

REPORT ON PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

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

CORRECTED PROOF

At Macquarie Room, Parliament House, Sydney on Monday, 19 June 2017

The Committee met at 9:30.

PRESENT

The Hon. G. Pearce (Chair)
The Hon. R. Colless
The Hon. J. Graham
The Hon. P. Green
The Hon. M. Veitch (Deputy Chair)

CORRECTED

The CHAIR: This is the first hearing of the Standing Committee on State Development's Inquiry into Regional Development and a Global Sydney. Before I commence I would like to acknowledge the Gadigal people, who are the traditional custodians of the land. I would also like to pay respect to the elders, past and present, of the Eora nation, and extend that respect to other Aboriginals present.

Today is the first of a number of hearings we plan to hold for this inquiry. The Committee is examining ways that the State's regions can benefit from the expansion of international trade, infrastructure, employment, tourism, innovation and research in the Greater Sydney region. We will also identify sectors of the economy that can provide the greatest opportunities for regional development, and consider how a collaboration between Government, non-Government and private sectors can assist the regions to benefit from Sydney's global position.

The Committee will be travelling across the State over the next six months to visit stakeholders and conduct hearings. At the end of June, the Committee will hold a hearing in the Shoalhaven—I am looking forward to that—with further plans to visit the regional areas: the Central West and northern inland of New South Wales and the Northern Rivers of New South Wales. Today we will be hearing from the New South Wales Government—I thank representatives for coming—the City of Sydney, the University of Wollongong, Regional Development Australia—Sydney, Engineers Australia, and both the Hunter Business Chamber and New South Wales Business Chamber.

Before we commence I have to make some brief comments about the inquiry and procedures for today's hearing. Today's hearing is open to the public and is being broadcast live via Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I remind media representatives that they must take responsibility for what is published about the Committee's proceedings.

It is important to remember that Parliamentary privilege does not apply to what witnesses may say outside of their evidence at the hearing. I urge witnesses to be careful about making any comments to the media and to others after they complete giving evidence, as such comments would not be protected by parliamentary privilege if another person decided to take an action for defamation. The guidelines for the broadcast of proceedings are available from the secretariat. Media representatives who are not accredited to the Parliament press gallery should approach the secretariat to sign a copy of the broadcasting guidelines.

There may be some questions witness would like to answer only if they have more time to do so. In those circumstances witnesses are advised that they can take questions on notice and provide answers within 21 days. Witnesses are also advised that any messages should be delivered to Committee members through the Committee staff.

I welcome our first witnesses from the New South Wales Government and thank them all for coming along.

STEWART WEBSTER, Director, Centre of Economic and Regional Development, Department of Premier and Cabinet, sworn and examined

ELIZABETH LIVINGSTONE, Executive Director, Regional Policy and Analytics, Department of Premier and Cabinet, sworn and examined

CHRISTOPHER HANGER, Executive Director, Regional Infrastructure and Networks, affirmed and examined

SUSAN CALVERT, Acting Deputy Secretary, Skills and Economic Development Division, Department of Industry, affirmed and examined

SANDRA CHIPCHASE, Chief Executive Officer, Destination NSW, sworn and examined

The CHAIR: I note that Gary Barnes, the Deputy Secretary, Regional New South Wales Group, Department of Premier and Cabinet, has sent his apologies. He is unfortunately unwell today. I know that he, together with each of you, has worked hard on the submission. I congratulate you on the submission because it is not only short but comprehensive, interesting and helpful. Would someone like to make an opening statement?

Ms LIVINGSTONE: I am happy to do that; my team prepared the submission. Two framing things go to the heart of this inquiry with respect to the connection between global Sydney and regional development. The first is that Sydney provides a gateway to the world for the whole of New South Wales, not just Sydney. The ports, the international airport and all those things make a massive difference to regional New South Wales, which benefits from being able to export goods out of the country, receive them in and benefit from international tourists who arrive via Sydney but then may go on to visit regions et cetera. That is one big overarching relationship between Sydney and the rest of New South Wales.

The other thing is that Sydney, as a global city, has the specialisations and economies of scale that regional New South Wales benefits from. Businesses benefit from the specialisations of finance and accounting services available to them from the city. That might be cheaper than if they were provided in a more dispersed way across regional New South Wales. The people of regional New South Wales also benefit from the expertise that accrues in Sydney, but can be shared, in a way, either by satellite service delivery or spoke-and-hub models of expertise from health services or other things. Those are the two framing relationships between Sydney and regional New South Wales. Most of the bits and pieces that sit underneath that can fit into those concepts.

The Hon. MICK VEITCH: Thank you for your submission and thank you for your time today. I want to explore an issue that is contained in the Goulburn Mulwaree Council submission. The submission talks about an organisation called the TMA Group, which was in Sydney. It was looking to relocate to regional New South Wales. Five hundred jobs were to go to Goulburn. Because of the way our programs are calibrated in New South Wales, because there was no net job gain to New South Wales—the organisation was moving within New South Wales—there was no assistance from the State Government to move it to Goulburn. So the organisation moved to Victoria. Instead of there being no net loss of jobs, we actually lost 500 jobs. Can someone explain to me how that happened?

The CHAIR: You probably have not seen the Goulburn city submission.

The Hon. MICK VEITCH: My understanding, from the submission, is that the group spoke with State Government departments about this for quite some time. So someone would know.

Mr WEBSTER: I am happy to have a go at it, but I am not familiar with the actual project. What is the name of the company?

The Hon. MICK VEITCH: It is the TMA Group and the Goulburn Mulwaree Council.

The CHAIR: What does TMA do?

Mr HANGER: Would you like to talk about the principles and how we assess?

Mr WEBSTER: I can talk about that.

The Hon. MICK VEITCH: My issue is that 500 jobs were moving to regional New South Wales, which I think is a really positive thing for the State, but because of the way our programs are calibrated companies cannot access any assistance. Instead, the Victorian Government put an offer in front of a company so that we would lose 500 jobs. Jobs went to Victoria; I cannot see that that is good for New South Wales.

Mr WEBSTER: I can only talk in principle, because I do not know about that project.

The Hon. MICK VEITCH: That is fine.

Mr WEBSTER: Treasury guidelines for cost-benefit analysis [CBA], which is typically how projects are assessed, are quite explicit. They talk about how the benefits and costs of a project have to be viewed from the perspective of the whole State rather than individual areas. The transfer of jobs from Sydney to regional New South Wales, for instance, would cancel out and there would be no benefit in that case, but if there is the prospect of the loss of jobs that exist in New South Wales presently interstate or overseas then—I do not want to get too complicated—CBA always compares the project outcomes with what would happen in the absence of the project. The project might provide assistance to the proponents of a project and the counterfactual might be that they will just stay in Sydney or they might actually go interstate. If the jobs were thought likely to go interstate then the counterfactual would take into account that possibility. Without knowing the details of that project, we have done quite a few assessments on that basis and we have counted the potential loss of jobs many times.

The Hon. MICK VEITCH: In that scenario, which is in the Goulburn Mulwaree submission, is there any post analysis of what happened and what could have been done better to make sure that we do not lose jobs? I come from Tumut. Five hundred jobs going to regional New South Wales is a positive. I understand Treasury's arrangement and the CBA, but my view is that the CBA is actually killing off regional development in New South Wales. A whole heap of projects do not go ahead because of that CBA, whether they are infrastructure projects or whatever. I think there should be an inquiry into the CBA. I think it is a positive if there are 500 jobs going to regional New South Wales. Somehow that CBA needs adjusting. If we cannot support that organisation going there then something is wrong. Is there any post event analysis of what we could have done better to make sure that that does not happen again?

Mr WEBSTER: Again I do not know what program that was submitted to but we do have program evaluation processes which are ex post, usually a year or so after a funding round is completed, so it could be picked up in that.

The CHAIR: I ask you collectively to take on notice for us firstly to provide a bit of a summary of the guidelines for assessing this sort of proposal. Thank you, Mr Webster, for explaining it in broad details, but we would like a little more detail, in particular addressing the question of how potential movement interstate is looked at and also detailing the post evaluation process. We might then be able to come up with a couple of recommendations to tinker with some of those things that would help all of us. The Goulburn submission states:

The only relevant policy was with Industry NSW which had a relocation incentive for businesses if there was "net employment gain". As this business was relocating from Sydney to Goulburn there was no net employment gain.

Mr HANGER: The Jobs for NSW programs are obviously set up for job creation. Their suite of regional programs are very explicit in that sense that it is very much about new job creation. As Mr Webster has indicated, in this case from what we understand about the project it was essentially moving the business from Sydney to regional New South Wales without a net increase in jobs, which is where we have encountered the challenges, I suppose.

The CHAIR: Given a lot of other issues like housing affordability, congestion and all sorts of other things—

The Hon. RICK COLLESS: Social benefits.

The CHAIR: Yes. Perhaps it would be a good thing to have another look at this.

The Hon. RICK COLLESS: In that regard, the way the CBAs are constructed and assessed, they do not take into account any of the social benefits that accrue. It is purely a dry economic argument, is it not?

Mr WEBSTER: No. The guidelines are quite clear there are all sorts of methods you can apply to take into account what we call non-market benefit streams. We have multiple processes and pieces of research in place now for specific projects to try to work out what the non-market benefits are in relation to those projects before we decide.

The Hon. RICK COLLESS: What do you mean by "non-market benefits"? My view of it as the Parliamentary Secretary for Western New South Wales is that for businesses to move from Sydney into the western part of New South Wales is of great benefit to Western New South Wales as a whole. There is a great social and economic benefit there to accrue from that at very little social cost to Sydney, undoubtedly. The number of jobs lost in Sydney is a miniscule number of jobs in comparison to the whole number of jobs available in Sydney, but if you put 500 jobs into a regional community, it is almost like doubling the workforce in a lot of cases, particularly for the smaller communities. They are the social benefits that I would like to believe are being taken into account when these CBAs are assessed.

Mr WEBSTER: There are a couple of methods. The first one is reduce congestion in Sydney and there are some estimates of that. That is more of an economic benefit.

The Hon. RICK COLLESS: Which could be a benefit, in fact.

Mr WEBSTER: Well, it would be a benefit. And then there is a whole suite of non-market—typically social, sometimes environmental and health—benefits as well, which can be taken into account using different methodologies. We tend to use a stated preference framework which essentially surveys the local population—depending on the project, sometimes it will be statewide survey. There is a particular best-practice methodology so it is not distorted, but the survey gets people to put dollar values on things which otherwise cannot be valued. That can be quite significant and often gets projects over the line. To give you an example of something that was announced recently—it is a metro project but it will give you an idea—we did the CBA to the Art Gallery. That would not have had a positive cost-benefit analysis result without non-market benefits. We did quite a large research project to determine what the value of that project was to the people of New South Wales. It was many tens of millions of dollars. We are starting to do that in regional New South Wales as well.

The Hon. MICK VEITCH: Again on the Treasury formula, I travel a lot in regional New South Wales. It is pretty much the gig that I have got. People say to me all the time about councils and regional development associations [RDAs] that there is a real issue about getting things through the Treasury equation or formula. I gather they are talking about the CBA—would that be what they are talking about?

Mr WEBSTER: I suspect they think that is what they are talking about. It is not always the CBA that is the issue.

The Hon. MICK VEITCH: Sometimes they are called cost-benefit ratios [CBR].

Mr WEBSTER: It is benefit-cost ratio [BCR].

The Hon. MICK VEITCH: That is it.

Mr WEBSTER: That is an output of a CBA.

The Hon. MICK VEITCH: For instance, with the Muswellbrook bypass, I was recently there talking to Muswellbrook Shire Council. They say that their bypass cannot get through the BCR. It is eminently sensible to bypass Muswellbrook with the amount of freight that goes through that particular community but they just cannot get it across the line. It does not meet Treasury's formula.

Mr WEBSTER: That is presumably a department of transport project.

The Hon. MICK VEITCH: They are the sort of things that are infrastructure spend which is critical to regional New South Wales as well. If we cannot get these projects up because of Treasury's formula, it seems to me they cannot all be getting it wrong. When you go to these communities, they all say it is Treasury's formula, the BCR, the CBA and so on, it is pretty much all the same thing, is it not? There is some process in place within government based in Sydney that for whatever reason is making it very difficult for our infrastructure spend and jobs to relocate to regional New South Wales.

Mr WEBSTER: I do not know the details of the project, but there has got to be some way to decide what projects represent a benefit to New South Wales and what do not. I am not aware of a better process than the CBA when it is applied correctly. It is perhaps the case in the past that not all benefits have been counted, but certainly in the ones we do now we do everything we can to count all benefits, both market and non-market.

The Hon. MICK VEITCH: Can the Committee be provided with the BCR and the CBA that would have been used for the Goulburn project? We would like to know what sort of inputs are involved.

Mr HANGER: Treasury has just updated the guidelines on how to complete a cost-benefit analysis. Those guidelines could be shared easily.

The CHAIR: It would help the Committee if Treasury were to explain what changes were made to the previous guidelines.

The Hon. MICK VEITCH: That is a good idea.

The CHAIR: And why. A brief explanation would be sufficient; the Committee does not need great detail.

The Hon. PAUL GREEN: I refer to the Goulburn situation. It is said that there is no net job increase. The other side of the story is that there was a net job loss. By not doing A because the formula did not fit, we lost 150 jobs.

The CHAIR: No, it was 500.

The Hon. PAUL GREEN: In those terms, yes. The formula must look both ways. We have now lost something to Victoria. That is crazy. In the Shoalhaven area, for instance, it is not unusual that we have to create 700 new jobs every year. As decentralisation and housing affordability problems push south, that will increase to thousands of jobs. The last thing we need is for things to fall over when they are trying to relocate from Sydney. The mayors need these proposals to work because they have to produce these jobs to keep their communities going.

We talk about the cost-benefit ratios when working out whether a road is viable, but many regional towns are the food bowl for New South Wales. It is okay to take all the gross domestic product [GDP] from them, but they will never give it back in any shape or form in terms of these major projects that will ensure prosperity because CBA does not work. It is okay to take what they produce, but they will not give anything back in infrastructure when it will potentially help them to succeed. These are interesting things that are not factored into the CBA considerations. They cause little towns to fail. They do not get the infrastructure they need to attract young professionals and their families to keep those communities sustainable. I would be interested to know how they process that. They say there was no net loss of jobs, so they do not do anything. However, there was no net gain in jobs; in fact, there was a net loss of 500 jobs. Surely we must look both ways.

The CHAIR: I detect coming out of our first hearing that the Committee strongly believes that one way regional New South Wales can leverage off Sydney's status as a global city is to take jobs.

The Hon. JOHN GRAHAM: Thank you for the submission; I found it a useful start to the discussion. I refer to the Jobs for the Future report and the Government's commitment to creating one million new jobs by 2036. The report indicates that 925,000 jobs were created in New South Wales in the past 20 years. How many of those jobs have been created in regional New South Wales?

Ms LIVINGSTONE: We will take that question on notice.

The Hon. JOHN GRAHAM: Okay. How many of those one million jobs will be created in regional New South Wales?

The CHAIR: Perhaps that could be broken down by region as well.

Ms LIVINGSTONE: We will take that question on notice. It can be tricky to forecast accurately where jobs might be created by region. We will see what data we have and provide what we can.

The Hon. JOHN GRAHAM: I understand the uncertainty. We should be able to get the past data; that should be clear cut. Whatever can be provided will be useful. How many of the 925,000 jobs created were part-time jobs? There is some discussion of that in the report, but it is not clear. There is an overall goal over 20 years, but there is no projection of where those jobs will be created around the State. There is no sense in this report of the geography of those jobs. There is some powerful analysis, but it does not attach to any part of the State.

Ms LIVINGSTONE: We will provide as much data as we can on those questions. We certainly managed it so there is significant effort in regional New South Wales. The Jobs for NSW programs have a certain amount of funding that must be allocated to regional New South Wales to generate jobs. The levers we have to pull are definitely being pulled in regional as well as metropolitan areas. How accurately we can forecast where the jobs will be generated is another question.

The Hon. JOHN GRAHAM: That is understood. To be clear, I am referring to the Committee's second term of reference, which calls on it to identify the sectors of the economy that can provide the greatest opportunities, including forecasts for jobs growth. Of course it is difficult, and there are some Commonwealth projections that we might want to drive down into New South Wales. However, for the Committee to be able to address the terms of reference it needs more assistance with regard to what information exists. If there is no information, that is an issue in our being able to answer the questions the Committee would like to answer.

The CHAIR: A lot of good work has been done in the past couple of years with new innovation strategies—including the export marketing information funds, which we will come back to at some stage—and identifying the strengths and weaknesses of the various regions and cities. We are trying to be a bit more granular and to find out what policies exist. It is fine to have big lumps of money available, but how do we drive that down into outcomes in regional areas? Ms Chipchase, you might be able to talk about tourism. How do we leverage tourism to Sydney into regional New South Wales, other than going to the Blue Mountains?

The Hon. PAUL GREEN: Can you tell the Committee how regional tourism initiatives are tracking? We have spoken about Destination NSW, grants and working together as tourism organisations. However, I understand that some of them are not working well and others are. Perhaps you can provide a snapshot.

Ms CHIPCHASE: Thank you very much for the opportunity to address the inquiry. As previously stated, a strong Sydney is central to ensuring a strong regional New South Wales. There is an old adage in the tourism industry that if Sydney fails, Australia fails. Frankly, if Sydney fails, regional New South Wales also fails. Sydney is the driver into the regions, and we need to remain competitive against not only other Australian cities but also internationally because we are Australia's global city.

The New South Wales tourism industry is very strong; it contributes more than \$32 billion to the State's economy each year. That is the figure for the year ended December 2016. The sector employs about 170,000 people, which equates to about one in 21 jobs. We lead the nation in visitor nights and visitor expenditure in both the international and domestic markets. In the year ended December 2016, we welcomed a total of 91 million visitors and delivered \$26.2 billion to the New South Wales economy, and international visitors accounted for about 36 per cent of the total visitor spend. They stayed more than 13.4 million nights in regional New South Wales and contributed \$877 million to the regional economy.

We have recently had Vivid Sydney and we are still collecting the data. As an example, last year we sold more than 88,000 interstate and international travel packages that we put together with travel trade partners and airlines. Of the people who came to New South Wales, and it was about 184,000 from interstate and overseas, of that number they travelled into regional New South Wales because we had a Sydney Plus program that we were promoting, and that generated 65,000 room nights into regional New South Wales and \$11.5 million in visitor spend. So even in a Sydney-based event we are always looking for how can we partner to get people out into regional New South Wales.

To answer your question, Mr Green, about the funding programs, the State Government has just made record investment into the funding of regional tourism. There used to be 11 regional tourism organisations; there are now six destination networks across the State. These are, if you like, administrative zones and we called for people to apply for those board positions. So we have professional boards; they are in the process of recruiting their general managers and establishing their destination network headquarters. There is a Regional Tourism Fund and there is record funding there for marketing programs and also for product development—and suddenly it is really needed in regional New South Wales.

In addition, there is record funding for the Regional Flagship Events Program and, of course, regions can always put their hand up for major events, and we have had some successes there with events such as the World Rally Championship in Coffs Harbour, the L'Étape Tour de France cycling classic in the Snowy Mountains, just to name a couple. We have got the junior surfing championships in Kiama. These are examples of events that can be located in regional New South Wales but also generate bed nights, economic prosperity and, of course, jobs.

The Hon. PAUL GREEN: How many organisations are applying for these sorts of grants and how many are missing out? And I bring back once again some of our findings from previous tourism inquiries that sometimes writing grants takes more time than it is worth when you do not have a huge resource pool.

