minister Page in regards to Dubbo when they got to the western area councils, it was to move them. We cannot do anything with them, just give them some money. But as to the FAGS grant, they certainly take in the consideration in regards to the viability of the councils but it must be remembered that most of the money that we get to run councils does not come from rates. We can put up the rates another \$1000 a year and it does not make much difference.

Ms MILLER: Mr Chairman, with the FAGS grants, that used to be one per cent of tax. It is 0.07 of a per cent what we receive now. There has never been fair dinkum growth in our FAGS grants.

I just want to talk about amalgamation and I will put on record I am not one to be frightened by any form of amalgamation. We had structural reform in this state in 2003/4. If you look at those councils that have been amalgamated, because of industrial relation laws, they have never ever been able to get their employment ratios back into line for a council that size. There are no savings. There is nothing and that work needs to be done.

The Hon. Dr PETER PHELPS: That is an argument for loosening the IR laws.

Ms MILLER: I am not going there. The legislation went with it to guarantee the positions in certain places and everything but what I am saying, what we have done with structural reform in New South Wales at that point when there was 198 and there are 152 now, so quite a few councils went by way of amalgamation. Let's have a look at what the impediments were or still are on what happened back then. That is a piece of work that really seriously needs to be done.

CHAIR: That is what my question was directed at, was reformation to Local Government rather than amalgamation.

Ms MILLER: To reform it, to look at what went on with it because I believe that is a fear of why councils are not saying let's amalgamate. Because they know what has happened out there with those employment ratios, everything, and some of those are still basket cases.

The Hon. Dr PETER PHELPS: You mentioned earlier there were all these ridiculous things you have to comply with, ridiculous State Government rules and regulations. Is it possible for you to do a list of things like "this Act is an annoyance, it is a waste of our time, it would be better if it was substantially repealed in toto or substantially altered" and regulations and things which hold you back from a State Government administrative perspective. What are those annoying red tape type things which are imposed upon? If you could take that on notice.

Ms MILLER: We will get that. A lot of it is not changing legislation, some of it might be regulation but some of it is direction. I think we can do that very simply.

Mr DAVIS: There is a little bit of action outside our boundaries in regards to some people wanting to shift boundaries, Cowra, Orange, what have you. I have got a gentleman here who is doing our financial planning and we believe we are reasonably solid and stable in the long term. The particular area that we would like to come to our area would actually make it more viable but if we actually took the whole council over it would put us back five or ten years.

Mr STYLES: We would be faced with the sorts of rises you were talking about on rates for some of those areas out further to cover off on the roads.

Mr DAVIS: Why would we do it? We have got the community and we are trying to get value for money. We are not bringing rates down. We are trying to keep the rates at three per cent and saying we are giving you better value for money and hoping the Dubbos and the Bathursts pass us in time because they do not have art galleries and theatres and what we have done in the last 25 years.

The Hon. MICK VEITCH: I notice in your submission there is quite an extensive section about airports, page 22. There is a range of standard of airports and air services across the central west. One of the main issues with councils, and I was in Young when unfortunately there was a rather large air accident which stopped anymore coming our way. I know Cowra is trying again to reinvigorate their airport and the services provided from there.

What are some of the issues that have been encountered by not so much the Oranges and Bathursts but by the Forbes, Youngs and Cowras?

Ms MILLER: From the time I became mayor three years ago we have been trying to sort our airport out. In order to do that our council many years ago, they offered for Local Government to buy it, did not take that up, so consequently we do not own it. I think the council of the day thought that it was going to be cheaper if they kept it as a Crown lease.

We have had an absolute terrible time with crown lands in trying to resume a bit of land so that we can start to get some development there. We are trying to do a subdivision out there in order to create some income so that we can do a lot more work on our runway. There is no funding for runways. It is almost impossible to get. We have a lot of private people going there. We have flying lessons out of Forbes. We are trying to make what we have got more viable by being able to do a redevelopment with hangars. When Bankstown was taken over privately there was an opportunity to get someone out there that was fixing planes and things like that, but to get through the Crown and try and get your plan of management up is a very slow process. Until very recently when we got someone very good within Crown Lands working with us it has been snail pace, very slow and very frustrating.

The Hon. Dr PETER PHELPS: Was there any reason that it took so long?

The Hon. PAUL GREEN: Was it planning insurance?

Ms MILLER: No, it was not. There was quite a bit of difficulty with certain staff out in our area. The other thing is - this is a really serious thing that has happened - the Crown came to us almost two and a half years ago that we had to have leases in for the hangars there, because we are trustees in there. There were leases in place, peppercorn, I am telling you, 200 bucks a year or 20 bucks a year, I am not sure what they were. They went out themselves and got a value on industrial land, \$14.50 a metre. Can you imagine anyone who has a one engine plane out there is going to pay us, as the trustees - and it was us that copped it - nine grand.

I have only just argued the toss and got leases up at a reasonable rate and I have still got people threatening to take me to court. I could not win this argument. There was a lease in place for 20 years. They have decided that they can have that permit for two years and then it will go out to the public market. That lease is still there. This guy is going to take us to court. I am not going to go to court. I am going to keep fighting. I am telling you, it is a dog's breakfast. I am not the only one out there. There is a whole range of us with airports that are having a shocking time because of some of the processes.

The Hon. Dr PETER PHELPS: Why are they even purporting to tell you what you should or should not be doing in the first place?

Ms MILLER: Could you find out for us please, Peter? I would really appreciate that, if you could go to them and come back, because I think we could run it much better. It is like a chook raffle at the moment.

