

REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

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

At Sydney on Friday 9 March 2012

The Committee met at 9.15 a.m.

PRESENT

The Hon. R. H. Colless (Chair)

The Hon. P. Green

The Hon. C. J. S. Lynn

The Hon. Dr P. R. Phelps

The Hon. M. Veitch (Deputy Chair)

The Hon. S. J. R. Whan

CHAIR: Welcome to the fifth hearing of the Standing Committee on State Development inquiry into economic and social development in central western New South Wales. I acknowledge the Gadigal clan of the Eora nation, and its elders, and thank them for their custodianship of this land. The inquiry's terms of reference will 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 and growth in different areas and transport infrastructure. Today we will be hearing from representatives from a number of government departments, including the Department of Planning and Infrastructure, the Central West Catchment Authority and the Department of Premier and Cabinet.

Before we commence I will make some comments about certain aspects of the hearing. Committee 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 and I therefore request that witnesses avoid the mention of individuals unless it is essential to address the terms of reference. The Committee has previously resolved to authorise the media to broadcast sound and video excerpts of these public proceedings. Copies of the guidelines governing broadcast of the proceedings are available from the table by the door. In accordance with the 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 public or for what interpretation is placed on anything that is said before the Committee. Witnesses, members and their staff are advised that any messages should be delivered through the Committee clerks. I also advise that under standing orders of the Legislative Council any documents presented to the committee that may not have 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. I ask members to turn off their mobile phones for the duration of the hearing, including mobile phones on silent, as it interferes with the recording of the proceedings.

TIM REARDON, Deputy Director General, Policy and Regulation, Transport for NSW, affirmed and examined:

CHAIR: If you should consider at any stage that certain evidence you wish to give, or documents you may wish to tender, should be heard or seen only by this Committee, please indicate that fact and the Committee will consider your request.

Mr REARDON: I will.

CHAIR: Do you wish to make an opening statement?

Mr REARDON: Yes, I will make some opening remarks. Firstly, I thank the Committee for the opportunity to appear before it to answer member's questions about transport and roads in the Central West. The inquiry is very timely, given communities in the Central West are battling record-breaking floods. The impacts of those floods on infrastructure and the livelihood of those in the region will likely be significant. The floods will no doubt have a bearing on priorities for transport and roads in the region in the immediate future. Initial indications of repairing the damaged roads alone could cost New South Wales as much as half a billion dollars. In the meantime, transport portfolio staff are on the ground in the Central West and other affected rural and regional communities coordinating the emergency response and assisting with the relief effort.

I will highlight recent and current transport portfolio initiatives of particular importance to the Central West. I stress to the Committee that Transport for NSW and the operating agencies, Roads and Maritime Services, RailCorp and the Country Rail Infrastructure Authority, all understand how critical a well-functioning transport system, especially the roads network, is to the Central West for its prosperity, social life and wellbeing of residents. Late last year Transport for NSW was established as an integrated transport authority to improve transport planning and delivery across all modes of transport and roads. One of the six divisions of Transport for NSW has been established to focus on freight and regional development. That division will, for the first time, consolidate the coordination of key freight system components, such as road, rail, marine, ports and intermodal terminals, providing a single point of contact for the freight industry.

Transport for NSW is also developing a long-term master plan for the State which will involve unprecedented collaboration with those whose livelihoods depend on the quality of the transport network. Regional forums are being held across New South Wales to ensure customers, businesses and other organisations can have their say on the future of transport. One such forum was held in Broken Hill on 28 February and we will be holding another forum in Orange on 26 April. As part of this planning process a regional transport plan for the Central West is being developed as well as a statewide freight strategy. Those two developments, a refocusing of our transport administration to include dedicated resources and a long-term transport planning process that extends beyond the Sydney metropolitan area, and which will include specific transport planning for the Central West, provide a strong framework from which to build existing transport arrangements and address the challenges of the Central West. I will leave that as my opening remarks about transport and roads.

The Hon. MICK VEITCH: I am from Young and have a significant interest in the Blayney-Demondrille rail line. As I am sure you are aware, a ministerial task force was set up a couple of years ago. I believe the report has been delivered to the Minister. There is a focus on removing the suspension on the line. Can you provide the Committee with some information about that line and its strategic location for moving freight from the Central West into Sydney and into the ports?

Mr REARDON: A ministerial task force was established in March 2010 that commissioned a study that found there were benefits to reopening the line and there were recommendations from the Commonwealth-New South Wales grain freight review. The task force, comprising representatives from local councils and Transport for NSW, is responsible for advising the Minister whether a business case exists for reopening these lines. An external adviser—Booz & Company—was engaged to prepare advice on this matter and that has now been presented for the Minister's consideration.

The Hon. MICK VEITCH: One of the things discussed in that part of the State—and I am not sure whether it is in the task force report—is alternative models for operating lines such as the Blayney-Demondrille line. I know of a model from Canada involving a cooperative arrangement where local councils and businesses

run the line on behalf of the Government. Are those models being examined by Transport for NSW to maintain critical rail lines such as the Blayney-Demondrille line?

Mr REARDON: More broadly, there are many options to deliver rail services in rural and regional areas. North America is instructive of some options for spur lines that are worked on a franchising basis for above and below rail to work together. In terms of the line, my only comment would be that to be feasible it needs sufficient volume to be re-opened. Options to achieve that in terms of freight markets are clearly being considered.

The Hon. MICK VEITCH: The Blayney-Demondrille is unique. It is not a spur line; it connects the main west and south lines.

Mr REARDON: That is understood.

The Hon. MICK VEITCH: It has a critical part to play in the movement of freight in the west. In your opening remarks you spoke about the recent flood damage to road networks. Does the department have statistics about the amount of freight being moved on road as opposed to the rail network?

Mr REARDON: I will take the question about the actual freight volumes on road on notice.

The Hon. MICK VEITCH: Some witnesses have observed that there are inconsistencies across local government areas about which roads can and cannot be used by high-performance vehicles such as B-doubles and B-triples. What role does the department play in determining where those vehicles can operate? What is the method for determining which roads are able to be used by B-doubles as opposed to B-triples?

Mr REARDON: In answer to the first question, Transport for NSW and Roads and Maritime Services work together in partnership on what high-productivity vehicles can use State and regional roads. Local access and use of the so-called last mile are a matter for local councils to determine on a case-by-case basis, taking into account a range of access conditions that they consider appropriate for the freight operator. At the broadest level, the New South Wales Government, along with other jurisdictions, is working with the Commonwealth on establishing a national heavy vehicle regulator. The issue of access to both State and local networks is under consideration within the establishment of that regulator. At the State and local level, Roads and Maritime Services works very closely with local councils on determining access on a case-by-case basis.

The Hon. MICK VEITCH: I was in local government when B-double routes were being determined. Some councils reversed the process and rather than determine which roads could be used by B-doubles they stipulated the roads that could not be used. B-triples are a different issue because they are longer vehicles. What is the methodology for determining whether a road is suitable given the length of B-triples? What are the determining criteria?

Mr REARDON: A range of factors is taken into account. However, the predominant issues are pavement damage and safety considerations in terms of the cost of road wear to the network and safety considerations in terms of ensuring that, for example, high-productivity vehicles have the latest stability controls. They are the B-double determining criteria for that access. There are many others covering emissions, congestion, noise et cetera, but those two are predominant.

The Hon. MICK VEITCH: The two main roads that feed from the Central West down to the ports here are the Great Western Highway and the Bells Line of Road. The Committee has received a number of submissions advocating the Bells Line of Road or at least that a corridor be preserved for it. With the advent of B-triples, what is the current Transport for NSW position on funding those significant arterial roads into Sydney from the Central West?

Mr REARDON: I will specifically comment on the Bells Line of Road first. The Commonwealth and the New South Wales governments are progressing a long-term strategic corridor plan for the Bells Line of Road and joint funding has been committed. Consultation with the industry and the local community has been undertaken and the development of that a plan is currently underway. The routes across the Blue Mountains more generally are also being considered within the Government's long-term transport master plan discussion paper. I refer the Committee to that document in terms of the comments made about all the routes you have described.

CHAIR: Is that document available publicly at the moment?

Mr REARDON: The long-term transport master plan discussion paper is certainly available.

The Hon. MICK VEITCH: Is it on the website?

Mr REARDON: It certainly is, and in terms of my opening remarks, consultation is well underway. Consultation has been undertaken in Broken Hill and, as I indicated, in April we will be undertaking consultation in Orange amongst the other regions of New South Wales and the metropolitan area.

The Hon. STEVE WHAN: You mentioned earlier the cost of flood damage to roads being around half a billion dollars. Does Roads and Maritime Services still receive a fixed allocation from Treasury each year for natural disaster work or have you now got a mechanism to top that up with funding through the Commonwealth-State arrangements?

Mr REARDON: In terms of the flood damage, it is significant and the communities of the Central West have a large job ahead of them in terms of awaiting flood levels to decrease, then assessing business continuity opportunities for reopening roads, then assessing the flood damage and the estimates that will go with that. In terms of funding sources beyond that, I will take your question on notice.

The Hon. STEVE WHAN: Specifically what I am concerned about is that I know there used to be a fixed allocation each year, which is nowhere near enough for this year, I am just wondering how the Government is going to find the additional funds through the Commonwealth-State arrangements. If you want to take that on notice—

Mr REARDON: There are certain criteria for Commonwealth-State funding—declarations of natural disasters et cetera. I will not go into it any further at this point in time while assessments are underway, so I will take it on notice.

The Hon. STEVE WHAN: What is the department's view of the work that has been done on the inland rail link north to south?

Mr REARDON: The Commonwealth Government allocated funding to that route and that includes \$30 million in 2014-15 to allow detailed planning work and necessary land resumption to begin in late 2014. This will be along the corridor that was identified as the preferred option by the Australian Rail Track Corporation. No date for commencement of construction has been announced, with the focus currently on preserving the corridor.

The Hon. STEVE WHAN: So is the State Government engaged actively at the moment in the acquisition of the land or the preservation of that land?

Mr REARDON: I repeat my comments that the Commonwealth funding is focused on the land resumptions at this point in time.

The Hon. STEVE WHAN: Does that imply that the Commonwealth is going to be purchasing or resuming the land itself? How would it go about that?

Mr REARDON: I will not speak on behalf of the Commonwealth Government in terms of how it will go about resuming—

The Hon. STEVE WHAN: And the State is not involved?

Mr REARDON: I will take that on notice in terms of our level of engagement on the corridor planning. I will take on notice also the land resumption comment.

The Hon. STEVE WHAN: Does the department have an overall view on whether you are positive about the prospect of an inland rail link?

Mr REARDON: In terms of freight links more broadly, Sydney-Melbourne, Sydney-Brisbane and therefore Brisbane-Melbourne are all important freight links. The routes that go along with those, both road and

rail, are important as well—the Pacific Highway, the Hume Highway, the Newell Highway are all very important. The rail line between Sydney and Melbourne and the rail line between Sydney and Brisbane are both very important pieces of infrastructure in the State of New South Wales, and for Queensland and for Victoria, for that matter, to reach their State capitals. In terms of determining the next level of assessment of routes, my opening remarks included comments about establishing a long-term transport master plan and complementary freight and port strategies, and it is within that context that we would consider further the inland route.

The Hon. STEVE WHAN: And that transport master plan would also look at the issues of getting freight from the Central West to our ports in New South Wales?

Mr REARDON: It certainly will. It will look in depth at both the regional demand and current capacity in terms of infrastructure and certainly the metropolitan demand and some of the constraints within the metropolitan area from Port Botany, including the intermodal terminal networks across the metropolitan area.

The Hon. STEVE WHAN: Is the department planning any substantial changes to the workforce in regional New South Wales which would have been the RTA previously—in other words, depots, those sorts of things, RTA road crews? Is the department undertaking any major changes at the moment with those?

Mr REARDON: In terms of Transport for NSW, consideration of Roads and Maritime Services structures and staffing I have no comment to make on how Roads and Maritime Services staffs its regional areas.

The Hon. STEVE WHAN: Is that because that is not your responsibility? We have certainly heard discussion about contracting out of the private sector the areas that were RTA road crews and closure of depots. Are you aware of that speculation?

Mr REARDON: I am not aware that there have been commitments to consider contestability in terms of road asset and maintenance, which are on the record about undertaking that. But I will not comment any further and I will take on notice any specific questions about staffing in regional areas.

The Hon. STEVE WHAN: In your role in the development of policy is the contestability proposing something that you are responsible for as well?

Mr REARDON: I have a range of responsibilities across the portfolio. The specifics of contestability of road maintenance are currently with Roads and Maritime Services.

The Hon. STEVE WHAN: So that is no in other words. Are you aware of whether Roads and Maritime Services when they are assessing contestability will do any sort of analysis of the impact on local government viability of changes to the contestability rules? Can you take that on notice?

Mr REARDON: I will take that on notice.

The Hon. STEVE WHAN: The Bell's Line of Road was mentioned before. That is something that has been going for quite some time. Is there a view at the moment within the department as to whether that alignment is something the department is positive about? Can you also comment on whether or not the department would be looking at reserving rail corridors as well in that process?

Mr REARDON: My prior comment was that the Commonwealth and New South Wales governments are jointly looking at a long-term strategic plan for that corridor, and that process is still underway in terms of that corridor for the Bell's Line of Road.

The Hon. STEVE WHAN: Does it include consideration of rail as well in that corridor?

Mr REARDON: I will take that on notice.

CHAIR: In relation to the east-west rail corridor, it has been raised with us on a number of occasions that there is a problem with double-stack containers across the Blue Mountains. Are you aware of that issue and, if so, are there any plans in place to address that specific issue? I think it is only a couple of short sections that they cannot get those double-stack containers through.

Mr REARDON: I am aware that there are constraints in terms of the tunnel sections on the east-west route across the Blue Mountains.

CHAIR: There are no plans in place to address that in the short term?

Mr REARDON: I will repeat my comments about the long-term master plan: That is the avenue for considering the Bells Line of Road, the Great Western Highway and the rail corridor between Penrith and Lithgow.

The Hon. PAUL GREEN: Can I just go back to something that Mr Ralhan mentioned when he talked about the assessment of flood damaged roads et cetera. Can you give us a quick snapshot of some of the factors you would be considering in assessing the roads in that sort of situation?

Mr REARDON: In terms of the ordinary matters that are taken into account in flood damage, it is clearly the status of the pavement, the status of the bridges and the volumes of traffic you are looking at across the network and the criticality of business continuity. There is a range of other factors but they are some that will be taken into account in those assessments. But I repeat that those assessments are ongoing. There are people working through the actual flood response at the moment and then moving to business continuity and, ultimately, into developing the estimates for what that road maintenance and asset process will mean.

The Hon. PAUL GREEN: I notice on the Princes Highway, for instance, there are resealing programs. My understanding of that is that if you reseal it now you might save five or 10 years before any major structural changes happen because the pavement has been worn. I am not a road engineer, but I cannot ignore the concern as I drive south. You mentioned something about the continuity of business which could impact right across New South Wales. Surely on some of the roads and main feeder routes into our major economic areas the focus should really shift to addressing the worst case scenario before resealing something that could last another three or five years before it needs resealing. What would your comments be on that sort of approach?

Mr REARDON: In terms of prioritisation I would note your comment. In terms of your comments around the major periodic and routine maintenance approaches for roads, it is a case-by-case process and prioritisation needs to be looked at with the budgets that are available. But that is the normal process that Roads and Maritime Services needs to go through.

The Hon. PAUL GREEN: I understand that. However, when dollars are squished and tight it is worth noting that economic stimulation over and above unnecessary maintenance programs obviously has to be assessed.

Mr REARDON: Your comment on that criterion is noted.

The Hon. PAUL GREEN: The increasing movement of freight traffic on roads across the region provoked discussion amongst inquiry participants, with concern expressed about the impact on the road network and the safety of other road users. What is the impact of the increased freight traffic, particularly for roadwork?

Mr REARDON: I am not sure whether I am clear on the question.

The Hon. PAUL GREEN: Let me ask the next question to put it into context. Is Transport for NSW aware of any statistics on the amount of freight moved by road, compared to freight moved by the rail network? This is about the impact on our roads of heavy vehicles. Already there is general concern about moving up to B-triples and there is great concern in the communities that these will roll through local government areas and put the community at risk. That is the context.

Mr REARDON: In terms of more broadly on freight, not on the type of vehicle that will move that freight?

The Hon. PAUL GREEN: Yes.

Mr REARDON: Transport for NSW is well aware of the current volumes. I have been asked the question prior—I took it on notice—and we can certainly provide those statistics. I would also refer to the long-term transport master plan discussion paper which has a specific chapter on freight and refer you to some of the information within that as a starting point.

The Hon. PAUL GREEN: Other inquiry participants have also expressed concern about the ability to move freight by rail to central-western New South Wales to port facilities on the coast and, in particular, to the inability of moving double-stack containers on the rail line over the Blue Mountains that we have just heard about. Does Transport for NSW have any strategies to enhance the movement of freight across New South Wales in general, not just the Blue Mountains? Down south, for instance, we are trying to open up the escarpment to the west through Canberra, through what is called Main Road 92, which is going well. However, Commonwealth and State intervention to increase that opportunity might well increase other opportunities. I am not just thinking about the Blue Mountains.

Mr REARDON: To answer that in its broadest terms, in terms of what Transport for NSW and the New South Wales Government is delivering, the Country Rail Infrastructure Authority delivers \$1.5 billion in maintenance and upgrade works to the network over a 10-year period. That leaves open the option to increase the capacity of the network where a sustainable business case can be made. And going back to the discussion on spur rail lines, in terms of the question about constraints on the network, inclusive of the question about double stacking over the Blue Mountains, those matters are being taken into account in the freight and port strategies that I indicated as part of the longer term master plan. And the responses and strategies to respond to those constraints will certainly also be taken into account in the long-term transport master plan currently under development. Again, I refer you to the discussion paper as a starting point for some of the commentary made.

The Hon. Dr PETER PHELPS: I want to start with the views of Transport for NSW on the Maldon to Dombarton rail link and the potential for that. I was interested to hear you say that it will cost \$500 million to fix the roads of western New South Wales following the floods, which happens to be exactly the same amount estimated in the Federal transport feasibility study for the completion of Maldon to Dombarton.

Mr REARDON: As you are aware, the Commonwealth undertook a feasibility study into that rail line which was released in October 2011. The Commonwealth Government reached a conclusion that currently there is no business case for building that line, based on the benefit to cost ratio it achieved based on volumes, feasibility of those volumes and the capital costs that you mentioned. However, there is a commitment for the preparation of a detailed design which would be necessary for the future construction of that rail link, which the Commonwealth is currently progressing.

The Hon. Dr PETER PHELPS: There is no view from State Transport authorities on the desirability of having that line?

Mr REARDON: In terms of pulling back on the comment I made about providing the opportunity in the ports and freights strategy, we have to consider it in that context. We have now discussed the Bells Line of Road, both rail and road links across the Blue Mountains, the Great Western Highway and Maldon to Dombarton. I see from submissions that there is also discussion about the Hume Highway and the Lachlan Valley Way and there is also the Golden Highway. All these are west links and we have to consider it in that context.

The Hon. Dr PETER PHELPS: I think there is general agreement that there will be a substantial increase in the requirement for freight capacity. I saw figures from two tables for 2020 and 2030. The conservative estimate was about a doubling and the optimistic estimate was a tripling. Let us cut the difference and say that it is about 2½ times what it currently is. Given the difficulties you have funnelling into Newcastle and the extreme difficulties you have now funnelling into Sydney, surely Port Kembla is the logical place, given it has a growth strategy and it has the capacity to grow. It just has issues with the transport links coming in for freight.

Mr REARDON: A couple of comments: The first is that there is a general acceptance that there will be at least a doubling of freight across Australia, certainly in New South Wales. In terms of responses to that, my prior comment about the appropriate corridor for the appropriate freight task is what we will take into account, inclusive of the Maldon to Dombarton, Blue Mountains routes, the Bells Line of Road and the Great Western Highway and the rail line across the Blue Mountains and, for that matter the Golden Highway in terms of that east-west flow.

The Hon. Dr PETER PHELPS: With the feeder routes let us say that the focus is on east-west across the Blue Mountains. The feeder routes take you to Newcastle, which is fine, but you have constraints with coal capacity there. If you take it through Sydney you have got severe constraints with passenger traffic and the

existing rail network. You could go to Kembla via the Heathcote electrified rail line which again has problems because it is not only a passenger route but also has passenger constraints, being a single line. Port Kembla appears to be being starved for access routes for trade, which is clearly envisaged in the future. Would it not be more logical to have a third string to the bow rather than having two strings as at present?

Mr REARDON: From the outset all three ports play a relatively significant role in development in New South Wales. As you are well aware, coal freight through the Hunter Valley Coal Chain is incredibly significant. It does lead to choices about the allocation of train passes, for example, through that Hunter Valley Coal Chain. Your comments about the constraints on the Great Western Highway and the rail line across the Blue Mountains are also noted.