Ms CHIPCHASE: To give you an idea, since March 2011, 104 major events have been secured or retained for regional New South Wales and 153 events supported through the Regional Flagship Events

Program. If you want to talk about percentage increases, to give you an idea, from March 2007 through 2011 there were 34 regional events and 72 flagship events for regional New South Wales. From March 2011 until now, the same period, there have been 105 regional events and 153 flagship events. Overall, that has been a 209 per cent increase for regional events and 113 per cent for regional flagship.

There has been additional money, and to your point about when we did the review of regional funding, you are absolutely correct, people said—not everybody but we had feedback that people found some of the application forms a bit daunting. So we have streamlined that process. We have also opened it up that it is always available. Rather than people having to go into tranches and time frames, it is a rolling program. That has been extremely helpful. We are also in the process of appointing tourism development managers and they will be, if you like, the account managers for the regional areas. So there is somebody else for people to talk to, we can fast-track it. Our goal is to get that money out into regional New South Wales; there is no benefit of it sitting in our bank account. We want to give people the capabilities and capacities to get the funding out there, but, of course, we are accountable for taxpayers' funds. We want to make sure that there are measurement tools in place so we can see how is the money being applied, is it driving overnight visitation and is it delivering the benefits that it was designed to do?

The Hon. RICK COLLESS: Ms Chipchase, in the case of the Regional Flagship funding, is that available for ongoing projects or is it start-up funds only?

Ms CHIPCHASE: In the Regional Flagship Fund there are three tranches of funding. We just recently announced a new incubator fund of grants of up to \$20,000; that is to encourage communities to be innovative, to think about new events and to give them some seed funding.

The Hon. RICK COLLESS: Like the Trundle ABBA Festival that I went to recently.

Ms CHIPCHASE: Correct. That is a fantastic event. So that is an opportunity to be able to nurture new events. There is also the flagship funding, which goes for three years. The idea there is it gives people three years—they have to have been going for two years before they can apply, but once they apply it gives them another three years, and the idea there is to help them get the data together so they can bring more sponsors on board and become more self-sufficient. If at the end of that period—and events are a funny thing; sometimes events can get to a tipping point where they either get the big boost to come up and then start to get into the major event territory, so we have created another tranche of funds that people can apply for. As their Regional Flagship Events funding starts to come to an end, if they have got another idea or something else that will take it to the next level, then they can apply again.

The Hon. RICK COLLESS: How are they assessed? Is it just the number of participants or people who turn up, the number of beds?

Ms CHIPCHASE: Our key driver is to help achieve the Government's goal of doubling overnight visitor expenditure by the year 2020. Daytrippers do not count in the way that overnight visitors do; so we are really interested in being able to invest in programs that will drive overnight visitation because, obviously, they are spending a lot more than a daytripper.

The Hon. RICK COLLESS: In the case of the Trundle ABBA Festival, which had something like 6,000 people turn up there, Trundle does not have any accommodation other than the pub, I think; so how do you assess the bed nights there?

Ms CHIPCHASE: Research is done on the spot, but also it is not dissimilar to the Elvis Festival in Parkes where Parkes does not have enough accommodation either, but they were very clever and Forbes was very clever in partnering. They started to do shuttle services from hotels and motels in Forbes to come down, enjoy the day's entertainment at Parkes and then come back—

The Hon. RICK COLLESS: And stay overnight.

Ms CHIPCHASE: Correct. We see that Trundle would be a similar circumstance because of the major towns and cities around.

The Hon. RICK COLLESS: There were eight or 10 buses there, so there were obviously people travelling quite a distance to come.

Ms CHIPCHASE: They also look at home hosting as another opportunity.

The Hon. RICK COLLESS: How do you count those numbers though? It would be critical for the success of that event to be able to count those numbers accurately, would it not?

Ms CHIPCHASE: It is—so working with the local councils, working with the local tourism organisations and also working with the organisers, because often they will be working with either the bus companies or it might be the local caravan park. In the case of Parkes, they bring in additional vans for the festival; so there is another way of being able to count the people.

The CHAIR: One of the things that I think is important to hear is governance overall. Clearly, the Federal Government has a role, but Sydney is in New South Wales so the New South Wales Government obviously is sort of the lead agent and we are in competition with other cities, which some of you have said already. How does the Sydney city council fit into this overall framework?

Ms CALVERT: Perhaps if I can give you a perspective from the trade and investment viewpoint. When you are speaking globally it will not surprise you to know people have not always heard of New South Wales. What is known very well is Australia and then Sydney, and of course the work that we do in partnership with both the Federal Government and the State and local governments is very important. We have sister State relationships and they are matched by sister city relationships. So we do work in very close partnership with the city council from a trade and investment perspective.

Maybe if I could just go on a little bit from that perspective because it is so important I think for a global city. Our governance arrangements, we have a limited number of resources obviously and there is a world of opportunities out there. The way that we prioritise is working with the Federal Government and the local governments to make sure the best people are dealing with these investments and new opportunities to bring jobs into New South Wales, and the way we do that is we have people in 10 different countries overseas where we consider our priorities for attracting markets for New South Wales, and we also have people in regional New South Wales that are helping our businesses export and making those connections.

I can just give you a tiny bit of perspective. The best way for a regional business to grow is perhaps to think about their global market. As an example, we have been working with our export team with Mortimer Wines in Orange. This company has been able to sell to China on its first order more than it sells through its cellar door in a whole year. That means it has been able to increase the number of staff it can put on in Orange and increase the volume of product that it is producing. That is a very good example.

Similarly, with investment attraction you will be pleased to know that we put our efforts where we think we are going to get the biggest return for New South Wales and we weight regional jobs 10 times higher than we weight jobs in Sydney. That means we will put as much effort—you know, roll out the red carpet—into an investment that has 100 jobs in a regional part of New South Wales and it is the same that we would for a company that wants to put 1,000 jobs in Sydney. We really do focus and weight the regional opportunities.

We have facilitated, through my small team of 60-odd, over \$1 billion worth of investment into New South Wales so far this financial year. Independent measures show that over the past year that has led to 15,000 jobs per annum on average coming through that international investment, so it is a significant contribution. I know that Sydney attracts people, but then as soon as they get here, we work with whatever it is that particular company wants. We die if they go to Victoria. That is our worst possible outcome.

The Hon. RICK COLLESS: Yes.

The CHAIR: It is the same with us.

The Hon. MICK VEITCH: That is a terrible outcome.

Ms CALVERT: We work very hard to keep them in Sydney now. I know: It is a terrible outcome. We really try very hard to find out what it is. I do not have money. The billion dollars worth of investments that we have brought to New South Wales so far this year has not been through providing any financial incentives. It is all just by helping to facilitate that investment—understanding what they need to do their business, making the connections for them, and making it easy to do business here. We think that we do not need to put a whole lot of money on the table. We just need to make it easy to do business with us.

The Hon. PAUL GREEN: Do we have initiatives like sliding scales for payroll tax for those who move to regional areas where companies will look at that and basically re-site in a regional area if they can have a deduction on payroll taxes? Is there an initiative like that that anyone knows of?

Mr HANGER: Not at the moment that we are aware of.

The Hon. PAUL GREEN: Would it not be a helpful thing to consider as an initiative?

Ms LIVINGSTONE: I understand there is an all-taxation inquiry underway. It is a separate committee that is exploring that.

The Hon. PAUL GREEN: Great.

The Hon. MICK VEITCH: I have a couple of other lines of questioning. First of all, we have a number of trade offices, or whatever they are called these days, around the world. How does the New South Wales Government assist businesses to access those trade offices to look at growing businesses into export markets?

Ms CALVERT: That is a good question. We again work very closely with Austrade through whom the Australian Government has a much bigger network than we do overseas. The way it works is that my team that is based in regional New South Wales will work with local businesses to inform them of the opportunities that there are internationally. We run a whole bunch of seminars to get businesses export-ready. It is not always easy to do business internationally. You really need to have the connections. We run a series of seminars. We help people to get export-ready. Then we take delegations overseas. Once a company is considered to be export-ready, we really work with Austrade who will then take them to meet and make connections in market on their behalf. That is how it works.

The Hon. MICK VEITCH: If I were a beef producer in Central Western New South Wales and I was looking to export, I make the initial approach to who? Which department do I go to? Who do I talk to?

Ms CALVERT: You talk to my team who are based in the regional areas. We are at seven locations in regional New South Wales. They are running a whole series of seminars. Particularly the beef export is a very good one because of the new free trade agreements.

The Hon. MICK VEITCH: I have just come from the Primex Primary Industry Exhibition so I am all geared up on that.

Ms CALVERT: Yes, that is right. We are very competitive internationally on beef, particularly now the free trade agreements now are in Japan, Korea and China. We are very cost-competitive into those markets and our product is doing very well. Our team has run seminars there. We actually would suggest, depending on which market they are interested in, going on a delegation with the government. Austrade run one into each of these key Asian markets each year so they can make the connection there. There are some real game changers out there at the moment with the e-commerce platforms. Things like Alibaba are really making it so much easier for the produce to go straight from the farm door and straight overseas rather than having to have a lot of middle people involved in the processing. I think it is a huge opportunity going forward.

The CHAIR: Just for the sake of completeness, would you mind taking on notice giving an outline of the locations of the 10 offices we now have overseas and your seven offices?

Ms CALVERT: Yes, absolutely.

The Hon. MICK VEITCH: You talk about e-commerce which leads me to a statement in the Government's submission about Armidale and the fact that Armidale's National Broadband Network [NBN] was under the former program so it actually has an advantage over other parts of New South Wales, which did not get the same NBN rollout. You refer to a cluster champion to work with the Armidale community to look at exploring the potential that that city has in the digital innovation area. The first question is: How does the cluster champion work? The second question is: Just how critical is the NBN rollout to regional New South Wales in growing and diversifying those regional economies?

Mr HANGER: I might start with connectivity and talk about Armidale and boosting business innovation, which is that program. Connectivity has been identified as vital. The Government is investing to address mobile black spots and it is looking very actively at the NBN rollout and what is occurring there. It is fair to say that already there has been \$39 million invested into addressing mobile black spots, which covers both voice and data. It is seen as critical, obviously, for business productivity to make sure that that coverage can increase as best as possible. You are right: Armidale was the first mainland city to have a full NBN rollout and the Boosting Business Innovation program, which is the one that you are talking about, was a targeted investment last year of \$12 million to, I think, 12 institutions across the State, including to the University of

New England [UNE]. UNE is identified as an agribusiness hub and as an agribusiness hub they are looking at a range of things in a connectivity sense, such as smart farms in particular.

From our perspective we would say that the NBN rollout is vital and there is work that the Small Business Commissioner is doing as well to assist small businesses to understand what the opportunities are and how to take advantage of those. In the agribusiness sense, Armidale is a great example of government investments through the Department of Primary Industries [DPI] and the Department of Industry more broadly into smart agribusiness and looking at the potential of things like what the internet and sensors on farms offer in terms of productivity improvements.

The Hon. JOHN GRAHAM: What discussions have you had with the Federal Government about the NBN rollout in New South Wales?

Mr HANGER: Communications is a Federal Government issue.

The Hon. JOHN GRAHAM: Understood.

Mr HANGER: We are part of the Mobile Black Spot Program and we have regular engagement with the Department of Infrastructure and Regional Development and the Department of Communications and the Arts around how we can improve mobile communications, voice and data, across New South Wales.

The Hon. JOHN GRAHAM: Specifically on the NBN, though, putting aside the black spots program, what is the channel for discussions with the Federal Government?

Mr HANGER: It is engagement directly with the NBN as well. The NBN is responsible for the rollout of those services. It is fair to say that their focus to date—and this is in their mandate—is to ensure that they have the highest penetration that they can and get past the number of premises, often residential premises, that they can. From an industry perspective we are looking at making sure that where that rollout is occurring we are able to ensure that the industry benefits are identified and taken advantage of as much as potential allows.

The Hon. JOHN GRAHAM: From a New South Wales Government point of view, who deals with that? What is the channel? That is really my question.

Mr HANGER: It will be a combination of the Department of Finance and Services through the NSW Telco Authority and others in that sector. It is also in the new regional New South Wales group. We are looking at the regional opportunities for NBN rollout and connectivity broadly.

The Hon. JOHN GRAHAM: Does that mean that you are involved in discussions from that end, or is that looking at how it is rolling out?

Mr HANGER: We are actively engaging with NBN to sort of look at that rollout, yes.

The CHAIR: I support Mr Graham. When I read the submission, particularly the section headed "Building essential and enabling infrastructure" regarding a lot of transport programs, water security and so on, I felt that physical connectivity is being addressed—but regarding technology, communications and so on, we are past the days of saying it is a Commonwealth job. People now say, "We want services delivered and we don't differentiate between Commonwealth, State and local government." One of the things we will probably explore more is how the New South Wales Government might be able to add some benefit through that sort of work. The information you gave us on black spots is good. I was not aware of that. I am aware of the NSW Telco Authority from when I was Minister for Finance and Services, and it is not exactly the organisation that would drive dynamism and innovation, so maybe there is a need for an organisation like that.

Mr HANGER: I might provide an anecdote, and this is outlined in the Regional Development Framework. Some of you may know we have been administering the Murray-Darling Basin Economic Diversification Program. There is a small town in the Riverina called Walla Walla. People may or may not have heard of—

The Hon. MICK VEITCH: I played Aussie Rules at Walla Walla. It used to be called Border Walla Walla.

Mr HANGER: Walla Walla is between Wagga and Albury. The interesting thing about Walla Walla is there is a business, Kotzur Silos, that employs approximately 100 engineers who design silos and actually have export markets around the world. Walla Walla itself is not a particularly rapidly growing town but for a

town the size of Walla Walla with a couple of thousand people, an employer with 100 high-quality jobs—which is what Kotzur provides—is vital. It was facing constraints around connectivity, and through the Murray-Darling Basin program we helped it invest into higher speed broadband so that it could retain its presence in Walla Walla.

As an added benefit to that investment—we are only talking a couple of hundred thousand dollars here—there is a school there, St Paul's College, I think it is, which was also able to improve the connectivity for its students, so the kids could get broadband access as fast as probably I can get it here in Martin Place for a really quite small targeted investment. I think examples like that are the ones that we want to try to work with the NBN and others on on how it is that you can, for targeted small amounts and investments, support business to retain high-quality jobs in regional New South Wales and then get added social benefits for things like education. There are some good examples like that out there.

The CHAIR: There is also scope for us to leverage from some of the big departments like Health and Education which, in the past, have been silos and spent enormous amounts of money on building their own systems but not giving anyone else access to them. Somehow industry needs to have a bit more of an overall hold on that sort of stuff, particularly given regional New South Wales using the services and things that we have talked about that are available in global Sydney.

The Hon. MICK VEITCH: Regarding the silos the Chair just mentioned, it was raised with us by councils in regional New South Wales during our regional planning inquiry that State departments tend to operate in silos. In regional New South Wales there is no one go-to person that you can work through the myriad government departments and even sub-departmental regional offices with. I appreciate the Government has responded to the regional planning inquiry, but when it comes to regional development and diversifying regional economies, how do we address this issue around silos if infrastructure is being constructed but there is an issue with Land and Property Information and Roads and Maritime Services not talking to each other?

The Hon. RICK COLLESS: In the same inquiry there was good example of that when we spoke to the proponents of substantial poultry shed developments occurring in the Riverina and in the north-west. They told us that it took something like four or five years to get approval for these multimillion-dollar development projects.

The Hon. PAUL GREEN: Job creators.

The Hon. RICK COLLESS: Yes—hundreds of jobs going into towns like Griffith, Hillston and so on. It was taking so long to get those developments approved because of the silo effect. They would go to one government department and be held up there; then they would go to Planning, and Planning would want more information about some things that were in a lot of cases not even applicable to that particular development but had to be addressed because they were in the Director General's guidelines. Such things inexplicably held up some of those developments for years, and they were actually moving to Victoria because they could get approval within six to eight months. We need to sort out these types of challenges if we are going to have proper regional development in New South Wales.

Mr HANGER: I might start with some observations. In the Regional Development Framework, one of the initiatives that was identified as being required was a refresh of regional governments because that ability to very early bring the right people around the table is vital—otherwise projects do, as you say, get caught up for years, unfortunately. Through the Department of Premier and Cabinet's regional coordination group they have set up a regional leadership executive with appropriate subcommittees. One of those subcommittees is going to be focused specifically on economic development and should be able to bring around the table the people who are leading from an industry development perspective and those who are in a regulatory function—that is typically Planning, in these instances—but also the enabling infrastructure agencies, like Transport.

Ideally when you have an example like that, you will have the agencies as well as potentially the general managers of the councils or the representatives from the joint organisations, where those exist, around the table to be able to say, "What is it that is required to try to progress this through the appropriate decision-making channels as fast as we can?" and as soon as possible you have identified whether there are challenges and made sure that that is raised to the appropriate levels because things being delayed for that period of time—you are right—does risk movement to other jurisdictions.

The Hon. JOHN GRAHAM: Following on from the jobs questions, what can you tell us about what is happening with wages and growth in regional New South Wales? The overall description in the submission is

that Sydney is doing well and New South Wales is doing well as a result of globalisation, but there has certainly been some concerned research about what is happening to both growth and wages in regional New South Wales.

The CHAIR: You get points for getting that almost back to being relevant to the terms of reference.

The Hon. JOHN GRAHAM: Thank you for the compliment, Chair. Some of that research has shown that it is about a 2.5 per cent gap every year on wages and growth between the city and the bush. That is of concern. Given your research, what can you tell us about that from a government point of view?

Mr WEBSTER: I will have a go at that. Presumably by growth you mean economic growth.

The Hon. JOHN GRAHAM: Yes.

Mr WEBSTER: There are no regional official estimates of gross regional product [GRP]. They are derived through ABS input-output tables. But in the long run, growth in population essentially equates to economic growth. It has been shown across the world that that is what happens. We pay careful attention to population growth, because it is a good proxy for economic growth. There are separate statistics for employment, which I am not really that across other than I know, as per the submission, in the last year that growth in employment has outstripped the State average in regional New South Wales. Most of the population growth in regional New South Wales is occurring in the large centres—

The Hon. JOHN GRAHAM: Yes, there is a separate issue there. The whole State strategy is the fact that we have beaten population growth. We have put on more jobs than the population has increased. In regional New South Wales SGS Economics and Planning is saying we are 2.5 per cent off the pace between 2012 and 2015, and PricewaterhouseCoopers looked around the country and said wages are about that far behind as well. What can you tell us about what we think is going on in regional New South Wales? Are those figures right or are they off the pace?

Mr WEBSTER: The SGS work is derived—I would be less inclined to pay attention to short-term fluctuations in derived estimates and rather look at what is going on in population growth because it is a more accurate measure over the long run. It is no doubt that population growth in regional New South Wales is concentrated in the top 10 regional cities.

The Hon. JOHN GRAHAM: It is a concern if we cannot say what is going on with wages or economic growth in the bush, is it not? I know they are derived figures, but surely we should be able to look at that if we are going to answer some of these questions?

The Hon. MICK VEITCH: It is almost like a regional dashboard.

The Hon. JOHN GRAHAM: Yes.

Mr WEBSTER: Essentially, the Australian Bureau of Statistics is in charge of national accounts. They are the only ones set up to do that. I suppose you could take it up with them in respect of does it really matter.

The CHAIR: Mr Webster, can you take that on notice?

Mr WEBSTER: Sure.

The CHAIR: If you can give us anything of any value, we would appreciate that.

The Hon. RICK COLLESS: I have a follow-up question in respect of population growth being a proxy for economic growth. There has been a huge change in technology in the major sectors in regional areas—and you mentioned this in your submission—mining, agriculture, agribusiness, food, all those industries over the past 20-odd years, which has seen a reduction in the number of people involved in those industries, so we have a decline in population, despite the fact that a lot of those industries have become much more competitive economically. Changes have occurred in the cotton industry over the past 20-odd years. There is no such thing as people chipping cotton and watering cotton anymore; it is done automatically. That has led to a reduction in the number of jobs in the regions. How can you say that economic population growth is a proxy for economic growth?