CHAIR: I will call it to a halt there. Thank you very much for your time today, ladies and gentlemen. If there are any supplementary questions that might come from the Committee, we will submit those to you and we would be pleased if you could get the answers to those back to us within 21 days. Any of the questions that you took on notice during the hearing today, the clerk will be in touch with you and if you could get that back to us within 21 days, that would be fantastic.

Ms MILLER: We will be happy to do that.

Mr STYLES: Thanks for affording us the time.

Ms MILLER: Yes, we appreciate it.

(The witnesses withdrew)

(Afternoon tea adjournment)

PETER ROBERT BAILEY, Director and Chief Executive Officer, Foundation for Regional Development Limited, sworn and examined:

CHAIR: Could you tell us in what capacity you are appearing before the Committee today?

Mr BAILEY: I am appearing as a person vitally interested in encouraging people to move out of Sydney into regional areas. I am representing the Foundation for Regional Development Limited.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr BAILEY: Yes, I am.

CHAIR: If at any stage you believe there is evidence you wish to give or documents that you wish to table before the Committee that are confidential, would you please let us know and we will organise to receive that in-camera.

Mr BAILEY: Thank you.

CHAIR: Would you care to make an opening statement and I believe you have some slides to show?

Mr BAILEY: We have been involved in regional development since 2004. We started as a private company and evolved into a not for profit organisation just on two years ago. We started off running an expo to encourage people to leave Sydney and run to the country but we have found there is a lot more to what we have been doing over the period and I just wanted to pass some of that information along.

We think regional New South Wales is a great part of the world. I live in Armidale. It has a healthy environment, with jobs, safe lifestyle. Probably one of the most important things is that we have affordable real estate, business opportunities and a lot of family time, which I think is very important in today's fast moving society.

By way of background, New South Wales will grow to 9.1 million by 2036. Sydney will grow by 1.7 million to nearly 6 million. Newcastle and the Hunter will grow quite nicely; Wollongong and Illawarra the same; Richmond and Tweed the same; the mid north coast will grow quite strongly; the south east will grow quite strongly; a lot of that growth is caused by the growth in Canberra; but inland New South Wales is predicted by your department, or the Parliament's department, to actually fall by 6000 people, which is, I think, of real concern.

At this point, what I would like to say is that I would seriously encourage you as a parliamentary committee to call the Department of Planning to give you advice as to how they do those predictions. I think you will find they are wide of the mark when the census comes out. Unfortunately, government bases a lot of its planning on those sort of numbers when making decisions about roads and finance, and I know that they have had those concerns raised before, I know that they talked to the University of New England about trying to come up with a new formula to do population planning for the future, but it never came through and they are still working the same system.

We know Sydney has got huge and rapid growth, increased commute times, urban infill. We are now seeing the North Shore line, the so-called leafy part of Sydney, 500 metres either side of the railway line being urban infill. Housing costs are at an unaffordable level. There are infrastructure challenges. Personally, I would doubt whether any government can have a capacity to keep up with the infrastructure pressures that Sydney is going to present over the next 20 years. If you think about resuming land, you are probably paying \$600,000 or \$700,000 for a house. To put an expressway in, it would be about six or seven houses across, whatever the distance is, before you even start building the road. More and more we need to seek an alternative. I suppose the question we ask is: Is regional New South Wales on the move?

They are the population figures as far as we can make out for the Orana region. Bogan shire

is best known as Nyngan. The rest is self explanatory I think. Mid west is Mudgee; Warrumbungles is Coonabarabran. The black figures show growth; the red figures show a negative. So we are seeing that in Dubbo's situation, Dubbo is growing quite strongly. If you talk to someone like Bernard Salt, they will talk about regional cities having what they call a sponge city effect. They soak a lot of their population up from the regions. The second tier communities, like Mudgee, are growing, but what I call the third tier communities, the smaller communities, really struggle.

You then go to the central west, once again you will see Bathurst has strong growth. Orange has strong growth predicted. Weddin, which is Grenfell, is struggling, and if you go through to Lachlan, struggling, and Cabonne is growing but Cabonne's growth is basically predicated on Orange as it is the donut around Orange. And Blayney is West Wyalong. So there are some real concerns in terms of population growth in the central west. Then when you go to the far west, it is catastrophic. These figures are a combination of Australian Bureau of Statistics and Australian Bureau of Statistics' forecasts. Obviously 2010 is a forecast and 2036 is the New South Wales Department of Planning. So there are some concerns there and we realise that there is a task before us. But how can we address it?

Why is the central west and the west struggling? A long drought has not helped, and I do not think it mattered what government was in power. When you have a drought for ten years, it is extraordinarily difficult. There is no long term marketing strategy. Many of you, I know, have heard me talk about this before. We tell Sydney about our problems, but we never tell them about our opportunities. We tell them about our droughts, we tell them about an abattoir shutting in Cowra or Young or we tell them about the Murray Darling Basin problems, we tell them about broadband coverage, we tell them about mobile coverage, but we never talk about the opportunities on offer in the regional areas.

Lack of council cohesion, we think, is a problem from time to time. Air services, I noticed our previous people were talking about it. I think that is a problem also. My air fare down here was \$420 one way from Armidale. The last thing is that most of the funding that comes from government, or a lot of the time, is dollar for dollar funding. Our experience is showing that in interstate areas they will provide better than dollar for dollar funding for certain sorts of projects.

I think one of the major problems we face is that people have got very used to expecting government of either persuasion, or Parliament, to fix their problems. We have lost our spirit to go out and raise money. We do not have the service club commitments that we used to. If you wanted to go and paint a scout hall or a community hall, you went and got a few friends together and raised some money and went and did it, or you went and leant on the local Mitre 10 store. Now we are in a situation: Let's go and get a Government grant. I think that is a problem for the future.