The capacity constraints on the general containerised freight in the metropolitan area are significant and, as we indicated, the doubling of freight will make that even more significant. We are working with the Commonwealth Government on a range of initiatives, for example the north Sydney freight corridor, the city south freight line and access into Port Botany. In terms of what that means for the three ports, as I indicated at the outset, they all play a significant role in the State of New South Wales. But any further comment on specific freight commodity that might come from the central west across the mountains or through another route I will leave for the freight port strategy.

The Hon. Dr PETER PHELPS: Does the Australian Rail Track Corporation [ARTC] provide for maintenance of Country Rail infrastructure? It is not a trick question; I am just unsure who provides the payment for maintenance of Country Rail infrastructure.

Mr REARDON: I will go through those. The Australian Rail Track Corporation is under a long-term lease for the interstate main lines and the Hunter Valley within New South Wales, meaning Sydney-Melbourne, Sydney-Brisbane, and the Hunter Valley Coal Chain, and Sydney to the west as well through Stockinbingal and Parkes and through to Broken Hill.

The Hon. STEVE WHAN: And Canberra as well at Joppa Junction?

Mr REARDON: I will take that network segment on notice if you would not mind, please. So ARTC basically deliver train services under open access to any access seeker rail operator on to that network both for the interstate main line and for the Hunter Valley Coal Chain. Discussions continue between the New South Wales and Commonwealth Governments about the city south freight line and what is known as the metropolitan freight network right at this point in time. In terms of the network outside of that for rural and regional lines, which are sometimes called branch lines and/or grain lines, the Country Rail Infrastructure Authority currently operates that network and has recently entered into an arrangement with John Holland to deliver maintenance services for that network.

The Hon. Dr PETER PHELPS: Are you satisfied with ARTC's maintenance of the main interstate lines?

Mr REARDON: The specific accountability for overlooking their key performance indicators do not rest with me, so I will take that comment on notice.

The Hon. Dr PETER PHELPS: We have heard a fair amount of discussion, especially from western councils, about airports and airport upgrades. Is that within your bailiwick?

Mr REARDON: Transport for NSW is accountable for the legislative framework for intrastate air services. That allows for the granting of licences to operators providing services between smaller communities and Sydney, which gives the operator exclusive rights to operate on that route. This is intended to help with the financial viability and service continuity. The New South Wales Government does not subsidise air services but we certainly do provide CountryLink rail and coach services across a broad network. In terms of regional airport infrastructure, it is primarily the responsibility of local governments. While we have that responsibility I outlined for regulating intrastate air services and the protection of those services for low volume routes for customers, those regional airports are managed and maintained by local council.

The Hon. Dr PETER PHELPS: Is there any thought to assisting councils? It would not be the first time that State governments have assisted councils with funding for infrastructure projects. You can say, "No, we are not going to do that."

Mr REARDON: I am only going to take the question on notice.

The Hon. CHARLIE LYNN: A number of participants have expressed the view that the construction of an expressway over the Blue Mountains would be a crucial piece of infrastructure that would encourage economic and social development in central western New South Wales. What discussion, if any, has Transport for NSW had regarding the construction of such an expressway?

Mr REARDON: Thank you for your question. Again the Commonwealth and New South Wales Governments are progressing a long-term strategic corridor plan for that Bells Lines of Road with joint funding committed. As I have indicated, consultation has been undertaken with industry and the local community and we are expecting the outcomes of that plan during this calendar year. As I indicated also, routes across the Blue Mountains are more broadly being considered within the longer term transport master plan. There are specific areas within the discussion paper that go region by region and I think you will find that both the central west and western region are the first regions that you actually find in that discussion paper, so I would refer you to that document as well.

The Hon. CHARLIE LYNN: In regard to passenger rail services, some participants again have expressed support for the extension of regular commuter rail services to key towns in the central west such as Bathurst, Lithgow and Orange. Is Transport for NSW aware of any exploration of the feasibility of expanding regular commuter rail services to these locations?

Mr REARDON: Firstly the CityRail network extends to Lithgow under the electrified system now and CountryLink connections extend across the central west of New South Wales. Currently Transport for NSW is undertaking a significant timetable review for the CityRail network. That is a considerable and complex task, as you would appreciate. Consideration of services to and from any other centres such as Bathurst would need to be considered within that context.

The Hon. CHARLIE LYNN: The Government submission notes that the establishment of Infrastructure NSW presents an opportunity for a more considered and strategic approach to infrastructure provision. What discussion, if any, has Transport for NSW had with Infrastructure NSW regarding the transport infrastructure needs of central western New South Wales?

Mr REARDON: The key focus for Transport for NSW in terms of planning and infrastructure right at this time, which directly includes regional consideration across the State inclusive of the central west, is that longer term transport master plan as I indicated. Infrastructure NSW is also establishing a 20 year infrastructure strategy for the State. And both organisations are working together on the establishment of both the broader infrastructure strategy and the specific transport plan and cascading down to specific transport needs region by region.

The Hon. Dr PETER PHELPS: In relation to the issue of passenger services in country New South Wales, can we say that from a financial point of view basically country services for passengers in New South Wales are not going to be viable in the longer term?

Mr REARDON: No, I do not believe that.

The Hon. Dr PETER PHELPS: On what basis do you make that assessment?

Mr REARDON: In terms of responding to what passenger services are in regional New South Wales right now, we offer rail services, bus services, taxi—

The Hon. Dr PETER PHELPS: I am not talking about bus services; I am talking particularly about rail services.

Mr REARDON: If I may could I seek clarification and more specifics on particular lines, or passenger or freight?

The Hon. Dr PETER PHELPS: Are there routes in New South Wales that actually break even or turn a profit from purely using rail services for passenger traffic?

Mr REARDON: Broadly the CountryLink network delivered by the New South Wales Government delivers train services into Armidale-Tamworth, Orange-Dubbo, Wagga Wagga-Canberra and through interstate to Brisbane and Melbourne. It is augmented by a significant CountryLink coach network across many locations in New South Wales. You would be aware from the RailCorp annual report that passenger services do require significant new service obligation funding from taxpayers balanced against what is achieved through fee-box revenue. Do they turn a profit? I will take your comment on notice on a line-by-line basis or even a specific network segment. Overall the financial results for those services are annually reported by that corporation.

The Hon. Dr PETER PHELPS: I have one final self-interested question, which I would very strongly encourage except that my economic dryness immediately repels me from my own self-interest. Is there any planning or any agreement with the Federal Government or a public private partnership [PPP] arrangement being undertaken in relation to a high-speed rail link with Canberra? Or is that still very much in the theoretical stage?

Mr REARDON: Transport for NSW is certainly well aware of the high-speed rail considerations. We understand that the Commonwealth Government has undertaken its first stage and it is now into its second stage of consideration of feasibility. We continue to communicate with the Commonwealth on that feasibility.

CHAIR: A couple of years ago another parliamentary committee had some discussions with the road freight industry. They advised us that New South Wales really needed to expand and update rail freight infrastructure given that the increase in freight over the next 20-odd years will exceed the capacity of the road industry and infrastructure to provide that service. Are you aware of any studies along those lines?

Mr REARDON: Personally I am aware of many studies over a long period of time into the feasibility of specific rail lines and the factors required for increasing freight on rail consideration. There has been an intense amount of work undertaken by a range of parties within and outside the New South Wales Government on that issue, inclusive of the Commonwealth Government considering the grain line network. In terms of taking that forward, we are preparing that long-term transport master plan and the complementary freight and port strategies to take those forward. I would state again, that the establishment of Transport for NSW with a freight and regional development division specifically established provides us with a focus for the freight industry to communicate with us in terms of stakeholder relationships. We are very active in New South Wales right now on a range of the matters you have raised.

CHAIR: Some of the participants in this inquiry have given evidence to the Committee that there is concern in the far west of New South Wales about a couple of highways, which are major freight routes, that remain unsealed. The Cobb Highway and the Silver City Highway were raised as being the only two unsealed highways left in New South Wales. That has a huge impact, particularly over the last 18 months to two years of wet weather. Has Transport NSW had any discussion on the possibility of funding to address those issues?

Mr REARDON: The specific determining factors to take that from an unsealed to a sealed route is a consideration for the Roads and Maritime Services, based on traffic volumes, the importance of that freight route, the capital cost of upgrading it et cetera. I will take that question on notice because I do not have the specifics of the Cobb Highway in terms of what the capital costs and maintenance costs would be to take it to that sealed level.

CHAIR: When Transport NSW is considering some of these issues does it look at the interconnectivity between States and the extension of major tourist routes? On the Silver City Highway between Broken Hill and Tibooburra there is about 150 kilometres of dirt. The Queensland Government is sealing the other side of that road down to the Queensland border. Do you take into consideration those sorts of missing link options when you are looking at major routes throughout Australia?

Mr REARDON: On a freight basis, yes. The comment you are raising about the importance of a tourist route, yes, they are taken into account. But the comment you are making about the component that is unsealed at this point in time I can only take on notice.

The Hon. MICK VEITCH: Does Transport for NSW have any modelling of current commuter traffic flows into and out of central western New South Wales? I am looking at road, rail and air.

Mr REARDON: Yes.

The Hon. MICK VEITCH: Is that available for the Committee to look at?

Mr REARDON: I would seek clarification on what level of modelling you are communicating. If it is basically the current data of our traffic volumes across the Great Western Highway et cetera—

The Hon. MICK VEITCH: Is that commuter and freight?

Mr REARDON: Yes.

The Hon. MICK VEITCH: If it is possible to get that I would like to have a look at it.

Mr REARDON: I will take on notice what is available. But again I refer you to the discussion paper because it starts raising the very issues you are communicating about, both in terms of the task today and the task in 20 years time. So as a starting basis I refer you to that document.

The Hon. MICK VEITCH: Has the rail capacity over the mountains for freight from central western New South Wales down to Port Botany and Port Kembla also been modelled and the projections on the capacity of the infrastructure through metropolitan Sydney to cope?

Mr REARDON: Yes. The ports and freight strategy is certainly taking the regional links into the metropolitan areas, so metropolitan Sydney and Port Kembla into account.

The Hon. MICK VEITCH: Does the department have communication protocols around consulting with local governments, Regional Development Australia and things like that in central western New South Wales when it is developing plans or talking about developing modelling? What is the protocol for communicating with all those stakeholders?

Mr REARDON: Currently the long-term transport master plan is a significant stakeholder and consultation process that is underway right now. So region by region we are undertaking that consultation with industry stakeholders, community representatives and a range of other stakeholders as we speak. In terms of other consultation on road freight, local government associations, specifically Transport for NSW and Roads and Maritime Services have a range of governance available for those industry stakeholders to formally communicate with us.

The Hon. MICK VEITCH: You spoke earlier about air services in response to a question from Dr Phelps: You may have to take this question on notice. The securing of slots for regional air services into Kingsford Smith Airport is at a critical point one would suggest. What is the department's forward planning around the issue of regional air services into metropolitan Sydney and those slots? What is your role in making sure they have the slots?

Mr REARDON: I can make a few comments. An aviation study came out from the Commonwealth recently. In terms of what the challenge is going forward, I think that is evident. In terms of those regional services from the central west and other parts of New South Wales, the importance of getting to Kingsford Smith Airport has not changed. The specific role is, as I have indicated previously, the licensing of those air services from those regional centres to Kingsford Smith and the protection of those low-volume routes through regulation to provide them with the best opportunity for service continuity and financial reliability.

That is specifically the role. Going forward in terms of the availability of slots, the aviation study, Sydney Airport Corporation Limited's recent announcements on master planning and how it wishes to establish the domestic and international terminals going forward, all have to be taken into account within that mix in terms of what the service continuity will be for regional services into Kingsford-Smith.

The Hon. STEVE WHAN: Going back to natural disaster repairs, something struck me after we asked the question before. You are probably aware that one of the serious constraints on natural disaster repairs at the moment is that you can only fund out of natural disaster funding restoration up the level that an asset was at before the natural disaster. While there is a betterment facility in the Commonwealth-State agreements, to my knowledge it has only been used once in recent floods in New South Wales for a swimming pool. It is a good use.

The Hon. Dr PETER PHELPS: Was it the Queanbeyan pool?

The Hon. STEVE WHAN: No.

The Hon. MICK VEITCH: I should declare an interest.

The Hon. STEVE WHAN: The pool was located next to a river and kept getting flooded. Has your department been engaged at all in any policy work to take forward to the Commonwealth to try to change that? I am aware of one case particularly of a council where a bridge was not repaired for some years while they argued over who would pay the cost of upgrading it to a standard that could withstand the next flood. Is that policy work something that your department has been asked to be involved in or to make submissions to the Commonwealth on?

Mr REARDON: I am aware that the re-establishment of routes to that standard remains an issue. I will refer to the prior comments we had on the major periodic and routine maintenance regimes of a route. There are case-by-case considerations. For example, if a route was about to receive a re-shoot and the event has occurred, or it was about to receive a major periodic maintenance for example after 15 years, it depends on where it is in that maintenance cycle. It would need to be taken into account as well. But I am aware of the issue you have raised in terms of replacement to the same standard and I will take on notice your question about taking that forward with further policy work.

The Hon. STEVE WHAN: To the Commonwealth. The potential is there to pick up 80 per cent of the funding from the Commonwealth to do it along the way. It would be good if you take that on notice.

The Hon. PAUL GREEN: I note, certainly in our area, that air services are becoming a bit of a not-in-my-back-yard situation. I look over the wider strategy of New South Wales and that is becoming a problem. Are you aware of whether Transport for NSW is working with the Department of Planning to perhaps lift that responsibility off local government so that it is not such a not-in-my-back-yard approach but a better approach in terms of the needs of New South Wales in terms of air movements?

Mr REARDON: I will need to seek clarification if there are questions about regional airports.

The Hon. PAUL GREEN: More so because I think Sydney is full. It is more to do with regional and rural air services and the role that Transport for NSW plays in terms of securing future sites as well, given that most of the local government areas across New South Wales are doing LEPs.

The Hon. Dr PETER PHELPS: Some of these sites are killing off all the existing ones.

The Hon. PAUL GREEN: That is my question of intent, to see what role Transport for NSW is playing in that.

Mr REARDON: Our role at the moment in terms of regulation, it is on the regulation of those intrastate air services and the protection of a route when an operator seeks to come forward and deliver a route to a certain rural and regional community. Clearly that needs to take into consideration what the regional infrastructure will be in terms of considering the feasibility of bringing forward an intrastate air service. So we take into account the factors of whether the route has a certain passenger volume, the operator and the security of regional airport access in the regional centre that it wishes to deliver services from to Kingsford-Smith airport.

The Hon. PAUL GREEN: I just make a clear point: it needs to be futuristic as well. We cannot be just looking at the present and the past; we need to be thinking about air services in 20, 30 or 40 years. We are talking about securing that land or that service for New South Wales.

The Hon. Dr PETER PHELPS: The trouble is that it is left to councils.

The Hon. CHARLIE LYNN: In terms of the impact of air services, is the location need for the second airport in the Sydney Basin or just outside the Sydney Basin part of your master plan?

Mr REARDON: I think comments have been made on the aviation study which was recently released. I have no further comments to make on that actual aviation study at the moment. In terms of the broader shape

of the Sydney Basin, factors such as air capacity and high-speed rail link certainly need to be taken into consideration within our long-term master plan considerations at the moment.

The Hon. Dr PETER PHELPS: Has any consideration been given, in the absence of the high-speed rail link or at least a faster speed service to Canberra, for example, some sort of technology which can accommodate the existing rail network with minor upgrades but provides a faster service to there, just as an indicator of the potential capacity or potential desire for such a service?

Mr REARDON: I am unaware of any further technology rolling stock considerations between the current CountryLink delivery and high-speed rail considerations. I am unaware of any other considerations at the moment so I need to take that on notice.

CHAIR: Thank you for attending the hearing today. You have taken a number of questions on notice. The Committee has resolved that answers to those questions should be returned within 21 days. The secretariat will contact you in relation to the questions that you have taken on notice.

(The witness withdrew)

(Short adjournment)

DANIEL JOSEPH KEARY, Director, Strategic Regional Policy, Department of Planning and Infrastructure, affirmed, and

IAN KINGSNORTH REYNOLDS, Deputy Director General, Strategies and Land Release, Department of Planning and Infrastructure, and

NEIL LINDSAY McGAFFIN, Executive Director, Planning Operations, Department of Planning and Infrastructure, sworn and examined:

CHAIR: Welcome Mr Reynolds, Mr McGaffin and Mr Keary. Thank you for attending today. If at any stage you consider any evidence you would like to give to the Committee or documents you may wish to tender should be heard or seen only by the Committee, please let us know and we will consider your request. I understand you have a PowerPoint presentation that you would like to present by way of opening statement. Please proceed.

Mr REYNOLDS: We have provided the Committee with hard copies. We understand that you want to talk to us about the issue of population projections in the Central West, strategic regional land use plans and local council planning issues in general. My area is responsible for population projections. Mr Keary's area deals with strategic regional land use plans and Mr McGaffin's area is dealing closely with local government. We thought in the presentation that we would speak to each of our slides, if that is okay.

CHAIR: That is fine.

Mr REYNOLDS: In general terms, the population forecasts the department does on behalf of the Government look out about 20-odd, 25 years. We redo them after each census and normally they come out a couple of years after the census when we get the new baseline data. The projections for the area covered by this Committee running out to the mid-thirties there is forecast to be a decline in overall population towards the end of that time. When we do the projections we look at principally three main factors: numbers of births, numbers of deaths, which, if I can put it in parlance, are relatively easy to determine. The more difficult question is the number of people moving into and out of an area, whether that is more local in New South Wales or outside the State.

Hidden behind that overall trend over the next 20-odd years there is actually quite a substantial difference in the population projections. For example, on the left-hand graph, the top line is Bathurst regional and our population projections suggest that, all things being equal, we would expect a population growth of about a third over that time, whereas if you go to the right-hand side, for example, the projections for some of the council areas are in fact a substantial decline. That overall trend hides a range of local factors, which we need to be aware of. In terms of population projections, and particularly in the last few years, they have become an issue of some interest to people because our projections often point to a different number than the number that comes out of the ABS when it does its estimated residential population. They actually are quite different numbers, but projections are trends, and they are based on assumptions in births and deaths. They are projections in the absence of any unforeseen factors, which I will mention shortly.

However, the ABS does its population estimates at a point in time. So they are always able to reflect what is happening between census periods whereas the projections are a longer-term thing. The other issue for us in New South Wales in particular was that after the last census, this gets a bit technical, the ABS changed the way it measured the population, particularly with what it did with overseas migration. It basically distributed it pro rata over the whole State. That has affected all estimates of population after 2007 and that is not a factor that we will know was right until we actually get the census figures this year.

CHAIR: Was that effect consistent up or down, or was it all over the place?

Mr REYNOLDS: My understanding is that what they did was just apportion the total number of overseas migrants pro rata across all council areas. If a council area had 1 per cent of the State, it got 1 per cent of the migrants, 20 per cent got 20. Our view is that that is probably not likely to be accurate, but we will actually only know when we see the census figures later this year. But that is an issue for us when we compare projections and estimates. The other issue, as I mentioned, particularly important for the area we are looking at today is the differential growth of regional centres versus the more dispersed areas of the State, and particularly when we come to Mr Keary's issue. Our projections do not take into account necessarily unforeseen impacts,

like mining, fly-in-fly-out, all of that sort of stuff. They are not generally captured except when we do the census. So we will need to have that in mind when we look at the projections.

This is my last slide. We are already working on preparing for the release of the census data. We expect that ABS will start to deliver that data in the second half of this year. It takes us a year or two to actually work that all through with our modelling to come out with our new projections and they are scheduled for 2013 and 2014. As I say, they will be newly based again on the 2011 census and for the first time we want to upgrade our consultation with local government in New South Wales. In the past when we have done these projections we have been used to writing to the councils asking if there are any particular local factors that they may be aware of that could influence our projections.

We have had a look back over the last couple of times we have done that and we have not had a good strike rate. Probably about half the councils have responded. So this time we want to go out and basically have a travelling roadshow, so to speak, with local government directly to particularly try to pick up on issues like mining impacts and those sorts of things so that when we do our next projections we can reflect those local factors much more than ABS is able to do with its census stuff. That is a broad introduction to the population projection question. I will hand over to Mr Keary to run through the strategic regional issues.

Mr KEARY: It was a decision of Cabinet in May last year to prepare strategic regional land use plans for those parts of the State that were not covered by existing regional strategies and to particularly respond to issues around increasing land use conflict between mining coal seam gas and agricultural land uses. Basically, the plans are strategic frameworks. They not only deal with the issue of mining and agriculture, but also with a whole range of land use issues in these high-growth areas, particularly around infrastructure, housing, economic factors, climate et cetera. But the key policy focus is on protecting agricultural land and resources from the ongoing impacts of the growth in the mining and coal seam gas industries.