The CHAIR: And probably a bit in reverse. Lots of technology jobs have been created in global Sydney.

The Hon. RICK COLLESS: Exactly. It gives us an opportunity to find other ways of employing those people, but in most cases they move to the bigger centres, they grow and the smaller outlying centres decline in population.

Mr WEBSTER: You have a couple of things there. First, in terms of the trends in employment by sector, you are absolutely right in respect of agriculture and mining. The labour input per unit of output has been declining for a couple of centuries as technology replaces labour. You might argue the same thing is about to happen in road freight transport, which is another big industry in regional New South Wales. At the same time, you have large increases in what are and probably will remain labour intensive industries such as aged care, tourism, maybe even education, which are important in specific parts of regional New South Wales. That is really why you are getting this uneven growth across the State. You have got places that are highly focused on mining and agriculture and little else, so their key sectors are focused on those. They tend to be either stagnant or declining in population but, at the same time, you have larger centres with a more diversified economy, particularly those along the coast that are focused on aged care and retirement generally. They are increasing.

The big six places away from the coast—Albury, Wagga, Dubbo, Orange, Bathurst and Tamworth—are all growing, I believe, at or above State average, as well as some large centres along the coast, but that is probably driven more by retirement and amenity. Other places like Mudgee and Griffith are growing quite strongly. They are growing because of food processing—the value-add to the base agricultural industry. It is absolutely horses for courses. Our enabler's report, which I expect the Committee is aware of, takes this apart. There is no such thing as regional New South Wales. It is not homogenous. Different things are happening in different places and to get a handle on what is happening in any particular place you need to analyse the economy in that place. That is what the enabler's report tends to do.

The CHAIR: We will call it to a close. Would you be able to provide us a copy of the enabler's report?

Mr WEBSTER: Sure.

The CHAIR: You have a number of other questions on notice. Thank you again. It has been very interesting and congratulations on the good work we are seeing here. Hopefully we can leverage it a bit more.

Ms CALVERT: Thank you. Good luck.

The CHAIR: You will have 21 days to respond to questions on notice. The secretariat will be in contact with you about those.

(The witnesses withdrew)

(Short adjournment)

MONICA BARONE, Chief Executive Officer, City of Sydney, affirmed and examined

The CHAIR: Welcome. If you feel that you need to take any questions on notice, you can do that. We would ask for answers within 21 days. Would you like to make an opening statement of any description?

Ms BARONE: The only thing I would like to say is that the City of Sydney did not make a submission to this inquiry, but we were asked to come along and speak. There is not a particular official council position on these matters. I will speak consistent with council policy, and if there is something that I do not have a clear council policy position on I will take that on notice and let you know.

The CHAIR: Thank you for that. I guess we were a little disappointed that we are holding an inquiry into global Sydney, and Sydney did not seem to be likely to come along at one stage. We would have liked a submission. We thought the issues were fairly important, but that is as it is. Thank you, again, for coming along.

The Hon. MICK VEITCH: What work does the City of Sydney do with regional New South Wales? With respect to councils and organisations in the regions, how are doors opened? What channels are available to people in regional New South Wales to benefit from the City of Sydney's growth and its status as a global city?

Ms BARONE: Perhaps that is why we did not make a submission. We thought that this was more about regional development. I guess I understand, now, that you are concerned about the economic nexus between regional development and global or inner city economies. Perhaps we misunderstood what you were seeking, because it did not seem to be something that we necessarily had a lot of expertise on. Having said that, coincidentally just last week I addressed the NSW Inland Forum—a forum of seven councils—and we had a great chat about things, including what we might do more closely together. I will certainly be following up on that.

The City of Sydney mostly focuses its engagement with the local governments in metropolitan Sydney. We are currently doing the resilience plan for metropolitan Sydney, which is funded by the Rockefeller 100 Resilient Cities. I try to spend a day a week visiting local councils in metropolitan Sydney to keep up the relationship and the engagement. It stretches us to engage with that many councils in a strategic and cooperative way. We have not had a huge focus beyond that border—mostly because of our capacity and the hours in a day. Having said that, it is a really interesting conversation with those councils and we are going to organise a workshop shortly. We will bring some of the staff from those councils in to look at some of the ways that we go about two things—direct economic development, including how we plan for economic development; and place-making. Cities, wherever they are—global Sydney, Dubbo or Orange—have to plan for their economies, including the jobs that they have and would like to have, and place-making. Place-making, in terms of making the city attractive, is planning for the tourism part of the economy and supporting small business.

There are two ways that we look at the economy. One is by looking at the place—how do you make it an attractive place so that people want to visit it and live and work in it? The other is by looking at the sectors that you might develop or be strategic within, in order to continue jobs growth or attract the kinds of businesses that you want in your area. Those are the two things that we are talking with the regional Inland Forum about.

The Hon. RICK COLLESS: Which were the seven councils that attended that forum?

Ms BARONE: I am just trying to remember. It was Albury, Orange, and Dubbo. I cannot remember the others.

The Hon. MICK VEITCH: Can you take that on notice?

Ms BARONE: Certainly.

The Hon. MICK VEITCH: This is not a criticism. As someone who has lived in regional New South Wales—particularly west of the Great Dividing Range—I know that there is a real view that the City of Sydney operates in isolation. When people from Western New South Wales come to Sydney they see all the activity and they go back home almost with despair that that sort of activity is not occurring west of the Dividing Range. There seems to be no benefit flowing to those communities—particularly those west of the Dividing Range but also, in some ways, those on the far South Coast.

This is not meant to be a criticism but it leads to my question. Do you see the City of Sydney having a leadership role—almost a mentor role—for some of those regional councils? I am not speaking just about the

Inland Forum; that is good, but there are councils with an even smaller population base that have quite different issues which would love to access some of the activity of Sydney.

Ms BARONE: If I can just clarify. They City of Sydney is one of about 30 councils in metropolitan Sydney. There is one of me and one strategic planner. We have to manage the work that we have to do here. As I said, I try to dedicate a day a week to engaging with other councils. I think you would be hard pressed to find another chief executive officer or general manager who spends a day a week directly on that engagement. The first thing is a resource issue. There are only so many hours in a day and so many meetings that I can humanly attend, or so many workshops that our staff can conduct. We will share—we always have shared—anything and everything. If we have developed a policy or a program or anything, just ring and we will give it to you.

Do not reinvent the wheel. Check in with us. If we have done it, we will share it. I am on the phone to many of those people often. That is just a relationship thing. We—and I personally—certainly make a lot of effort to build those relationships. And I still have to manage—you know, we have 1.2 million people a day here that need services delivered to them, planning approved for them and all of those things. I think what we need to talk about is how do we assist and value-add economic development? Because that is really different to: Do we keep in touch and share? I keep in touch as much as I can and we will share anything. It is all up on the website. And we do the best we can. But the real question is about economic development and the role of local government in economic development.

What I spoke to the Inland Forum about the other day—and this is a personal view but it is the way we do things at the City of Sydney—is that economic development is something that you have to really plan for. It cannot be left to chance. Remember, the State Government has a huge role in this. Local government does not pull all the levers by any stretch. Proper economic development needs all three layers of government, and I will give you an example in a moment in terms of the tech sector.

What we try to do is understand the sectors in our economy that we think are strong—build relationships with them, such as business and finance, and property, and concentrate on making sure that we do everything we can to sustain or enhance their position. Then we look at sectors that we want to enhance such as supporting the tech sector. And then we say, "What can we do more of that will ensure or grow that sector?" We look at the economy and we say: "For us to have a resilient economy, we have to have these different sectors and we have to understand what makes them click, what works and what detracts from their success."

A large part of it is that at the local government level we do not manage taxation—that enhances or detracts. We cannot provide incentives—that enhances or detracts. But we can do place, and so when Lord Mayor Clover Moore's administration was elected, the business community were very explicit that for the place to be the kind of place that business wanted to stay in and grow in they wanted certain things to happen. They wanted inner city transport to improve, hence the light rail. That was a project that we initiated and have put \$220 million towards. Particularly the smaller businesses—tech and creative industries—said, "We need cities where people can walk, cycle, go out at night and have the kind of rich cultural life that we can have in other cities."

I often say when the lord mayor started her campaign to put in walking, cycling, small bars and everything it was probably deliberately misunderstood. It was an economic development strategy to create the kind of city that those businesses want and that our competitors provide. We can influence the place, and that also includes the supply of commercial floor space and the range of commercial floor space so it is affordable. And then there are the other levers that belong to the other levels of government. In speaking for and supporting those other areas—and I know they are doing that—when I talk to the councils it is very encouraging how clever they are. I am not sure how they work with the State Government, particularly. I did not really ask that. But it is encouraging how clever they are at saying, "We need to make sure the place is appealing,"—

The Hon. RICK COLLESS: Are you referring to the Inland Forum?

Ms BARONE: The ones I just spoke to—that is right. What they are doing is very clever—offering an alternative lifestyle. But of course, unless there is a job, no-one will take up the alternative lifestyle. They are showing the merits of the alternative lifestyle—the housing affordability, the quality of life and those sorts of things—but they are also saying, "What is the area of the economy that we have to offer and that we can grow?" And they understand that they need to be strategic about that. The only other thing I would say about that, and I am no expert at this—I noticed Committee members referring to SGS Economics and Planning; there are people who know a lot more about this than me so I am not pretending to be an expert—but what I know at a superficial level is that different sectors need to be within clusters.

You have to know the core of the sector you want but you also have to understand the things that sit around it that enable that sector to thrive and also build those other parts—their supply chains is another way of putting it. I do not see a lot of supply chain economic planning which really asks: "If that is our core business or sector, who are the suppliers to that? Can we attract them because they will also be generators?" I guess what I am saying is that I think economic development has to be strategic and you have to make a decision about what you want to be known for and what you want to be good at.

The CHAIR: Can I get you to expand a little on that? Our witnesses earlier today were government officials. One of them put to us that Sydney is the gateway for rural and regional New South Wales, obviously, and for Australia. The comment was, "If Sydney fails, rural and regional New South Wales fail." Another comment was, "Overseas, Australia is known and Sydney is known, but if you talk about New South Wales you might as well be talking about the southern part of the United Kingdom." We are trying to find out who is leading in the promotion of Sydney as a global city and how can leveraging occur. The troubling thing is that the City of Sydney council seems to have a mixed personality. On the one hand it does the things you were just talking about: promoting innovation and the fact that it is a good place to live. On the other hand, there are lots of political campaigns. I am not making any comment about their merits, but they include opposition to WestConnex, which in a global sense is designed to reduce to congestion and so on. How do you reconcile that and the council's leadership role?

Ms BARONE: The council participates in a number of international forums that promote Sydney. I refer to an earlier comment. People would like New South Wales to be recognised, but the reality is that not many people Google "New South Wales", and we must accept that. One of the things that this Government has done very well is to say that it accepts that. We must accept that when people want to come to Australia they probably Google "Sydney", so we must be sure that they find something. The work that has been done under this Government with Destination NSW has been outstanding. It is marketing Sydney. First we must get visitors here, and we must ensure that once they are here they realise they did not know there were so many side trips and other things they can do. We must first get visitors here. People ask, "Why don't you promote New South Wales?" Many people do not even recognise Australia, but they do recognise Sydney. We must capitalise on our strengths.

The council has participated in a number of international forums, particularly the C40 and Rockefeller 100 Resilient Cities. We have many discussions about Sydney's economy and how we position it as a smart, green city and so on. What you refer to is a governance challenge facing New South Wales. The City of Sydney is a very strong and capable council, but it looks after only one of what is now clearly recognised as three central business districts in Metro Sydney. It does not have the authority to speak on behalf of greater Sydney. Although, when we do speak and when we go to international forums or meet with international visitors, consuls general and so on, we speak very much about the whole city and what it has to offer.

That is why I spend so much time getting to know the other councils and their challenges. By doing that, when I am invited to speak I know about more than what is happening in my area. I regularly invite the other general managers and chief executive officers to come with me so that if we are meeting people I can say, "I know you think that I am the chief executive officer of Sydney, but that it only one bit. Let me introduce the chief executive officer of Parramatta or the chief executive officer of Campbelltown so they can tell you about a bit more." I try to do that so they realise that a number of people have a role here. There is a governance issue around that. That why the State Government's stepping up as it has to look at greater Sydney issues in the comprehensive way we are starting to see is a positive thing. I note that one of the questions is about collaboration. We are keen to collaborate as much as possible.

The CHAIR: You mentioned that you do not have the capacity to manage taxation, but you collect massive rates from the business community. I declare that I am a resident of the city, so I am talking about my own rates. There seems to be a lack of transparency about council expenditure. I know that the council publishes its annual accounts and so on, but where is the accountability? Ministers and departments go through the estimates committee process and examination by the Auditor-General. I acknowledge that you are also subject to the Auditor-General's scrutiny. A recent example was the proposal to increase the mayor's capacity to sign off on her own expenses, which did not proceed. What do you see in terms of transparency?

Ms BARONE: I am surprised that you say that. Firstly, business rates have contributed \$220 million to the light rail project because that is what the business community said it wanted most. That is 10 per cent of the cost of the project. Not many councils can do that. When the lord mayor was elected, we did the inner-city public domain plan, which identified the light rail project as the priority project. We then consulted with the

business community, and they said that is what they wanted, and we advocated for that, as did the business community. When this Government was elected, it made that commitment. Given that a lot of it is not in our local government area, that money probably covers a substantial part of the project being built here. That is where the business rates went—that, upgrading Pitt Street Mall, and the upgrade of Martin Place will follow. We are waiting for the metro to see what things will look like. When there is a lot of development you do not simply go ahead and do things. Tens of millions of dollars are being spent on paving, lighting, cultural facilities, thousands of extra childcare places and so on.

In reference to estimates, we present a public quarterly report. Anyone can attend; it is a public meeting. Councillors ask me questions about any line in the budget, and I answer them. The chief financial officer presents the quarter's figures and anyone can look at them. The budget is adopted, and it is just about to go online again. Every line is available for anyone to examine. I do not understand the question about transparency. People have to be interested and want to come along to listen. Nothing is done behind closed doors. It is local government and every dollar that we spend is on the website. Every contract over \$10,000 is reported to council in a public document, every grant that is given goes to council in a public document, every cent is accounted for, and everything is public, including quarterly presentations that are open to the public.

I need to say something about the council expenses policy and what the *Daily Telegraph* reported. Its report was not the truth. All councils have to have an expenses policy, and we have one. It is always complied with because it is reported to the Office of Local Government every year. After the local government reforms were implemented councils were required to provide additional training for councillors. We put up the training budget, which attracted the attention of the media, which then asked what was going on. The lord mayor's budget is public and always has been. There is a difference between what is in the media and what actually happens.

The CHAIR: I wanted to give you the opportunity to say that.

Ms BARONE: Thank you.

The Hon. MICK VEITCH: A number of submissions from regional councils refer to the difficulties they have with Treasury's formulas. I have also had a number of conversations about them. I refer to the cost-benefit analyses and the benefit-costs ratio. Councils say that often projects in regional New South Wales are knocked out because they do not meet the equation. What is the City of Sydney's experience in submitting proposals for projects to be fully funded or partially funded by the State? What are your views on those calculations and how they positively or negatively affect the end result?

Ms BARONE: I cannot think of any large projects that have been funded by the State, so I cannot comment on what it is like to submit a proposal. Once the State Government decided it was interested in light rail it became its project and it did its own business case, which must have stacked up because it decided to proceed. I am not an expert on cost-benefit analyses. It depends on what you think is a benefit. Many of us ask whether we are measuring the right benefits. For example, if you think that active transport is about getting around—I mean walking and cycling—then you will measure the cost benefit of how quickly you can get around. But if you decide that active transport is also good for people's health, then you can introduce another element and say if everybody walked an extra half hour a day then diabetes or obesity or whatever would be diminished by this amount and that would diminish the cost of health care and that has a benefit, and therefore your cost benefit changes.

I think a lot of us in local government would say very generally that we are not sure that we are always measuring the right cost benefits. That is why economic planning is so complicated because if you are measuring how many jobs does it create, that is a good measure. But if you are looking at multipliers and supply chains, then you measure beyond the direct job, but what is the next bit? I think they do that, but if you are also adding in the benefits of having more people working in the city on safety and then the safety has benefits on being more attractive to tourists, it becomes a more complicated set of things that you might measure in that cost benefit. So I think probably we would say that the reason the scores are what they are is because the things being measured are not necessarily the right set of benefits. That is very general—I am not saying I know Treasury's methodology or anything like that.

The Hon. JOHN GRAHAM: I just wanted to return to the question about Sydney and New South Wales and that interaction and the discussion we were having before with, essentially, the State development agencies about their interaction with the city. I was just interested in the city's perspective about how you

interact with those, particularly the industry agencies of the State Government. What sorts of things do you find useful? How does that engagement occur? How has that worked over a bit of time?

Ms BARONE: When the City of Sydney in this administration developed our economic development plan we aligned it almost completely to the State Government's priorities, and this comes to this thing about collaboration. The State Government had priorities like retail, I think technology, tourism; so we developed action plans in alignment with the State Government—except for agriculture, obviously—and we did that in close collaboration with the officers in those departments and we did it precisely because we need that alignment. If the State says, "We have a priority to grow tourism", as it did, then we have to line up and support that, which we have. I am sure Ms Chipchase would say—and we were just chatting as she left—the City of Sydney provides enormous support to events like Vivid, and Destination NSW provides enormous support to New Year's Eve and Chinese New Year.

Once there is a kind of proclaimed position—"This is what we are going for"—then I think it is incumbent on all of us to line up behind that unless we really feel there is a real lack of alignment or disagreement about it. We find the relationship with the staff excellent; they work really hard to work with us and they are trying to do the best they can, and I hope that our staff are as supportive as possible to help them. But I think at a higher level, the collaboration between State and local government is still not anywhere what it could be. I think one of the things about doing economic development plans is that when you say let us look at this like we did with tech start-up. What do these people need? Who are these people in this sector, what are they doing and what is going to keep them here and help them grow?" That is the sort of question of the economic development plan.

Then as we did it we discovered that there were things that really each level of government had a role in. So if it is taxation it is Federal Government; if it is incentives it is more State Government. I have sat with Sydney businesses who have shown me the portfolio that has been sent to them either by Singapore or somewhere else and they have said, "We know what you are doing; we think it is terrific. Will you come to our city? If you do we will give you this money, that office space for free for whatever or this taxation holiday", or whatever. They are after our clever companies. That is probably more at a State level. At a local level, we do what we do, which is we make sure that those businesses know that they are welcome—

The Hon. JOHN GRAHAM: You can align with the formal plans of the Government—that is a powerful way to do it. What are the formal channels through which you work and could they be better to raise the sorts of issues that you are talking about?

Ms BARONE: They could be better. I think you need working groups that have got some accountability, where there is a strategy there and it says the State Government is going to do this, the City of Sydney is going to do this or the city of Parramatta is going to do this, and we line up and we agree and people are held accountable for delivering their part of it. I think we are leaving a lot of this economic development to chance.

The Hon. JOHN GRAHAM: Just some questions on tourism briefly. Does the city have any research on why people come here, particularly given it really is, especially on tourism, the gateway into regional New South Wales?

Ms BARONE: I might take that on notice, but I suspect we rely on Destination NSW's information, that they do the primary research and we simply refer to it. I suspect that will be the answer.

The Hon. JOHN GRAHAM: That would be useful. Specifically on two bits of tourism, thinking about what is unique in New South Wales, two things are incredibly unique: nature tourism in Sydney—the harbour and some of that nature—and our Indigenous tourism. If anything, regional communities have a stronger case to make on both of those. Does the city have any views about how to maximise those particular tourism strengths?