Our MPs, the population decline is meaning that members of Parliament have larger and larger electorates. I think that is a serious concern. I do not quite know how you address that because people still have a belief that they have a right to see their members of Parliament. It used to be about three state MPs to a federal, now it is about two and I do not think a lot of them have a can do attitude. A lot of Local Government do not have a can do attitude.

I think a lot of the business community at times lack hunger. There is very little commercial land available in many centres because of planning problems, because of lack of investors and then the last thing is every time something happens it is NIMBY. You have only got to look at things such as solar, wind power, everything else, there is discussion about a new power grid from the northern tablelands down to Casino to try and have something planned for the next 15 years and everyone is complaining that they do not want it across their land. It is like everything else, no one is prepared to stop using computers; no one is prepared to stop having large screen TVs to watch the Wallabies win or whatever it might be but they do not want the alternates to provide the power. I think that is a real worry.

Are people moving? Yes, we know people are moving. We know that New South Wales has lost two federal seats to Queensland in the last two redistributions. We are liable to lose a third, either this Parliament or the next, so we will go from 50 seats back to 48 or 47.

A few businesses are moving. The department sometimes tell you that some are moving back. I think that is rare rather than the rule. I think also council economic development officers; the

quality of the people that drive those sorts of programs varies dramatically. We know that people move for jobs and if you move a business the jobs will follow.

How do we change? We need to encourage drive to come from the business community. We need to have a can do attitude. We need to develop commercial land in regional areas. There is a little place between Glen Innes and Tenterfield and the former Severn Council developed some land there. The community would only be what, maybe 150, 200 people. They put an industrial park in. I thought there is an enterprising council. I thought that would sit there and never be used. There are now four or five businesses in there and I think that shows the sort of leadership you have got to have.

The other thing too, I think councils have seriously got to consider developing commercial land. One of the classic examples of a success is Nambucca. Nambucca does not have an airport. It does not have a huge pool compared to Coffs Harbour or Port Macquarie. Some years ago their mayor was a guy called Hicks and he convinced council, with their economic development officer, a guy called Wayne Lowe, to begin to develop their own land. It has been very successful.

It also allows them to be strategic. What they have done, for instance, is that if you are Woolworths and you arrive to put a Big W in their commercial area, the price will be \$150 per square metre but if you are Ern Smith Engineering from Engadine and you are going to employ five people and two apprentices, the price will be \$50 a square metre. So they are far more strategic in their approach of applying businesses to those sorts of things.

I think we need more and better candidates for council elections. We have got to find councillors that do not actually frighten people away. One of the things that I think I encouraged the Chairman to be involved in was to go and have a look at a thing called RAPAD, which is Remote Area Planning and Development which is in western Queensland. Have you presented those findings?

CHAIR: Yes.

Mr BAILEY: I saw this operate. The councils in western Queensland are incredibly small. I think the smallest council in that RAPAD group is about 246 people but it is a massive geographic area and Peter Beattie took a courageous decision not to amalgamate them. But RAPAD is supported, from my understanding, by State Government and by Local Government. They perform a number of tasks. They have grants officers, they run tourism out west, they have economic development and they provide a whole lot of support to smaller councils. I think that is one thing I hope this Committee would recommend, that we look at some way of establishing some kind of resource sharing in western New South Wales.

If we do not do that, there is so much money now in grants. I will give you one example, the philanthropic book which has all the charities in it that give money away and all the philanthropy organisations that give money away. The book is that thick. If you have got a good grants officer, they will pay for themselves. Talking to Wayne Lowe from Nambucca, he indicated to me that their grants officer who, let's say cost about \$60,000 a year, generated about \$1.5 million a year in grants, that is state, federal, all sorts of things.

I think there is some need for that western region to be in one of their communities. I do not suggest they should be in Dubbo because that would be a bit counter-productive, but they undertake a number of tasks. You have a CEO up the top. I am sure many of you have been to the western division conference. They are poorly funded and until they change those sorts of things, they are not going to achieve the results that they want to.

I think from memory, RAPAD put in a Federal Government application for \$22 million worth of road funding. For seven councils with a total population of 12,000 or something, to put in that size application, it is by cooperating and working together. I think it also will break down barriers of perceived division between councils.

If you get that spirit of cooperation moving forward, I will not be bold enough to say that councils will welcome amalgamations with open arms, but I would say that they would be more inclined to realise that their neighbour is not really the big problem.

I think some of the things you have got to look at as part of reform is to reduce the size of councils by having less councillors. When you have got 11 councillors sitting around a table arguing over three and sixpence it seems to be a bit of a waste of time.

I think models where small councils might only have three or five councillors makes far more sense. We have reduced down. I think we are now down to nine in Tamworth and I think it is only 10 in Armidale. There has been no change in terms of the structure of the council. There has been no kind of impact in terms of the way people can get to councillors.

I think we have got to begin to pay our mayors a reasonable amount of money. The Queensland system is based on a percentage of a member of Parliament's salary. That is a benchmark and I think we could get better quality councillors, instead of being in a situation where a lot of the council people are looking for alternative careers after retirement or they have got an axe to grind. You will begin to get some people who can make some real representation, real value.

I do not necessarily believe we need to reduce the number of councils but we do need to try and tweak them to make them better servants of the people that they represent and if we get more younger people in and a more diverse range, I think you would be a lot better off.

Holding council meetings for instance in the middle of the day is not exactly conducive to running a business. Our council does not meet until night time and it does not seem to suffer but there are other councillors that like to come in for the day. You are going to cut out a large number of potential candidates if you run council meetings during the day.