The current status, for the Central West plan is being prepared. We are in the very early stages of that preparation. We currently are undertaking an infrastructure assessment in conjunction with the mid-western regional council, which will be a key input into the Central West plan. We have started the initial scoping and mapping of the region in consultation with other key agencies and plan an exhibition of the draft plan in the second half of this year. Between now and that point in time there will be extensive consultation with local government, key industry stakeholders and key interest groups. The Government has established what is called a stakeholder reference group, which comprises groups such as the Farmers' Association, the Minerals Council, the gas peak industry group, key environmental groups, local government representation et cetera. There will be further consultation with those groups as we develop the Central West plan.

There is a draft plan currently on exhibition for the Upper Hunter. The relevance of that is the draft Upper Hunter plan includes part of the Central West region. It picks up what is known as the Bylong-Wollar-Ulan corridor, which is the corridor in the mid-west region local government area which is experiencing a lot of growth in mining activity at the moment. In preparing the draft Upper Hunter plan we had strong representations from local government as well as other key interest groups that, given the linkages into the Upper Hunter, that part of the Central West region should be considered in the Upper Hunter, so that area is included in the Upper Hunter plan. Having said that, the broader land use planning issues around infrastructure, housing and employment et cetera will be more comprehensively considered as part of the Central West plan as opposed to how we have dealt with it in the Upper Hunter plan. For the Far West region of the State there will be a strategic regional land use plan, which is due to commence preparation in 2013. This slide shows a map of the Central West region. I apologise that it is not the most legible map. It shows the local government areas that are covered from Lithgow in the mid-west and Warrumbungle in the east to Lachlan and Bland at the western extreme.

In terms of the range of regional issues that will be considered—I touched on this earlier—balancing agriculture and resource development, there will be a mapping exercise of the highest value agricultural land and any high value agricultural industries that are under particular threat from mining and coal seam gas development. We are particularly looking at the infrastructure demands that have been driven by the growth in mining. Obviously there are issues to do with the workforce coming in, the impacts on the economy—this notion of the potential dual-speed economy where the mining and related industries are benefiting but other industries are suffering as a result of the mining activity. It is an issue we have looked at closely in the Upper Hunter and New England-North West. Housing and settlement are obviously important as well, picking up on Mr Reynolds' comments about trying to predict some of the population projections and how you deal with the more dynamic trends, such as the fly-in fly-out workers. Some of the councils have very strong views on the mining camps that are being built to house workforces for a particular period of time and the potential social

impacts of that type of housing. There is also a lot of concern about the ongoing growth, community health and amenity impacts, the air quality impacts, the noise—how do we better manage those and reduce those land use conflicts; how do we better manage the impacts of mining on the natural environment and heritage. That concludes my part of the presentation.

Mr McGAFFIN: The first slide is just to give you a quick snapshot of the reasons behind the introduction of the standard instrument local environmental plan [LEP] template. Hopefully it provides a clear indication that the New South Wales planning system was convoluted and needed reform. That sets out what New South Wales was faced with. The new standard instrument has come on board. Of the 25 councils in the region we are looking at, nine have a standard instrument in place, six have been endorsed for public exhibition and we continue to work with the remaining 10 councils to try to generate a plan so it can be placed on public exhibition. The new planning instruments are more detailed and more sophisticated in a land use planning sense than the previous instruments. They represent a more detailed number of zones and more detailed controls than in the past. Some of the areas had village zones across their towns. Now they have been broken up into industrial areas or business areas and residential areas and there is a clear distinction between those activities.

CHAIR: Are the 25 councils you referred to the 25 councils in the Central West area?

Mr McGAFFIN: That is correct. Each local environmental plan provides a suitable amount of growth and we have worked with the councils to achieve that. On a point of clarification, just because an area may be having population decline it does not mean to say that that represents no growth in the housing sector. If there is a reduction of the persons in the household it will mean that even with a declining population there will be an increase in the number of dwellings that will be constructed in any given place.

The Hon. PAUL GREEN: I think that is consistent with the Australian statistics that one- or two-people households will grow exponentially as the population ages. That is a classic example.

Mr McGAFFIN: That is correct. That is just a quick snapshot. The solid colours on the slide are the local environmental plans that are in place. The tan colour relates to the fact that Young is administered out of our southern regional office whereas the rest of the Central West region is administered out of our Dubbo office. We continue to work with the councils and try to deliver their LEPs as quickly as we can.

Common issues in the area include minimum lot size for residential subdivision. Accompanying that is the dwelling entitlement. There is the ability for farmers to be able to subdivide and sell land smaller than the designated minimum lot size, but it does not have a dwelling entitlement. That is where the value of that land comes in. The benefit of being able to subdivide land and trade it means it is then ultimately traded for its inherent agricultural productive value. There is increased demand for intensive agriculture—we are not sure how that is going to pan out in the longer term—certainly in areas close to rivers where the soils are generally better, and obviously the water supply is an issue as far as extraction is concerned.

In the Forbes area there is demand from the council for bore water to be used for agricultural purposes and we are not sure of the implications of that so we are trying to tread carefully along those lines. With regard to rural lot averaging, with the introduction of the rural lands State Environmental Planning Policy [SEPP] concessional allotments were abandoned throughout the State. Rural lot averaging exists in several areas at the moment and it has been a policy until recently not to allow that to continue, but the rural sector has basically been saying to the Government that they want to maintain that flexibility for trading and subdividing their land, so that has been retained.

CHAIR: Can you expand a little on that? Does that mean if there is a potential subdivision down to the minimum lot size it has to be an average minimum lot size rather than specific?

Mr McGAFFIN: Yes. To put it crudely, if you have a minimum lot size of 10 acres and you have a 100-acre parcel you can subdivide that into 10 10-acre lots, but you can also subdivide it into 19 one-acre lots and the residual under the rural lot averaging principles.

The Hon. STEVE WHAN: Does that apply anywhere now, because I know there has been an argument in Cooma and Palerang and various other places?

Mr McGAFFIN: Absolutely. In those areas—Goulburn Mulwaree. We are waiting for the Cooma-Monaro plan to come through and we expect rural lot averaging will be in that plan. It has been a sticking point

between the council and the Government for some time, but the Minister has made it clear that the policy decision is that it will be retained. The application of environmental and rural zones has not been a major issue in the Central West but in places like Eurobodalla, Lismore and Ballina there has been some concern from farmers about the impact of land going from a generic rural zone to an environmental zone and the ability to continue agricultural production, which has raised some serious areas of conflict in those local government areas. We are working through those with the councils. Resourcing is obviously a big issue in the Central West.

The majority of councils do not have professional town planning staff. We are trying to work as closely as we can with them. Since 2002-03 the Government has spent \$2.2 million giving funds to the councils in the Central West to work on planning-related strategies, products or activities. In the last two years we have spent \$1.4 million helping the councils specifically with their standard instrument local environmental plans. We tend to work a lot closer with councils in the Central West through our regional office in Dubbo because they are generally looking for more assistance than some of the metropolitan councils that have the resources that councils out west do not. My last point is to touch on a matter that Mr Keary raised, which is the emerging trend with workers from mining activities. Councils are still trying to understand the implications for their local government areas and the specific towns.

You have some councils that grasp it and embrace the issue and welcome it. You have other councils that say that there are a couple of hundred people who fly in and fly out and who need to live close to the town. Well, we do not want it close to town. We want it on the mine site or we want it within five kilometres from the mine site so there is a complete lack of integration with the community. We are doing our best to try to keep each council happy and deal with the issue. We will end up dealing with it in different ways with the different local government areas [LGAs].

The Hon. Dr PETER PHELPS: In relation to local government issues, a number of councils in the Central West indicate that one of the problems they have relates to the requirement for rate pegging. They feel that they would be able to better self-fund, without any appreciable loss of community support, if they were not tied to rate pegging. Do you have any views on that?

Mr McGAFFIN: Views coming from the department would say it is not in our bailiwick so it is not an issue for the land use planning system. In my travels across the State it is one of the most common concerns of local government. It does limit their ability to fund programs and do a whole range of activities and things like that.

The Hon. PAUL GREEN: Dr Phelps is noting that if you have villages that are in decline or that have less capacity obviously the rates work out and you get your share of the pie for your region. That pie is divided up on the valuations. Obviously if the LGA does not have the capacity to pay and those rates are decreasing, the services that the council has to provide will be strained. That then has a toll on the local economics of the area. I think that is what Dr Phelps is mentioning.

The Hon. Dr PETER PHELPS: I was approaching it from the other way—where councils believe they have a greater capacity to extract higher rates and to self-fund rather than to rely on external funding sources.

The Hon. PAUL GREEN: That is what happens with that pie.

The Hon. Dr PETER PHELPS: Talk amongst yourselves gentlemen.

Mr McGAFFIN: Your argument is that the councils want a bigger piece of the pie because they can afford to buy a bigger piece of the pie, if that makes sense.

The Hon. Dr PETER PHELPS: In relation to the issue of State planning requirements and the capacity of local councils in these areas, especially the smaller ones, to meet the planning requirements, is there an argument that perhaps the sort of planning requirements that you would apply to Woollahra council or Kuring-gai council should be less onerous; that one size might not fit all in the level of detail and complexity required for these areas?

Mr McGAFFIN: That is a position that is put to us on many occasions. The standard instrument template works on the basis that there is a skeletal framework that exists and thou shalt not cross the line or change it because you are not allowed to. It is a skeletal framework. Councils are able to add zoning objectives

or local clauses and they are able to populate the land use tables with the uses they want permitted—permitted with consent or prohibited to reflect their local circumstances. I would agree that your position is exactly right—we should not transpose Woollahra to Cobar. I think that is reflected in the local environmental plans [LEPs].

The LEPS in the Central West tend to be a little more fundamental and elementary, certainly not as detailed and long as they are in the inner metropolitan areas. We work more closely with the councils in the Central West. We have written some of the LEPS and given the LEPS back to the council and said, "What do you think of this?" That does not happen anywhere near as much in the metropolitan area. Of the 56 LEPS that we have through—and by 2 o'clock that number will be 57—there are metropolitan, regional, Balranald, and rural councils. My premise to anyone is that represents the flexibility in a standard instrument to deliver LEPS to a wide range of municipalities across the State.

The Hon. Dr PETER PHELPS: There is no pushback from your department along the lines of, "This is not good enough. There is not enough detail; you have not fleshed it out enough"?

Mr McGAFFIN: We are under the premise that if something comes to us and we are not happy with it we will recommend how we think it can be improved to meet a standard we are comfortable with.

The Hon. Dr PETER PHELPS: It is not an identical standard?

Mr McGAFFIN: That is correct; it is not an identical standard.

The Hon. Dr PETER PHELPS: You are not expecting something which the human infrastructure of those councils cannot deliver, given the resourcing levels?

Mr McGAFFIN: Absolutely. In the outer metropolitan area there is a range of growth rates and land release and things like that. Whereas if Cobar council comes and says that it wants another 40 acres of residential land we would be saying, "Great." In that case we are not fussed about the population projections and whether that marries up with the growth rates and dwelling commencements and things like that.

The Hon. Dr PETER PHELPS: I return to the local government area population projections. I notice Broken Hill is quite precipitous. When we were out there it was certainly the view of business and the council that recent developments in relation to tourism, mining and other factors saw a levelling off at around the 20,000 mark rather than that decline.

The Hon. MICK VEITCH: That graph does not reflect what we were being told.

The Hon. Dr PETER PHELPS: Are they gilding the lily or are you fairly certain about that Broken Hill assessment?

Mr REYNOLDS: That gets to the nub of the question. The population projections are a projection of trend. In the government submission to the Committee last year I think Broken Hill declined to a small extent over the 2005-2010 period from the estimated population. These projections were done after the 2006 census and that is what that line reflects. When we do our next projections we will be talking to Broken Hill, Young, Lithgow, or whoever, to try and get a flavour of the particular trends that have not been picked up in the historic data. What is the mining activity? If the market for base metals goes up and mines become more viable, things can happen in a shorter time frame. The tourism issue of Broken Hill is a particular one.

The Hon. Dr PETER PHELPS: More importantly the mining. Two mines have reopened and there is the iron mine out west.

Mr REYNOLDS: That is right. The projections here were based on 2006 data. Things have obviously happened since then and we will try to pick those up when we talk to them.

The Hon. Dr PETER PHELPS: You are moving into a new system. How will you audit the claims? I have a sneaking suspicion that very few councils will be saying they are heading into terminal decline. Most of them will be saying, "We have very bright prospects for the future" because, as a function of their other claims on State government, population projections are quite important in relation to schools, hospitals, police, provision of roads, rail and those sorts of things. How are you planning to audit the slightly optimistic assessments that are likely to be coming your way?

Mr REYNOLDS: As part of the process we will talk to local government but we will talk also to industry sectors. The mining sector is one case in point. The work that Mr Keary's area does with the strategic plans looks at it on a smaller basis than a statewide basis. We will have a number of data sources that come into the process.

The Hon. MICK VEITCH: I want to follow up on the question relating to populations projections. I will fess up straight away: I am from Young.

The Hon. STEVE WHAN: You seem to be attracting fellow residents.

The Hon. MICK VEITCH: In 1996 I was on the council and a fair bit of activity was undertaken by that council to arrest what was a decline in population. As the graph will show we can assume it was a successful campaign. A lot of other government departments will not accept that populations are increasing so if we look at those figures Transport for NSW will say an area can get a public bus service when the population exceeds 7,500 people. Young does not have a public bus service because Transport for NSW does not accept that its population is at the numbers you have there.

The Hon. Dr PETER PHELPS: Outrageous.

The Hon. MICK VEITCH: A lot of the councils will say the population projections and estimations are not accurate but because they are being used differently by various departments that is the frustration. Do you liaise with other departments on the figures and how you come to those numbers for education and schools?

Mr REYNOLDS: We do. I am not sure but I think Transport for NSW appeared earlier this morning. The Government is now producing a suite of major plans. It is doing a transport master plan for New South Wales. We are embarking on a review of the Metropolitan Plan and we have a rolling program for review of our regional strategies, and there is the new program of the strategic land use plans. Coupled with that Infrastructure NSW has been charged with preparing a long-term infrastructure strategy for the State and the Department of Trade and Investment is preparing industry action plans. All those plans are now being coordinated at a very high level to make sure they are all based on common assumptions, one of those being population. If it has been an issue in the past it should not be in the future.

The Hon. MICK VEITCH: We are still waiting for a public bus service that we were supposed to get by December 2011. We can assume this is a baseline population. I will use Young as an example, but for about five months of the year the population doubles because of itinerant fruit workers. They pick not just cherries but stone fruit, olives, other fruits and grapes in the wine grape industry. They are not picked up in the census data because of the date that the census is taken. You have a date for the census and it does not matter when you do it. It just means that Jindabyne has a population of 300,000 and Young has a population of 3,000 at that point in time. Those are not accurate figures; I am exaggerating. How do you accommodate those types of fluctuations in populations of rural communities? Young is not the only place that gets itinerant workers.

Mr REYNOLDS: I go back to the nature of these things. It is a long-term projection—it is not a forecast of what will happen—if certain assumptions on birth rates, deaths, in migration and out migration apply. They are statistical projections. Because they are for the long term they may not necessarily pick up those fluctuations to which you referred. From my point of view I think when we are talking with local government we need to put a flavour around these projections and talk about the internal variability that there could be ups and downs as we go, and the sorts of policy responses to those differential populations need to be worked out through other agencies but based on the long-term trends.

The Hon. MICK VEITCH: Based on the figures that Transport for NSW or Health or Education use in Young, the retail sector would not have grown to the extent it has. Clearly the business community is using different data on which to base its business decisions. A community the size of Young does not have the retail sector it has if the business community was not convinced that the population base was there to sustain it and if government departments did not use that as the basis on which to make their decisions.

Mr REYNOLDS: Again, from our point of view, we would be really keen to pick up on that level of detailed local information when we are doing our projections the next time around. As I say, in past times we have relied on just writing to the councils and waiting for a response, a couple of follow-ups and that sort of

thing. But this time around we are going out to speak with them directly and pick up that sort of flavour from each of them.

The Hon. MICK VEITCH: I refer to the local environmental plans. What is the status of the local environmental plan for Cowra? Has it finally been approved?

Mr McGAFFIN: No.

The Hon. MICK VEITCH: Is the issue still the minimum lot size?

Mr McGAFFIN: That is correct.

The Hon. MICK VEITCH: What is the recommendation of the Department of Planning and Infrastructure? The issue for Cowra is that its adjacent Young council gets it through with a different lot size that Cowra is after, but the Department of Planning and Infrastructure says it cannot have it, essentially. That is not consistent and does not make sense.

Mr McGAFFIN: Two quick things.

The Hon. STEVE WHAN: The Department of Planning and Infrastructure always gets very upset when it is blamed for these things.

Mr McGAFFIN: The general policy is that if councils want to maintain their current minimum lot size, we will bring that through into the new local environmental plan without real question. If they want to change the lot size then there is a process to go through and there needs to be some evidence about how they want to change it. In most cases councils want to reduce the minimum lot size and what we are concerned about is the impact on agricultural production for that region or that local government area. In the instance of Cowra, it had a minimum lot size of 400 hectares—or acres; I forget exactly which one it was—and it wanted it to come down to 100. As I understand it, they have just received a letter from the Minister for Agriculture that will enable it to come down to 100, and they will review the impact of that in the coming months and years to see what has happened.

We have issued a certificate to exhibit the local environmental plan. The council was not happy with that because we said, "Go out with your 400. Let's do a study with council, the Department of Planning and Infrastructure and the Department of Agriculture and then we will work out what we think the minimum lot size is. Then we will change the rules to bring it down to whatever size is determined." Council was not happy with that. It wanted to exhibit with 100. As I understand it, it now has the okay from the relevant Minister to do that and there is still some fine-tuning, I guess, of its local environmental plan before they come back to us to say, "Here is what we have changed. We now want you to let us go to exhibition with this plan." It is not far off going on public exhibition.

The Hon. MICK VEITCH: Who pays for that extensive additional work—the council?

Mr McGAFFIN: There was not any additional work done per se in that the Department of Agriculture has said, "We will let you go with 100 and we will monitor it in the subsequent two-year to five-year period."

The Hon. Dr PETER PHELPS: What is the public policy basis for, if you like, second-guessing council's assessment that it can be more economically productive for it and the people in its area to have a smaller lot size? What is the public policy rationale for suggesting, if you like, "You know better than they do" in relation to what is good for them?

Mr McGAFFIN: I guess there is not a clearly defined policy that I can provide to you but the issue is basically one where the standards are currently set, and within each council's existing local environmental plan a standard has been established. If a council wants to change that all we are suggesting is that there needs to be some evidence provided. We will work with the council. We will more particularly take advice from the Department of Agriculture as to the impact on agricultural production because the Department of Planning and Infrastructure per se does not have that expertise. So we will be guided by other State agencies.

The Hon. Dr PETER PHELPS: Again, what is the public policy rationale of the Department of Agriculture saying, "Well, we want you to do X, even though you know that it is more profitable for you to do Y." What is that other than a bit of old State socialism saying, "This is the way you should do things."

CHAIR: You will have to put that to the Department of Agriculture.

The Hon. Dr PETER PHELPS: Sorry, it is an unfair question for you guys, and something that we should ask the department.

The Hon. PAUL GREEN: I would like that question answered because it is not just Agriculture. This is a very good question and I would like an answer.

The Hon. Dr PETER PHELPS: This is an important philosophical argument.

CHAIR: There is a land use change in Cowra. They want to go from sheep to—

The Hon. Dr PETER PHELPS: The value of such things is determined by its market price.

The Hon. PAUL GREEN: To some degree this clause is replicated over 52 councils. It was meant to slide across but at the same time the local environmental plan that most councils are dealing with now is looking at the next 25, 30 or 40 years, so we need to make some changes. That is a very good question because it ripples throughout New South Wales. Certainly in the south-western area we are asking the same question. I understand the need for a higher level of planning for biosecurity and food security.

The Hon. Dr PETER PHELPS: I do not buy that either—

The Hon. PAUL GREEN: Why is the department dogmatic when local councils are elected by local people to make local decisions on their local future? It is a very good question.

The Hon. STEVE WHAN: Do you want planning returned to local government?

The Hon. PAUL GREEN: I would like an answer.

The Hon. Dr PETER PHELPS: It is unfair to get the officials to answer.

The Hon. PAUL GREEN: Is the witness going to answer?

CHAIR: Mr McGaffin, would you like to make a comment?