Ms BARONE: On nature tourism, we have probably done less—and I will come back to Aboriginal tourism. But, of course, Western Sydney—those parklands, the Penrith Lakes and water sport areas—we have many treasures in metropolitan Sydney. I was just recently out at Penrith Lakes and at the parklands to see that beautiful new playground. These are amazing resources and things that the City of Sydney dreams of because look at the scale. So less on the nature but very happy to support. Like I said, that is why I go and spend time there, to understand it so I can tell people about that.

On Aboriginal, that is one economic development plan that we have done that is, I think, a State priority, but I cannot remember. We have the Eora Journey economic development plan, we have the whole Eora Journey program—that is one of the City of Sydney's main programs that started with this administration. It had three significant phases. The first phase was ensuring appropriate social welfare and services—the new community centre, the Redfern Oval, child care, other services. Our first investment was to ensure that our Aboriginal community had services of the highest order.

The second piece was the Eora Journey in the public domain; that is curated by Hetti Perkins and is to ensure that visitors to our city can see our Aboriginal history. Probably the most significant recent project is Yininmadyemi, the memorial for Aboriginal service men and women in Hyde Park. That project took us 10 years to work with the coloured diggers, the Aboriginal community, the RSL, the Governor, the Governor-General—everyone was involved to ensure that we could have a project that was highly accepted. We have got another major sculpture underway in Redfern and another one that we are hoping to do in the CBD. They are the ones that we are doing but, of course, we encourage private developers also—the Jenny Holzer on the new Mirvac building is a significant artwork with the texts from Aboriginal writing. In time, our tourists will be able to walk around Sydney and see and learn about our Aboriginal history through the artworks.

The third phase is the Eora Journey Economic Development Strategy, which we recently adopted. There are some major projects in that. One of them is that the research showed our Aboriginal community really wanted to run their own businesses. We are looking at—we have not worked out how to do this yet—the desire for an Aboriginal business incubator. There are a number of strategies there that are about economic development. That is a very clear program that goes from the social, the cultural and the economic and sees them as a spectrum.

The CHAIR: Did you say that those three Eora programs are publicly available at this stage?

Ms BARONE: All of those documents are up on the City of Sydney's website. If you would like them, you can have them. I can organise for them to be delivered to you.

The CHAIR: That would be good.

Ms BARONE: We are extremely proud of them because we have had an Aboriginal advisory panel from the beginning and we have done this all in consultation. Another project, which is smaller but very important, is that now all the signage in the parks have "Welcome" in Indigenous language, but it took a long time for the community to agree on the words. We do it properly and slowly, but we are very proud of this work.

The Hon. RICK COLLESS: Thank you, Ms Barone, for attending. I will go back to the issue you raised about what is a benefit and your referring to the active transport systems that have been put in place in the city of Sydney. I come from the bush. I have always lived and worked in Western New South Wales in my working career. Can I ask you if you are aware of a highway in Western New South Wales called the Cobb Highway?

Ms BARONE: Not really.

The Hon. RICK COLLESS: The Cobb Highway runs from Deniliquin to Wilcannia and a very large part of that highway is still gravel. It has never been sealed. The active transport for those people is being able to get to places like Hillston to meet their daily needs. It is about safety of the school bus to get into their local schools. It is about access by their businesses to markets. There is a case out there of a businessman who sells live goats. He sells those goats from Melbourne on a 747. He has to book that 747 about three months ahead and two or three days before its departure, he transports the goats into Melbourne from his property at Hillston. He has to go across about 30 kilometres of dirt road. If he happens to get half an inch or 10 millimetres of rain the day before, that road is impassable and he forfeits the \$250,000 booking fee for the 747 that will take his goats to the Middle East.

When those people come to Sydney and they see active transport—Sydney cycleways, Sydney Park, the sculptures and the amount of money that is spent on them—can you imagine what their view of the world is when they cannot even have a sealed road for their kids to get safely to school, for them to go and get their groceries, or for them to get their goods to market. That is the key to what we are talking about here. How does global Sydney assist the development of those sorts programs in Western New South Wales to make them more productive and to give them the same quality of life that the people of Sydney enjoy?

Ms BARONE: I would respond by saying that the cheapest form of transport is for people to walk.

The Hon. RICK COLLESS: You cannot walk in Western New South Wales.

Ms BARONE: No. I am not suggesting that. What I am saying is that if the inner-city people walk and cycle, then they will not be asking the State Government for money that should be spent in your community. When we have so many people in a dense area, the less they need to use the infrastructure or the infrastructure dollars, the more there is for the people who need it. Do you understand? This kind of infrastructure is cheaper than continuing—anyway, it is not an ideological discussion. I do not want to get into an ideological discussion. We precisely encourage our residents to use less infrastructure and make less demands so that there are the resources.

One of the things that has always upset me about the way that local government has been treated is your exact example. I sometimes feel that the State Government, in a very punitive way, is starving local government to death. I have not used the road example but I have used the bridge example. Sooner or later the bridges will fail, no-one will get their goods to market and someone is going to have to go in and fix it. To not support local government to raise enough money to fix its bridges and to maintain its roads is very poor planning; but it is not the City of Sydney's poor planning. It is poor economic planning and poor relationship with local government that has led to a situation where infrastructure in many cities and many local governments has been run down. Do you understand what I am saying?

The Hon. RICK COLLESS: I understand where you are coming from. There has been an enormous amount of money spent on bridges and roads by this Government in the past six years.

Ms BARONE: Good.

The Hon. RICK COLLESS: But it is about perception. When people who come from those more remote areas come into the larger cities or even into some of the larger country towns and they see the facilities that people who live in those areas have, they ask the question: Why?

Ms BARONE: Yes.

The Hon. RICK COLLESS: I have a unit in Sydney where I stay when Parliament is sitting. It is opposite Sydney Park and I quite often walk in Sydney Park. It is beautiful—there is no doubt about that—but when Sydney city went through the last upgrade of that facility, I could not help but look at the cost of that and think about why \$10 million is being spent here when that money would seal a substantial part of the Cobb Highway and give people in those communities a better quality of life. They have no comprehension of why Sydney people have that.

Ms BARONE: We have so many people in the city. There are a number of things going on here. There is also a desire to build more housing and to get more density. There is a huge push by the Government to do that. If we continue to build housing—and we are doing Green Square, which is probably the densest place in Australia and they need Sydney Park and other parks—and if we do not provide those people with the infrastructure that makes that inner city dense living viable, then people—and they already are—will push back against development and infill and those sorts of things. What stops the pushback, or what helps people accept inner city dense living is—and it is a big and expensive park that serves so many people—is having very high quality public infrastructure. The water recycling program means less stormwater infrastructure and other Sydney Water infrastructure costs. The more we recycle, the more we reticulate and the more we preserve. Do you understand what I am saying?

The Hon. RICK COLLESS: I understand all that.

Ms BARONE: This is the thing about understanding the real costs and benefits. I understand if you just look at it go, "It's not fair. Why do they have this and we have that?" That is why, I guess, we need to explain to our communities what is actually going on. But I do not understand why. As I said, I truly believe that local government should be supported more to be able to have the money for infrastructure because it will impact on our economy if people in your communities cannot get their goods to market. Similarly, it will impact on our economy if tourists do not have lots of things to do in Sydney.

Part of having things like the Eora Journey sculptures is that, as I have always said, if you go to cities like London or New York, you are there for a few days but you wish you were there for a fortnight because you cannot get to all the things that are on. That is what we need people to think about when they come to Sydney: Oh my goodness, I have to come back. I must tell people, "You've got to have more than a week because there is

so much to do", and then there is all the stuff directly outside Sydney which is worth doing too. You also have to keep developing attractions if you want tourism to be viable, and we all also benefit from that.

The CHAIR: In relation to the business community—and you are very good to tell us about consulting with them over light rail—last year before the local government elections I had quite a lot of business people complaining to me about the process for getting onto the electoral role—the eight or nine pages or whatever it was.

Ms BARONE: Yes.

The CHAIR: What was your story there? What was the level of business enrolment in the end? You might have to take that on notice.

Ms BARONE: The level was greatly enhanced. We spend a lot of money reaching out to business, but the process is really cumbersome and we did not write the process. Read the legislation and tell me if you can understand it, because I deal with it all the time and I still find it hard. It is very, very hard to understand. Can I say something more about collaboration?

The CHAIR: Yes, of course.

Ms BARONE: I think that is really the key. I think we have to understand that the more we learn to collaborate, the more we are going to achieve for our wonderful city and State, but it is not something that we do particularly well. I really long for the time when this local government reform is over, because there were so many good things in the local reform package and what was suggested. I am looking forward to when that is over and we can maybe focus on some of those really good suggestions, because the more we build the capacity level—in a lot of areas, and again I am not an expert, there are a lot of communities that really rely on their local government and need their local government to be strong, vital and capable and have the resources to serve them.

The sooner we can get through this phase and really work on some of the other things in the reform package, the better. We need to see local government as an active and capable partner. There is so much capability in local governments around New South Wales—really great people who really believe in their communities, both elected leaders and staff. I do not think we utilise them nearly as much as we could, but it is partly because there is a kind of contemptuousness directed at us. It has got to end for the sake of the economy and the sake of the city and the State.

The Hon. PAUL GREEN: I concur with you: you are absolutely right that there are very capable people across New South Wales who want to do those things. The Hon. Rick Colless had a perception of how it seemed from the bush, but it is not so. You are right that global access is all about Sydney, not New South Wales, and I take that on board. I take up your point around collaboration. For instance, Sydney is the gateway to the Blue Mountains. Does Sydney give some money to tourism in the Blue Mountains, because most people are using the gateway of Sydney to go there? I understand Jenolan Caves needs a \$200 million upgrade. Is Sydney looking to subsidise some of that, with its great vision of collaboration?

The CHAIR: He is always great for a good try.

Ms BARONE: I am not entirely sure that local government can give other local government grants but, having said that—

The Hon. PAUL GREEN: You did say you were doing that with the \$200 million for the light rail—

Ms BARONE: Yes, but that is in our local government area.

The Hon. PAUL GREEN: Yes, but you did say that you are contributing that. It could be seen that it is in one area as opposed to being along the line. There is a bit of cross-subsidisation there.

Ms BARONE: City of Sydney is really just like any other local government. Once the City of Sydney has put in the infrastructure that is required for Green Square, it will be down to its normal reserves, like anyone else. One of the reasons the Green Square urban renewal area is actually proceeding is that the City of Sydney—through mostly developer contributions, but we are putting about 25 per cent of it in ourselves—is putting in all the infrastructure to enable that development to occur. Therefore, it is not an impost on the State. Any other area would be relying on the State for that infrastructure. Because of the value capture schemes and other things that we have put into place, we are generating that money. Much of the money in the accounts is developer contributions that are tied to the building of the roads, the drains, the town centre and the other things that have

to be built so that the development in south Sydney can occur. I think we have been really responsible with the way that we have used Councils money to ensure that housing is built and, therefore, the labour market is supplied with people who live close by and then can work in the city and keep the economy going.

I think if you start thinking that the City of Sydney, which is one of 30 councils in Sydney—about 30, I think now—should start becoming a funding body, that is going a bit far. I think we need to understand priorities as a community and then we need to decide how it is allocated. But, like I said, the more the City of Sydney is independent, the less we have to ask of the State Government's purse and, therefore, hopefully it goes to the areas that need it more.

The CHAIR: Thank you. It has been a very helpful and informative session. I do encourage you, if you have anything else, to put a submission in. We will accept it if it is late.

(The witness withdrew)

CANIO FIERRAVANTI, Director, Government Relations, University of Wollongong, sworn and examined

DAMIEN ISRAEL, Chief Finance Officer, University of Wollongong, sworn and examined

MARK ROBERTS, Senior Manager, Strategic Projects, University of Wollongong, sworn and examined

The CHAIR: Welcome. Would you like to make an opening statement?

Mr ISRAEL: Yes, I am happy to do that. On behalf of our Vice Chancellor, Professor Paul Wellings—

The CHAIR: Give him my regards.

Mr ISRAEL: —we would like to thank you, Chair, and the Committee members for this opportunity to address you. My colleagues and I would be happy to respond to any matters you wish to discuss in relation to our submission and also any of these opening remarks, when the time is right. At the University of Wollongong, or UoW, we believe that this inquiry is timely, given current and emerging trends and issues. The recent acceleration of population growth of the Sydney metropolis, now increasing by nearly 100,000 per annum, is placing increasing pressure on the infrastructure of the metropolis and the provision of affordable housing to ensure sustainable growth over the long term.

The network of cities across Central Eastern New South Wales, comprising Newcastle, Central Coast, Sydney and Wollongong, accounts for over 75 per cent of gross State product and is home to over six million of the now 7.8 million residents of New South Wales. As the United Kingdom-based international expert on city clusters Greg New has identified in recent forums here in Sydney that agglomerations of cities are becoming the major engines of growth and change in the twenty-first century. These agglomerations, such as the Holland cities complex in Europe, typically command a scale of greater than 10 million in population where one or more central cities borrow and extend scale from nearby cities to achieve internationally competitive scale. There are other emerging clusters, including London-South East England, Milan-Turin, Stockholm-Malmo-Copenhagen in Europe, San Francisco-San Jose-Sacramento in the United States, and Hong Kong-Guangzhou-Macau in southern China.

This global trend is at the heart of the new initiative sponsored by the Committee for Sydney, which has established a high-level working group drawing from across Newcastle, the Central Coast, Sydney and Wollongong. Professor Wellings is deputy chair of that group along with Kyle Loades, the NRMA chair. The membership includes universities, peak business and regional development bodies, local government and relevant State agencies such as the New South Wales Department of Planning and Environment and the Greater Sydney Commission. This group is examining how the city regions can be better integrated into the Sydney metropolis with a view to leveraging the global connectivity of Sydney's economy for the broader economic benefit of New South Wales, and providing broader opportunities for affordable housing, aggregating the collective capacity of ports, airports and technology precincts as well as higher education and research institutions. Recently we announced the alliance involving the University of Newcastle, UNSW and the University of Wollongong along those lines. The committee is also looking to provide higher labour mobility and access across this larger geographic market. We think that central to this is the preparation of an overarching plan for the greater metropolitan region of the State through the reconciliation and integration of the newly prepared series of urban and growth infrastructure plans across the network of cities from Newcastle through to Wollongong.

Further underpinning this goal, the University of Wollongong believes the following actions will be crucial: a quantum reduction in travel times between the network cities achieved through upgraded existing rail lines, new dedicated higher speed passenger lines as well as new motorway connections such as SouthConnex and the M9 outer Sydney orbital; targeted investment to support the emergence of higher education campuses and adjoining precincts of State significant enterprise and employment hubs, as is the case in Victoria; supporting universities to develop further links in the school system to address the science, technology engineering and mathematics [STEM] capability and enhance rates of high school completion and transition to higher education; further supporting universities to foster local entrepreneurship, new start-ups, commercial innovation and research translation; and the early success of the university's iAccelerate program, which was supported by the New South Wales Government in its establishment, to highlight the value of these sorts of partnerships; and that the New South Wales Government potentially facilitating access for Wollongong,

Newcastle and the Central Coast to pursue city deals with the Commonwealth Government to maximise their global connectivity and economic transformation in tandem with the Sydney metropolis.

That is the opening statement. We welcome any questions in regard to it and also our submission. Thank you again for the opportunity to be here.

The CHAIR: Thank you, there is a good work going on.

The Hon. MICK VEITCH: Your submission, which is a very good submission, talks about city deals.

Mr ISRAEL: Yes.

The Hon. MICK VEITCH: You are advocating for a city deal for the Illawarra. What is a city deal, how does it work or operate, and how does it interrelate with the plans that are already in place from local and State Government?

Mr ISRAEL: I will ask my colleague Mark Roberts to speak to that.

Mr ROBERTS: The city deals is a program that was initiated by the Department of Prime Minister and Cabinet in the last 12 to 18 months. It is modelled on programs that exist in some other jurisdictions, but most principally the United Kingdom, where there are city deals in place for London connecting to Cambridge, for example, that corridor which picks up Stansted Airport, Birmingham and Manchester. It basically focuses on agreed priorities between all three—in their case two—levels of Government, so in the Australian context the Australian, State and city Government levels, often involving institutions and other peak bodies around priority needs. They might be infrastructure focused, they might be doing some work to further unlock or facilitate new economic opportunities. So far, there are three. One has been one signed off for Launceston, one for Townsville, and there are eight councils involved with the State Government and the Federal Government on negotiating a city deal for a large slice of Western Sydney. My understanding is that that is to be finalised around July/August.

The Hon. MICK VEITCH: I will probably have questions on notice about that. Your submission talks about research and innovation, but particularly you say that New South Wales Government has a vested interest in seeing successful collaboration and commercialisation of research and innovation as a way of driving innovation in regional New South Wales. Is there an issue currently with the commercialisation of research and development, particularly emanating from universities, and how do you see that being improved in future?

Mr ISRAEL: I think there is a recognition that universities need to get closer to industry and engage better with industry. I think that has been a bit of a shortcoming generally across the sector. In Wollongong we have a history of collaboration with the steelworks, and that is where we sprung from. Possibly we are a little better at the industry engagement than other institutions, but there is still a tendency for universities to focus on pure research and not look for the opportunities that industry are seeking, so there is work on the part of the university to improve in that way. I think the collective benefit that we are looking to identify here is the opportunity for the university with its capabilities and research strengths to support industry, becoming more competitive and growing market share and ultimately growing economic output and growing jobs.

Mr ROBERTS: If I may just add to that, for example, one area at the moment that is being looked at is defence industry capability and how universities engage with that. There is a new entity being formed in New South Wales involving five universities, including University of Wollongong, which is just in the set-up phase. It is very much looking to try and model what is probably best practice in the country at the moment in Victoria, where all the major Melbourne universities are working closely with their State development agency and others to collaborate strongly on chasing the opportunities for defence procurement. We are aware there is over \$50 billion of major hardware procurement coming up at the national level that has been announced recently and that flows through a whole myriad of areas through to post-traumatic stress management for returning service people. We do a fair bit of research into that space as well. There is an opportunity there for how universities work together, partner with the State and other relevant agencies to pursue those opportunities on a national basis. I think there is a consensus that we are probably underdone in New South Wales at the moment.

The CHAIR: We might be able to explore that a little bit more next week; this Committee is doing a defence inquiry.

Mr ROBERTS: Yes, we have lodged a submission on that.

The Hon. MICK VEITCH: My last question relates to the knowledge exchange environment and particularly how your university is conducting research and development around the global knowledge economy. How do you see that benefiting regional New South Wales?

Mr ISRAEL: In practice, the way we try to see that is through the development of our innovation campus, for example. We try to showcase some of the breakthroughs in our research and capabilities there, but also engage very closely with industry, and also we have the start-up group through the iAccelerate programs, where we are able to bring new ideas and new product development opportunities for industry to the fore. I think we try to establish the opportunity for new markets and growth around those. Possibly a bigger development that we are in the throes of implementing now is a molecular sciences investment, a major investment in electron microscopy, which will present an opportunity for the Illawarra and for the State, actually.

It is the first in the State and only the second of this type of technology in the country. Essentially, it is a microscope that allows you to look inside human cells and so forth and speed up the diagnostic capability of the likes of the Victor Chang institute and those sorts of people and institutions that are spending months to understand what is going on inside human cells. That sort of investment is transformative in a region like the Illawarra where we are likely to see quite a steady stream of folks coming to visit us and work with that technology and our researchers in that new space.

Mr FIERRAVANTI: If I could just add, there has been some other recent programs that we initiated as part of the State Government's Business Boost Program. We were allocated a million dollars for seed funding over two years to establish what we are calling Advantage SME. That is us recognising and working with local small to medium enterprises [SMEs] within the whole Illawarra region, and providing almost a concierge service for SMEs to engage with the university across all types of activities—whether it be assistance with technical help or access to our students et cetera. We have initiated that program. We think that it is an example of how universities can work at the grass roots in regions, particularly from an industry engagement point of view.