We have now been running the expo for a number of years and we think there are dramatic lessons to be learnt. People are ignorant of regional New South Wales. If you live in regional New South Wales you think you are the centre of the universe. One of the problems I think the councils have is that they tend to bury their existence in strange names. To have a council called Bland Shire Council, which is West Wyalong, and they are great people but if you are a Sydneysider and you went along and looked at a stand and it stand Bland Shire, you would kind of wonder, wouldn't you or Weddin or I come from Bogan. It is hardly a ringing endorsement.

One of the things we try and make councils realise is that people will go home and research. If they cannot find you on a map and they cannot for instance - no offence to the mayor, but the Shoalhaven - it is not on the map. Nowra is but unless you know your rivers, Shoalhaven.

I think we have got to try and encourage councils to look at some strategies to begin to market themselves. It is something I have had long discussions with Steve about and Mick Veitch about and Rick and we have got to find some ways to build a profile of regional New South Wales. If people are moving from Sydney, which we know they are, we have got to encourage more of them to look regionally rather than look to Queensland or Western Australia or South Australia as an opportunity.

We have got all the good things going for us. We have got value for money real estate. We have got jobs. We had nearly 1000 jobs up on the jobs board. We know from this year the GFC created a lot of doubt and uncertainty and we know also that Sydney's growth is one of our best allies in encouraging people to look outside of Sydney, but the problem is they also look into the south east corner of Queensland, Victoria and Western Australia.

We know the sorts of occupations that came through and great numbers of trades people. That is just a summary of some of the occupations. We even had three doctors. They are the sorts of occupations that come through.

The other thing that is interesting is we are now beginning to see, we always knew we had strong representation coming into the expo from western suburbs, the Hills district and the south west, but we are now seeing it from the north shore line, the northern suburbs, the eastern suburbs, the northern beaches as the pressure in Sydney intensifies, more and more people are searching for an alternative.

One of the other lessons we have learnt is it takes three to five years to persuade people to move. That is a bit about where we are at with the expo.

We see that there is a dramatic need for a marketing fund for regional New South Wales. If we do not go out and tell the people about what we have on offer, we cannot expect people to move.

Victoria has run a marketing fund now for seven years. When they started their campaign and the Local Government Association down there called the Municipal Association, were the ones that persuaded Premier Bracks and then Minister Brumby to fund some research, they found the most likely destination for a Melbournian to move to was Queensland, which is pretty frightening if you are in Parliament in Victoria.

So they began a campaign to promote regional Victoria. Most of regional Victoria was in decline. You can argue that it is all different in Victoria because it is a much more compact state. In 2004 something like 30 of their councils were losing population, which would not be dissimilar to here. We are now in a situation where I think only nine are losing population. You have got areas like Mildura now growing faster than Melbourne.

I am not saying the marketing fund is the total answer, it is part of the picture, but if we begin to build awareness of the opportunity, you have then got some hope that people will begin to inquire and look in our own backyard rather than looking interstate.

I am not suggesting the Government should run the marketing fund. You have got to find some way to bring other funding in so that you can take whatever amount of money from Government and multiply it. You need to build that impact. But if we do not begin to market and promote, you will not persuade people to move and Sydney will just continue to have the problems that it is facing.

They are the sorts of things that we see are the future for regional areas. We see that the regional cities are all getting funding through the Evocities program, and good luck to them. There are seven of those: Albury, Wagga Wagga, Bathurst, Orange, Dubbo Tamworth and Armidale; but it is the second and third tier cities that are struggling. They are the ones that are really fighting to make a difference and we have got to find ways to help them.

I have always been a believer that if you are going to run promotions to encourage people to move, every community has a right to be part of that promotion. I do not believe that you should pick winners. There is a belief at times inside government that we should only worry about the largest centres. I fundamentally disagree with that, because our experience over the eight years we have been doing it, both in New South Wales and Queensland, is that people will move for different purposes. For instance, we have had three families move to Winton. Winton is pretty remote when you consider the size of the communities.

They are some of the things that we would put forward. Thank you, Mr Chairman.

CHAIR: Thank you very much, Mr Bailey. That was very interesting. Are you prepared to table your presentation to us?

Mr BAILEY: Yes.

CHAIR: There are some things in there that we would like to have in our report. It would be good if you could table that and allow the Committee to use the information in there.

The Hon. PAUL GREEN: My question is on the statistics on population growth. You mentioned that you think they are a bit wobbly. I would tend to agree. Obviously, the new census will probably correct those. In terms of breakdown, in terms of regional development what types of age groups are heading to regional areas? Is it exclusive to certain age groups or is it right across the board?

Mr BAILEY: It was very much 50 plus or 55 plus. Some of you came out to the event. Probably the thing that marked this year was the number of prams and babies around, young families looking for an alternative. That is an incredible difference to some of the previous years when we had

a lot of older people through.

The Hon. PAUL GREEN: Do you think housing affordability plays any part in that?

Mr BAILEY: People who move will ask two questions: If I move to Bullamakanka, how much is a house and can I get a job? Once you have answered those two questions, they will start to drill down into other questions about lifestyle, environment, can my child do environmental macrame at school or whatever it might be. They will drill down into other questions.

The Hon. PAUL GREEN: In your experience - limited experience because it has only been going since July - has the \$7000 given by the Government in terms of the Regional Location Grant Scheme made any difference that you know of?

Mr BAILEY: We know that there was a lot of inquiry on the Office of State Revenue's site at the expo, and as the one that proposed the relocation grant to both sides of Parliament before the last election, we are obviously advocates of the program. Hopefully, the program will be extended so it does not just pitch to home owners and with time that it could be extended into first home buyers as a next step and then move forward from there. So there was a lot of inquiry and lots of interest, but lots of people came in with false hope because they did not qualify. They just saw it as an opportunity to get \$7000 and move.