Mr McGAFFIN: A range of issues needs to be taken into account and agricultural production is one. I will call it, for want of a better term, the artificial inflation of rural land values. If you reduce the minimum lot size it means that land can be subdivided and the lower you go the more likely it is that someone will say, "Beauty, I can afford this and I can afford to put a house on it." However, they do not necessarily farm it for agricultural purposes.

CHAIR: Is that the difference between agricultural land use change and whether they are going into lifestyle blocks?

Mr McGAFFIN: Yes. That is part of the deal. It really is an intricate issue. It is more than just wholly and solely price; it is all about productivity. Some councils have done investigations on what they think are appropriate lot sizes. Then the argument becomes what role does off-farm income play in the sustainability of that property. That adds another dimension to the discussion. Some studies have recommended an increase in the minimum lot size because from an agricultural perspective the general trend is that bigger is more efficient and more productive. That is not always the case, but there is an argument along those lines.

The Hon. PAUL GREEN: The Hon. Mick Veitch made a very good point: It is based on historical use. We know that these outer west towns are going broke and declining in population. They must do something different. Agriculture is not as sustainable as it once was because young people are leaving the land. They must make some strategic changes and lot sizes are part of that change.

The Hon. STEVE WHAN: I am following along the same line in some ways. A series of strategic plans were developed under the previous Government. The new draft plans under this Government's policy are about identifying prime agriculture land and putting the gateway process in place for mining use. Mining takes up 0.1 per cent of the State. The biggest threat to agricultural land is subdivision. Will these plans also affect exactly what we have been talking about; that is, the protection of prime agricultural land from subdivision, lot development and so on?

Mr KEARY: At this stage the draft plans do not specifically address that issue.

The Hon. STEVE WHAN: I recognise that. That is why I am asking.

Mr KEARY: The focus is on mining and coal seam gas. The plans do address housing and in a cursory sense they also address lot sizes. However, there is no clear policy response to that issue in the two draft plans on exhibition now. We will be receiving submissions not only about the coal seam gas element but also a range of other issues, and housing and infrastructure will be among them. The lot size issue may come through strongly in those submissions. If that happens, we will have to come back to government and say that this issue is being raised and that we need a response in the draft plans. At this stage it is not being addressed in any substantial way, but that is not to say that it cannot be addressed in these plans and in future plans.

The Hon. STEVE WHAN: There is a categorisation of agricultural land that determines what is prime. There are several levels to it. In the draft regional plans you have essentially identified one type of strategic agricultural land, and it is narrowly defined. Are you expecting that that will be consistent with the existing definitions of the highest value agricultural or are we creating a new definition that will have to be taken into account?

Mr KEARY: It is a new definition and it is based on a range of new data sets that have been provided to us, primarily by the Department of Primary Industries. It is a new classification of highest value agricultural land. It is based on soil fertility, land capability and access to water in terms of rainfall and/or surface and groundwater. It is a new way of defining highest value strategic agricultural land.

The Hon. STEVE WHAN: Obviously you will carry that definition over to the Central West in that plan. If you were to go back and carry that into some of the growth areas that have already had regional planning done—that is, coastal areas—would that significantly change the areas that you feel should be protected?

Mr KEARY: We have not conducted that analysis as yet. I expect that they would change because of the mere fact that it is based on different data sets and criteria. However, we have not done a comparison with existing areas in which agricultural land has been identified.

The Hon. STEVE WHAN: Is the department involved directly in the food security initiatives underway in government? The current Government has an area of the department set up to deal with that issue.

Mr KEARY: Yes, the Office of Food Security and Agricultural Sustainability. We deal closely with that office. There have been three lead agencies in the preparation of the strategic regional land use plans. The Department of Planning and Infrastructure has had the lead role, but one of the other two other key agencies is the Department of Primary Industries. It is within that department that the new Office of Food Security and Agricultural Sustainability sits. We have worked very closely with it in terms of identifying what we are calling strategic agricultural land and also in coming up with the policy response.

The Hon. STEVE WHAN: I refer to your population data projections. Do you know whether anybody will analyse that data to find out if there are common elements between country centres that are growing and those that are not? Have you done any of that sort of work? Are they the growth centres located theoretically within commuter distance from Sydney or mining development areas? Have you analysed it on that basis?

The Hon. MICK VEITCH: Young does not have a mine.

The Hon. STEVE WHAN: But Young has a number of lifestyle aspects. There are people there who are closely linked to Canberra. The towns around Canberra would be growing strongly.

Mr REYNOLDS: We have another map that I will provide. It looks at the growth between 2005 and 2010. It categorises the councils that have grown more than 0.5 per cent in that timeframe and those that are declining.

The Hon. Dr PETER PHELPS: The question is why. The "why" analysis is the key.

Mr REYNOLDS: We do that. It is part of the planning exercise for the local environment plans. That would be a body of work that we would like to do after we have done our next regional projections. It not just mining; it is also close to Canberra issues, commuting and so on. I was flying back from Orange in the second half of last year and there was a plane at Orange airport about to fly out to Western Australia taking mining workers to Perth. I had never seen that before. There are many issues not only one. The map indicates that the growing towns are the ones on the eastern edge of the region. We are talking about Palerang and those sorts of shires around Canberra. There are clearly growth pressures, but it is not a mining issue.

The Hon. STEVE WHAN: It would be interesting to get an in-depth analysis of not only the industries and the commuter distances but also the facilities that are attracting people. The fact that Orange is obviously a desirable place to live for people engaged in mining and they can fly from there to other centres says something about that region. Perhaps it is the wine.

The Hon. Dr PETER PHELPS: That would be true of Mudgee.

The Hon. STEVE WHAN: It would probably be useful if this Committee were to recommend funding of that sort of research.

Mr REYNOLDS: That is correct; people are attracted to a community for a range of reasons. On the other hand, it might not be attractive if something is not there. Economic opportunity is one issue and lifestyle is another.

The Hon. Dr PETER PHELPS: This also belies intra-local government area movement—how much of the sponge city is absorbing from 20-mile towns.

The Hon. STEVE WHAN: There is no doubt you have got two separate issues: you have got regions and then you have got the drag into the major centres from small towns—a small towns issue?

Mr REYNOLDS: That is particularly an issue where you get very large council areas like we have got here. The stats I have put on the graphs look at the council area projections, and you are correct in saying that within those council areas there is quite a differential pattern there.

CHAIR: Just going back to the population projections, on the graph on page 3 there is a historical quite sharp increase in the projections between 1996 and 2000. What was the factor that was driving that, can you recall?

Mr REYNOLDS: Can I take that on notice and come back to the Committee? It is about a 3 per cent growth over that five-year period, which is quite steep compared with what has been projected for the rest. But I can come back to the Committee on that.

The Hon. PAUL GREEN: Some local councils have participated in this inquiry and have acknowledged the need for a common planning framework across the State. It was suggested that there need to be planning tools that better recognise individual regional needs and circumstances. How does the department balance the tension between creating a shared planning framework whilst allowing for unique local needs to be recognised, and is there room for such planning pilot programs where approaches that have worked overseas could be individually adopted throughout particular regions on a case-by-case basis?

Mr McGAFFIN: I guess it is a bit of an age-old question. What we have tried to do is to produce a standard set of guidelines because prior to the template it was obvious that there were 5,500 local environment plans. It is a balancing act between the community, the development industry, local government, State agencies and their inability to understand or comprehend or find information that relates to a residential zone in Bathurst being the same as a residential zone at Dubbo, because in the past they just have not been. So there are some inherent inefficiencies there.

It certainly has been a strong item of discussion between local government on the basis that they do not exactly get everything they want in their LEP, and it has been interesting talking to some of the larger metropolitan councils because they all say, "We want this clause in our LEP because we have had it since 1970. We have had three court cases and we have won all of them, so we want that clause in", and you say, "Well, we get that from the majority of councils". If you are going to have a standard instrument not everybody can translate everything they have got into that standard instrument, so there has got to be some give and take. That is an ongoing tension. It is an ongoing work practice for us to not only be fixed in "yes you can have this or no you cannot have that", but what we try and do is say, "What do you want to achieve? What is your vision? What is your objective?" and how can we best deliver that with the standard instrument being the vehicle of delivery. So we try and focus on the outcome rather than the process, and I guess the LEP really is the process that delivers the outcome.

If we can focus on what everyone is trying to deliver then I think we, as in the department, have become a little bit more flexible in recent times compared with when we first started off the project. It is clear to me, having worked in other States, that the current system is a lot more flexible than the standard approach in other States, and we have also been criticised for that because particularly the development industries say that we are moving away from a standard practice in a residential zone. The standard definitions exist but how they are applied and where they are applied and the criteria that they are applied with and the merit assessment considerations are different, and that is the balance between having a standard set so it does not matter what local government area you are in, you know that with a residential zone you can do this, you can do dual occupancy or whatever, but not every council wants dual occupancies in every residential zone in their local government area. So it will continue to be a balancing act and one for negotiation, I guess.

The Hon. PAUL GREEN: Can you answer the last part of the question? Is there room in the planning department for pilot programs of approaches used overseas where people have used a model over there and it is innovative and it is entrepreneurial? Is there a potential for the department to bring it over here and embrace that sort of approach?

Mr McGAFFIN: We would be more than happy to look at that. By the sound of it I would imagine that it is probably a very good candidate for our planning reform fund program that comes out every 12 or 18 months. We write to all the councils and say, "Have you got a topic or an issue that you would like us to help fund?" We would be more than happy to look at that. We are happy to work collaboratively together with the councils on the project. The only funding we can offer is through the planning reform fund, which is mainly where the projects get their genesis, but we are more than happy to look at that.

The Hon. PAUL GREEN: The Upper Lachlan Shire Council has suggested that the payment of contributions by energy generators to local councils in lieu of rates, as currently occurs in Victoria, would allow councils to better meet the needs of their communities. Would you like to comment on this suggestion, given the fact that you have just talked about the changing demographics and mining fly in fly out, the ability to have villages either in town or out of town and the pressures that puts on local council infrastructure?

Mr REYNOLDS: I think in general terms the issue of local government finance is not one dealt with in our department, beyond saying that when development applications are assessed there can be negotiations of voluntary planning agreements where infrastructure can be provided, maybe contributions. Mr Keary might know more about that than I. So there are mechanisms there to talk about the provision of infrastructure and services to local communities from particular developers. The broader question, however, of local government finance is not one that we can get involved in.

The Hon. PAUL GREEN: Many local councils that have participated in this inquiry have suggested that the Environmental Planning and Assessment Act 1979 should be completely rewritten, observing the current review of the Act is not sufficiently wide-reaching. Would you like to comment on those concerns?

Mr REYNOLDS: Not really. There is a process underway—a very, very wide consultation leading up to a review of the legislation. I do not know how many submissions have been made into that independent review. The process will move on from there.

The Hon. PAUL GREEN: There were 200 plus.

Mr REYNOLDS: That is right, many of them from local government. I come from local government and I am sure my previous council is making one themselves. All of those issues will be raised and dealt with as part of the review program now underway.

Mr McGAFFIN: Can I just add to that? Your comment about the tension between local and State—you are doing such a massive project you are not going to keep everybody happy. It has been interesting seeing Dan's original land use plans have been getting bagged by everybody, so I reckon they are going to be pretty close to the mark. I think you would be more concerned if there was just one area going hammer and tongs and the other one sitting back saying everything was fantastic. But you are not going to keep every local council happy with a new planning system, a new planning Act. So it is going to be that middle line—

The Hon. Dr Peter Phelps: Where everyone is unhappy.

Mr McGAFFIN: And that might be a good indicator.

The Hon. Dr PETER PHELPS: Do you have any role administratively in the unincorporated areas in far western New South Wales?

Mr McGAFFIN: No, we do not. We have looked at it as far as introducing land use planning controls. We have spoken to the Western Lands Commissioner and there was a bit of impetus 12 to 18 months ago to bring in land use planning controls over that area, but that has subsided and recent advice from the Western Lands Commissioner is that there is not really the need for land use planning controls there and they had managed under the Western Lands Commissioner quite satisfactorily.

CHAIR: Any other questions?

The Hon. PAUL GREEN: I note how strategic regional land use plans differ from the regional growth infrastructure plans. How are you balancing that?

Mr REYNOLDS: The growth infrastructure plans are a new program that we are just kicking off with. The strategic regional land use plans and the regional strategy program we have had before, and all those regional strategies that are now going through their five-yearly review will have a much greater emphasis on the infrastructure implications of growth. In the past a lot of infrastructure planning has been sectoral based: the roads agency will do theirs, electricity will do theirs, water will do theirs.

The concept behind the growth infrastructure plan is to look at a place and to say: If this is going to grow, whatever the population projections are and that sort of thing, we do not just need roads—we need roads, we need water and we need power. Look at it as a place rather than just as different sectors. That is the single biggest change in that approach and we will be trying to roll that out as much as we can every time we do a strategy.

CHAIR: Some questions were taken on notice. The Committee has resolved that answers will be returned within 21 days, if you can manage that. The secretariat will be in contact with you to confirm the questions that were taken on notice.

Mr McGAFFIN: Do you expect there to be other questions that will come to us that we will need to answer within the 21 days?

CHAIR: There probably will not be but if there are the secretariat will deliver them to you at the same time as it delivers the questions you took on notice.

(The witnesses withdrew)

(Short adjournment)

LACHLAN BRUCE, Chief Executive, Regional Development Victoria, before the Committee via teleconference:

CHAIR: Thank you, Mr Bruce, for taking the time to speak to our Committee and to assist us with our inquiry today. To set the scene for you, this hearing is being held in the Macquarie Room in Parliament House, New South Wales. Hansard is present and is recording proceedings for a transcript and we will send you a copy of that on completion for your correction and advice. The Committee is comprised of six members of the Legislative Council. We will not be asking you to take an oath or affirmation but we expect you to speak truthfully to us.

Mr BRUCE: The Victorian Public Sector Code of Conduct requires me to do that.

CHAIR: I remind you of the responsibilities that accompany the opportunity to speak on the public record. Because you are not providing evidence to the Committee within New South Wales, you are not formally covered by parliamentary privilege. Whilst I am sure you will not make any adverse reflections about others I request that you focus on issues raised by the terms of reference and avoid naming individuals.

Mr BRUCE: Yes.

CHAIR: Would you like to make a brief opening statement before we ask you some questions?

Mr BRUCE: Yes, I thought it would be useful to provide some context regarding the organisation I lead and the Victorian Government's reflection on regional development, to help frame our discussions. Regional Development Victoria was established in legislation. It was introduced into the Parliament in 2002 and came into force in March 2003. I lead an organisation of about 70 people who work in an office in Melbourne and alongside us are probably another 50 people or so who operate in five regions outside metropolitan Melbourne. Our budget this financial year is about \$180 million. We have two Ministers we support and a parliamentary secretary. They are Peter Ryan, the Victorian Nationals leader and Deputy Premier and the Minister for Rural and Regional Development; Dr Denis Naphthine, a Liberal member and the Minister for Regional Cities; and Damian Drum, a Nationals member and a parliamentary secretary.

The Regional Cities portfolio is new for the Baillieu Government. It covers what we consider are Victoria's 10 regional cities—Geelong, Ballarat and Bendigo are obvious; the Latrobe Valley towns of Moe, Morwell and Traralgon, we consider as one regional city; and Wangaratta, Wodonga, Horsham, Mildura, Shepparton and Warrnambool. The Government came to office announcing that it would establish a \$1 billion Regional Growth Fund and the \$1 billion fund is spread over eight years so, in effect, over two terms of government. My organisation gets behind providing policy and strategy advice. We co-invest with businesses, local government and other public sector bodies in economic infrastructure.

We undertake some community development work. We deliver some programs and a relatively new strand—I worked for the organisation some time ago and have returned—and we now do some work in disaster recovery. So I have the Fire Recovery Unit that is still working on the rebuilding of some of the communities after the 2009 Black Saturday fires. We have some flood recovery from 2010 and 2011 and we are about to get into flood recovery for the 2012 floods. We also directly deliver, as a department, the Regional Development Australia [RDA] initiative in Victoria, so it is structured a little differently than in New South Wales. I am happy to talk about that as well.

Just to provide some context, I came to this job after having worked in regional development in Victoria in those early days back from South Australia. The context of our rural areas is quite different to yours in New South Wales and obviously different to South Australia. You can drive about six hours in Victoria but that is about as far as you can drive. Obviously the distances and remoteness is much more significant in those other two States. So when we talk about remote communities, they are two hours away from a major centre, but you obviously have communities that are far more remote than that in your area. That was all I proposed to open with

The Hon. PAUL GREEN: Your submission states that the centrepiece of the Victorian Government's regional development policy is \$1 billion in the regional growth fund. Can you outline for the Committee what this fund is and how it benefits regional communities?

Mr BRUCE: The regional growth fund was one of the commitments the Government made in coming to office. Basically the fund is spread over eight years, so that works out at \$125 million a year. It is split into two key chunks. We call one strategic initiatives, which is about 60 per cent of the fund. The other is local initiatives which are things that can be driven from the ground up and working with particular local governments. Obviously that is the balance of the 40 per cent.

In terms of the economic infrastructure, it is sort of a continuation of a program that had run under the previous Government but with some slightly different arrangements. We basically co-invest with local government and other parties in key economic infrastructure in regions. That could be, in some cases, roads and bridges although that is a relatively small part of the business that needs to have an economic flavour to it. But we get involved in everything from sort of arts centres through to wastewater upgrades for major industries or airport upgrades. We use that fund to match some of the funding that we are hoping to receive and have received from the Regional Development Australia fund. That is our key program there. We commit about \$60 million a year under that program, although we are targeting \$60 million this year, and there are a range of projects that are already underway that are being paid out of that program already because, as I mentioned, there is a long tale, we have been doing this for a number of years.

There are some other funds underneath that that help people prepare applications for those key funds. You can understand that certainly the Regional Development Australia fund and ourselves, we want reasonably sound business cases for anything that we invest in, so we give a bit of support for that. And there are other elements under that. We do offer some support for planning in regions, the actual statutory planning type role. We have found that councils are struggling to do some of that sort of work. And we look at some key initiatives which particularly impact on regional and rural areas, so retention of kids through to year 12 and that sort of stuff. We get involved in a few of those things. It would be fair to say that the Government gave us a pretty challenging list of election commitments to deliver against that fund so there is money there for projects that arise over the next four-year term, but they have pretty much written a script for us in terms of investing that money over time. And again one of the programs we are investing in is natural gas so with \$100 million we are co-investing with distribution businesses to extend natural gas further into regional Victoria.

In terms of the local initiatives there are really two streams. One is called the local government infrastructure program. That is a program where through a formula we allocate about \$2 million a council. We have 48 councils in what we consider rural and regional Victoria, so there is \$100 million there. Two by 48 works out roughly at \$100 million. There is a formula that takes into account their asset base, their size and their sort of ability to actually manage their asset base. Councils can get up to \$2.5 million for the more remote large area councils. The regional cities are capped at \$2 million. Then the councils which are closer into Melbourne or have more densely populated areas get—it ranges in the order of \$1.8 million up to \$2.5 million. That is for them to spend on their projects, we do not require them to match that, but that is really to bring forward a whole lot of local government infrastructure which we recognise is important in those communities.

It gets invested in everything from curb and channel drainage through to library upgrades. We do like to see that leverage other funds, but there is not a requirement that it leverages other funds. Then there is \$100 million over the four-year term, so over the first forward estimates period for the fund for this Putting Local First program. They are locally driven initiatives and they can be events, studies or upgrades to community facilities—again on a co-investment basis. So we tend not to do 100 per cent, we like to see other people's money in those projects as well.

The Hon. PAUL GREEN: Your submission also notes that local council related programs have been specifically structured to reduce funding uncertainty as councils will know in advance the funding they can reasonably expect. How is funding uncertainty reduced and what are the benefits of this approach to funding allocations?

Mr BRUCE: The uncertainty is reduced because, as I said, we have that formula. I can point the secretariat to the website where we have published the amount that each council has been awarded based on the formula that was agreed amongst the grants commission, the Municipal Association of Victoria and the Government—a widely agreed formula. So they have had that allocation advised to them. A number of them have come back to us and committed the full four years worth of their allocation. That \$2 million sort of thing, they give us a list of projects they are going to spend it on. Because some of them still have significant infrastructure backlogs relating to flood some have said they are not ready to do that this year, others have just given us a one-year work program. We are coming up to local government elections this year so some councils

may be a bit hesitant to commit a future council to a work program given that they may not be a member of the council in future.

So about \$75 million of that \$100 million over the next four years has been committed and councils are able to give us that program. It gets approved by the Minister and then we lock that into an agreement. Then we will obviously be monitoring the delivery of those. As I have said, some of the councils have chosen to spend the money. We went to an announcement recently in Bendigo where they got \$2 million and they have decided to spend it on an \$8 million library redevelopment. They had a bit of money from the Regional Library Corporation, a bit of money from the council and the \$2 million under the Local Government Infrastructure Program and a bit of money from a libraries program that is also administered by the department, that Regional Development Victoria sits in the Planning and Community Development Department. So they can choose the way they spend it and they know how much they have got. They can be reasonably confident that they will get a similar amount in the next term, but that is sort of beyond the council's sort of planning horizon at the moment—local government elections are coming up soon. But they know what they have got from now through to I think it is 2015 really.