Mr ROBERTS: We will address that and other programs in our submission to the start-ups inquiry, which is coming up.

The Hon. PAUL GREEN: Would that microscope help you to look into the motives of politicians? I guess not; we had better move on. You spoke about transport connectivity in your submission. It says:

Streamlined spatial integration between economic hubs is critical for the efficient movement of goods, services and people in an increasingly globalised economy.

I just want to focus on a couple of my passions, noting that I was a former student of the University of Wollongong. I got my bachelor degree at the wonderful University of Wollongong. I note that in your submission you talk about a 60-minute rail connection. Do you want to speak about the infrastructure strategy and how that affects your overall goals? It is not just about trains. Last week heard about the F6. The Government has put forward a couple of ideas—either going through a national park or removing 450 houses. A lot of people would look at that and make a sudden judgement. How important is that connectivity through the F6 and the 60-minute train trip?

Mr ROBERTS: I think it is very important in the long run. Part of the advice that is coming through Greg New and other experts who were involved in city cluster development planning across the world is that absolutely key to it is unlocking infrastructure and services for the efficient, high-speed movement of goods and people. Damien mentioned earlier the Holland cities complex—Antwerp, Rotterdam, Bruges et cetera. The connection between those cities is now 45 minutes by rail. As it stands at the moment we struggle to get that sort of travel time within Sydney, let alone between cities. We understand and acknowledge that the connectivity between Sydney and the Illawarra is particularly challenging as a result of the escarpment. There has been a lot of work done, over the years, looking at options. There has been a lot of media focus on this, this week. I notice that the *Mercury* has launched a campaign, again, pushing for the 60-minute commute as an issue. That has come up from time to time. Eventually I think there is going to be a need for some quantum leaps in what can be delivered. They are not going to be cheap.

The Hon. PAUL GREEN: Give us an idea what they will be like.

Mr ROBERTS: I know from previous work that there are opportunities on the existing rail line. There are a series of bends south of Waterfall. You could do a new corridor that would cut straight across. That is

inside the national park, so there would be challenges for the government of the day pursuing that. There is also the option of having a third climbing line from the Georges River up to Penshurst, where it goes from three to four lines. There are also options with respect to passing movements. We have single tunnels north from Wollongong.

The Hon. PAUL GREEN: North Wollongong is packed.

Mr ROBERTS: That means freight trains having to stop at slots and such. There is work that our SMART Infrastructure Facility is doing with the Illawarra Business Chamber and other parties to relook at this whole challenge of better connectivity by rail to Sydney. The issue of the Maldon to Dombarton rail line comes up. That has always been envisaged as a freight rail line only. I think some of the work being done is looking at whether there is an opportunity for that, as south-western Sydney grows rapidly and the interconnection between the Illawarra and south-western Sydney economies increases. The Committee might note that we have recently established a campus in south-western Sydney. That may come into play in consideration of future planning, plus it would build in some redundancy around that rail connection through to Wollongong. It has geo-tech challenges. I would hate to see the implications—the economic dislocation it would bring—if we had a major issue on that rail line and it was the only rail line for passenger services.

The Hon. PAUL GREEN: It is a no-brainer, isn't it? Something has to happen with that rail line for the South Coast.

Mr ROBERTS: Noting that whatever solution is found will require big capital investments.

The Hon. PAUL GREEN: I think this Government has addressed some big issues—some big problem solvers. I note that you also have a little campus in Dubai. Is that right?

Mr ISRAEL: That is right.

The Hon. PAUL GREEN: I thought you might want to put that on the record as well as the south-western campus.

Mr ROBERTS: And Hong Kong.

The Hon. RICK COLLESS: Do you want a rail line over there, as well?

The Hon. PAUL GREEN: It was one of your colleagues—the member for Kiama, I think—who went over there and spoke—

The Hon. RICK COLLESS: He is not one of my colleagues; he is a Liberal Party member!

The Hon. PAUL GREEN: I thought you were a coalition.

The Hon. MICK VEITCH: Stay focused.

The Hon. PAUL GREEN: We have talked about rail and the importance of SouthConnex, for economic stimulation. I think the Illawarra Dragons are talking about putting in a centre of excellence at the university. Do you want to give us some insight about how that could stimulate the opportunities that the university is looking to exploit?

The CHAIR: They should not agree to it unless they go back to the six games at WIN Stadium.

Mr ISRAEL: We have a good association with the St George Dragons. We have recently signed a memorandum of understanding to continue that association with them for the next several years. We have been talking with them about a centre of excellence based on the university campus. We think the two organisations coming together creates a great synergy. They are elite footballers who are great role models for us. We visit schools with them in tow, and vice versa. I think we both benefit from those sorts of engagements at the school level. There is also the opportunity for us to work with them through our exercise and science programs in terms of research into elite athlete performance and those sorts of outcomes.

We also run our elite athletes program within the university, and try to provide additional educational pathways and support for players who are probably a bit time constrained with their training obligations and that sort of thing. There are a number of connections in that respect, so we have been talking about whether there is an opportunity for a more formal and significant facility on the campus that would provide them with a centre of excellence training facility but also showcase for our students what that elite athlete environment looks like, and allow the students to rub shoulders with those players. That is something that we have been working through

and exploring. There is a fair cost associated with these things, but it is good to have a plan and a vision, and that is what we are trying to work towards, together.

The Hon. PAUL GREEN: What sort of cost are you thinking?

Mr ISRAEL: Where did we get to with that? It really depends on the size and scale of what is ultimately required. There are some specific requirements that are needed.

The Hon. PAUL GREEN: You could flick through that, and take it on notice.

Mr ISRAEL: Yes. We might take that on notice.

The Hon. PAUL GREEN: I would be interested. It is good for us to know where you are going.

The CHAIR: Just the range.

The Hon. PAUL GREEN: Yes, the range; not specifics.

Mr ISRAEL: If you would not mind, I would like to come back to you on that one.

The Hon. PAUL GREEN: That is okay. Once again, that is a great example of the campus centres of excellence throughout New South Wales. There are couple up here in Sydney. I think Penrith has one. It would be great to have one in the south. These are things that are symbiotic; you do not have to choose one over the other. They work really well together for New South Wales—that was my point.

The Hon. RICK COLLESS: Gentlemen, you mentioned before this concept of the metropolis extending from Newcastle through the Central Coast, Sydney and down to Wollongong. From a regional perspective—particularly a Western New South Wales perspective—most people would see that metropolis operating as a single entity. What is your view of that? The question is: Are Wollongong, Newcastle and the Central Coast all part of that greater Sydney metropolis now? Does it operate as one so that we then look at regional development in areas outside of that?

Mr ROBERTS: We do not see it as part of the Sydney metropolis itself. I think the Illawarra community, much like the Central Coast and Newcastle, has a strong regional and city identity. We see ourselves as part of a network of cities that are in close proximity to Sydney. Because of our close proximity to Sydney, its growth and its opportunities are increasingly influencing the growth and change for Wollongong, the Central Coast and the Hunter, as it does in areas like the Sydney-Canberra corridor, for example. I understand where you are coming from. For some years in the 1990s I worked for the Riverina Regional Development Board, so I am familiar with the old adage common out there that "NSW" is Newcastle, Sydney and Wollongong.

A vibrant statewide economy, a balanced State economy, is important for the health of the State overall. Even though Sydney in particular and, increasingly, areas linked with Sydney such as Newcastle, Wollongong and the Central Coast have new or emerging opportunities linking into the international scene, I think it will be very important that the, shall we say, more rural regions of New South Wales are not left behind. We as the university are active into a lot of regional areas. We do medical training with hubs in Mudgee, Griffith and such, trying to support essential services, in situ training for professionals in those regions so they do not necessarily have to come to Sydney or Wollongong.

We see that as very important for them—staying in those areas. I for one know just how much opportunity there is out in regional New South Wales—you look at the product that comes out of those valleys. Australia is very much, for example, on the cusp of great opportunities in agribusiness with our clean, green production as such. I personally think there are a lot of positives coming for a lot of areas of regional New South Wales. But, necessarily, as was discussed in the session before we took to the table, the provision of infrastructure, facilities and services in those areas is a significant challenge that the government of the day needs to address.

The Hon. RICK COLLESS: Certainly the education facilities in those centres outside of Sydney are also developing. It is not just your university. All the other universities—University of New England [UNE], Charles Sturt University [CSU] and so on—are also providing some very good services which are helping regional communities.

Mr ROBERTS: As we should. We are institutions that have been established in our most fundamental form for public benefit. We are constantly looking at ways we can leverage our programs, our research and our

scale and community engagement for the benefit across as much of the State as we can, because that is the expectation the community of New South Wales should have of us and other universities, because they own us.

The Hon. JOHN GRAHAM: I want to return to the question about industry and university collaboration. You have been up-front about some of the challenges with that. I want to put on the record that I think it is not all on the university side—this is a problem on both sides of that equation—but it is a serious problem. The Government's Jobs for NSW "Jobs for the Future" document states:

Only 4% of our firms actively engage with higher education. By comparison, 48% of larger innovators do so in Sweden, and up to 17% of innovating SMEs do so in the UK and Israel.

That is a massive problem, is it not?

Mr ISRAEL: Certainly we have a lot of catching up to do as far as those comparatives are concerned. We would agree that both parties need to come to a basis of engaging here. It is not entirely the university, but the university with its academics does at times struggle to push out into real world problems.

The Hon. JOHN GRAHAM: It is really the iAccelerate program I am most interested in. How much do you think some of these issues are related to finance? You now have the seed funding that you mention in your submission. To generate this activity and to get these firms to kick off in a region like the Illawarra, how much of a problem is access to finance?

Mr ISRAEL: That is not such an issue for us now with the benefit of our fund being established. But certainly the availability of venture capital funding is still an issue generally within the State relative to some of those comparatives in the likes of Sweden, Tel Aviv and the like where there are obviously much larger pools of funds and greater activity going on. I think we have been pretty successful with the start-up activities in a fairly short space of time.

The Hon. JOHN GRAHAM: Can you give us some examples of where that seed funding is plugging the gap? What things have you been able to do or are you hoping to do?

Mr ISRAEL: What that is doing is helping with the very initial seed funding that is needed to get these entities going. That is what that fund is targeted to do, so it is the first \$50,000 or \$100,000 to get things kicked off. It is that second stage funding that is a bit of a challenge for our start-ups. To be fair, it is still early days for those start-ups and they are probably not in a position necessarily at this stage to move into that second stage of funding anyway, but that will be the challenge that we can see at the moment—moving into that second round of funding.

The Hon. JOHN GRAHAM: So you are really working at the very start of the chain.

Mr ISRAEL: Yes, we are.

The Hon. JOHN GRAHAM: The other thing that this report highlights is that it is some of those later stages getting to scale to really ramp up the jobs, including in regional areas—that funding is a major problem. Even though there is no shortage of money in Australia—our banks are solid and there are plenty of funds under management in superannuation—it is not getting to these firms.

Mr ISRAEL: I would just reiterate that I am not sure that the firms with the iAccelerate are necessarily at that point yet anyway, but I can see that that is likely to be a challenge for us.

Mr ROBERTS: And I think it is recognised—and I have seen various articles and reports in the past saying that Australia has not been at the forefront, I suppose, in the provision of capital once we get past that stage for businesses to truly ramp up to scale. A lot is changing in recent years, considering the policies around provision of capital for businesses in more rural regions of New South Wales and how banks have traditionally rated risk in some of those areas and added 5 per cent or 10 per cent to it. We could never work out why, really. There is always ongoing work about how to get financial institutions to get a grasp of the balance of risk versus opportunity in terms of investing in the growth of businesses in a lot of regional areas.

The Hon. JOHN GRAHAM: One of the things you are bringing to the table with your engagement is really some local knowledge—your assessment of the potential opportunity of these businesses. Is there a way to more formally plug that into the finance system or do you have any views about why that is not happening?

Mr ISRAEL: Part of the issue is just the scale of deal flow that can be created. For the Illawarra, we are not a huge population base, so just the generation of entrepreneurs and so forth in itself is limited by that scale, I suppose. What we are looking to do, through the likes of our alliance with the University of New South

Wales and Newcastle, is to create a greater impact and a greater scale of operation and activity across the three universities. I would also like to put on record our appreciation for the State Government's investment in the Sydney School of Entrepreneurship. Looking at the Stockholm outcome there, it has been a great success. Seeing that activity and engagement across the broader network is helpful. From my perspective, it is about the opportunities that we can try to develop and creating that sense of this network of Sydney, Newcastle and Wollongong becoming an entrepreneurial hub.

Mr ROBERTS: I have always been a big fan of "seeing is believing". We have been involved in various initiatives in the past in trying to get financiers and other decision-makers out of downtown Sydney and Melbourne to see these businesses on the ground, what they are doing and the opportunities that exist. I do not think it has been by design, but the nature of these things is that there has not been strong exposure to or understanding of the reality on the ground. What is not understood often results in them forming a view about higher risk and so on.

The CHAIR: It looks different on the desktop.

Mr ROBERTS: That is right. There are some highly successful international businesses in regional locations that are killing it.

The Hon. JOHN GRAHAM: One of my concerns is that the financial industry itself is about to go through a real change. If anything, we will have less capacity in Australian financial institutions. This problem could get dramatically worse rather than better as some of the global finance firms move into our industry. There is an issue not only about where it is now but also where it could go for these regional businesses.

Mr FIERRAVANTI: One of the other things we did through the iAccelerate program was to work with entrepreneurs and small businesses and assist them with grant applications. There are many grant schemes at all levels of government, but having a small business or entrepreneur get the time to sit down to complete a grant application is an issue. That has been a very effective way for them to tap into the expertise of the university and the network to assist them in accessing grants and financing options.

The CHAIR: This morning we focused on Sydney as a global city and a gateway to rural and regional New South Wales. My perception is that the Illawarra and your university have taken a different course in that you have gone out yourselves to Dubai and Hong Kong to grow alongside Sydney University and have taken some services and jobs. However, it is a slightly different model. Is that the way you see it? Can you describe the relationship?

Mr ISRAEL: Wollongong University does not see itself as able to compete directly with the likes of the University of New South Wales and the University of Sydney, which are very established brands and institutions. We have always been a proactive institution in placing ourselves in markets where there is a value to the organisation over a period; that is, where it can return a dividend to the central Wollongong headquarters and allow us to continue to develop our research capacity and institutional profile. We are putting up our hand rather than staying put in the Illawarra and waiting for the market come to us. That is essentially the attitude that has prevailed. We are reaching into those markets and trying to bring our product to them. The most recent example of that is the establishment of a campus at Liverpool. We can see the opportunity to diversify the provision of higher education in that region. That is the probably the perception and the framework we are working within.

Mr ROBERTS: We are always looking for opportunities for our regional communities to leverage our international connections. The new Deputy Vice-Chancellor, Global Strategy is working on a program around global mobility for our students. We are trying to ramp up the opportunities for students to go to, perhaps, Dubai or Hong Kong to study. These are important opportunities for communities outside of Sydney where that has not traditionally been done. It benefits both our institution and, hopefully, kids in regional New South Wales. It is a great opportunity for them to see and to understand the world and how it works, and to take up other opportunities. They can bring those lessons back to regional communities and hopefully that will flow into the work they are doing in various vocations in the future. That also helps to keep regional communities connected. We have been able to do that without going via Sydney, and that is a very good thing.

The Hon. MICK VEITCH: Your submission states that a large proportion of the student population resides in south-western Sydney, so clearly a campus in Liverpool makes sense. I come from Tumut and Young and I know that a large number of your students come from my part of the State. Can you provide the

Committee with a breakdown of where your students come from? A postcode would be sufficient to give a the Committee a picture of the source of the university's student population.

Mr ROBERTS: We have figures for the number of students from various regions in the State and interstate. We can easily provide that.

The Hon. PAUL GREEN: You have a Shoalhaven campus as well.

The Hon. MICK VEITCH: The honourable member had to mention the Shoalhaven, and I acknowledge that it is important.

The Hon. PAUL GREEN: We have quite a few students there. Strategically placing these institutions in regional areas means that young people stay locally rather than move to Sydney. They will now be able to access a global education. That is a fantastic initiative. Well done.

The Hon. MICK VEITCH: I asked the question because I know that a large number of rural students are more comfortable moving to Wollongong to attend your university rather than to Sydney to attend the University of New South Wales. That lifestyle suits them and they are much more comfortable. It is nice part of the world.

Mr ROBERTS: You will find that many parents think the same way.

Mr FIERRAVANTI: One of the most effective things we did to attract students from regional areas was to guarantee them first-year student accommodation. That has been a very effective mechanism for us because parents know that their children studying in first year at the University of Wollongong have secure accommodation.

The CHAIR: It is an interesting issue. The last thing you want with a global city idea is that it sucks dry and kills everything else.

Mr ROBERTS: I think that is at the heart of the Committee's work—that is, getting the best of both worlds. How do we get synergies in having positive forces in the regions and not simply negative flows of capital, people and so on to metropolitan areas. It is not necessarily easy, but it is important.

The CHAIR: Thank you for contributing to the inquiry.

(The witnesses withdrew)

(Luncheon adjournment)

BOB HAWES, Chief Executive Officer, Hunter Business Chamber, sworn and examined

RICHARD ANICICH, Board Director, Hunter Business Chamber, sworn and examined

The CHAIR: Would either of you like to make an opening statement?

Mr HAWES: Thank you very much for the opportunity and thank you to the Government for choosing to raise this important subject in the manner of an inquiry. I would like to point out that not only our submission but that of others, from what we have seen, recognise the significance and context of Newcastle and the Hunter region to contribute to and benefit from a coordinated strategic planning to maximise the benefits and seek to minimise the negative impacts that could arise from the growth of Sydney in its global context. We do note, however, that the New South Wales Government in its Regional NSW Department of Premier and Cabinet submission has not included the Hunter in its regional analysis and from that point of view we are a little bit disappointed. However, the flaw, we believe, is common and this whole question of what is regional often comes up.

From our point of view, the context that the Hunter is somehow not regional perhaps picks up from the labelling of the region as a consequence of some of the characteristics that its capital, Newcastle, does have. But from our point of view, Newcastle is not part of Sydney and there is currently little aspiration within the Hunter for that to change in the short to medium term. Our geographical and economic limitations will prevent this from occurring, noting about 6 per cent of our workforce leaves the region beyond its borders to workplaces compared to over 20 per cent—24 per cent—for the Illawarra and 23.2 per cent for the Central Coast. Interestingly, data suggests that over 10,000 of the 31,000 that leave the Central Coast actually turn right at the M1 instead of left and travel north and Newcastle is, in that context, to be considered as a viable alternative for all those families that suffer as a consequence of the Sydney commuter part of their daily grind.

It is also interesting to note that renowned social commentator and urban demographer Bernard Salt recently observed that Newcastle should give hope to other regionally based manufacturing cities such as Geelong, Wollongong, Townsville and perhaps even Whyalla and the Latrobe Valley in the context of reimagining and reinventing itself, and that is certainly an opportunity for the Government to showcase what Newcastle has done. Our existing global links and, arguably, sectors that provide the best opportunities should enhance regional development and complement pulses of a global Sydney. In this context we note that Newcastle will become Australia's newest United Nations city and a training hub for our Asia-Pacific region following a UN decision to locate an international training centre at the University of Newcastle. Our port, the airport, the equine and agricultural industries that have links internationally, the defence industry and the extensive research facilities including the Hunter Medical Research Institute, the Newcastle Institute for Energy and Research and the CSIRO are all based in the region and, as well as our green shoots innovation, mark us well.