The Hon. Dr PETER PHELPS: This inquiry is specifically looking at the central west. To ask a really impolite question, why would we bother to fund regional development to the central west when people have already made the choice, if you like, and are moving up and down the coast, to Wollongong, the Central Coast, south of Wollongong, Shellharbour? If we have a limited number of infrastructure dollars, why would we not invest them there, where people have already made the choice to go? Why would we not put our money there, rather putting it into central western New South Wales?

Mr BAILEY: Two points: Firstly, most of the communities have under-utilised infrastructure. They have schools in place that are often only a third full, because of demographic change in our suburban areas or even outer areas as people move on. Secondly, a lot of them have very strong water supplies. Even during the drought, one of the fascinating things - we did a water survey prior to an expo and found the vast majority of communities in the townships had no water restrictions. Their community around them could be in severe drought, but Dubbo had no water restrictions, Armidale had no water restrictions, Moree had no water restrictions, and all these communities were in drought. There is under-utilised infrastructure. So rather than having to outlay additional dollars to support new growth up and down the coast, there are opportunities to use some of the infrastructure that governments have paid for over the years. If I could offer a third reason, I think people are not aware of what is on offer in regional areas. All of us used to have experiences, if we lived in metropolitan areas, of country connections. You went on holidays as a child to your cousins or your aunts or your uncles or whatever. Now there are huge numbers of people in Sydney who have had no country experience whatsoever.

The Hon. Dr PETER PHELPS: All that is fine, but surely if people have made the choice, and you said it is not about picking winners, if people have, whether through limited information, simply not considered central western New South Wales or, alternatively, have considered it and said no, I would rather like a beach lifestyle where I am one hour away by train from Sydney, does that not indicate that the infrastructure should go where the people have chosen to go, rather than try and create a market where people have decided not to go?

Mr BAILEY: If that is the case, you should put all the infrastructure in western Sydney, because that is where your largest population growth is occurring. In western Sydney, south western Sydney is where your growth is occurring.

The Hon. Dr PETER PHELPS: I am glad you mentioned Victoria, because this is one of the real problems, and that is that places like Geelong and Bendigo, which have shown real growth, are all about one hour away. You go one hour west of Sydney by train and you are in Katoomba. You just cannot build in Katoomba; it is surrounded by national park. You go one hour west of Sydney and you are in Strathfield on most days, if you are in a car. Where do you go if you want to be one hour

away from Sydney or one and a half hours away from Sydney even? The only place you can validly go is north or south.

Mr BAILEY: We see that one hour is a myth. It is a bit like the first expo where somebody walked into the expo and said, "I have just sold my house at Palm Beach and I want to buy a rural property that I can live and work and get an income from and I want to be one hour from the GPO". Well, it is a bit hard that. We see that three hours is the key, not one hour. The vast majority who are concerned about family connections are saying three hours, not one hour, and three hours opens up a whole plethora of opportunities into other regional areas. I would encourage you to look beyond - also, as we see the roll-out of increased infrastructure, Armidale now has NBN and hopefully the NBN will be rolled out to most of the residential areas. For some reason it is not in the central business district. We see that will be a significant advantage for the community. I do not necessarily believe that one hour is the measure. I think three hours is the measure.

The Hon. Dr PETER PHELPS: Just on that point, say I am a city person, what does Armidale offer me that Tweed or Port Macquarie or Port Stephens or Newcastle cannot offer me?

The Hon. STEVE WHAN: Much cheaper property for a start.

Mr BAILEY: Armidale has Australia's oldest regional university. We have a cultural diversity you would be hard pressed to find in 25,000 people anywhere else. Tamworth to the south of us is nearly 60,000 people and has nowhere near the cultural diversity that we have.

The Hon. Dr PETER PHELPS: But if I am a small businessman, I say that is well and good but I will have Tweed's or Port Macquarie's or Port Stephens' or Newcastle's growth rates, thanks, because I am more likely to have a large, growing, sustainable population of customers to service my business into the future, rather than what is - no disrespect intended - a relatively static population, other than those which are drawn in, soaked up from the towns in the surrounding communities.

Mr BAILEY: One of the problems I think you will find in most of the coastal communities is there is very little substance to lots of the economy. Nowra, for instance, has a very substantial economy because it is based on industry. It started off with the navy and it has grown from there. They have been very strategic in achieving some objectives. But if you go to places like Port Macquarie, they open up an industrial site, they open up a commercial subdivision and it fills up with large retail. It goes from Captain Snooze to Beds R Us to Barbecues Galore, which means it is difficult to get substantial income in those sorts of communities. Whereas, if you go into communities that have large degrees of industry, you will get more substantial income. As a consequence, I think you face a real situation with the economies in the inland where there is real substance in most of the economies. Even in drought there was real substance and money going through the economies, whereas unfortunately I think in some of the coastal communities, it is pension week to pension week or it is holiday season to holiday season. There is not much real substance in lots of the economies.

The Hon. Dr PETER PHELPS: A service economy versus an agricultural one.

Mr BAILEY: You take Armidale, and I go back to that because I know it reasonably well, it is underpinned by a university. The amount of government money that pours into Armidale every week, we do not burn, we do not bust, we just go along like that. That is a substantial advantage if you learn to prosper with it.

The Hon. CHARLIE LYNN: Do you have any data on people who have moved, how long they stay, whether they do stay or what percentage come back?