The Hon. PAUL GREEN: In terms of dealing with the capacity of different councils to deliver, some of the councils are obviously going to be able to do their plans and get things shovel ready but how do you deal with those that are unable to produce documents to actually absorb that \$2 million although you probably know they desperately need it?

Mr BRUCE: I suppose—and this is not meant to be sort of one State against the other—but Victoria went through a process of local government restructuring some time ago, quite a controversial process, and reduced the number of councils from over 200 across the State down to 79 and, as I have said, that is down to 48 in the area that we deal with. It would be fair to say that we still have some in the situation you are talking about but we have strengthened that local government capacity. An old boss of mine who worked in local government as the shire secretary used to move the sheep through the cemetery and stuff like that. The days of that sort of local government here are now over. But we do support communities in developing up some of those business cases. It would be fair to say that in my role I have a delegation from the Minister to extend milestones under the agreement, and I do a fair bit of that. Because in many cases not only do the councils have a problem but the capability and capacity within the workforce or the skills to address some of these projects is not there either.

We are dealing with one council up on the border, on the Murray, at the moment. They are saying that they have a particular builder that they feel has the capability to do these projects. Yes, they have to go through all the other local government requirements of tendering and other things but they have confidence that that builder is able to deliver their project. They know their builders and if there is a lot of work on they have to push out that work program. There is a bit of support for those sorts of things. As I said, through putting locals first and through some of their own resources if they know they have got the money—in terms of getting these projects up, if you know there is funding security, which we offer through local government infrastructure, then you are far more confident in spending the money to get the business case or the designs or whatever done. It is when you start committing money against a project for which you are not sure you are going to get finance then it becomes more difficult. That is sort of the Regional Development Australia fund scenario where they want detailed business cases and there is no guarantee of funding. Last time there was something like 550 applications and maybe 100 were funded.

In the way we operate we try and reduce that uncertainty. With that Economic Infrastructure Program we actually do not give people application forms until we have had a conversation with them to determine that their project is likely to be eligible. It is a conversation and then we release the form to them and ask them to complete it. I am aware of some grant programs where it is more like a cereal box competition—in 25 words or less you are one of 10,000 entries and you get selected. We tend to have a higher success rate in all of that because generally you have been either counselled to look at another fund or that it is not going to be eligible before you make your application.

The Hon. STEVE WHAN: The \$180 million budget you mentioned for your agency includes the \$125 million—

Mr BRUCE: In the budget papers against our output group there is \$180 million.

The Hon. STEVE WHAN: How much does your current program build on or continue programs that started with the blueprint program under the previous Government in Victoria?

Mr BRUCE: I was not here when the change of government occurred but Minister Ryan was given the opportunity to carry forward some of the blueprint programs that had previously been running. We are still running a number of those programs but they will run out in the next couple of years. It was committed in the budget for a number of years so there are some of the blueprint programs still available. We do some cadetships, which were available under the blueprint. We do some support for sort of statutory planning work in councils that was part of the blueprint. So some of those blueprint programs are running and then this money comes on over the top. So that explains some of the difference between the \$180 million and the \$125 million per year under the regional growth.

The Hon. STEVE WHAN: One of the things I noticed out of the blueprint program was that quite a lot of work was being done to attract students to regional universities, with assistance for accommodation and things like that. Is that continuing? Have you got an assessment as to how that has worked or what sorts of results have been achieved?

Mr BRUCE: I am not aware that that is continuing in the same way that it was. I think there might have been some investments to be made in student accommodation?

The Hon. STEVE WHAN: Yes.

Mr BRUCE: I think those projects are on our books in terms of investments to be made but I am not sure they have been completed. I can get the Committee some details on those projects for you.

The Hon. STEVE WHAN: That would be good. I would be interested in whether it has had a positive impact so far on the attendance of country people at university who are usually underrepresented.

Mr BRUCE: Certainly the issue you have talked about—people moving from year 12 into higher education—the Government has established a Regional Policy Advisory Committee, which consists of the chairs of the five Regional Development Australia organisations in regional Victoria and a couple of independent members. They have been very interested to hear from Skills Victoria about how we can increase the aspirations of kids who live in country Victoria to go on to higher education and how we discourage I suppose—not discourage, but the view is that a lot of them get lost in the gap year. They do not go straight to university, they have a year off to do other things and perhaps never return to university. Certainly the completion rates are lower. I provide the Committee with some information about a program that has been funded under the Regional Growth Fund.

Announcements are being made at the moment about universities working closer with TAFE so that students can complete the early parts of their course in a TAFE institute, which tends to be closer to where they live. We have universities that do have regional campuses but for some of the smaller communities they might have a TAFE in town but not access to a university. So they do some of it, for example, in community care. We know we are going to need more people helping in community care over time so you can do the first year probably of a diploma I guess at the Bairnsdale campus of East Gippsland TAFE and then go onto Monash in Gippsland to complete the later years, but you are not displaced out of your home environment in that first year going from one to the other. That is currently being rolled out at the moment. It is called the Regional Partnerships Facilitation Program. We went out to universities and said, "How could you make it easier for kids to go from school into university and make it more accessible?" There have been some announcements over the past couple of weeks about that program.

The Hon. STEVE WHAN: On a broader issue, how important are transport links between regional centres? What sort of work has the Victorian Government been doing on, for instance, rail and air services in relation to more remote centres?

Mr BRUCE: There is an interesting story there and it goes back to my earlier comments about remote and rural.

The Hon. STEVE WHAN: Yes. We recognise that we would not think that most of your centres are remote.

Mr BRUCE: No. There is a regular service by three airlines from Melbourne into Mildura. There is a regular service from Melbourne into Portland, and that really revolves around the aluminium smelter and the port helping underwrite that business, and we also use the services from Melbourne into Albury to get into Wodonga and those parts of the State. But it is really not viable to have other area services. People will just get in their car and drive. By the time you spend half an hour waiting for the plane and you have to be at the airport half an hour beforehand, then you spend an hour on the plane before you get off at the other end, so people just get in their car and go with a set of keys.

The Hon. STEVE WHAN: Does the Government subsidise any of those three services you mentioned?

Mr BRUCE: Pardon?

The Hon. STEVE WHAN: Does the Government provide any subsidy assistance in relation for any of those services you mentioned?

Mr BRUCE: No. I think they stack up on their own. Obviously, Portland Aluminium underwrites a portion of the service. Their service used to run from Essendon airport through to Avalon because Portland Aluminium and the Point Henry smelter share staff and expertise. Then it goes down to Portland and comes back the same way. They were concerned about their staff driving from Geelong to Portland and the occupational health and safety aspects of that, and that is why they were keen to get in behind that service and make sure it was clear. I think the other services stand on their own. QantasLink, Rex and Virgin have a flight in the middle of the day to Mildura, which I think is some of the downtime for the aircraft, and then the flights into Albury-Wodonga are the typical commuter flights that you would get from the other end from Sydney.

In terms of rail, the last Government's investment in rail was continued by the current Government. Under the Bracks Government there was the regional fast rail program that looked at upgrading rail links between Geelong-Melbourne, Ballarat-Melbourne, Bendigo-Melbourne and Traralgon-Melbourne. That was continuously welded rail, so you do not get the clickety-clack, and the train speeds were up to 160 kilometres an hour. We bought some new rolling stock for that. That has been, you would have to say, astronomically successful. It has probably doubled rail patronage on those lines through that investment. Both governments are committed to continuing to improving their services.

There is a new project on the western side of Melbourne. What they found was that these fast rail trains were getting in on the Melbourne metropolitan network and getting stuck behind metropolitan trains because they shared the track. There is now going to be a dedicated track from the western part of Melbourne that will increase travel speed and make the regional rail a bit independent of metropolitan rail, and that will impact on Geelong, Bendigo and Ballarat. In the longer term, there is more work to be done out to Traralgon through Melbourne's south east. There is pressure on that corridor anyway and we are looking at building a third rail out to Dandenong. That has been on the books for a while.

So there is that, and then there are rail services to the other centres that are served by rail, such as Ararat out to Shepparton and Sale and obviously up to Wodonga. The Government is looking at all that sort of stuff. It has a study underway to look at rail between the centres on the western side of Melbourne, from Geelong to Ballarat and Bendigo, and they are looking at the feasibility of reintroducing rail connections between those towns. Rail has been reasonably important. I think government is committed to looking at improving our services. Warrnambool is also served by rail.

We have some issues in the State in that we have some of the State on the old broad gauge and some on standard gauge. That limits the opportunity, and we continue to come across issues where, for example, we have a freight line with a standard gauge and we would like to get freight to a destination that is served by broad gauge. That is one of the challenges. That decision on rail gauge was made more than 100 years ago.

The Hon. MICK VEITCH: Lachlan, earlier you were talking about assisting students to stay to year 12 in country regional areas.

Mr BRUCE: Yes.

The Hon. MICK VEITCH: Could you expand on how you do that and the type of programs you are using to do that?

Mr BRUCE: It is more something that we are starting to look at now. A number of the Regional Development Australia [RDAs] individually identified that retention and aspiration in regional Victoria was an issue to be addressed because the completion rates and higher education, even year 12, were so much lower than in metropolitan areas. Some of the RDAs have looked at it and now the policy committee, which comprises a number of the Chairs, has said that it would like to look at that at a State level. The Minister for Regional and Rural Development and the Minister for Higher Education and Skills are Gippsland members and understand the issues. The rates in Gippsland are another level again below the rest of the State. It is traditionally a working-class economy that is heavily dependent on power generation, oil and gas, farming and a few other things. They are particularly committed to looking at that in their region. They see it.

It is more about how we will make that stuff more locally available. Regional partnerships make sure that there are options for people who want to stay in their community and, to be quite honest, cannot afford to move to Melbourne or some of the other places where they need to go for further education. To their credit, some of the universities have changed their regional offerings so that they are making courses available in regional areas that have not traditionally been there. One of the Chairs of the RDAs is also the chief executive officer of the council in Warrnambool and he was saying that at Deakin University, which has a campus in Warrnambool, the highest achievement rates across the three campuses that offer law are in Warrnambool, so that is a nice turnaround. But law probably was not traditionally available in original campuses until recently. So it is a combination of the universities and the Government working together to make those things happen.

For us, a lot of it is about how we make sure that parents encourage their kids to look at higher education as an option. The second thing is how we make it easier for them to get into that rather than going and doing a gap year or something else, and then possibly not returning to higher education.

The Hon. MICK VEITCH: Thanks. How do Regional Development Australia bodies [RDAs] in Victoria interact with the government departments and local government? I am particularly interested in how you interact with local government.

Mr BRUCE: Okay. I was involved in South Australia when we set up our Regional Development Australia bodies and it is quite a different structure to what we have done here in Victoria. And the decision in Victoria was that all the Regional Development Australia staff would be Victorian public servants knitted into the then Regional Development Victoria network across the State. Since then we have relocated from the old business department, which is what I call it, into the planning and community development department, which already had a regional presence. But that has now been sort of buddied up with planning people in regions and the community development people in regions.

We have five regional directors at executive level across the five regions. They are the executive officers for the Regional Development Australia body. Then we would have some staff, which varies from region to region, supporting Regional Development Australia activities across the State in those various regions. In Bendigo it is the executive director, and because that region along Mallee is quite large and extends up to Mildura, the other staff member is based in Mildura to service that end of the region. The Chair of the Grampians one, which goes from Ballarat to the South Australian border, operates out of Horsham and so there is a person there to support her doing that.

In terms of local government, South Australia's approach was that there were regional local government bodies. Their local government association had sub-branches across the State. Those branches nominated local government—or, firstly, applications went in and they asked who wanted to be on, and they were assessed by those regional local bodies for the local government forum. They nominated generally councillors—I think they were all councillors—to make up a third of each of the RDAs. Over here it is a mixture of councillors and local government CEOs.

As I mentioned, the Barwon south-west one, which runs along the coast from Geelong right through to Portland and the South Australia border, is chaired by the CEO of the city of Warrnambool. I think he is the only CEO on there but the Loddon Valley one, which is the Mildura-Bendigo one, has three council CEOs, and it varies from place to place. Councils are locked in. Not every council is represented but there is someone on the RDAs to represent local government views. As I said, they are State public servants so we have control and oversight and accountability to the Commonwealth for the delivery of the RDA program.

The Hon. Dr PETER PHELPS: Just to try to compare like with like, probably the areas we are looking at are comparable to your western districts. Can you give me examples of the funding levels for those areas and the sorts of projects they spend their money on?

Mr BRUCE: In terms of that local government infrastructure program—I am just turning to a report I have got my hands on—I have to find a good example because some of those councils have not been as responsive. Corangamite is based around Camperdown and runs down, has the 12 Apostles and that sort of stuff. It is mid-way between Geelong and Warrnambool. The local government infrastructure program for Corangamite shire, their local government infrastructure program allocation was \$2.179 million and it looks like they have allocated all of their money. The sort of projects they have committed their money to is upgrading some heating in the Royal Theatre, a recreational reserve extension, some solar panels on some council buildings, a new footpath, upgrade to Camperdown Apex Park, community planning project shirewide, economic development issues shirewide, public art and the Terang streetscape. There is a streetscape project that they will do in Terang which is one of the other centres there. In terms of the proportions of funding, they will put \$500,000 into the Terang streetscape. These are the big ones. They will spend \$800,000 on economic development projects, \$260,000 on one of the parks and \$200,000 on another park. So that is the sort of stuff they are investing in.

In terms of other projects that they would have received under the economic infrastructure program, I do not have that list in front of me, and bear in mind that some of these will have been approved by the previous Government. I am trying to think if I can think of any off the top of my head. We try to tie them generally to obviously economic infrastructure to industries. Down there dairying is obviously important but I do not know that there is any dairying processing done in that shire any more. But there does tend to be some stuff down there. Intermodal hubs would be the sort of things that we would get into in some cases, getting the freight onto the network. Then it might be tourism infrastructure in that area. Certainly in Warrnambool we have been working on tourism infrastructure, so that when you get to the end of the Great Ocean Road, rather than turning around and going back to Melbourne, why would you not stay in Warrnambool for an extra night for a bit more tourism yield? I can give you a list of the projects that we have funded and that might help you get some context.

The Hon. Dr PETER PHELPS: What areas of the State have the lowest growth rates? Is it places like Mallee?

Mr BRUCE: Are you talking remote Mallee?

The Hon. Dr PETER PHELPS: Yes. The lowest growth rates in the State.

Mr BRUCE: If I look at—I just have to make sure they have spent all their money. As I said, some have committed all their money and some have not but I have a list—

The Hon. Dr PETER PHELPS: I just want to know whether the lowest growth rates in Victoria are economically and demographically comparable to the low growth rates we have here, which is essentially inland, predominantly agricultural, broadacre.

Mr BRUCE: They would be typically where we are seeing people moving towards. I mean, farming is become more extensive and in some cases requires more people, but often older people are having to move into larger centres for services and stuff. We do have some anomalies. They have started to have some mineral sands mining in those remote Wimmera areas, which then create a housing crisis because there are not enough houses for all these people who are suddenly employed by the mines. No-one is keen to invest in housing because they are never sure what the life of the mine is and what happens to the house after that. But that is where they tend to be the lowest growth rate or equally in East Gippsland, which is more native timber or a national park and other things, those small communities where tourism is probably the main industry. They are probably the lower growth rates, but the further you go from the centre, that is where you tend to find the lower growth rates.

The Hon. Dr PETER PHELPS: Is it fair to say that what accounts for a lot of the growth in what would be described as rural and regional Victoria is in fact a growth of a commuter culture? In other words, Geelong is now a commuter hub for Melbourne. You enjoy the lifestyle of Geelong but you commute into the city. For Warrnambool, you hop the early morning train in, and from Bendigo and Ballarat you can drive or catch the train in. Is it less of a rural thing and more of a commuter culture?

Mr BRUCE: I think that explains some of it in Geelong and Ballarat, but beyond that there would be a number of commuters not commuting all the way from Bendigo but from Castlemaine and Gisborne on the line on the way in. Again, that might be a cultural difference between Sydneysiders and Melbourne people. They are not used to travelling the same amount of time into work each day. An hour and a half is a very long commute. It is probably the furthest you can do in Melbourne whereas maybe they are just stories but the stories I read about people spending two hours in their car in the morning and two hours at the end of the day, we just do not tend to see that here. Warrnambool is just too far to commute from by rail and the train just would not work for that. Bendigo is probably on the limit and again some of the towns between Melbourne and the Latrobe Valley would be commuters from Warragul for example but when you get to Traralgon there would not be too many people who are making a regular commute from Traralgon to Melbourne.

The Hon. Dr PETER PHELPS: I could be wrong but I am pretty sure that I saw recently Premier Baillieu just opened up a new passenger commuter station which had previously been closed in central Victoria?

Mr BRUCE: Possibly.

The Hon. Dr PETER PHELPS: And the revival of passenger services there, again ostensibly.

Mr BRUCE: That might have been Creswick. Certainly Creswick station has been reopened recently. The Geelong service, in Geelong there are probably three or four stations and the previous Government opened a station on the furthest point of Geelong I suppose from Melbourne and that picked up a whole lot of people from the surf coast. I think the Government is looking at not only serving from the centre of Ballarat for example or Wendouree is another one where they are taking the train further into Ballarat itself so it becomes attractive to people on the fringes of the other side of Ballarat, if that makes sense, to get on the train and commute. So people might drive for half an hour, and certainly if you are living at Torquay you would drive for half an hour to 40 minutes, park at Marshall station and then maybe spend an hour and 10 on the train coming in. Again, it is a bit different to driving. You can actually do something productive on the train while speeding along. People are prepared to make those sorts of trade-offs. With growth, I think you will find there is growth in places like Warrnambool, and they are experiencing significant growth but it is not related to being able to commute from Melbourne.

The Hon. Dr PETER PHELPS: Why do people want to live in Warrnambool?

Mr BRUCE: I think it is a lifestyle thing. Again, there has been a campaign to promote the lifestyle.

The Hon. Dr PETER PHELPS: Are they retirees or young families?

Mr BRUCE: Admittedly, they are probably low-skilled jobs but there are skills shortages in those regions in getting meat workers and dairy workers, for example. Part of their issue is that they not very well paid jobs. Again, Bruce Anthen, who is the chief executive officer at Warrnambool, will say that in their region they need 2,000 jobs in the dairy industry over the next 15 years. What they are finding is that people do not want to get up early in the morning and milk cows. We are anticipating that changes in the Murray-Darling Basin will see more dairying migrate to Gippsland and the south-west. Dairy industry restructuring of probably the nineties saw dairying increase significantly in those regions because they have the natural rainfall. We are expecting that that will go another quantum leap again. It is now a matter of getting the workforce in to do that sort of stuff and they are finding it hard. There are jobs in mines and other things that are paying substantially more money and do not necessarily require higher skills. So people will go for a \$70,000 to \$100,000 job fly-in-fly-out and not get, I do not know, \$30,000 or \$40,000 a year working as a dairy hand.

The Hon. Dr PETER PHELPS: The broader issue is: Do people follow the money or does the money follow the people? The Grattan Institute had a quite controversial and damning assessment of rural and regional funding schemes. Its basic thesis was that they are not economically based; it is all about maintaining a sort of social harmony and that money would be better off spent in the outer suburban and coastal areas. Do you want to comment on that?

Mr BRUCE: I suppose part of the Government's regional city strategy informed by the cities themselves is that investments have already been made in these regional cities to support growth and so they are an economic place to take people. The figures I have in my mind are something like a third the cost to accommodate someone in a regional centre than it is in Melbourne. That is in relation to transport infrastructure and other sunk costs that we have already put in: we have a water system with capacity, roads, sewer systems

and stuff like that. The regional cities put that to both sides of politics before the last election and this Government picked it up and said, "Yes, we will encourage growth in regional cities to take the pressure off Melbourne." I suppose you could argue the Grattan Institute report, if you were starting with a blank piece of paper—that might be where you are—but there already has been substantial investment. So we are keen to work on the latent capacity and realise that in our regional cities.

Again we are going to see a competition for talent. So businesses are interested. We have a substantial IBM presence in Ballarat and they like it because they do not have the turnover. People have gone through Ballarat university with which it has had a relationship over a long period of time. They come in to work at IBM at Ballarat and they do not get the churn. We understand that IBM is now at the point where it is saying it employs something like 6 per cent of people in Ballarat. It is now becoming the risk that it is one of the largest employers in the region. They are the sorts of things that industries can get behind and realise different benefits and over time the skills become scarcer and harder to attract. Employers may follow people to particular regional centres.