In addition to the recommendations and things that were embedded in our submission, we wanted to quickly offer and provide some additional thoughts and we will provide these to the Committee formally in due course. Firstly, that the Government fully support Newcastle airport in its endeavours to secure services to an Asian hub for international services to Newcastle. We note that Newcastle airport, in the immediate sense the Government could assist in two ways: firstly, helping them to build this expansion to its existing terminal as a stage 3, and we note that the Government has already provided, through the Hunter Infrastructure and Investment Fund and other vehicles, funds to allow the airport to expand to its current capability; secondly, that they could provide strong financial support behind the Newcastle airport in getting international services—for example, to Auckland and Singapore. It is noted that the Queensland Government do just that, where recent press announced that the Government offers support in a financial sense by way of guarantee to allow airports to bid for those services.

Secondly, that the Government commit to reviewing the three ports strategy and other constraints, with a view to freeing up the Newcastle port, given its potential to build on its existing capacity as an international gateway, and fulfil our ambitions to diversify port trade. That would include the consideration of the potential of the port to play a role in defence with naval capability to complement the existing air force and army capability in the region. Thirdly, the Government immediately lead and support initiatives reflective of Infrastructure Australia's priority to investigate options for rail upgrades between Sydney and Newcastle to improve commuter and business connections. Fourthly, that the Government instruct the Department of Planning and Environment to undertake a review and make recommendations on addressing land use controls that will facilitate the

development of more hotel capacity across major markets, including Sydney and Newcastle, where it is known that the issues concerned with land values are constraining hotel development in deference to residential and commercial development. That would certainly assist the point about the airport where we are trying to provoke and initiate changes in the visitor economy.

Fifthly, that the Government review the system of infrastructure and capital fund allocation based on a benefit-cost ratio analysis. Currently, regional projects often have to compete with funds for metropolitan projects which have far greater benefit-cost ratios [BCRs]. Legislative requirements exist in relation to the Restart Fund whereby to qualify, projects must have a BCR of one or greater. This analysis ignores the relative significance of projects on a comparison basis, particularly where there might be a significant project in a small regional town where they are not able to cope and get to the BCR of one to qualify.

Sixthly, we believe the Government should reinstate the Hunter Infrastructure Investment Fund or at least consider a mechanism similar to the concept that was used in the Hunter whereby they were able to assess, deliver and initiate projects and recommendations to Government on the basis of competing priorities for infrastructure where they occur. This is not necessarily something that would be fit for all regions, where perhaps some areas there are only one or two things that require addressing, but in the Hunter, where there is a magnitude of possibilities, this has been a very successful model and was able to make recommendations to Government to distribute funds in a wide range of infrastructure classes across the entire region. Thank you for the opportunity.

The Hon. MICK VEITCH: I just want to explore a bit further your statements around the BCR. I was recently up in Muswellbrook and the Muswellbrook council spoke to me about the bypass and whether it is or is not going to be constructed, but we dwelt a fair bit upon BCR and the need to get to one. What is your understanding of what goes into that equation and why is it that regional projects tend to not meet the BCR of one to get the tick-off?

Mr HAWES: In road projects it is a little bit more transparent than it is with some other classes of social infrastructure and economic infrastructure, but for that road there would be an assessment of social benefit—in other words, the additional amenity that would be attributed to Muswellbrook as a consequence of the road going around instead of through the town. But the important kicker in road projects is travel times from a freight task viewpoint particularly—that gets you big points—and also accident prevention. The further you get away from areas where the traffic is heavy, the accident gets big points quickly, but if the area has not got a high accident record it is then relying on the freight and the other amenities. In the case of Muswellbrook, the other big issue is the actual cost. They are not just doing a little loop around the town, it is quite a significant diversion; so the estimated capital cost for that is quite significant. Unless they can break it up into stages or, through the effluxion of time, see more issues build up in relation to freight and, dare I say it, a worsening accident record, there is little opportunity for that project to get up to the required BCR for either the State or the Federal government to have it put through the gate, as we understand it.

The Hon. MICK VEITCH: So is freight weighted more heavily than tourism traffic?

Mr HAWES: My understanding is it is, yes, particularly with the New England Highway, which is considered, in the national freight context, as one of the routes to an alternative to get up to New England and back into the back end of Brisbane and the south east Queensland economy.

Mr ANICICH: If you are focusing on the Hunter Region, the other bypass issue is with Singleton as well. There is no doubt that the investment in the Hunter Expressway, by both State and Federal, has been a significant boost to the region, and potentially into the future, because it has provided access to potentially large-scale industrial development land, particularly around the old Hydro site at Kurri Kurri. The problem with a development like that is that you are often just moving the bottleneck further down the road. Singleton is becoming very congested as traffic comes off the Hunter Expressway and then tries to get through the town. You have got all those sorts of problems, and the issue then of how you achieve the BCR of one or one plus, and when you are juggling priorities between major road projects. So in the metro area, where it may be easier—not always but it may be easier to achieve that ratio—I think you cannot lose sight of the benefits, for a whole range of reasons, for similar sorts of projects in the regional areas as well.

The Hon. MICK VEITCH: Interesting that you mentioned benefits. I want to pick up on that. This morning we were talking to the State Government people about benefits and the benefit cost ratio. What do they measure in the word "benefit"? What are the broader benefits? The Hon. Rick Colless spoke about social

benefits and whether they get picked up in the equation. Can I get your views about the BCR? Does it need tweaking for regional New South Wales to get some of those projects up and away?

Mr HAWES: It seems like it does. Especially if you are doing legislative things through Restart, Treasury have a set of guidance notes that need to be followed. I suspect that is a constraint for being a little more lateral in how Government might approach or allow applicants to approach those funding sources when they become available. You can look at the timing, so you can pick up those social issues, but they are, as I say, harder to quantify. I have seen them done before where you have got all of the things up the top, particularly with road projects, and then they will put in something down the bottom called "other benefits" or something else, and it will be this magic number. Then that ends up being the focus of the analysis—to understand what has gone in there and why, to see if the project stacks up.

I think there are some real cost issues here, if that is the right description, whereby looking at a project like those bypasses, where they are just singularly to do with one particular community, and the enormous difference that they can make. If you go and look at what the Hunter Expressway has done, for example, that would have struggled under its original thing when the cost blew out to \$1.7 billion from the \$400 million that was originally estimated. I am sure it would have struggled. But the difference that has made to Maitland and those communities in between is nothing short of phenomenal. I do not know how that real cost comes into it and those other social benefits, but it is a real issue when regional areas have to compete not only with that but also with other projects of a similar nature.

The Hon. RICK COLLESS: The Hunter Expressway is a good example. I also understand that it probably would not meet the requirements. When you look at the benefits that are occurring from that now, is there any way you can go back and measure that, particularly the social benefits? As you say, the difference that it has made to towns like Kurri and Maitland and so on is enormous for the lesser amount of through traffic that is going through those towns. How can we do that? Can we look back where there has been a benefit accrued post the construction of the infrastructure and then apply that, say, to the Singleton and Muswellbrook bypasses?

Mr HAWES: I am sure there would be lessons learned, and just the fact that, particularly through that Maitland trawl, a lot of people who would have been commuting to Newcastle, and continue to do so, that whole thing around the social fabric of those communities, where they have cut their travelling time by half an hour or an hour each day, or whatever it is. It has got to mean something. When the Hunter Expressway was put in, part of the issue was that it was basically a transport route; it was not designed to open up or service new development areas. It was there for a reason, in terms of that freight task. So some of the land that it goes through is not going to be immediately benefited it is not infrastructure rich. There are not abundant opportunities around it that are currently obvious. There is some work to be done that would then accrue additional benefit. But I think, yes, absolutely, that work could be done and it could inform some of the additional analysis and show it up to be better than what people thought.

Mr ANICICH: There is a lot of focus today, from this Government and elsewhere, on housing affordability. The travel time from Newcastle to Singleton now is 55 minutes on the Hunter Expressway, compared to probably an hour and a half prior to that. There are a lot of people who are commuting from Singleton and areas south of that to Newcastle for work, and students commuting to the university. So not only is it making the quality of life better for those people with shorter travelling times, but, also, it is enabling people to live in and build communities in those regions as well, at a more affordable cost. I know a lot of the housing affordability focus is, quite rightly, on Sydney, but Newcastle also has reasonably expensive real estate in parts. So creating, through those sorts of infrastructure projects, the ability to live a little bit beyond and build communities throughout the whole Hunter region is also a benefit.

The Hon. MICK VEITCH: Can I go to regional infrastructure boards? In your submission you talk about the Hunter infrastructure board that was put in place. What are the benefits—the pros and cons—and if you had your "others", what would you do differently around the Hunter infrastructure board?

Mr HAWES: Can I just say that I used to be the general manager of the Hunter Development Corporation, and, as such, I was an ex officio member of the HIIIF, but, also, as a consequence of that position—

The CHAIR: You had a joyous time in the media.

The Hon. MICK VEITCH: For Hansard, HIIIF stands for?

Mr HAWES: The Hunter Infrastructure and Investment Fund. We administered and ran the funding rounds for the organisation. Richard can certainly give a broader observation, and I can offer any detail, but in

opening I would say that we are not suggesting that HIIF be re-established to give money and say, "Go off and do with it." What we are suggesting is that often the difficulties coming back to the BCR and other things are the issues that communities and Government face in comparing different forms of infrastructure and trying to prioritise them—comparing a road to a hospital or comparing a school to a water main. Which one is more important, in terms of what goes first if you have a number of them?

If you have got a town where they only want a bridge or they just want one school or something else it is not so apparent. But in areas like the Hunter Region, where you have got tensions across the upper Hunter and the lower Hunter and tensions across different government areas of responsibility and different portfolios, the HIIF offers a great opportunity for a group of people who are locally based, and they can be all sorts of mix, to offer recommendations—not to make the decisions, but to be able to offer recommendations and insight to Government on the basis of whether those BCRs should be the thing or whether other things comes into it. From that point of view, we think it is a very good working example of how it takes that focus or that pressure off government in those situations.

Mr ANICICH: If you look at the range of projects that were funded through the HIIF fund, some of which are set out on page 11 of the submission, you will see that it is a wide range of projects, from significant hard infrastructure, if I can use that term, to social infrastructure as well. The fund was established shortly after the 2011 State election, with an initial amount of \$350 million. That was supplemented by further grants during that period, but that is not so much the point. The point is that it is a structure or a model—a bit like a mini Infrastructure NSW, a regionalised Infrastructure NSW—where you have a bipartisan body of people in that community to take the politics out of the infrastructure decision as well who are based in the region, hopefully understand the region. It is not just Newcastle: Those projects, you will see, range from the Lake Macquarie area to the Upper Hunter as well. You have a body of people who understand the region, understand what some of the priorities might be and effectively filter a wide range of applications. For example, the last round which was announced about 12 months ago of seven or eight projects, I think—

Mr HAWES: Seventy or 80 million, yes.

Mr ANICICH: —\$70 million or \$80 million—was filtered down from something like 50 or 60 applications, as I understand it. Some of those no doubt were very worthy projects as well, but there is only so much money to go around. Our submission is that it is a very good mechanism for a region like this with a multitude of different needs, from social to hard infrastructure, and to establish a local body that can filter through all that and make a bipartisan recommendation to the Government, and that is where the final decision is made.

The Hon. JOHN GRAHAM: I would like some more detail on a couple of your last comments. Firstly, about the airport, you mentioned a Queensland Government guarantee that might be relevant. Could you give us a little more detail on how that has worked in Queensland?

Mr HAWES: I have some links that I can provide to the Committee. There is some information or a statement that only last week or so the Queensland State Government there has provided. It seems like it is by way of a background guarantee to some of the smaller airports—similar to Newcastle where they have their own board and fiduciary set-up—that where they go out and bid for these routes they need to have, I guess, by way of a bank guarantee or something on their balance sheet to support what they are doing going forwards. The Government, from what we gather, is not actually providing the funds; it is providing a backup if things do not go to plan. I think if we give you the links that will provide more detail on how that mechanism works in case we have got it wrong.

The Hon. JOHN GRAHAM: That would be useful. Clearly that is one of the useful pieces of infrastructure that could be transformative in the region. You also talked about the port and its potential. Can you give us some more detail on your thoughts about that?

Mr HAWES: The three ports policy has a long history to it. Richard knows a lot of that better than I do. It is structured that Newcastle is well and truly identified as having this capacity and capability as a whole port, as the biggest coal-exporting port in the world, but it has ambition well beyond that. It has an ambition to diversify the trade. As we understand it, whilst there are land use controls around that that relate to zoning and so forth, there is a structure about how that is worked between Sydney and Port Kembla. It is not a free and open market from that point of view—and some of this also relates to the issues that came out in the lease of the port in Newcastle, and there were apparent constraints on it to go out and do what it likes in terms of container trade,

for example. We believe it is timely that these things be looked at so that the ambition for Newcastle is not constrained to the extent that other factors beyond its control are holding back the State.

The Hon. JOHN GRAHAM: That container trade issue is important to Newcastle and the Hunter but also the whole north-west of the State from an economic development point of view. To what extent do you believe the potential of the port—those aspirations you have just talked about—can be met regardless of the constraints that are on the port at the moment? Is it possible to do it within the existing framework, or does it involve looking hard at what those constraints might be?

Mr HAWES: I think there are constraints across the commercial framework as well and potentially across the three-port framework. There is not one single issue. Certainly there is capacity for the port, across grain and other resources and other measures for importing, and it has taken steps to do that. But the container issue is something that has been pointed out in a number of different forums for some time, and we are not privy to the detail of how that operates.

Mr ANICICH: The lease arrangements are not public knowledge, so we do not know. There has been a lot of debate in Parliament as well, I think, about that, and in the media. It may be helpful to understand what that issue is, but there is no doubt the port has the capacity. For example, I have here a document: The Port of Newcastle recently made an unsolicited proposal to potential business to operate through the port and it talks about approximately 200 hectares of vacant portside land ideally placed for this particular development. We were discussing this before and we understood it was more than 200 hectares, but there is very significant land there which can be developed in a variety of ways. I do not think the port or the region is talking about developing a container terminal like Port Botany—in 50 years time that may well be the case—but there is certainly an opportunity for attracting the trade as well if the facilities are there with the scope and the ability to start to upscale container traffic through the Port of Newcastle.

You mentioned the north-west and, yes, there is certainly a market there for bulk containerisation of agricultural products from the north-west through the Port of Newcastle, which might otherwise be going to Brisbane at the moment. If the inland rail proceeds as planned, that potentially opens up greater opportunities. My understanding is that there is a small piece of a connection between the proposed route of the inland rail to the Hunter rail network around Narrabri—not a large cost in the terms of the overall scheme of things, providing that connection is factored into the development, which we understand it will be. That opens up the rail access to the Port of Newcastle beyond just that north-west region.

The Hon. JOHN GRAHAM: It is potentially a major development—

Mr HAWES: Yes.

Mr ANICICH: It is a critical major future development for the State of New South Wales, because we are competing for the shipping trade with Brisbane. That has got to be a long-term benefit for—

The Hon. JOHN GRAHAM: But without those documents being published, it is difficult to say what the real implications will be for the Port of Newcastle, isn't it?

Mr HAWES: To turn it around the other way, what we are concerned about is if there are physical constraints on Port Kembla—and we know the Government has committed large amounts of funds to do works in Port Kembla at the moment—and there are physical constraints on Sydney that limit the ability to trade, but then Newcastle cannot pick it up because of commercial constraints and it goes to another State, it would seem a bit odd. If everyone has got physical trade constraints or whatever they are, those uninhibited trade constraints, about being able to do that, that is perhaps a thing of the market, but we are concerned about as a region that capacity for the port to grow if they are doing it with one hand tied behind their back.

The Hon. RICK COLLESS: That rail link to Narrabri exists currently, doesn't it?

Mr ANICICH: I maybe not quite right on this but my understanding is that within where the rail route is currently planned there is a small connection point of 10 or 20 kilometres or something like that which may be required to link the Hunter network to the inland rail route. I may be wrong on that but, as I understand it from people at the Australian Rail Track Corporation, they are aware of that issue and that is certainly in the planning—

The Hon. RICK COLLESS: Is the Murrurundi tunnel a constraint?

Mr ANICICH: The Ardglenn tunnel?

The Hon. RICK COLLESS: Yes.

Mr ANICICH: That has been something debated for decades. Yes, it is talked about as a constraint because of the gradient up over the Murrurundi Range. There has been talk of putting a tunnel through there for decades. Apparently there is a huge cost involved in that.

Mr HAWES: They did go through some options a few years back and there was commitment for funds, but it was virtually to fix what was currently there, not to go with—

The Hon. RICK COLLESS: Not to build a new tunnel.

Mr HAWES: —or to allow double-stacked containers and that sort of thing, if that ever became an issue or a possibility as a consequence of the inland rail and getting into Newcastle. They went with the option to fix basically what was there, which was also the least cost option at the time, in my understanding. I do not know where that work is up to. It is still, from memory, in excess of \$200 million. It was a fair bit of money.

Mr ANICICH: Just picking up on connectivity to the port and two other infrastructure projects that we mention in our submission which we think are relevant to that—and they are both already on the State planning horizon because they have been given some funding in last year's State budget for preliminary works—is the Fassifern to Hexham freight bypass, which has multiple benefits not only for freight in and out of the port but also freeing up some part of the passenger network as well—we talked about accessibility through the passenger network—and the other is the road connection from the existing M1 to the Pacific Highway at Raymond Terrace, providing additional works are then done for the access across Cabbage Tree Road and Tomago Road to the airport, which will be a huge benefit to the airport, then down on to Nelson Bay Road to Kooragang Island, which also has huge potential benefit to opening up better access to the port as well.

The Hon. JOHN GRAHAM: One issue that is not in your submission but we were talking about earlier in the day is the NBN. Obviously as another connectivity path it is fundamental to the development of the Hunter, as it is elsewhere. Do you have any views of what would be of interest to the Committee about the rollout or where that fits in your view of the region or what it means to the region's potential?

Mr HAWES: The Hunter Business Chamber is the regional chamber for the Hunter region. There are 30 or so local chambers in the region. We did a survey of those chambers in the last month, and the second or the two top qualifying issues were the digital economy and the NBN rollout. What we understand from our research is that in some areas the Hunter has been extremely slow. There is certainly interest in having this connectivity and this new form of communication built in, but it is not happening fast enough. The other thing is that there is a learning curve for communities about the NBN—the cost and all those things so far as businesses are concerned.

It was pointed out to us that that area is confusing, how it is to be rolled out and how it manifests, particularly given the Hunter was reasonably well off under the old style. There is a spine of fibre that followed the M1 or F3, but it was not able to be utilised by the communities around it, and now the NBN is the big thing, and so we are starting again. Certainly for innovation and a lot of the research organisations that we have in the region, and it was not that long ago—there are a lot of businesses that are defence-based around the airport; BAE Systems has a big facility up there—a lot of the consultants that hang off that could not operate out of there. They had to come back to the Newcastle central business district [CBD] because there was not sufficient broadband capacity or services in the areas that they wanted to locate as a consequence of the slowness of the rollout. It is changing, but I do not have a detailed answer. I can certainly get some more information back to you.

The Hon. JOHN GRAHAM: That would be useful.

The Hon. PAUL GREEN: On the back of that, I am starting to get representations from regional areas that even if they have NBN, if something goes wrong with a business, it is terribly hard to get someone to maintain it, so they cannot get their business up and running for weeks, potentially, because there are not enough technicians. Have you found that, or could you take that on notice and get some feedback? It is a great concern if we are unable to maintain the service, especially in regional areas.

Mr ANICICH: I am certainly aware of one business that I deal with in the Newcastle CBD that recently clicked over to the NBN. It had been offline for three or four weeks with completely no service at all. There was no access to anyone trying to resolve the problem.

The Hon. MICK VEITCH: Is that because they were transitioning to the NBN?

Mr ANICICH: No, they had moved across to the NBN. I am not sure exactly what went wrong, but their whole service was completely offline.