Mr BAILEY: No, we do not. I can only talk anecdotally. All I can say is that we do have ones who fall through the floor and go back to Sydney because they have an unbelievable expectation or were sold an unbelievable expectation when they moved, but the vast of majority of people we try to educate. We run seminars during the expos. We have a lady who runs a company called Possibility to Reality. She is a tree change expert. She talks about some of the procedures you need to have in place to make people move and how to be successful when you move. The most obvious one in being successful when you move is getting out and being involved in your community. If you stay home and

be a wall flower you will hate the place, but if you get involved in Rotary or Lions or your kid's soccer club or whatever, you will begin to make friends.

The Hon. CHARLIE LYNN: After I got out of the army years ago I organised a couple of events around Australia and spent a lot of time in the country. When I left I said to my wife I may find the perfect place to retire to. When I got back after about six months she asked me where it was and I said I found about 50. I guess home is where you hang your hat now. I do not even get there in three hours. I think in Australia, anywhere you want to be in a certain period of time, if you plan it, how many times of a weekend do you go for an hour's drive or a three hours drive anyway. If you are consolidated in your community you become part of that community, you are going to be working there and not travelling so to speak. I would see it as a major marketing exercise. I would think contrary to people wanting to go to the coast, you certainly live from pay cheque to pay cheque, but the inland cities have a tremendous lot to offer in regard to quality of life. As you said, once the NBN comes out, it makes no difference whether you are in Sydney running a business or Orange or Bathurst running a business in many cases.

Mr BAILEY: I think it is about diversity of choice. As I said, I do not believe we can be prescriptive and say that we will only put infrastructure or support in here or there. I think if you give people choice and make them aware of the opportunities, they will suddenly begin to look at alternatives. Coffs Harbour is now 70,000. Do we really want it to be 100,000, 150,000. They are stuck on a little coastal belt. There is not a great deal there. We will not tell the member for Coffs Harbour that. Port Macquarie is in the same sort of way.

If you have been to the States, and I assume most of you have, there is a place called Sun City in Phoenix which is a retirement centre, and it is in the middle of the desert, but you talk to most communities in the inland they say "We do not want any more retirement people. They put too much strain on your infrastructure". Yet, why did the Gold Coast grow? Because Bruce Small and the Premier went out and promoted the place and then he abolished death duties and all the retirees moved there in the belief that they were going to have a better life, and what happened, people came in behind them. The services came for them, the plumbers, the electricians, the doctors. So I think also we have got to try and educate communities that there are opportunities there.

The other thing that we have got to find a way to solve is that the Baby Boomers are all retiring. If some of these communities do not begin to do some planning to replace a lot of their doctors - the doctors we go to, they are great doctors but one is 68 and the other one is 69 - they are not putting strategies in place to replace people and we have got to find ways to solve that problem also.

The Hon. Dr PETER PHELPS: There are two questions there, issues which money alone cannot solve.

Mr BAILEY: Sure, but at the same time also when you build awareness, like I was talking about the three doctors at the expo, one of them had come in from overseas, had been encouraged to go to Penrith and suddenly thought: I do not want to live in Penrith. When she came to the expo and found all these communities out there where she did not have to bulk bill, where she had some quality of life where she was involved in the community, she suddenly got a lot more interested in regional areas.

The Hon. PAUL GREEN: In terms of that, you are right. I think it was Hugh McKay that talked about the village expectation that people do move out of Sydney and they go to village sort of living because they like the back fence hospitality but the services do not exist. So within 12 months they actually head back to Sydney because of the lack of services.

Your point about doctors, and not only just doctors, but dentists, is a very, very important one because you have got over five million people between now and 2050 that will be over the age of 65 that are going to need aged care or doctors and dentists. Up until now we have been fortunate to have denture replacement, but you are going to have all those people sitting in nursing homes somewhere along the line that are going to need dental treatment as well. Unless we are doing something like you say now with planning, the GPs and getting that experience in our GPs before that happens, we are going to be caught short and that will be the same for dentists as well.

Mr BAILEY: And building awareness with the young doctors that are in the system about the opportunities in the regions. I believe Charles Sturt graduated its first lot of pharmacy students last year and 70 per cent of their graduates from Orange went to the regions; which is phenomenal.

The Hon. STEVE WHAN: The development in the last decade has been those schools, the Canberra Medical School which has got people going out; the Charles Sturt work and the UNE work is really going to make a significant difference.

Mr BAILEY: Training them in the country gives you some chance of retaining them in the country.

The Hon. MICK VEITCH: You spoke about the Brumby/Bracks marketing strategy or policy they put in place. Of existing councils in the central west, is there a marketing model? Is there someone out there that is aggressively succeeding in marketing themselves in the central west?

Mr BAILEY: Yes, Young.

The Hon. MICK VEITCH: Other councils are going to Young to talk to Young about what they are doing and how they have been doing this for a number of years now, approximately 15 years. Why is the Young model the one that they are looking at, why is it working?

Mr BAILEY: It is the one that is working because they have had what probably is the most important plank in marketing, consistency. They have been doing something and if you tell enough people the story often enough people will listen. They have marketed at the expos, they have marketed in Canberra but it has been consistency.

One of the problems we face and I was talking to Paul Green earlier on, Shoalhaven came for one year. Most communities will not see an impact from going to an expo for three to five years and putting marketing strategies in place because if you think about your own experience, moving house is a massive decision and if you have got school aged children, you have suddenly got to go into a situation of moving your job, moving your partner's job and increasingly we are seeing that it is the female who is the major breadwinner and you have got to find a job for the partner. Moving schools, selling real estate and moving to an area and that is one of the serious problems, so you have got to find a way to have a consistent approach, because people come back year after year to ask questions.