CHAIR: The Hon. Charlie Lynn will now ask some questions. I have to tell you that he is an expatriate Victorian and a lover of Aussie Rules football.

The Hon. CHARLIE LYNN: You mentioned before the major city areas Geelong, Ballarat, Wangaratta and the Latrobe Valley. How far east does the Latrobe Valley extend?

Mr BRUCE: To get to Traralgon, which is the furthest town in the Latrobe Valley, is about an hour and a half by car, but Morwell is another major centre and then Moe is a smaller centre along the Princes Highway. They are the distances.

The Hon. CHARLIE LYNN: I come from Orbost. Since I left, the town effectively has been shut down with the shutdown of the timber industry and the extension of national parks and so forth. I visit now and it is pretty much like a welfare town: it has lost the railway and all that sort of stuff. What plans do you have for the economic development of the area from Lakes Entrance through to the border?

Mr BRUCE: The Government is committed to get natural gas into Lakes Entrance. You would be aware that the eastern gas pipeline runs right through that region. We like to tell people that the Olympic flame at the Sydney Olympics was actually lit by Victorian gas.

The Hon. STEVE WHAN: I do not think that pipeline was finished then!

Mr BRUCE: There was a great deal of frustration for the people of Bairnsdale because they knew the pipeline actually ran down the main street but they could not get access to it. So about 10 years ago we worked with the major employer there in Paddy's Pies, which took over all the Herbert Adams brands, and they were using LPG to make all that stuff. The Government got behind the project to extend natural gas through Bairnsdale. John Brumby was the Minister for Regional Development at the time and then this Government has come to office saying, "We're going to get that gas into Lakes Entrance as well." That is part of it. I think in Orbost there is oil and gas exploration and development going off that coastline there. But the other thing that will probably be the transition of those communities is inter-tourism. Again, we would support those communities through that. I think there is a mining proposal in that region. It is reactivating some of the old mine industry that was in that part of far-east Gippsland. They are probably going to be the industries of the future in that part of the world. It is probably not going to impact on Orbost, but we are working also on opportunities to expand the East Sale RAAF base. There are some projects around that have greater Gippsland benefits—I do not want to give away too many secrets.

The Hon. Dr PETER PHELPS: Like Technology Park or something?

Mr BRUCE: No. East Sale is a RAAF base and it is about a training opportunity with the Defence Force. I do not think I am giving away any secrets because it is public, but we obviously are keen to get that work based in east Gippsland. In undertaking that project, they need upgrades to other airports around the region. So those people will distribute themselves through the region and then obviously their servicing. If we get a contingent of Defence Force people there, then there will be a whole lot of other people, probably another person for every person who comes to support them in the rest of the economy, or even more than that. You would be aware that Gippsland is going to be impacted upon by the carbon pricing regime. So we are working with the Commonwealth that if there is going to be a generator closed under contracts for closure in Gippsland

or in the Latrobe Valley, what are the offsets and what can we transition those people to in that economy that gives them some opportunities? I think people now acknowledge that the privatisation of electricity could have been done better and did have significant impacts on the Latrobe Valley. Now it is a matter of making sure we do not make the same mistake twice.

The Hon. CHARLIE LYNN: They have been talking about tourism in the far-east Gippsland area for 40 years and it has never arrived apart from a few eco-tourists who get out there and a few people who have an environmental levitation, but they do not pay those people. They have put the Curlip on the Snowy River and that is really struggling even with voluntary labour. They just seem to despair that there is any hope for tourism in that region.

Mr BRUCE: Yes. It is a beautiful, pristine environment and obviously some of it is in national parks. So there are particular protection regimes in those. There is a project that has not yet started that we need to spend time on. There is a group—I think we call ourselves the Tourism Task Group—which is the CEO of Tourism Victoria, myself and the Chief Executive of Parks Victoria. As the three chief executives we are going to look at tourism projects across Victoria as opportunities for investment and how we can promote them better.

That region is one that is not necessarily going to gain the same traffic and people need to make their way there. It is not somewhere you stop on the way, as you know. But some of my best holidays have been down at Mallacoota, which is just spectacular, so I think there is great opportunity. It is just a matter of getting people to stay long enough. Again, this is domestic tourism not international tourism, but some of the camping grounds in the national parks there are booked out years in advance. As you say, they are not necessarily high-yield tourists spending a lot of money in those communities.

The Hon. PAUL GREEN: You talked about the stimulation formula that you use for local councils. Is that the same model that the Federal stimulation package uses or is it slightly different?

Mr BRUCE: I think it is a unique formula for us. You might have heard Senator Barnaby Joyce talk about a model where instead of running the Regional Development Australia Fund as a competitive process he suggested a formula should be developed to allocate the funding to local government on a set of criteria. I was not here at the time but I think the Victorian National Party worked with the Western Australian National Party on the development of some of their policies. Obviously we do not have the same sort of mining royalties that they have in Western Australia but I think some of the inspiration for the policy platform that was put forward here was drawn from Brendon Grylls' Royalties for Regions program.

The Hon. PAUL GREEN: The Regional Development Victoria website refers to the Regional Victoria Living Expo. Are there any other activities or policy initiatives that Regional Development Victoria is considering?

Mr BRUCE: The expo is a commitment from the Government in its election campaign and alongside that we will be launching a new campaign to encourage people to move to regional Victoria. The previous Government had the provincial growth campaign, which was quite effective in encouraging people to move to regional Victoria. You will understand that this Government has a slightly different approach to all of that. We are just working up that campaign at the moment but at about the same time, late April or early May, we will be launching a new campaign to encourage people to move. We have done some marketing research—I caution that it is just marketing research—that says that in their hearts a lot of people want to investigate a regional lifestyle. We know the translation of that intention to actually making the move is such that not many actually do that. Some of our work will be to look at how we reduce that wastage or help people activate that intention and turn it into a reality. There might be information; certainly some of it is about experiment. We will be talking more about that in the next couple of months.

The Hon. STEVE WHAN: Have you done much research into the factors involved in people's decisions? I notice you continue to fund quality of life, which I assume means cultural facilities and those sorts of things in communities.

Mr BRUCE: We have done some of that research. I do not have it at my fingertips but I will send a written response to you and draw out some of the highlights. I want to make sure I save something for the Minister at the end of April.

The Hon. STEVE WHAN: That would be great or if you could point us to any research that you are aware of that would be relevant.

Mr BRUCE: I am not sure whether we published information about the provincial growth campaign. We certainly would have done evaluations of the provincial growth campaign.

The Hon. PAUL GREEN: In relation to provincial growth and the \$7,000, I have recently had comment where I live on the South Coast. We have had about 55 hits in that area so it obviously has induced some people to come south with their industry or just with their families. Obviously there is some merit in helping people shift to those areas and it goes a long way.

Mr BRUCE: The campaign messaging we are working up at the moment is parents of young children saying, "We moved here for the sake of our kids", type of thing. That seems to be something that resonates with people.

CHAIR: Thank you for agreeing to make a submission to our inquiry and taking part in the hearing via audio link today. It has been good to hear about your experience of what you are doing in Victoria. We will go through your transcript and look carefully at the facts and figures you have given us.

Mr BRUCE: I am sure the Minister would be delighted to host a visit if you are interested in coming here.

CHAIR: That might happen at some stage. You agreed to take some questions on notice.

Mr BRUCE: I will go through the transcript meticulously and get back to you.

CHAIR: The secretariat will be in touch to confirm the areas you said you would take on notice. We would appreciate the answers within 21 days.

(Mr Bruce withdrew)

(Luncheon adjournment)

JANE MARGARET CHRYSTAL, Implementation Manager, Central West Catchment Management Authority, and

CAROLYN RAINE, General Manager, Central West Catchment Management Authority, affirmed, and

THOMAS WILLIAM RANDOLF GAVEL, Chairman, Central West Catchment Management Authority, sworn and examined:

CHAIR: If you should consider at any stage that certain evidence you wish to give or documents you wish to tender to the Committee should be heard or seen only by the Committee would you indicate that to us and we will consider the request. Would any one of you like to make a short opening statement?

Mr GAVEL: I thank the Committee for meeting with us and accepting our presentation today. I will ask the general manager, Carolyn Raine, to do that presentation on our behalf.

Ms RAINE: I have a few slides to run through. What we would like to take you through is the new catchment action plan. You have a summary in front of you and you have the whole plan and support document on a small CD inside that summary—if you are interested in further investigation. I will take you through the basic new way of thinking that we took on to develop this catchment action plan. Just for your information; the catchment action plan is a regional document. Each of the 13 catchment management authorities [CMAs] across the State develops one of these. They are all currently under review. Ours and the Namoi CMAs were done first as a pilot to look at resilience thinking. I will run you through those concepts.

The first thing is that this was a totally different way of thinking for us in the industry of natural resource management, which is our core business. Our core business is working with landholders and stakeholders to improve our catchment's natural resources. One of the things we came to realise quite early is we cannot fix everything. We want to but we cannot. We had to start thinking about where we can make the most difference. As we know there are a lot of environmental problems and not a lot of money to fix them. We had to start concentrating on where we could make the most difference. We also came to an agreement with our community that this document must be a shared vision between us, the community and the Government. That was really important to us. We believe we have achieved that and our stakeholders are backing us up on that.

We looked at social systems and we realised that they are complex and intrinsically interwoven into environmental systems. If you try to separate the two it is not a smart thing to do. Humans are part of the system but not the controllers of the system. That was a difficult realisation for a lot of people. The other thing that we do now is always assume we are wrong and if we do that it means we test everything we do to make sure we are on the right track and it is correct. We learnt that change can be good and we believe this is a much more sophisticated style of thinking from the past. I will give you an analogy here. We thought that natural resources worked in a linear fashion and we have been thinking that way for a long time. This slide shows a peloton that is moving in the same direction and flowing nicely together. We thought we were pretty much in control of what we were doing, but it turns out we were not. We were making mistakes here, there and everywhere.

What we found was that natural systems are chaotic, they are all intrinsically linked and it is hard to work out where you can have the biggest input. We cottoned on to the idea of resilience thinking. I will give you the Oxford dictionary definition of "resilience": The capacity of a system to absorb disturbance and reorganise without significant changes to the structure, function, feedback and output. Or, in plain English: The ability to cope with change and to keep functioning in much the same way. Or, as we like to call it: Defining a safe operating space in which change is unlikely to happen. This is a photograph of a healthy barrier reef. In many areas it now looks dead as shown in this slide. We are not sure what it was that pushed it from one condition to the other. Closer to home, this is a farming example—a piece of fairly decent farming land which could end up becoming saline and once it crosses that threshold it is impossible to get it back. This slide shows a piece of land in the Central West. It was only 10 to 12 years ago that that piece of land won the award for the highest level of grain production. It was a productive agricultural paddock and as you can see from the slide it no longer is. This is a photograph of a thriving rural town but unfortunately some of our rural towns are starting to look a bit like ghost towns. They have crossed a threshold and from that there is almost no return.

The principles of resilience thinking taught us that there are limits to how much a system—which could be a region, town, ecosystem or an individual farm business—can change and still recover. Beyond those limits the system will function differently and often in ways we do not want it to. Resilience thinking and our

catchment action plan are about identifying exactly what those limits are, trying to manage in a way that stays within them and being adaptive within those limits. This is one of the systems models from our Catchment Action Plan and it is about the natural resource management capacity of our landholders. On the left in the green box is ideally what we would like to see which is landholders implementing best practice. They understand and agree what best practice is, and they have the capacity to implement it, to generate practice change, to innovate and to advocate. At the other end we have land-holders and groups who are unaware of best practice, or have little interest in it. You have a few transitional states there in the middle. We discovered several things from our literature review. I will just mention quickly that we have about 4,000 points of evidence supporting our Catchment Action Plan. It is all documented in an evidence database so we are pretty proud of that. We have not just pulled this stuff out of the air; it is all backed by evidence.

What controls why people change is their attitude and motivation. We found what drives changes in attitude and motivation for our land-holders is evidence. They like to see evidence that something will work and also a critical mass of participants. So once a large number of land-holders start getting involved in something it is more likely that their colleagues will become involved. We have seen over the past 10 years with conservation farming that was originally seen as quite radical and it is now seen as quite mainstream in the Central West, and also having the financial resources available. What do we do with that information? What we now do is target the landholders that are sitting roughly at that threshold. We focus on our innovators, our leaders and fast followers and we provide them with opportunity for training, capacity building and partnerships, and also provide financial incentives.

Those leaders, innovators and fast followers are the ones who tend to take the rest of the group with them. Once we hit that critical mass of participants then what we are trying to achieve, which is best practice, in natural resource management becomes mainstream. Rather than focusing our energies in one place or another we specifically focus our energies on a specific point, which is something that the resilience model and systems modelling have taught us. This is an example of two thresholds operating together. At one end we have our income-to-debt level of a farm and at the other end we have our groundcover. We are interested in groundcover as a natural resource agency. Most of our farmers are interested in making a quid, which is fair enough. On the right-hand side of the threshold we have a viable farm and we have groundcover. If the groundcover starts to decrease, whether it is through drought or for some other reason, your income starts to decrease and you drop, so you cross this threshold.

On the other side of the coin, if your income starts to decrease you tend to overgraze a bit more and your groundcover may decrease. Inevitably, you could end up in a position where your farm is not viable and you have lost your groundcover. What we aim to do is keep our farmers cycling within this position and not crossing these thresholds. I will show you how we do that. Our farmers have told us that they value their family, lifestyle, making a profit and the viability of their farm. What we value as a natural resource agency is good groundcover, good soil health and biodiversity. Those two things are quite different. If farmers find themselves in a situation of high debt and low equity they tend to stock a little higher. They may overgraze and their viability will decrease. For us that means less groundcover and poorer soil health.

We used to work with landholders to try to build their capacity and get them to value groundcover the way we value groundcover. Unfortunately, because their values are different to ours, this was not working for us. We needed to rethink what we were doing. We needed to link, as per that last graph I showed you, farm viability because that is what they were interested in. Farm viability, because of the link between that and groundcover, would still give us what we wanted, which was good groundcover and good soil health. So the types of things we do now with farmers is look at diversification of income, different ways to innovate, how to lower their inputs to save money, mentoring with other more successful farmers, succession planning on farms and therefore building resilience, and building farm viability rather than flogging a dead horse.

In summary, the thing about our new Catchment Action Plan and resilience thinking is that you need to understand how these systems work. This can be any system; it can be a social or it can be an economic system. You do need to understand where are the thresholds or points of no return and that allows you to focus your attention a lot better rather than trying to focus on everything and fix everything. You need to understand what drives the system towards or away from a threshold and what actions you need to take to keep the system in a safe operating space. Systems thinking, as I said, can be applied to anything. We just wanted to share with you what we had learnt in the development of our new Catchment Action Plan, and hopefully that will open your minds, or your thinking perhaps, to the dilemmas we are facing in the Central West with social and economic growth.

CHAIR: Does anyone else wish to make an opening statement? That was very interesting.

Ms CHRYSTAL: No.

Mr GAVEL: No.

The Hon. CHARLIE LYNN: Your submission states that the Central West Catchment Management Authority has a focus on engaging the regional community in key natural resource management issues facing the catchment. What are the key natural resource management issues facing the catchment? What strategies does the Catchment Management Authority, Central West, pursue to manage these resources?

Ms RAINE: The key issues facing our catchment, I think, are managing our natural resources. When I say "natural resources" I am talking about our soil health, the health of our native vegetation, our native fauna, our riverine health and our aquatic fauna as well, and that is important. The other thing that is important in our area is to maintain social and economic viability and that means, for natural resources, using those natural resources to get social and economic gain, particularly economic gain, but using them in such a way that they are sustained into the future; that you are not mining the resources. Those are the issues that we have to deal with. The strategies that we have put in place to deal with those is basically a development of the new Catchment Action Plan where we have identified spatially—so we have mapped all of this—where our fragile systems are.

I talked about systems crossing a point of no return. We have identified where those systems are in the landscape that are in danger of crossing a point of no return and, therefore, we focus our activities with landholders, landcare groups and other stakeholders on managing those systems to keep them from crossing a threshold. We have a number of systems that are quite resilient and are in no danger of crossing a threshold. So when you have a problem this big and with that much money, this is the strategy that we use to focus our attention and to work with our community. We do not do any on-the-ground work. We work with the community to provide collaborative facilitation. We bring together the landcare group, the community, government agencies, the Livestock Health and Pest Authority and the local council to work in these areas where, if we do not do something now, we will lose something valuable in the future.

The Hon. CHARLIE LYNN: Would you expand on community engagement? How do you go about it? How do you monitor it? How is it going?

Ms RAINE: Community engagement to develop the catchment action plan was all about developing it from the ground up. We went to the community and held 13 workshops across the catchment area that were attended by more than 300 people. We put out photos and asked them to tell us what they value and what is important to them. We did not go out with the finished plan and asked what they thought. We went out with a blank slate and asked people to tell us what they value. They drew lines on the map and gave a short description of what it was, why they valued it, whether they thought it needed work or was okay, what were the threats and so on. We collected that information and identified more than 550 natural assets that our community really valued. There were social assets like towns, landcare groups and that type of thing. We then took that information and did the resilience analysis or the systems analysis. The information used in building this plan came from the community. We also talked to local government, the Aboriginal community, landcare groups, green groups and state agencies. We asked everybody what they valued and that is what built the plan.

In terms of community engagement and capacity building generally speaking in our operations, it is basically about educating people and exposing them to new ideas. Most of those really good new ideas come from within the catchment community. We have some brilliant, innovative landholders and farmers in our community. We expose other people to those ideas with the ultimate goal that we will be able to achieve practice change across the landscape. Again, once we get that critical mass of participants—we get farmers teaching farmers—hopefully a more sustainable practice will become commonplace. An example would be irrigation modernisation. Rather than flood irrigation, they might switch to drip irrigation. Conservation farming or minimum till is another example.

The Hon. CHARLIE LYNN: Earning their trust would be a big factor in that. Having done that, do they see you as a resource that they can approach to acquire knowledge and find out what is going on?

Ms RAINE: That is definitely true. We have done two random surveys to ask those very questions. Do they see us as a source of information? Do they see us as a credible manager of natural resources or adviser

about natural resources? The answer has been positive and that they do. Having a ministerially appointed board with local people like Tom as members has also helped. He might like to talk about how that impacts on trust.

Mr GAVEL: It is extremely important that that is the set-up and the process. We are appointed from the region; we are local people. We know the issues within our catchments and we can address them. We can also get out into the catchments and are recognised and noticed and we can be spoken to directly by the local people—that is, our stakeholders. That has been of great value. Of course, it has some drawbacks. We get a lot of approaches about personal issues. I am sure most parliamentarians do, too. In my time involved with natural resources this is the best regional delivery process I have seen. There must be ownership within the regions. That is something that should happen not only with natural resources, but I will not pursue that.

The Hon. Dr PETER PHELPS: What sort of projection planning do you rely on with regard to water storage capacity within your catchment area? I refer to the idea in that there will be mining in future, especially in the upper reaches.

Ms RAINE: We do not do water storage planning with regard to capacity.

The Hon. Dr PETER PHELPS: But it has a material effect.

Ms RAINE: It certainly does. The work is done by State Water and the New South Wales Office of Water, and we work closely with them. One of the dilemmas facing us is that if we are successful in increasing levels of groundcover, for example, that means more infiltration into the soil and less runoff. When our first water sharing plans were developed in 1996 the catchment was quite bare and there was much more runoff. If we are successful, it could decrease the reliability of water in the Macquarie catchment on a broader scale. The other issues we need to look at are climate availability and climate change and whether that will impact on water quantity in particular.

CHAIR: There would not be any shortage at the moment.

Ms RAINE: No, we are at about 126 per cent in the dam. There is no shortage at the moment, but we have come out of a 10-year drought and that was a real struggle for the community. It had some far-reaching impacts.

The Hon. Dr PETER PHELPS: Would you say that there is a dynamic tension between yourselves and water?

Ms RAINE: Not at all. Our goal is threefold: that everybody has enough water for basic necessities—that is, town, drinking and stock water. There must also be good water quality for recreation and social activities. The other thing that is really important to us is that along with good water quality we get a really good habitat for native fish. If we work to improve the riverine corridors and eliminate some of the pest species like carp, it is a win-win for everyone. I do not see a tension, but in the long term there will always be a tension with water quantity if the population continues to grow. One of the things that we try to do to, particularly with our irrigators, is to examine modernisation of systems and minimise waste as much as possible. We also work with local government. We have 16 councils in the Central West that work with us. We have developed a positive policy for water-sensitive urban design with councils. It is about recycling and reusing water within, say, a car park or park area. It is about minimising waste of water on a smaller scale as well and working with urban townships to encourage the installation of water tanks, water recycling and greywater use. That is definitely all part of our business.