The Hon. PAUL GREEN: I had a representation recently from a business that was told it needed an aerial NBN technician. Apparently there are only two in New South Wales. They waited, but in the meantime they were missing out on business. Finally, they were able to get someone to them and then they were told they did not need an aerial technician. There is a lack of knowledge in the industry about who is needed for what. I must put on the record that for two years I have been trying to get NBN to my place. There is a lack of knowledge and understanding of how it works and how it is meant to work and the technology that is needed. I can see why it is costing a lot of money. If my experience was that of a business, it is enough to put a business under. I have had the ability to work around it, but many businesses do not. It is a great concern, so I would love that feedback if you have it.

Mr HAWES: If you are interested, we went through rank, priority, advocacy and policy or project issues that those regional chambers thought of, and there is a mix of them across the Hunter. I will give you the feedback of those if it is of any use.

The Hon. PAUL GREEN: That would be useful.

Mr HAWES: The visitor economy was first and then the digital economy, including NBN, was a clear second.

The CHAIR: We have seen a few different themes emerge today, starting with Sydney developing as a global city, gateway to Australia, gateway to New South Wales, bringing in tourism and opportunities and intellectual technology and that sort of stuff. In the western regional area there is a view that direct benefits can flow through that connection. We heard from the Illawarra this morning and they had a slightly different take on it. Certainly they were large enough and strong enough to be developing by themselves but in conjunction with Sydney. Newcastle seems to be more of that theme. You have got your own capacity to develop but it is more a question of how you link into Sydney and work together or compete. Is that your view of the relationship and what the opportunities are?

Mr HAWES: Yes, I think that is more than a fair observation.

Mr ANICICH: I do not think it is necessarily a matter of competing, but it is a matter of collaborating for the benefit of both. I have read the Illawarra Business Chamber submission. I found it interesting that they describe themselves as being an extension of Sydney, and the "region is becoming increasingly integrated with the Sydney CBD and the Greater Sydney area". We and I think it is fair to say that people see the Hunter as different to that, as compared to the Illawarra and the Central Coast. Geographically the Hunter is sufficiently distant to have a different identity and different opportunities, but that is not to say that what is good for one is good for the other.

I know this Committee has the upcoming inquiry in relation to the defence industry, and we will make submissions about that as well. What we have been doing in the Hunter through the business chamber and other stakeholders over a number of years now is trying to drive solutions or some advocacy at a State level, which I describe as Hunter-based solutions for the benefit of New South Wales and Australia. It is not a matter of competing. We have the ability to do things, and the Hunter is often a testing ground—as it has been for the NDIS, for example—for rolling out new ideas and new concepts. It is terrific, but we do not see ourselves going back to the 1960s where we are talking about the new State movement and Newcastle being the capital of the new State of the north-east.

The Hon. MICK VEITCH: You are not flagging that?

Mr ANICICH: No, I am not flagging that.

The Hon. MICK VEITCH: I just want to be clear.

Mr HAWES: It was not in the recommendations.

The CHAIR: You refer in your submission to a study on magnet cities. Are you hinting that Newcastle is a good example of a magnet city?

Mr HAWES: It is certainly one that has the bones to emerge as such. I referred to the research institutes, for example, which are world renowned—CSIRO and particularly the Hunter Medical Research Institute and what it has been able to do—but a lot of the work we are doing in the innovation space is getting a

lot of attention from other communities, which the magnet city draws on. It is not a case study about major capitals in big countries. It is the second tier city and what they can do to improve their capability and capacity to do their own thing. The umbilical cord between Sydney and Newcastle is nothing like it is between Sydney and the Central Coast, or Sydney and Illawarra, or Blue Mountains. That 100-kilometre zone is a fuzzy line that rules things in and out based on distance. Part of the attraction of Newcastle is that we have to get on and deal with it, but we have to work with the others, as Richard said, to be effective.

Mr ANICICH: That KPMG report came to light a year or two ago when the university invited the authors of that report to a conference at the university to talk about that and about Newcastle's roles and opportunities. That case study deals with cities like Bilbao, Denver, Malmo in Sweden. Malmo was an interesting comparison with Newcastle, emerging out of the industrial time. Another was Pittsburgh, which has reinvented itself since the 1980s as the steel industry declined in the United States, and is now the leading centre of medical research and other innovation. This report was presented to the people in Newcastle as a thought leadership piece as to what Newcastle could be like. There are a lot of lessons from that.

The Hon. RICK COLLESS: We have heard a lot about Newcastle and the surrounding districts. What about some of the smaller centres in the Hunter? What sorts of programs have you got in place to help them develop economically? I am talking about Murrurundi, Merriwa and those sorts of places.

Mr HAWES: There are a lot of local issues for a lot of those towns. Scone is going through it at the moment with the bypass going in and the issue with the rail line that got funded. They see that as one thing which has been ticked off, but what about the main street? As a regional chamber we try to focus on the regional and sub-regional issues—the big things that move things around the region and make the region work. We certainly rely on any issues being brought forward at the local and district level that a lot of other areas have. They are in accord with what we are talking about but there is a second or third tier—Sydney, Newcastle and then down to another level. That comes back to the first part of the discussion; it is about motivating and activating investment around relatively small pieces of infrastructure and project work and whatever, which can make a very big difference in some of those small townships.

The CHAIR: Thank you for your time and for your submission. It was very thoughtful and very useful.

(The witnesses withdrew)

THERESE O'DWYER, Senior Policy and Projects Manager, Regional Development Australia–Sydney, sworn and examined

BOB GERMAINE, Executive Officer, Regional Development Australia–Sydney, sworn and examined

The CHAIR: Would you like to make an opening statement?

Mr GERMAINE: Some may not be aware that Regional Development Australia organisations or RDAs were formed in 2009 as a Council of Australian Governments initiative of the Federal Government and the New South Wales Government. There are 14 in New South Wales. In Sydney we now represent 35 local governments. Basically, we do things through facilitating and through being a catalyst—looking at issues jointly with a whole range of stakeholders, extensive networks of government agencies, industry associations, research and education institutions, community groups and others. We have 13 members on our committee, which are appointed by the Federal Government and the State Government. We represent the secretariat that does most of the work on their behalf.

We strongly support Infrastructure NSW's State Infrastructure Strategy 2014, where it highlights that the development and future prosperity of regional New South Wales and metropolitan New South Wales is firmly interlinked. That is a point that we want to emphasise. We believe that efficiently operated and developed metropolitan infrastructure is as vital to the regional prosperity and lifestyle as specific and focused regional projects. Each cannot be considered in isolation from the other. There is a link both ways. That is why we advocate that policy acknowledges the need for urban and non-urban areas to learn from and leverage off each other, and that a whole-of-State approach is taken, rather compartmentalising strategies, solutions and policies. A lot of the work we do looks at global megatrends. It shows that what we buy, how we buy, and how we connect are providing more opportunities through increased customer demand, rapid technological change and increased international trade. Whether we like it or not we are in the same ballpark globally—as against individually. This impacts on how we live, learn and work; how we move around; and how we use our resources. We are foreshadowing the need to work together.

As a global city, Sydney has the population, infrastructure and economic diversity to attract international companies such as Google, Amazon and Atlassian. Those companies are attracted to Sydney but also to Australia, through Sydney—and through Sydney to the regions. Regional centres can access the expertise attracted to the global city to develop their own innovative ecosystems. As the nature of how people work changes and the cost of housing rises, we anticipate that there will be a movement of talented people to the regions. We already see this in a lot in the people that we talk to. In many cases they are making lifestyle choices to move to regional centres, although in many cases they have learnt their craft, their trades and their contacts through the global cities.

We also need to see that education and access to education, whether it is in the cities or in the regions, is imperative to the future of our cities and our regions. Developing human capital, flexibility, adaptation and accessibility, we must have Sydney being strong but we must translate that by having that accessibility and all those attributes in the regions. The last point I would like to make is that transport infrastructure is imperative for international trade and trade within the Australian economy. It is really imperative. We believe that west to east and east to west is imperative all down the coast of New South Wales. We are not saying everything should come through Sydney at all. What we are saying is that it is imperative to get efficient systems so that people from the west can get access to the east in terms of our infrastructure, be it airports and/or ports. Thank you very much for that opportunity to open.

The Hon. MICK VEITCH: I want to explore a bit further the role of RDAs now. The original concept and role has changed since 2009. Our terms of reference are essentially about leveraging regional New South Wales economies off the global city. What role do the RDAs have in that now and into the future?

Mr GERMAINE: We did have what we called a Regional Development Australia Council in New South Wales. We still do. We attend, as do the other 14, as a group. At those group meetings we do discuss the economy of New South Wales as a whole and the part that Sydney can play within that group. So each to each other we do discuss broad issues. Communication, infrastructure, transport, innovation and education are all things that are constantly discussed in terms of the fact that they are important to them and they are important to us.

Ms O'DWYER: We also work across regions as well. We have worked with Sustainable Economic Growth for Regional Australia [SEGRA], for example, in looking at alternative funding arrangements on a State base—non-metropolitan.

Mr GERMAINE: SEGRA is a national organisation which runs conferences on regional growth Australia wide. Kate Charters is the chief executive officer of that organisation.

Ms O'DWYER: Also we have done cross-regional projects around social procurement. We have formed partnerships and funding arrangements as well for developing guidelines on social procurement for New South Wales. Also on the defence side of things we have done quite a bit across the regions. That is mainly because we may have some resources that can be accessed and developed to create something that has a fairly reasonable impact. Certainly around defence industries we have a New South Wales focus, really.

Mr GERMAINE: We initiated a thing called the Sydney Aerospace Defence Interest Group [SADIG]. The website is *sadig.org.au*. For an example, as Ms O'Dwyer said, we formed that about six years ago. That now is an absolutely critical ally to the State Government with regard to pulling together a group of all the aerospace interest groups in Sydney and not only in Sydney but also in New South Wales. We do work with Tamworth, Shoalhaven and the Hunter. Each of those are interwoven in things such as skills, supply chain issues, major projects and so on. They come together with a lot of activities but the whole point is that every time we do things with SADIG we encourage participation from the regions.

The Hon. MICK VEITCH: This morning we were exploring with the State Government officials the benefit-cost ratio and the cost-benefit analysis on projects and how in regional New South Wales there seems to be a stumbling block to getting some projects up and running whereas in Sydney that does not seem to be the case. What is your view on the BCR, for instance, and its impact on whether or not projects will get up and be funded?

Mr GERMAINE: As Ms O'Dwyer said, we were very concerned, as SEGRA were generally—this is a national issue with regard to regions—about getting funding for projects nationally. We were looking at crowd funding. We were looking at venture capital. We were looking at what does not work and what does work. At the behest of them and several others, we pulled together a bit of a think tank in Sydney with a wholesale investor, with a whole lot of venture capitals. We had a lot of people who were very experienced in doing start-ups. The think tank also looked at what worked and what did not work.

One of the things that was seen as critical was that when someone gets an inspiration and at the point in time they might have the idea, along the journey from that embryonic idea to the thing where it is finally happening, you need certain people to be involved in the skills as well as the funding along that journey. In Sydney it is a lot easier to find those right people to be part of the project along that part of the journey. But one of the things we talked a lot about was what you need to do to ensure you get better access to those sorts of people possibly remotely—because they do not necessarily have to be right there. It was about people in the regions being aware that they can access that sort of assistance. That was the learning for me. Ms O'Dwyer, you were there. Is there anything else you would like to add?

Ms O'DWYER: No.

The Hon. RICK COLLESS: In your submission you focus on growth around the proposed Western Sydney Airport. How do you see that regional areas in New South Wales are going to benefit from that airport?

Mr GERMAINE: Firstly, with the work that we did and the work that we researched from Austrade and several other international organisations about the market in India and China, if they are right, there is an enormous opportunity for Australia to reverse fulfil products and services back to north Asia. The question now is: Will those products and services necessarily come from Sydney? The answer is no. The answer to the question, "Will they go through a Badgerys Creek airport that is working 24/7?" is yes, because what they have found internationally is that people need connectivity between the market and where they are sourcing that from the point of view of the goods themselves, the information, the trust and the financial arrangements.

A few things came out in our study. We had many people make submissions from people in food who were not from Sydney; they were out of Sydney. Something which is crazy that is happening now, which we are doing some work on, is that we do not have staging for air cargo transport at Sydney airport. We do not have refrigerated cargo access. People who have excellent products are having to put them somewhere else and at the last minute race into Sydney airport whereas if there was staging they would have a market access now and not be waiting for the airport. That was one of the biggest surprises to us. We thought everyone would say, "When

we get a new airport, we will be able to do this." Those industries are saying, "We have the opportunity to get extra business now." The same thing applies to the pharmaceutical industry; it is desperate because many companies cannot get their refrigerated goods to market through Sydney.

The Hon. RICK COLLESS: Will Badgerys Creek airport become an industrial airport or a freight hub rather than a passenger terminal?

Mr GERMAINE: No, I believe it will be international as well. For argument's sake, our friends over the mountain at RDA Central West have done a lot of work, and they have been in our ear, as have Orana, the Central Coast, the Hunter, and the Illawarra. They all know that it will probably be quicker to get to Badgerys Creek rather than to Sydney airport.

The Hon. RICK COLLESS: From a development perspective, what do you think will happen at Bankstown Airport? What will be the relationship between Bankstown Airport, Kingsford Smith Airport [KSA] and Badgerys Creek airport?

Mr GERMAINE: Interestingly, a year or so ago when we were talking about regional aviation we made a point to the same committee. What we believe and would like to see is a row of airports: KSA as it is with international freight trade or whatever; and Bankstown as a very busy civil aviation/commercial/small aircraft airport and, dare I say on the record, regional aviation activity. Very soon, when the mass transit system extends to Bankstown, it will be as quick to get from Bankstown to Sydney as it is from KSA. The helicopter service is already a speciality area at Bankstown. In terms of Badgerys Creek, it will take a while, but ultimately in our view it will be a very big international airport with all features.

The Hon. RICK COLLESS: Your submission refers to the efficiency and capacity of the metropolitan transport system as an issue with regard to getting freight into the Port of Botany and so on. Do you think there is an opportunity to develop major freight ports in regional areas, such as Yamba and Eden?

Mr GERMAINE: I am an active participant in the Australian Logistics Council and I attend all the conferences. People are re-examining the opportunity to move goods using vessels. I certainly had a conversation about it. I have heard comments about certain large tourist ships visiting Eden. I do not know enough about Yamba to make a comment, except to say that there is a very active industrial area there, and they make good vessels. However, I cannot comment based on my personal knowledge.

The Hon. JOHN GRAHAM: I have some similar questions. I found the work on the Western Sydney airport useful; the observations are powerful. I am interested in any detail you have about the sorts of businesses and industries in regional New South Wales that might use those facilities.

Mr GERMAINE: There is no doubt that the food supply chains are an opportunity. We mentioned in the report the need to get the universities in the regions working. We have already started; we now have eight universities in New South Wales and we have a food TAFE. We are about to set up a digital platform so that we can talk about capabilities. From a food point of view, many of our international food exporters are not necessarily in Sydney. There are some terrific exporters who need the opportunity to access international markets. The answer is yes. We are very keen to get the planning around the airport done correctly now so that we plan out the existing faults.

On 20 July, we are running a workshop looking at the Sydney supply chain. Inherent in that is movement of airfreight containers and what airfreight will look like and will need to look like in the future. We believe that what is happening in Sydney will work in Sydney, but we also support the regions using Canberra, Toowoomba and northern New South Wales where they see an opportunity to get into a direct market. We are working closely with the guys in Toowoomba, who are doing a terrific job. They have Cathay Pacific transporting steaks to China. We believe there is an opportunity to use that more.

We are also encouraging Transport for NSW. The work we are doing with other agencies is about maximising collaboration and thinking about the best ways to use inland rail and future airlines. We must optimise the opportunities and the potential to reduce costs. I emphasise that the Export Council of Australia has been actively involved in our food work. Some of its comments were included in our report. The inland cost to get to the port, be it by air or sea, is the major impediment to trade. I am quoting the council's work for our report. That is why it is working closely with us and with the food innovation people.

The Hon. JOHN GRAHAM: That is fantastic, and it is consistent with the State's overall direction. It is looking ahead and these are practical suggestions. I turn now to the passenger side of the airport. It was stated

earlier today that the crucial issue for regional tourism is first getting the tourists to Sydney and then to the regions. Of course, that makes sense. As the three airports are developed as you have described, how do we ensure that those flights sit side by side so that people can come into one airport and transition out to the regions without having to travel across Sydney?

The Hon. RICK COLLESS: Whether it be KSA and Bankstown, Bankstown and Badgerys Creek, or KSA and Badgerys Creek. They need to be able to fly out from where they come in.

The Hon. JOHN GRAHAM: Do you have any views about how to get that balance right?

Mr GERMAINE: Our report contains comments about the rail inquiry. Everyone says we cannot do everything and do it all at once. I agree. We most certainly believe that if we have three million people to the east and four million to the west, Sydney will need a rail link to Badgerys Creek and the South West. That will drive the interconnection within Sydney. Having said that, one of the biggest issues in Sydney is getting from the airport into Sydney, or getting from Sydney to the airport. In terms of journey time, that is crucial part of the business. I know there is a lot about the need to have them all at one airport, but I think in studying the way Gatwick works in London, it is really the total journey time. If I am somewhere near Gatwick I will go to Gatwick and I will do whatever it is and I will come back, or if I am in Western Sydney it is a lot easier to go to Badgerys Creek and I will go to Badgerys Creek or if I need to go into Badgerys Creek to do whatever I have got to do.

From a passenger point of view, one of the things that we said in that report about if we are talking about tourism, and in many cases there will be different types of tourists that will come to Badgerys Creek which will have to see an alternate Sydney, and that Sydney means also adventure tourism over the mountains—it is a whole range of alternates in the Sydney experience. I think the connect in there is very, very important but I do not know if I have given you a direct answer of the three airports.

The Hon. JOHN GRAHAM: But that is all useful.

Mr GERMAINE: That is perhaps all I could comment on. Therese, do you have anything else to add?

Ms O'DWYER: No.

The Hon. PAUL GREEN: Just one question in terms of the growth of regional areas. In another inquiry we are doing water. Do you have any comments about that?

Mr GERMAINE: Water in the regions?

The Hon. PAUL GREEN: Yes, regional growth and the connection to Sydney, and water obviously is a major issue.

Mr GERMAINE: I am certainly not a specialist but looking at the 16 dams that provide water to Sydney, I think there is absolutely no doubt the need to have connectedness of that to supply Sydney—certainly the Southern Highlands; it is a crucial mechanism, if you like, for connecting Sydney to the Southern Highlands. One of the things with regards to water, when we did that strategic industry report we had a lot of conversations with the Department of Primary Industries and we had a lot of conversations with the Department of Primary Industries about the opportunities of crops for export. There is no doubt that that is going to need water. One of them, interesting enough, was crustacean and fish farming and the opportunities about where you might set that up close to an airport to get it straight on the plane. But also we had a lot of conversations with Sydney university, who have a lot of land and ideas about what to do down that way. So we have had those conversations and that is closer to Sydney, but could I say that the whole corridor down to Goulburn really is all part of that supply chain.

We did not mention it in that report but we are running a sustainable agricultural network with the Department of Primary Industries, which connects Goulburn, the Illawarra, all the way up to the Central Coast in a sort of agency network, and part of what we are on about is how to both create and sustain sustainable agriculture for Sydney. So some of those thoughts are ingrained in some of the work we have done there.

The CHAIR: I have been very interested listening to you because you have been able to give us some sort of specifics—food exports, tourism, the physical movement of tourism and the western airport. You talked about innovation systems which are accessible to the regions from the city, experts accessible to the regions from the global city and you mentioned you are studying global mega trends. Could you just give us a bit more

of a picture of global mega trends? We all know about disruption and agility and all that sort of stuff but have you got some other specifics and other ideas that come from those?