Another community that has done well, Cowra, they have got out and had a go. They have been consistent in their approach. Cooma, Dean Lynch and his predecessors have had a consistent approach at trying to strive to make a difference. Nambucca is one I talk about; Taree is another one. Armidale, my own community, have got a number of strategies going. They have got the Evo city strategy going, plus they are also very heavily involved with us.

But there are communities that are providing that sort of leadership. The other problem I think is those communities have it engrained so much that it is not a council decision, it is a budget decision inside the annual budget. Too often decisions to attend expos which might cost them \$8,000 or \$9,000 are argued over - well I know one community, they went with a shop local campaign. The community was 2,500 people and had a community like yours just up the road and was not that far from Canberra, was not that far from Orange and they had a shop local campaign with one supermarket.

You have just got to have a consistent message in place and also work out what your unique propositions are, why should people move to your community. Inverell has been very successful. They have been doing a number of things for a lot of years. They have got a very aggressive mayor, a very good general manager on their council. Moree is the same. I am sure Steve could list a number of councils which show no leadership and no direction and always look for short term solutions.

I think the other problem too is, too often they look to Government to solve their problems. They look to the gravy train from Macquarie Street to solve the problems, whereas the communities that are proactive and go out and say we are going to do this, like the Evo cities' example, we want to raise \$1 million from the Federal Government but we will put \$1 million on the table ourselves; they

are far more listened to than a community that walks in the door and says, we want \$1 million. How much are you going to put in? We cannot afford it, we have got rate pegging. Government always likes listening to people that have got some money on the table.

The Hon. MICK VEITCH: With the Expo, I have been to quite a few of the expos out there, to make it better, what are your plans? Some of the councils, they go once and do not come back, as you say, there is not that continuum around it, what are some of the things that you have got planned to make the expo better?

Mr BAILEY: The Friday we are going to try this year, we have developed a working relationship with Ross Greenwood from Channel 9 and 2GB and he has agreed to do some business seminars for us. We are going to try on the Friday, which is what I call politicians day, where we build a profile of the event and try and get some publicity generated to help bring people in and remind them of the event. It works very well. Indeed, Steve opened the expo and it helped generate publicity and interest and that is very important for us.

This year what we are going to try and do is do it in partnership on the Friday with Parramatta Chamber of Commerce, the Hills Chamber of Commerce, Blacktown Chamber and try and get them to come to the expo on the Friday. We will put a business and investment seminar on specifically for those Chambers to talk about business investment opportunities on the Friday. Then we will move the opening to probably two o'clock and have a business seminar running from 12 to 1.30 or so. That is one thing we are going to try and do.

We will change some of our advertising and the advertising will move more into two areas and talk about business and investment opportunities in the regions, businesses for sale and then also talk about jobs. If you are looking for a job, come out to the expo and have a look, because one of the problems we have is the myth that Sydney people believe there are no jobs in the regions. They firmly believe there are no jobs and yet we had nearly 1000 jobs on the jobs' board.

They are the things that we will try and do this year. I am due to have a meeting with Michael Cullen who I think was here this morning and talk to him about some ideas we have also got for the future.

One of the other things we have got is a data base and one of the things we would like to do is try to find a way to update the data base. As you would all know from your other roles, data bases are great but unfortunately they get aged very quickly. We have now got a data base of probably nearly 40,000 to 50,000 and we need to spend some money investing in talking to those people about updating their details and finding out whether they are still interested.

The Hon. STEVE WHAN: You were talking earlier on about the need for marketing of rural New South Wales and I think it is a consistent theme that has come through over the number of years I have been involved with this, that people in the city do just hear the negatives about regional areas - tough life out there in the drought stricken bush, that sort of thing and that is something which needs to be overcome.

When Victoria, from what I saw, was successful in what they did with regional development, there was the marketing but there was also a long term package of measures to deal with improvements to lifestyle and facilities and cultural facilities in regional Victoria and also things like the fast train to Bendigo and some quite substantial infrastructure improvements like that. Do you want to comment on the Victorian packages over the last decade or so?

Mr BAILEY: I put up there on one of the slides 4:1. Often Government will fund dollar for dollar. That fundamentally is probably right but in Victoria what they have done is looked at some communities that are struggling and they have often increased Government support to help those communities. They have still got to put their money up, but you can get up to 4:1.

For instance in western New South Wales, it is very difficult to get tourism funding because you cannot get enough funding coming in from the business community to match the Government funding. So there has got to be some more flexibility like that.

I think the other thing too is development of strategies inside councils which govern. Victoria has been very good at it. Unfortunately I think councils try and be all things to all people; whereas I think they need to develop some strategies and say: Okay, we are after the aero industry, we are after IT, we are after left handed potato peelers or whatever it might be and working out your strategies so that there are opportunities.

One of the most consistent problems I think also, I would think the department would have been lucky to generate 50 leads in the last five years for businesses looking to relocate to the regions, which is a pretty sad indictment but they would argue it was not really their role. Their role was regional development, which they would argue is growing from within; taking a small business and turning it from three to five; which is great but at the same time there is not that injection coming in of new businesses. That is the second thing.

I think also the improvement in some of the lifestyle facilities. As you said, the theatres and the halls and the sorts of things that people are looking for, the improvement in transport infrastructure; has had a considerable impact. Victoria had a dual carriageway from Wodonga down to Melbourne probably 35 years ago.

The Hon. PAUL GREEN: Much shorter than the Hume Highway.

Mr BAILEY: Absolutely, all those sorts of examples but it is still a significant advantage. I think the next problem and I do not know if anybody has raised it, we are going to face in Sydney is hub and spoke airlines because you cannot get your landing slots into Sydney, so you will be forced to fly to Tamworth from Moree or wherever, from Inverell and then jump on a bigger plane to get into Sydney. That will have a real impact in terms of regional development. I think you would all be honest enough to admit that that is a very difficult equation for any Government to solve.