The Hon. Dr PETER PHELPS: Life and economic activity are a function of the ability to get hold of water. There is no point in trying to promote economic and social advancement in an area if there is no water to supply industry, town and agricultural water requirements. Are you of a view that the current arrangements are sufficient to meet current and likely future demand?

Ms RAINE: They appear to be at present, but if the cotton industry were to grow, perhaps not. Perhaps cotton would not be a good idea for the Macquarie system. If the reliability dropped from 40 per cent to 20 per cent you would have to think hard about whether an industry could survive. We have three cotton gins at the moment. The irrigators we have talked to have said that if we drop to one cotton gin that is the threshold and we would have crossed it and the cotton industry would be unviable. That may be the way it goes. One of the things

that resilience thinking taught us is not to throw good money after bad. If you have crossed a threshold sometimes the hard decision is that you have to let it go.

The Hon. PAUL GREEN: Some inquiry stakeholders have expressed concerns about the application of the Native Vegetation Act 2003, such as the timeframe for obtaining a property vegetation plan. What involvement does the Central West Catchment Management Authority have in implementing that Act and in preparing property vegetation plans?

Mr GAVEL: Again, I will refer this to Carolyn as she has been involved in this for the last eight years now.

CHAIR: She is very efficient.

Mr GAVEL: The board is trying to keep right out of those operational leases. I will ask Carolyn to answer that.

Ms RAINE: Our role is one of the consent authority for the Native Vegetation Act and the regulation. We work with landholders to negotiate and deliver property vegetation plans. The issue of waiting times is a real issue. Landholders at the moment are waiting too long, particularly in our catchment. There have been some difficulties with the operating system; most of those have been ironed out. One of the interesting problems we had, you may all be aware that native vegetation was a hot issue in our catchment, particularly in the Nyngan area. We worked quite tirelessly with that area and all credit to the board on that to basically sell the idea of property vegetation plans. We also worked with the then Department of Environment and Climate Change to develop a new part of the regulation which was called being the INS module, or invasive native scrub module. One of the things that landholders in Nyngan could not do under the old Act was clear scrub, and we saw that as a problem because—

The Hon. Dr Peter Phelps: Just a small one, because viability is one of your key components.

Ms RAINE: A huge problem. So you cannot have scrub 100 per cent of the landscape. We did some research with CSIRO that really showed us that you need a mosaic: you need a little bit of scrub, you need some open country and some semi-open country. So we worked with the Government to bring in the INS module. We then had to take that out to the Nyngan community and sell it and it was like pulling teeth from a chicken, to be honest; it was bloody hard. What happened though, when we got the first few landholders across the line the trust developed, the understanding of the landholders developed and we have now got 45 invasive native scrub property vegetation plans signed in the Nyngan area and landholders are out there actively managing their scrub and they are quite happy with the results. We have been monitoring the results.

That is a double-edged sword because as people realised that "this isn't so bad. I can do what I need to do to make my farm viable" our queue got longer and longer for developing property vegetation plans, but we are working hard on that and I believe with the regulation review that is underway now by the Government there will be even further streamlining so that we can cut a lot more of the red tape and get that process moving a lot quicker. So we are fully supportive of getting that process going quicker than it is.

CHAIR: Have you had input into that process? Have they had a consultative meeting out there?

Ms RAINE: Yes. I have been part of what is called the technical working group for streamlining the assessment methodology and also part of the interagency working group. So yes, we definitely have, and I would say that we are working really well with the Office of Environment and Heritage on that at the moment.

The Hon. PAUL GREEN: In terms of a long time—they are talking about the processing taking a long time—can you give the Committee an example of what is a long time? Is it one week, is it one month, is it one year? What sort of processing times would you count as being a long time?

Ms RAINE: The worst waiting times statistically across the State would be up to two years from when a landholder wants an approval to when he would actually get it, which is completely unacceptable in our book. Generally, if a property vegetation plan is fairly simple and a landholder does not change their mind a lot you could get a fairly complex one done in, say, a month and an easy one done in a matter of days. I think with the changes to the regulation you could cut that in half easily.

The Hon. PAUL GREEN: Do you consider that there are any amendments that could be made to improve the Native Vegetation Act 2003?

Ms RAINE: Probably not so much the Act; I think the regulation, and one thing that we have put forward recently when the draft regulation was proposed to go to Cabinet from Minister Parker was that we could incorporate more codes of practice, which would involve either a very simple property vegetation plan or a code of practice that a landholder could follow off their own bat with enough direction. I believe that is going to happen now and we are working with OEH on developing those codes of practice. I think they are definitely the way to go. For something that we know can get through the system—so it is allowed under the native vegetation act and it is very simple and low risk—we should not have to spend weeks and weeks and weeks assessing it and collecting data; we should be able to just say you do it in this manner, go ahead.

The Hon. PAUL GREEN: While we are on this topic of the Native Vegetation Act, in terms of dual consents with local government could you make any comment if that is clashing and if there is a simple way through dual consent issues?

Ms RAINE: It is clashing at the moment. We do not have a huge issue with dual consents because most of our rural/residential clearing happens on already cleared land. I know it is an issue on the coast with the rest of the catchment management authorities. We think probably the easiest way to do it is remove it from the Native Vegetation Act and incorporate it into the Environmental Protection and Assessment Act and make it something that the Department of Planning or their delegate, which would be local government, would take care of. The only caution I would put on that is that local government or the Department of Planning, whoever it might be, is still able to recognise the natural resources and the value they might hold in making those assessments. They are just some of the concerns of the catchment management authorities if we were to do that. But, for simplicity's sake, take it right out of the Native Vegetation Act.

The Hon. PAUL GREEN: I am glad you made that comment because that was one of the suggestions.

The Hon. STEVE WHAN: I was interested in your discussion before about the resilience planning and obviously you are getting, in what your objectives are now, a fair bit of crossover with other services that help farmers in terms of the profitability and you mentioned succession planning and so on. When you are working with farmers and those are the objectives you are pursuing how are you managing the crossovers with the rural counselling services and so on? Are you doing that?

Ms RAINE: I will hand this one to Jane.

Ms CHRYSTAL: We have all sorts of approaches and we work with different groups. In our succession planning we have farm planning courses that we run out for landholders, and succession planning—run through New South Wales TAFE—is one of the modules within that. They run that part of that. It is not so much we do it; we bring in other people.

The Hon. STEVE WHAN: I suppose in some ways you are really broadening the scope of what your original relationship with the farming family would have been in doing that, which I am not criticising, I think it is quite positive. In the past people probably would have got that sort of assistance through rural financial counsellors and people like that. Are you finding that you are getting new people who were not being reached in those sorts of processes before or is it building on other agencies?

Ms CHRYSTAL: Both really. I think people are recognising our farming communities' average age is increasing and people are becoming aware that they need to be more clever about passing the baton. So some different people are coming in in terms of our farm planning. We have a thing called farming systems, which was a program we ran and we brought 20 landholders, early uptakers, to come in and they were exposed to 20 days of training and all different sorts of training—personal growth, different ways of problem solving, all sorts of things. That was 20 landholders that started to think in a new way about their entire farming system, including the business side, the family side, and those people have now become really key in all of our work.

The Hon. STEVE WHAN: Champions.

Ms CHRYSTAL: Champions really. The thing about the land is that we need really vibrant, successful landholders to be able to manage the land. We cannot have people fail as landholders, because if we leave the

land now, feral animals and weeds will take over. So we need our landholders to be very vibrant and successful so they can manage the land and keep it productive.

The Hon. STEVE WHAN: I think it is fantastic. I was intrigued by the fact that when catchment management authorities were originally set up I do not think that sort of thing was what was envisaged they would do. It is quite interesting to see how you have gone into that.

Mr GAVEL: I might add that one of the things the board insisted on for our incentive programs was that the recipients of the incentive programs had to have a farm plan. Farm plans have changed in my lifetime from a sheet of paper virtually marking off where your sheds are.

The Hon. STEVE WHAN: I am sure you have a Property Vegetation Plan [PVP].

Mr GAVEL: No, I have not. I have a farm plan but part of the farm plan is succession planning. Certainly succession planning is one of the biggest drawbacks in the development of the Central West. It will be over the next 10 to 15 years, particularly at my age. It is something that the Catchment Management Authority [CMA] can assist with. I do not say it is the be all and end all.

The Hon. STEVE WHAN: No, but I think it is an interesting model. In the resilience planning that you have used have you seen other areas of planning for the regions where you think that same model should have been taken up?

Ms RAINE: I think it should be taken up anywhere because it can apply to anything and a system can be anything, whether it is a family, a town, a region, a vegetation community, a soil landscape. You can apply it anywhere and it really is about making the biggest difference with the smallest amount. In answer to your question about the Rural Financial Counselling Service, it helped us to develop the model for farm viability. So the figures and statistics, if you have a look at the full plan, came from the Rural Financial Counselling Service. We are working very closely with it. We do not see ourselves as the doers of everything, because the CMA obviously cannot do everything; we see ourselves as the facilitators of collaboration, bringing the right parties together to get the best possible result.

The Hon. STEVE WHAN: I think with a lot of things, particularly in rural areas, there are often things there but people need single points of contact to be able to find out where they are. That is something that is frequently missing. Has your CMA had an input into the draft strategic land use planning that is being undertaken for the Central West and, if so, what sort of level of input have you been having into that?

Ms RAINE: We have not had a lot as yet. It is just starting for the Central West. We have made some data available to our colleagues in the Department of Primary Industries [DPI] who are working on that with the Department of Planning. The CMAs, as a whole, will comment on the two recently released plans for Gunnedah and the Hunter and we will have some overall input about how we can participate better in those plans in the future. We see a definite alignment between those plans and the catchment action plans and we believe we have a fair bit to offer. We have made arrangements to work closely with our planning colleagues on the Central West plan, so watch this space; we will see how it goes.

The Hon. STEVE WHAN: Given that there is a fairly strong focus in those identifying the highest value agricultural land, I would have thought it is something—

Ms RAINE: We have identified the most fragile agricultural land that is close to the point of no return—not necessarily the most valuable.

The Hon. STEVE WHAN: Not necessarily the highest value or most productive, by definition almost.

Ms RAINE: No but I think the two can go together because if, in fact, one of the most productive areas of land is a fragile piece of land, it will no longer be productive if we do not look after it correctly. So the two go together nicely, I think.

The Hon. STEVE WHAN: We have had, in some of the previous discussions this morning, some discussion on how we retain agricultural land and plan the minimum lot sizes and so on. Is that something that the CMA has engaged in at all? It is obviously a pretty vigorously discussed issue in most areas.

Ms RAINE: Yes, we definitely have. We have employed a local government liaison officer and the councils also give us funding to employ a local government project officer who works across the 16 councils. We have had a huge amount of input into their regional strategies and also the new local environmental plans [LEPs]. And minimum lot size is something that we champion and something that we believe we need to have to avoid death by a thousand cuts, I guess and also to think about how the council can resource that in relation to water and that type of thing. So I would say that our local government officer is very passionate about that issue and we work with the councils on that.

The Hon. STEVE WHAN: How many local governments do you have in your area?

Ms RAINE: We have 16 that are mostly within the CMA. We have 22 all up but the other six, there is only a fraction within our CMA and they would work with a neighbouring CMA. So we have 16 in what we call our local government alliance and we have a group formed with them. So we meet with the mayors and general managers twice a year, and four times a year we meet with the planners and the environmental officers. They are the ones who have developed, for instance, the water sensitive urban design policy. We also have done some projects with them on riverine corridors and that type of thing. We established the Central West green team, which goes around to all the councils and works with council staff on bush regeneration, how to identify weeds, and that sort of thing. So we do a lot of work with them and our alliance recently won a stormwater management award for some of the work we have done with them in gross pollutant traps and that type of thing. So far so good.

The Hon. MICK VEITCH: I want to go back to your involvement in the LEP development for the local councils, but particularly your statements around minimum lot size. What role has your CMA played in urban encroachment onto farming land around some of the communities, such as Young and Cowra, where the farmers and orchardists are selling up? It is essentially retirement planning—they are selling up and subdividing to smaller lot sizes. Do you have plans that you use to assist local councils in that process?

Ms RAINE: We use the spatial mapping we have developed for the Catchment Action Plan. When you look at the CD you will see there is a fair bit of spatial data there. We have made that available to the councils. We have worked with the Office of Environment and Heritage to identify particularly sensitive areas, in an environmental sense. But in relation to encroachment on agricultural land, our basic position on that is that we do not believe it is a good thing. If we are to maintain our viability that agricultural land needs to stand as it is. So we push the councils hard on not lowering minimum lot sizes and keeping within that small urban area—the footprint.

CHAIR: What about the case of land use change, as opposed to—

The Hon. MICK VEITCH: As opposed to historic use, for instance, a wheat and wool farm.

CHAIR: Subdivided for grapes or something like that?

The Hon. MICK VEITCH: Yes.

Ms RAINE: We do not really have a position on that. It depends on what the option might be. If it is something innovative that can bring jobs and income to the area, we would not have a problem with that at all.

Ms CHRYSTAL: It would value add, for instance, for the water that is being used on that area. We have started also to work with the peri-urban community, because oftentimes that is where the weed problems and feral animals exist.

CHAIR: Lifestyle blocks in particular.

Ms CHRYSTAL: Exactly. So we have started to work with those communities and local government. For instance, Bathurst Council has a booklet it uses when it starts to work with new landholders. So that is definitely an area in which we need to work in the management and control of feral animals and weeds.

The Hon. MICK VEITCH: Weeds county councils and the like are an off-shoot of local government. Do you have much interaction or liaison with people in weeds county councils?

Ms RAINE: Yes, they are members of our council alliance as well. We invited them to come along. Ms Chrystal might want to talk about the weed programs that we run with councils and county councils.

Ms CHRYSTAL: We have incentive funding that we get from the Australian Government to provide things like weed management. We do not do that ourselves. The way that is delivered is as follows. We work with the councils to figure out weeds of national significance—things like bridal creeper or serrated tussock. We work out where the areas are that are problematic.

The Hon. MICK VEITCH: Tree-of-heaven, St John's wort and Paterson's curse.

Ms CHRYSTAL: Yes. We work with the local councils because the local councils have the weeds officers on the ground and it would be crazy for us to duplicate that. So we work with them. There is, for instance, a Macquarie Valley Weeds Advisory Group. Our staff are on that and we are working together. It is a case of making sure that all the players are in place and working together, so there is no duplication and there is the most efficient use of resources.

The Hon. MICK VEITCH: I am fascinated by the significant attitude change required for a lot of this to take place. I know it sometimes takes a long time to change people's attitudes, particularly if it is generational, "Grandpa and dad did it this way, so I'll do it this way." Do you have a program to follow or a system in place to encourage and activate attitudinal and behavioural change?

Ms RAINE: The system is basically the one I showed you in the presentation. We concentrate on identifying the innovators and fast followers, if you like. As you know, there is a bell curve with the laggards at the end and everyone else in the middle. We concentrate on those guys but we also try to seek out those that are leaders in the community who people look up to and who have some influence in the community and use those people to our advantage. They become involved in programs, they then mentor other farmers. We have with Landcare a farmers teaching farmers program. It is not about us espousing the greatness of natural resource management but it is about farmers actually talking to their fellow farmers through Landcare and various other industry groups. The No-till Farming Association, the Native Grasses Association, it is about us hooking up with those industry groups and finding the influential people in the community and working with them to bring along the rest of the participants.

As I said, once you cross that threshold of a critical mass of participants it is no longer seen as sort of a bit out there and a bit weird; it is seen as commonplace to do a particular activity. That is really where we focus our attention now, rather than what we used to do say 10 years ago in natural resources management [NRM] which was basically that money goes out there, everyone might get a little bit and you are not even thinking about who you are giving it to and why you are giving it to them.

The Hon. MICK VEITCH: My experience of the agricultural community is that if farmers look across their fence at their neighbours who are doing very well they will imitate best practice as opposed to worst practice.

CHAIR: Or they will say that it rains more on the other side of the fence.

The Hon. MICK VEITCH: I think there was a case of no-till where a fellow in Victoria said that eventually his neighbours came on board after a few years when they kept seeing that his yield rates were much better.

Ms RAINE: Yes. And if they are the sort of person that says the neighbours get more rain or have got better soil, they are down the bottom of that bell curve and they are not going to change. So you do not worry about them, and the weight of change will influence them eventually.

CHAIR: Can I return to your comments about active management of land and the need to control weeds and feral animals and so on. All land has to be managed. Can you tell us what national parks you have in your area and are there problems with feral animals and weeds within those national parks?

Ms RAINE: We have got a fair range of national parks. The bigger ones being the Warrumbungles, Goonoo and Goobang. They probably take up about 7 per cent. It is probably a bit less than that. It is 7 per cent of the bioregion that they are in so it is probably more like about 2 per cent of our catchment. But Goonoo, for example, is the second biggest inland remnant and Pilliga is the first. We do have a bit of Pilliga scrub as well.

Yes, there are issues of feral management in national parks. I forgot to mention the Macquarie Marshes nature reserve as well.

One of the things we have been really successful with is working with the parks services staff. I will give you an example. We have a pig problem in the Macquarie Marshes. The park services staff could only afford to shoot pigs once a year. We had two livestock health and pest authorities—one north, one south—who did not have enough money to shoot pigs at all and we had landholders who were interested in pig eradication as well. What we basically did as part of that program was to say to the park staff, "All right guys, when are you going to shoot?" We provided the two livestock health and pest authorities [LHPA] with some funding from the Federal Government via us to do some aerial shooting as well. We put the two together, which was interesting and required some facilitation, and we made sure that the pig shoot occurred in a coordinated fashion. Previous to that pig shooting had killed about 1,400 pigs a year. When we did the coordinated shoot we got 4,800.

The other thing we did was bring in the Invasive Species Cooperative Research Centre. They were doing some pig baiting using Pig Out and Hog Off. I just love the names. They are bait stations that native animals cannot get into; they are pushed open by pigs. We set those up around the perimeter or the buffer around the shoot area as well. We were working with the landholders on putting those out to make a bigger impact on the pigs. We have also put in an application for some more funding to spread the pig shoot out beyond the boundaries and the buffer of the nature reserve. I think that is really our strong point.

We did a really good fox baiting program also in Goonoo with the national parks service. They were doing fox baiting within the forest. We actually provided funding to the LHPA to bait on every property around the Goonoo forest and we did that for about three years solid. It did make a difference to the population of malleefowl which was the target threatened species. Since then the park service has been baiting non-stop every year. I think that made a difference to their style of thinking. I think the best thing for us is to work with them, not against them, and to try to improve the relationships between the park service and particularly the neighbours in what you would call the buffer zone.

The Hon. MICK VEITCH: What is the Catchment Management Authority's role post a natural disaster event, whether it is bushfire or flood? Do you do some sort of analysis, inspection and assistance with landholders and councils to assist in rectification or remedial actions post natural disaster events?

Ms RAINE: We do not have a formal role in that. Because we are now part of the parent agency, the Department of Primary Industries, and they do emergency work, particularly with stock rescue and that type of thing, our staff are now part of that and volunteer for that. We have to respond in terms of the works that we might have helped landholders put on the ground and whether those have been damaged or destroyed and getting those back up to scratch, but that is probably the limit of our role. If we were asked for advice or asked to work with other agencies on that we certainly would.

Ms CHRYSTAL: Or, for instance, we can work with councils if there is some environmental damage. We recently worked with Wellington council to put forward an application for funding and help them work out that application in terms of how best to go forward and the design of the works to save that particular piece of vegetation and the natural community.

The Hon. MICK VEITCH: When floodwaters recede you will always find significant erosion. I was wondering whether you had a role in that.

Ms CHRYSTAL: No. The other part too is one of our programs is willow removal because willows can choke things. We are often involved in prevention as much as the other.

The Hon. PAUL GREEN: You talked about what is special about the relationship with the farmers and there seems to be a lot of ownership in this. I have been on the Noxious Weed Advisory Committee for the Minister for Local Government. We have found—and it sounds as though this is part of the results you are getting—that it is better to take a customer service approach to the farmer rather than a big stick. We have seen some of the best results when the officers went out there and said, "I will hold your hand and walk you through this. We will even fund part of it. We will walk this journey together." It sounds as though that has been your approach. Congratulations on that. It sounds very successful.

Mr GAVEL: Can I comment on that? That is why the Catchment Management Authorities have been successful. The delivery by the Catchment Management Authorities is to the landholders. We do not use the big stick. We do not have anything to do with that.

The Hon. Dr PETER PHELPS: The Committee is looking at the social development of central western New South Wales. From your perspective as a grazier there have been increasing levels of property consolidation, reduced numbers of families, increasing commercialisation and industrialisation, non-resident, if you like, ownership and a consequent increase, if you like, of the sponge cities—loss of smaller towns into sponge cities. What is your perspective on that as a historical trend and do you feel there are some smaller towns that are non-viable into the future?

Mr GAVEL: I have just had two years on the Regional Development Orana, and I have been involved with this for a number of years as well. In my time I guess we have had a movement of population from the Central West area. About 70 per cent of the population was in the western areas and that has now been translated to the coastal area. The major issue that I see is that the viability of land is dependent on the managers who manage it. To encourage the younger children to be involved in agriculture I think is the biggest issue. How we do that is the biggest challenge. I can say I was probably just as bad as some of the others; I encouraged my children not to come back into agriculture. I now rue that. I think there is great opportunity in agriculture, particularly in the Central West. There are towns within the western area that are certainly not viable at the present time. If we maintain where they are going now they will become completely unviable and we will have to walk out of them.

I guess the thing we have not probably talked about today is the Aboriginal population in the west. We have a natural resource there that we do not use. How we get to make use of that I guess is the challenge that everyone talks about. We do have an Aboriginal reference group. We have encouraged them to be involved in natural sources and they operate very well. A statement that was made the other day to me was, "We won't leave country. We stay out there whatever happens." That was to do with the basin plan. It is a challenge that I do not think I will see resolved in my lifetime but there is a natural resource there that we do not use.

(The witnesses withdrew)

SIMON ARTHUR YARWOOD SMITH, Deputy Director General, Department of Premier and Cabinet, affirmed and examined:

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

Mr SMITH: Yes, I would like to record Mr Ross O'Shea's apologies. He started out as the flood recovery coordinator in the north-west of the State and he has now moved down to the south-west to assist with recovery as the waters recede there. I want to provide information about changes the department has made to the regional coordination program, if that would be of interest to the Committee?

CHAIR: Yes.

Mr SMITH: Further, to provide information about New South Wales 2021 and the processes underway to work with the regional communities in the Central West to identify priority actions and how we are going to deal with that information when it is provided to us, if that is also of interest to the Committee?

CHAIR: Yes.

Mr SMITH: I would be happy to answer any questions about the Council of Australian Governments regional service delivery pilot and the work the Government is thinking about from the lessons that are merging from that and what might be done better in the further west of the Central West. Probably they would be the things that I come to the table to offer. I am happy to answer any other questions, but if they are particular site-based questions that I may not be able to answer I would be happy to take them on notice.

The Hon. MICK VEITCH: Recently the Government released an assessment of the impacts on mining communities, on the back of an election commitment it gave about doing that assessment. That document revealed two local government areas that were seriously under resourced in infrastructure. The remainder of the identified local government areas involved in mining have not received information around or requests for infrastructure programs to be funded under Restart New South Wales. How do those Central West councils, whether it be Mudgee which has an expanding and growing mining activity, Cabonne or Blayney—the mayor of Blayney has been making some rather critical comments as to this process now—access funds from Restart New South Wales to overcome the impact of mining on their communities?

Mr SMITH: My understanding of the analysis that was done for that project was to compare identifiable expenditure in the different local government areas against the State average and to put local councils into a category of either being strongly involved in mining or less so. What it found was, as you say, was that Singleton and Muswellbrook were below the State average for expenditure among the mining communities but the other councils that had significant activity were then all above the average. I guess the point is that not everyone can be above average by definition. So I do not think over or under is necessarily an indicator of need, but I note that the Government gave an undertaking, having identified that issue in Singleton and Muswellbrook and having heard concerns from those communities about the provision of infrastructure and need and so forth, to look into all of that.

The Hon. MICK VEITCH: In relation to the communities in the Central West, such as Mudgee, the Mayor of Mudgee has been saying publicly that the assessment was inadequate and did not accommodate the increasing levels in that area of mining activity. The Mayor of Blayney has been vocal in the local media about the process as well. They are not going to be funded, so clearly they have a vested interest in their criticisms around the program, but they are saying their infrastructure is impacted by mining activity and there were some inadequacies in the process that came up with the end result. This Committee is looking at economic barriers, et cetera, to the Central West. I think it is quite a pertinent matter to the Central West why they were not able to access that program. They had an expectation through the election process that they would be able to access it.

Mr SMITH: I guess it is the one question about whether there is something about the mining activity that creates a different level of need. The prime example is that there are more trucks, and therefore the roads get trashed, and therefore we should be spending more on roads to make them good and, by the way, look at the royalties that the State as a whole is collecting, so surely more should be funnelled into these areas. That is understood. I guess my understanding of what is happening is that there is a whole range of reasons why infrastructure upgrades are necessary across parts of the State. That is why the Government is focused on the State Infrastructure Strategy that Infrastructure NSW is preparing.

You will probably recall that under the legislation there is an ability to do regional basis or sectoral basis investigations and some of that is underway. My role, or the Premier's Department role, is very much in trying to tie or bring together the various major planning strategies that are underway and link those to the budget. There have been attempts in the past, with some success, to link the State Plan and planning objectives into the budget process, but we will be doing much more detailed linking of those things. So the preparation of the infrastructure strategy, the regional strategies, the Metro strategy and the long-term transport plan are underway, and that is when we think about what they need. No doubt mining creates needs, but it is not exactly the same question to say that just because there are royalties generated in a certain area, that should fundamentally determine where the money needs to go.

The Hon. MICK VEITCH: You might be able to jog my memory here, but is Restart NSW for local government infrastructure or State-owned infrastructure? It is going to be funded from windfall gains, but what are the actual projects that will be funded from that program?

Mr SMITH: I would have to take on notice a detailed description of the project. But that is recorded, and I will certainly provide information to the Committee.

The Hon. MICK VEITCH: You mentioned infrastructure a little earlier and earlier this morning we heard from Transport for NSW. I have an interest in the Blayney's Demondrille line. It is not a spur line.

The Hon. Dr PETER PHELPS: It is, technically. It is not a main line, so therefore it must be a spur line.

The Hon. MICK VEITCH: It has been suspended. The Mayor of Blayney says there is a significant capacity for the slurry from their mines to use that line, and then come up from the south into Sydney as opposed to going over the Blue Mountains. The issue is about corridors and preservation.

Mr SMITH: When you say "slurry", do you mean the product?

The Hon. MICK VEITCH: It is gold slurry.

Mr SMITH: I see.

The Hon. MICK VEITCH: The Department of Premier and Cabinet have a significant role through regional coordinators, I would assume, in gathering the intelligence and informing decision-makers about these processes.

Mr SMITH: That is correct. There are two current high-level government processes actively seeking out suggestions or ideas. One of them is that Transport Minister Berejiklian has been travelling the State and consulting on the long-term transport plan. That is intended to be the information-gathering process so that long-term plans for transport can be made. A discussion paper has been issued and she and her department are out there consulting the community on that, so I have no doubt they will gather in that suggestion and consider it in the context of all the transport things that need to be done. As I mentioned before, the Government is also consulting regional communities on NSW 2021.

I am not sure whether you have attended any of those events, but the format is that in most cases three or four Ministers and local members of Parliament convene a public meeting. The ones that I have been to have been very well attended—200 or 300 people. People sit at tables with a regional senior official—like a regional director from a department or whatever at each table. They spend some time going through what the priorities are in their view and try to document as many of the actions or the practical things that they think the Government could do that would improve things. All of that gets captured.

What will happen is that we are about halfway through that process so far. In the Central West we have done Broken Hill and Dubbo where meetings have been held. Bathurst and Tamworth are on 22 and 23 March. There is also a website "Have Your Say" where people are sending in their ideas—you know, you get everything from we have done fix a pothole to build a very fast train.

The Hon. MICK VEITCH: Yes. There is a bit of interest in that too from this Committee.

Mr SMITH: I am sure there is. That is another way that we will be capturing those kinds of suggestions.

The Hon. MICK VEITCH: I am trying to get an understanding of how the Regional Coordination Program is working now and how interactions with stakeholders such as local councils and regional organisations of councils are doing that, particularly their role in determining emerging issues and determining the support requirements of communities around things like business development and regional development.

Mr SMITH: The Regional Coordination Program has been around for quite a while, as you know. Recently a review was conducted of how the program is going. What was found is that the program was very effective in ensuring that people such as regional managers in agencies were able to come together and reflect on what needed to be done better in each particular region, but there had been a failing in the program in the sense that it was ineffective in escalating problems. For those problems that needed to get fixed at head office level or ministerial level, it was not so effective in conveying those issues to the centre.

The review found that regional coordinators were well respected and got on with useful work with the local councils, regional development boards and community organisations, for example. But as I mentioned, that central failing was the inability to escalate things and get things fixed that you just cannot get fixed in a region, no matter how much goodwill there is.

The department has reformed that program. We have essentially restructured the area. We have a significant influx of new people to the regional coordinators. Their work, with the exception of Tamworth, will start next week. The new person there will start next week. We are just finishing recruitment for Dubbo, but all the rest of the network is in place. The new people are getting on with it.

The Hon. STEVE WHAN: The same boundaries?

Mr SMITH: Yes.

The Hon. MICK VEITCH: And the same locations?

Mr SMITH: No. We have made one move. We have moved from Armidale into Tamworth, reflecting the fact that Tamworth is twice as big. That is where more of the people we need to work with are located, but there has been no reduction in the numbers of offices. That is one of my areas of direct responsibility. It is very exciting. We have a great mix of people with private sector and public sector backgrounds, men and women, younger and older—really good people with very diverse skills.

The Hon. PAUL GREEN: I have heard good things about the South Coast region.

Mr SMITH: That is Michelle Calloway, who is doing an excellent job.

The Hon. PAUL GREEN: Yes.

Mr SMITH: They are terrific people and they are very, very useful. My observation was that the program had been stable for a long time, so the activities undertaken in each region tended to reflect the level of personal interest and knowledge of people. What we want the program to be in the future is far more directive about making sure that regional managers know exactly what is going on here in Cabinet and what are the priorities of the government of the day, and being an instrument of driving the NSW 2021 priorities.

The Government has made it clear to us that it wants more local say about what is going to get done in each region. We will go and find out what that is. We will turn that into an active to-do list, and the regional coordinators will be there to drive those things and make sure they get done. Those kinds of things where we discover needs are not being met, or that the left hand is not working properly with the right hand, will be escalated much more rapidly for resolution.

The Hon. STEVE WHAN: How much involvement do the regional coordinators have with the Regional Development Australia bodies [RDAs] in the areas that they cover?

Mr SMITH: Mostly they attend each Regional Development Australia [RDA] meeting. They are closely involved. The Regional Coordination Program network is intended to have more of an emphasis on jobs

and economic development than it has had in the past. In most of the regional manager networks there is one cluster which is about human services, people coming together, and then another cluster about natural resources and economic development coming together. We want to give greater weight to that economic development aspect because that is central to the State Plan priority. So I think they will be getting more involved with the RDAs and figuring out what the opportunities are and then being an instrument to address problems that are identified. So where there are things, good job creating proposals are on the table being more effective at unblocking things that otherwise get in the way.

The Hon. STEVE WHAN: Is there a direct role the RDAs might have in determining State Government priorities for things like the Restart NSW funds?

Mr SMITH: Yes. They are already indirectly involved. We have put out discussion papers for each of the regions of New South Wales that are the basis of this community consultation that is underway. So in drafting those the regional coordinators went straight off to the RDAs and looked to see what plans had already or recently been developed, just as they went to all the local councils to see what strategic plans have been recently developed so that all of those ideas and possibilities were already incorporated in the starting list.

The Hon. STEVE WHAN: A few years ago when myself and Richard Torbay were involved in doing some consultation around regional New South Wales one of the things that people talked to us about was the inconsistency in the regional definitional boundaries of different State Government departments and the frustration that that posed, I think probably mostly for regional coordinators, I suspect. Has there been any movement on that in the last little while?

Mr SMITH: There has been. This was specifically examined in the review: should DPC change boundaries and should everyone else change boundaries as well? It was concluded that there may be convergence over time but it is not going to happen any time soon. I should have started with: The Government has started with this cluster process. It has said, "We're going to have nine principle clusters with a director general in charge of each one." Within that, consideration will be given to whether within that cluster we need to keep so many separate departments and agencies. Should we consolidate those into a smaller number of entities on the basis that in some cases that will save money, on the others it will help us get more focussed on what we will do.

The plan with regional coordination is to find the local leader for each of the clusters and have that person take on the leadership role, so that within their own cluster they are doing more of the coordination and can speak for the various agencies that are located within it. My own experience has been, for example, when in the past the EPA was merged with National Parks. We tried to adopt common boundaries but we discovered the EPA was organised around where people are, because it was regulating industry, and National Parks was all organised around where people are not, because they wanted to look after the parks. Also, the hospital boards have their own priorities.

The Hon. STEVE WHAN: I suspect there are two different sorts of boundaries. There are natural resources boundaries and human boundaries. That might be two that you could focus.

Mr SMITH: Yes. Basically, there is some convergence possible but there are also operational reasons why different clusters will have different boundaries and we are doing our best to work with that.

The Hon. STEVE WHAN: There have been two changes of health boundaries in the period since we did that thing at least, so you cannot keep it consistent.

The Hon. PAUL GREEN: The submission from the Government notes that industry action plans—

Mr SMITH: Yes.

The Hon. PAUL GREEN: —that are currently being developed will present significant opportunities to develop the strategies to foster regional productivity. Can you explain what are they, what are the purpose and how they are developed?

Mr SMITH: They are not being run by our department; they are being run by Trade and Industry, so my commentary will be fairly basic. What I understand the process to be is that high-level committees of industry people have been asked to lead the process. The department is assisting with them, and they have been

asked to sit down and say, "What is it that either together or with government can be done that would help advance the growth of our particular industry sector?" I understand that most of them have set up quite a large number of sub-groups and interest groups and they are starting to come with quite a long list of things to do. These processes are always at risk of people saying, "Everything will be fine if only a huge cheque could be written by the taxpayers" to do this or to do that. That is not possible in most cases, so what we are trying to do is sift through and discover the things that are commonsense, practical, affordable, whether that is a regulatory change or some other kind of thing that might be able to do that would help. That is the way that it is going.

The Hon. PAUL GREEN: Are aware that in this section there are Aboriginal land claims over industrial lands? I know down our way that is a big hindrance for us releasing our economic opportunities because we have these issues that need to be sorted out. Are you aware of these sort of hindrances—

Mr SMITH: I am sorry, I do not know your area. Which is your area?

The Hon. PAUL GREEN: I am not asking about my area. I am just talking about the terms of the points of reference for this.

The Hon. STEVE WHAN: But it is Nowra.

The Hon. PAUL GREEN: Is the Central West having similar problems? You are talking about stimulating the industry and opportunities that exist. Are you aware of any industrial lands that are being hindered by Aboriginal land claims, expansion areas and stuff like that?

Mr SMITH: No, I am not, because they would not apply on freehold land, so that would mainly only relate to Crown land that was not already assigned for a particular purpose so that is not likely to be that common, I do not think.

The Hon. PAUL GREEN: That popped into my head while we were talking about industry plans. It is obviously a complication down our way and whether it was over there. Some of the inquiry stakeholders have suggested that the Committee examine models pursued in other jurisdictions to support regional development. We have recently had conversations with Victoria. Has consideration been given to any other jurisdiction approaches to encourage regional development?

Mr SMITH: Are you referring to, what sort?

The Hon. PAUL GREEN: National.

Mr SMITH: Do you mean like tax-free zones, or what sort of thing?

The Hon. PAUL GREEN: Just initiatives and policy initiatives that we can maybe derive something from. Are you looking at any other models or are you sticking with policy decisions?

Mr SMITH: We are mainly trying to focus to see what the problems are that are put to us by industry and people on the ground in the communities. The fundamental role of the State is to ensure that there is an environment in which people can do business, that decisions can be made promptly, people know where they stand. They can be entrepreneurs and be sure that whatever wealth they generate they gain a reward from it. All of that kind of infrastructure I see as the most important thing for the State to do, and that is why the Government has got us focussed on making sure that the systems of the State are running properly.

CHAIR: In your opening statement you referred to the COAG regional services delivery pilot. Would you like to expand on what that is?

Mr SMITH: That is part of a national agreement, obviously being through Council of Australian Governments, where a number of sites have been selected as areas or places where service provision to Aboriginal communities in particular need to be brought up to the level experienced by other Australians. In New South Wales there are two sites; one is at Walgett, the other is at Wilcannia. The process is that a local process is undertaken to identify needs and then an action plan is developed and the Commonwealth provides additional resourcing either for the State or for community sector organisations to provide an expanded range of services. Ross is the local New South Wales lead participant on that process. I asked him how it is going. He said, "It's starting to settle in quite well. I think there was a bit of a problem at the beginning because the

Commonwealth was applying an approach that probably worked elsewhere where there were very little services already available, whereas in the two places in New South Wales there already were quite significant services being provided by State agencies. It took a little while for them to notice that."

I asked him what was happening in practice. What are some of the useful things that are going on? He mentioned to me the provision of dialysis machines in Walgett, for example, so people could receive that treatment, or a new program to join the preschool kindergarten process directly into the start of school so as to have a better chance of more kids moving through into school and staying there. Most of the reporting that is going on on the progress of that process reports difficulties in other jurisdictions. The progress reports I have seen seem to indicate that it is progressing usefully. But I do not think it is the total answer to service delivery in western New South Wales.

I think we still have quite a long way to go to rationalise the number of service offerings. Minister Humphries has talked to me about his observations in some small towns of maybe only 1,000 people. When you add up what the State is putting into it, what the Commonwealth is putting into it either directly or by funding community organisations, there might be 50 different programs being run in a tiny little town of 1,000 people. So for the poor communities, here is a new person coming in to do something—it might be even more than one person doing a housing-type project.

The Hon. Dr PETER PHELPS: That is exactly what we heard at Broken Hill.

The Hon. STEVE WHAN: One of the complaints is that it is different people who come in and out rather than it being all coordinated and together.

Mr SMITH: He has asked us to do some work to investigate some new models about how we might do this better. The overall Government direction clearly has been to have greater local say. Instead of just saying, "Well, here we are in Canberra and Sydney. We've decided what you're going to get" it will be to get much more local engagement and ask, "What is it you actually want?" and give more influence to the locals to decide what is procured and who will provide it.

CHAIR: Are there any restrictions on the types of products that could be delivered or is it fairly wide ranging?

Mr SMITH: No. He has asked us to say what is going to work. This is not a radical idea. This has been tried in the past. The risk always is that different levels of government or parts within government will resist to protect their turf. What Ross has told me is that in the regions the regional directors and managers all recognise that it is time for change and that it really just will not work. The way things are going are not sustainable and it is not fair on the communities. They are observing a lot of money going in but not getting the results. So there needs to be significant change and I think people are more up for it than they have been, as a result of being ground down by recent experience.

CHAIR: The Government submission noted, "The establishment of Infrastructure NSW presents an opportunity for a more considered and strategic approach to infrastructure provision." What is the relationship between the Department of Premier and Cabinet and Infrastructure NSW regarding examining the provision of infrastructure in regional areas?

Mr SMITH: I would say very close. I talk to them about three times a day. They have a lot on their plate. They have to prepare the 20-year State Infrastructure Strategy, the five-year infrastructure plan, they have work underway in the Hunter and they have other tasks to do, but they are just going at 100 miles an hour preparing these priorities. I guess I see our job in DPC that we will feed back into them what we learn through the consultation on NSW 2021. We are establishing systems within government. INSW is an independent adviser to the Government, but we are setting up systems so we meet with the transport people regularly with the planning, with the trade and industry people and DPC to make sure that we are exchanging information about what is coming forward so that all these plans are tied together.

CHAIR: Quite a number of submissions and people who have appeared before the Committee raised the issue of the road over the Blue Mountains being a major constraint to the development of the Central West. Have there been any discussions at that level about the provision of funding for that road?

Mr SMITH: The Premier has made it clear that he is expecting to see a rational evaluation of all of the key ideas and possibilities for infrastructure that people have discussed because his objective has been to want to have some transparency about what our options are, a deeper recognition that everything you choose means you cannot choose something else and wanting to focus down on those things that will make the strongest contribution to growth. The more we grow the pie, the more options we have, essentially. Undoubtedly, that will be analysed and I think everyone is going into it with quite an open mind about what that analysis might tell us.

The Hon. STEVE WHAN: Are you aware whether a regional impact statement was undertaken before the decision was made to close the small business offices in Tweed Heads, Coffs Harbour, Broken Hill and Goulburn, which the departments announced today? Surely your regional coordinators should have been involved in assessing the impact of such a decision?

Mr SMITH: Yes. No, I am not aware of whether an impact statement has been prepared.

The Hon. STEVE WHAN: Was it not a pre-election commitment by the Government to do regional impact statements on all things that affected regional communities?

Mr SMITH: I am not sure about that. I would have to take that on notice.

CHAIR: Thank you for attending and presenting that information to the Committee.

(The witness withdrew)

(The Committee adjourned at 3.05 p.m.)