The other problem I think we are going to face is with trains. Coal and passenger trains do not mix because you are in a situation where you have got a train going through that is going to offer billions of dollars to the State Government or you have got a situation where you have got a passenger train. I think we have got to try and find a way to improve passenger trains.

A number of things I think we need to do is to begin to maybe cut out some of the small stops, where you stop at Walcha Road to pick up one passenger maybe. Sorry, we have got to get a better service and the only way we are going to do that is to make some hard decisions about ways that we can offer a better service.

I do not know what percentage of people are free or \$2 fares, so that is something that I think Government has got to tackle so that we can provide a better service between the bigger centres.

The other thing we have got to seriously consider is finding ways to increase competition. When we had Rex flying into Armidale our fares were between \$99 and \$129 whereas now the fares are massive because there is no competition. I do not know how Parliament committees can induce competition, but it is a real worry, because the other thing that is happening now is that some of the airlines are taking planes out of service to go and service the mining industry, because they can make more money filling a plane up and leasing it through the mining industry.

The Hon. MICK VEITCH: Contract as opposed to commercial.

The Hon. Dr PETER PHELPS: Isn't one of the problems the fact that they will only maintain the service so long as they have the monopoly. When they have got the monopoly they can charge what they like. Were they having to face competition, they may well pull out of the market entirely.

Mr BAILEY: I do not know what the answer is to this. I do not think there are many places where there are competitive air routes, but I would be interested to know whether the State Government allows people - one of the problems is that Qantas gets a lot of business because of their frequent flyer program. You can accumulate points over a long period of time and instead of being like Virgin or Rex, every nine flights you get a free one, they can accumulate them and use that muscle, so that someone who flies frequently can suddenly get an overseas trip or a trip to the Gold

Coast or whatever, and the others do not offer that. That is, I think, one problem, and the other thing is for a long time most of the government contracts were held with Qantas. In a community like ours, probably 45 per cent of people travelling are on a Government contract of some kind. The Government has got to maybe try and find a way to offer some flexibility.

The Hon. Dr PETER PHELPS: At the Federal level they certainly try to spread the load but ultimately it proved unsuccessful because people defaulted back to Qantas, given the breadth of the routes which Qantas could provide as a network. Instead of taking Rex from Canberra to Sydney and then Qantas to Brisbane, they will say I will just go Canberra to Brisbane on Qantas, that is it.

Mr BAILEY: I do not think it is an easy thing to tackle but in terms of State development it is probably one of the biggest issues. Have you had anybody in here from Qantas or Rex?

CHAIR: No, but the deputy and I have just been saying that we need to speak to some of the airlines.

Mr BAILEY: Exactly, and I think also Countrylink is something that really needs to be looked at, because they are such a vital service. How old are the Countrylink trains, 30 years?

The Hon. STEVE WHAN: The XPT is. The Explorer is newer.

The Hon. Dr PETER PHELPS: The problem is why would I take a train from Queanbeyan, which would take four and a half hours, when I could take less time not only driving myself, but if I hopped on a bus I could still get here quicker than the train? What is the incentive for me to take the train, which is not only more expensive than me driving myself, it is substantially more expensive than me hopping on a Murray's bus?

Mr BAILEY: Not if you are a pensioner. If you are a pensioner or a student and you are not time constrained, the train is very pleasant.

The Hon. CHARLIE LYNN: Peter is talking about service and "service" is not a word you use when considering train travel.

Mr BAILEY: No, exactly, it is something a bit different.

The Hon. Dr PETER PHELPS: You do make a good point. That is: Is the problem with air travel in New South Wales a problem of it is unprofitable or is it a case of it is not as profitable as some other places where we could use our resources? I think that is a fairly fundamental question. If air travel to certain regional centres is unprofitable as an absolute thing, there is an issue there. If it is not as profitable as some other areas, then there are a lot of ways out of that, which include instituting a deregulated environment, freeing up the market to allow small competitors to come in.

Mr BAILEY: The problem will then be the slots into Sydney. If everyone wants to fly in here at eight o'clock or eight thirty or nine o'clock in the morning, you suddenly start delaying your service until eleven to get a slot, it is just not going to work.

The Hon. MICK VEITCH: That is to allow some of the characters from Queanbeyan to get here in time for their morning meeting.

The Hon. Dr PETER PHELPS: The moment they put a high speed rail between here and there, I will be happy to avoid Kingsford Smith, very happy to avoid Kingsford Smith.

Mr BAILEY: They are some of the things that I would advocate. I would advocate that maybe you even go down and talk to regional development in Victoria because I think their leadership and some of the things that they have done have been very worthwhile in terms of changing the profile of regional Victoria as a place of opportunity. I am sure that they would be happy to talk to you. It is interesting at the moment. Where am I going on Thursday? I am going to Victoria, because they realised the one thing they do not have in their strategy is an expo. So that is good for us.

CHAIR: That is what it is all about, is it not, networking and sharing good ideas around.

That is time for today. Thank you very much, Mr Bailey, for coming along. If there are any supplementary questions that members have, we will pass them on to you in the next couple of days, and if you wouldn't mind getting back to us with any other information within the next 21 days, that would be appreciated.

Mr BAILEY: One last comment: Could I actively encourage you to talk to the Department of Planning because I think someone should really look at their population planning. I think it is a real mess and bring in a demographer from private industry.

(The witness withdrew)

(The Committee adjourned at 4.52 p.m.)