Mr GERMAINE: Because we are doing a lot of work in industry development we are very much involved—be it manufacturing, health and education—in the way in which goods are delivered to individuals and the opportunities and the threats that that will bring about. We have sat down and spoken to quite a lot of people about what they are saying about what might happen, we have gone through all the motions and all those sorts of things, but in terms of how that relates to Sydney and the regions, it does not matter where you are in the world you actually connect to the internet of things, and that is a very, very important point about whether you are in the cities or the regions. Part of what it means is that you have an ability from wherever you are to disrupt a world into a product or service via that product or service in a way, but it will not happen unless you are actually able to connect all the other attributes along another allied group to come in.

Where I say fulfilment in reverse about Amazon in and Amazon back out, I really do mean it because our take on it is that—and this is not going to happen in 10 years' time, it is happening now—we say to people, "Don't think this is going to happen in 10 years' time, it is happening now". Interesting enough, the work that we did alongside the Export Council and the work that Austrade has done on that internet of things, that report is quite telling. In China they are saying that by 2022 they are going to have 1.3 million phones operating in China and 40 per cent of them are going to be trying to buy their goods online. Whether we think it is right or wrong does not matter; the reality is that that is going to provide a massive threat and an incredible opportunity. I am a bit of an optimist; I believe in why do we not look at the opportunities rather than worry about what might happen?

The other thing that has come out of the work, Therese has done a lot of work with skills and skill groups and access to skills, but the one thing that has come out of our work is—and this is work that the World Economic Forum has done; they recognise 35 skills and that if you have those 35 skills and with some of those the creativity and the ability to analyse and look at opportunities, work as a team, all those sorts of probably logical ones, when the 40 per cent of the new products and services come in in 10 years time that have not been invented yet—I am sure we have all heard of that before—you are better positioned to be able to be taking in and adapt and adopt those new sorts of jobs when they come in. I hope that addresses your point.

The CHAIR: You have addressed industry quite a bit. Obviously, governments need to be changing really fast in this whole space. One of the examples I raised this morning was health services—it is all well and good to have health services with massive connectivity and great equipment and stuff but it needs to be then accessible to the rest of the community, particularly in regional and rural areas. Have you done any work in that sort of space?

Mr GERMAINE: I am going to pass to Therese. Therese has done more of the work in the health and education area.

Ms O'DWYER: We have worked within Sydney around health and education and we also looked at, with CSIRO, community care and what you can do and what advances you can make, and it was more about monitoring systems, it was systems that you could put into place where you kept people healthy as well. But I have not seen a solution to where a patient needs a particular piece of equipment like radiation therapy but it is a particular kind of therapy where they still have to travel, they still have to confront that journey. It was more about trying to keep people in their homes and more around healthy lifestyles and what you can do to support that. Nepean Hospital has been doing some experimentation around TeleMed, long-distance diagnosis and things like that. I think that is happening quite often but I have not seen anything that I can talk to you about that is a bit more substantial than that. People still have to go and travel to get treatment and I do not know what the solution for that will be.

The CHAIR: In your studies of cities around the world, have you seen a similar model to the Sydney regions—the Sydney, Newcastle and Illawarra model that we have in New South Wales? Does anywhere come to mind that we could have a look at? We cannot travel there.

Mr GERMAINE: We certainly have looked at airports. We actually had an aerotropolis event earlier this year where we had people from Dallas/Fort Worth, which is sort of between Austin and Fort Worth and they are in between. The way an economy has grown around broader Gatwick and the hub and spoke effect of that are things that we and others have looked at. But I think the one thing that I believe, coming back specifically to Sydney, about Newcastle, Illawarra and Sydney, we consciously believe that in 50 years time the Hunter, the Central Coast, the Illawarra and Sydney will be greater Sydney, and we need to think of that. I live

at Wahroonga near where NorthConnex ends. Going back to a previous time when the M7 was not joined, no-one in Blacktown had anything to do with Campbelltown. They thought they were those people on the other side of the earth, but within about an hour suddenly they were connected.

I really believe that within the space of two years the goods and services from the Hunter will go to the Sydney airports and vice versa. I believe it will break in. That means that the northern part—north of there—will be where they get to that much quicker with the translation of distance. That means that the economies should relate to how far they are away from the city. I think we can learn from the Chinese about the one-hour fast train or the two-hour fast train concept. When we talk to people—certainly other Regional Development Australia units—I have to say that most of them drive a car. They say that by the time they catch the plane, you are almost there and it is quicker to go by car.

The point is that the lifestyle is definitely driving talented people outwards. At the same time where we can get lifestyle connected with opportunity, to be perfectly honest more people will want to go. My niece and her partner are about to go to Lismore and leave Sydney because of the lifestyle. I should add that they are very talented people and they will take those attributes with them.

The CHAIR: Are there any last questions? There being none, I thank you so much. That was fascinating and we appreciate the work and the time you have taken to attend. You did not take any questions upon notice.

Mr GERMAINE: Thank you very much for the opportunity.

(The witnesses withdrew)

(Short adjournment)

GREG EWING, Managing Director, Engineers Australia—Sydney and Canberra Divisions, affirmed and examined

The CHAIR: Thank you for your Engineers Australia submission. People thought it was a good submission. Would you like to make an opening statement?

Mr EWING: Yes, I would. Engineers Australia was founded in 1919 and operated under a royal charter from 1938. Our purpose as an organisation is to advance the science and practice of engineering for the benefit of the community, or communities as it would be now. We see regional development and a global Sydney are imperative to the future social and economic benefit to not only the people of individual communities but all of New South Wales and Australia as a whole. That is why we are in the position of looking at how engineering and the engineering profession can shape the whole world by what those people can bring to that social and economic benefit for the whole of New South Wales.

The CHAIR: Given that you are a professional in this area, how do you describe a global city? What are the things that Sydney in particular has that characterise it that way?

Mr EWING: I will clarify one point there: I am not an engineer. I actually have a background in cognitive psychology. I have worked with Engineers Australia here in this country and prior with the Institution of Engineering and Technology in the UK and Europe. I am not an engineer, so the technical questions would be ones I would prefer not to—

The CHAIR: We will give you leave to give a generalist answer based on what you have discussed with your members.

Mr EWING: Engineers Australia recognises that Sydney is a global city. People would often wonder what a global city would mean. However, I think if we take it at its base level it is a city that competes not just in its domestic market but internationally, and that competition is around ideas, thoughts, products and services as well as around manufacturing or physical products as we would imagine them. Sydney has a role to play on the international stage and it represents the country as a whole. It is a real driver of gross domestic product—I think it is about 30 per cent of Australia's GDP from Sydney. Sydney cannot be seen in isolation and cannot be outside the context of its surrounding environment, that environment being both physical and a place, as well as physical in terms of the people and people in terms of their aspirations and their needs space. We see Sydney as being a home, but we also see it as being an economic driver and a place to drive the whole of the country's future forward—not just in the next five or 10 years but 30, 40 and 50 years and way beyond and into the next century.

The Hon. MICK VEITCH: I want to explore the issue around year 12 students but also the need for engineers in regional New South Wales if regional New South Wales is going to leverage off a global city such as Sydney. My first question relates to the retention rates to year 12, and my second question is: What is the Engineers Association doing with regional universities about engineering or STEM degrees?

Mr EWING: First point: The retention of students to year 12 regionally falls way short of what we do in the metropolitan area of Sydney. Probably the worst performing area within Sydney would have retention rates typically around 76 per cent of students who would stay until year 12; the base performing regional area is 64 per cent, so there is a significant difference in that space. Within that there is obviously significant variation. If you are near Newcastle or Wollongong, which have good, strong universities in place with an international reputation, there is more of an impetus and an understanding within communities that engineering or any form of tertiary education is an option. When we move further away from those two cities and Sydney as well, that becomes much more difficult for people to see perhaps where their future lies.

It is not just in engineering; obviously year 12 retention affects all subjects right across the board. Within the context of engineering and the issues around STEM—or science technology, engineering and maths—retention rates across the country are an issue. In a recent document—if you do not have a copy, I will table it—around "Engineers Make It Happen", Engineers Australia identified that only 6 per cent of young women study advanced maths to year 12 and only 6 per cent of young women study physics to year 12. They are two subjects that are of absolutely critical importance to a lifelong career as an engineer. If you overlap those two, the percentage of young women who study both advanced maths and physics is somewhere south of 2 per cent. The figures are not that much better for advanced maths and physics for boys, so we also have a challenge there. In the New South Wales context, in terms of year 12 retention, it is only the Northern Territory

and Tasmania that have figures that are lower than New South Wales. New South Wales has fallen behind the nation as a whole.

If we start to look at the opportunities into the future for our young men and young women in regional areas, have they got the information that is required? Have their parents got the information that is required to help them have informed choices and understand where the future could be for them? Engineering is not just about physical hard infrastructure; it is obviously around innovation, creativity and that thought leadership, the jobs of now and the future. There are a lot of opportunities for our young men and women that they can drive forward, and engineering is one of these professions that is a global profession. It can take you anywhere in the world and it can bring in anybody from anywhere in the world, to be short.

It is up to us as a society to ensure that our young men and women understand that there is this option for them, and it is not just around tertiary education. It could enable them to become a chartered professional engineer. There are technologists, engineering associates, the person who helps deliver the inland rail or the person who helps build our roads that connect our communities. It is not just about digging tunnels and building bridges; it is about connectivity of our communities, whether it is tailored communication, road, rail or whatever the future will bring to us. What Engineers Australia has in terms of a relationship in that STEM space is looking at initiatives where we can develop the understanding of our teachers, because a lot of teachers struggle with where science technology, engineering and maths sit in that career space. We are also engaged with, from year 2 right to year 7, coding: letting young people understand coding, how it fits in with robotics and mechatronics and how that might be an option for them. We work with the Office of the Chief Scientist and Engineer in looking at other STEM activities.

We are really fortunate to have industry groups in New South Wales in particular that are really keen to make a difference. An "Experience it" program that we run with the Sydney Motorway Corporation targets 200 young female students in years 8, 9 and 10 to come and find out what engineering is about. That is done with Western Sydney University at Parramatta. We have the long-running Honeywell Engineering Summer School, which is a residential school for regional and remote students to come to Sydney and be engaged with universities and industry to find out whether this is the career for them, and we do a similar one that is non-residential with Cochlear. It is a partnership between Government, industry, academia and the professional institution that is Engineers Australia to shine some more light on opportunities.

The challenge? That is not enough and it only touches a small percentage of people. How can we make that a wider program that gives people an understanding that engineering is not about high-vis, steel toe caps and shovels in the ground—or that it is at least not only that? There is so much more, from biomedical to environmental, from mechanical to electrical. There are so many options for our young people, and the teachers and the parents need to understand those opportunities also.

The Hon. MICK VEITCH: Do things like cadetships figure as part of the mix in addressing the shortfall in engineers in regional New South Wales?

Mr EWING: Yes, they do. I think there is a mix around cadetships. If you do a cadetship or a graduate program, there has to be the work for you to put your efforts into. Engineers Australia has for a long time advocated to make sure that the pipeline of projects we have, whether they are infrastructure projects, are depoliticised, so that we remove the boom-bust cycles and we have some surety so that the young people who come through our schools—and whether they go to TAFE or university or have a cadetship, or whichever pathway they are on—have many projects to work on that will enable them to grow their skills and have that on an ongoing basis.

I used to be the general manager for Engineers Australia northern division, based in Darwin. One of the challenges in the Northern Territory was exactly that boom-bust cycle. People would get two years through their three- or four-year program and then all the work disappeared. That is soul destroying. I think not only does it really challenge that individual but it challenges everybody else's thinking as well, if he or she was two years into four years and it just disappeared. It is about having more surety and longevity so our young people's hopes and aspirations are built upon rather than taken away from under their feet.

The Hon. RICK COLLESS: Mr Ewing, the issue you raise is a very serious issue. There has been a couple of similar circumstances in recent years. Some years ago, and it is probably still the case now, there was a tremendous shortage of rural doctors that were prepared to serve in rural centres and there was a shortage of rural veterinarians, particularly large animal vets. Most people studying veterinary science wanted to work in the

city and deal with birds and cats and little dogs. No-one was prepared to learn about horses and cattle and managing large animals.

The Hon. MICK VEITCH: Equine, bovine and ovine.

The Hon. RICK COLLESS: Yes. A few years ago there was a shortage of agricultural scientists; people were not signing up at the rural universities. Those things have to be addressed proactively. The University of New England was the first university to offer a medical training school in which students from regional areas were given precedence in accessing those courses. Charles Sturt University in Wagga did the same thing with vets. They started a veterinary school and were giving preferences not only to country kids but to males because the vast majority of females who were studying veterinary science did not want to handle large animals. CSU took that issue on board and offered preferences to male students from regional areas who wanted to study veterinary science. CSU and Western Sydney University did the same thing with agricultural scientists, and that has been largely addressed. Is it time we look at trying to promote an engineering campus in some of those regional universities to overcome this issue with engineers?

Mr EWING: Yes, and also it is being done. Charles Sturt University has an engineering program at Bathurst, and also Western Sydney University has now moved from having all its engineering at the Kingswood campus to being at the Parramatta campus. Charles Sturt University obviously has a number of different facilities, whether that is from Wagga right through the whole area. I think it would be remiss of me not to say, also, in respect of when we are looking at New South Wales, it is very conveniently wrapped around Canberra. In Canberra there is the Australian National University [ANU] and the University of Canberra. Also, the Australian Defence Force Academy has moved to a position where it is taking on civilian students at UNSW Canberra, as it is now branded in that space.

I mention that because when we look at whether it is a plus two model or Canberra region model, there are real opportunities for growing regional New South Wales based on that hub that is called Canberra. Whether you are at Queanbeyan or Yass, you are just over the border, really. That is a demarcation that is drawn for ourselves, but in the reality of people's lives and how they move, how they travel and how they are educated, there is an opportunity for New South Wales to work in a collaborative way with the Commonwealth Government to see how we can optimise that. One of the really good things is that in respect of the Sydney basin, the majority of engineers that are produced in Australia, for want of a better phrase, come out of Sydney basin universities. There is a real opportunity to grow beyond the mountains, for Charles Sturt University to play more of a part in that. It started in Bathurst.

One of the challenges of having a full engineering degree program in a university is to become an accredited degree program. You have to have had some students who have graduated at the other end. Accreditation is important because Engineers Australia operates under the Washington, Sydney and Dublin accords. Those accords have identified outcomes and the milestones that need to be reached by students in terms of their engineering knowledge and understanding. That is the ticket that takes people's qualifications globally. It is also the ticket that attracts overseas students to study. That overseas student cohort can be the difference between whether it is financially viable or it has the critical mass for a course to run in a certain area. There are university courses that are not accredited by Engineers Australia, or overseas colleagues. That makes it really difficult and you could spend a long time studying for no real outcomes. Part of it is to tie in with Charles Sturt University and other universities to build a program in a sustainable way and one that is not going to overpromise.

The Hon. RICK COLLESS: The other thing you mentioned is that there is a very low number of students that are STEM students in schools now. Is there an opportunity also to look at upgrading some of our regional schools into selective high schools that focus on STEM subjects?

Mr EWING: That is one option. One of the things I find quite surprising, having come to New South Wales, is that it is actually just ahead of Tasmania and the Northern Territory in that space. The Northern Territory faces some really significant issues. It is a small population, very low population density and 30 per cent of the population of the Northern Territory is Indigenous, so there are inherent challenges in the educational space. I was actually quite surprised in terms of where regional New South Wales are at with that story. Physical infrastructure is important. Also aspirations of the teaching staff and aspirations of the pupils is really important. It is important to shine a light on what are the opportunities for the future. Some of those young people may be educated and leave the regional area. At the moment, if they want to study they probably have to. That is a problem because a lot of them will not go back because the jobs are not necessarily there.

With the right, long-term approach it is a situation where we can say this is where you could be in your community. It would be fabulous to be standing in Parkes or somewhere in 40 years from now, looking back and say inland rail was built and that took Parkes to a completely different place to where it was 40 years ago, and the people who have helped that happen are the young people that are growing up there now. It is showing them a picture. A phrase I always love from Elon Musk is he says, "We are standing on Mars." He does not say, "We are going to Mars", he says, "We are standing on Mars." That kind of approach for New South Wales can make a real difference. What do we want it to look like 40 years from now? If we can paint that picture, we will retain our young people or we will attract people back. One of the major shortages internationally is engineers with 15 years experience or more. There are only two ways that you get engineers with 15 years experience or more. You either import them, and that is what Australia does more often than not.

The Hon. RICK COLLESS: Or you start training the next generation now.

Mr EWING: You start right now and it takes you at least 25 years to get an engineer with 15 years experience—at least five years at school, four or five years at university, and then 15 years thereafter. If we can show that there are opportunities for people and encourage them that physics is a difficult subject and that advanced maths is a difficult subject—

The Hon. RICK COLLESS: All sciences are difficult subjects, that is the point. When you and I were at school we were given the incentive to do the science-based subjects, knowing that they would lead us into a career.

Mr EWING: We did some work recently with the Warren Centre about some of the challenges we face. Even the way that the Australian Tertiary Admission Rank system is set up can be a discouragement, because if you pick a subject like advanced maths or physics that you are not particularly a shining star at, you might be okay at, that can have an impact on your ATAR. Some evidence, anecdotal at this stage, is suggesting that parents are encouraging their children to do the subjects that they are better at rather than the ones that are better for them in the long term.

The Hon. RICK COLLESS: A few years ago the Hawkesbury campus of Western Sydney University had shortage of agricultural scientists. It has a long history in agricultural education but it did not have any students in agriculture; they were all studying nursing or some other weird subject.

The Hon. PAUL GREEN: I declare an interest. I graduated as a nurse in the Hawkesbury.

The Hon. RICK COLLESS: There was a long history of agricultural education at that campus, and for two years in a row they did not have any students studying agriculture in first year. That set the alarm bells ringing for the Government, and we initiated a review of agricultural education that was chaired by Professor Tim Pratley. He went back to the early education syllabi to look at when students were introduced to the concept of agriculture and food production and so on. It was quite clear from that study that there was no mention of agriculture as a subject until at least years 7 or 8, and more likely years 10 or 11. As a result of that there has been some changes put in place in those syllabi so that kids get more of a basic grounding in what agriculture is, and the benefits of it. Maybe we need to do a similar sort of thing with engineering.

Mr EWING: I would suggest so. To come back to a question that was asked by the Deputy Chair earlier, Engineers Australia has a teacher development program that we started in Newcastle. We are spreading that to other parts of the State. One of the really interesting things about engineers is that every single one of them went to a primary school and every single one of them went to a secondary school. So we are looking to harness the passion and enthusiasm of our membership base across New South Wales, which is about 26,500 or so members in New South Wales—especially our young engineers—to get them to go back to the schools that they used to go to, to help develop the teachers and to get the young people enthused.

If we can get people interested then there will be more of a demand for it. If we have the means of addressing that in the long term—it is not just the circus coming to town; we are here for a little while then we will all go away—we will be showing that we are here to stay and that we can help build the community. One of the most beautiful stories I have heard since I came to New South Wales just a couple of years ago was from a young female Indigenous engineer. There are very few people who would fit that set of criteria! Maggie told the story that she got switched on to engineering not because of what people usually talk about but because people spoke about community. The talk about community and how she could help grow a community and look after people—and have her community be healthier and happier—was something that she saw as important. Perhaps we need to change the language that we use in parts of the country to explain what engineering is about.

The Hon. RICK COLLESS: What about the concept of establishing "centres of engineering education excellence"—if I can use those words? What the University of Western Sydney Hawkesbury campus is now doing is establishing an agricultural high school on the same precinct, which will be a very highly selective science, technology, engineering and mathematics school so that students can move seamlessly into their university studies, probably before they even finish their high school studies.

Mr EWING: I can give you a slightly personal anecdote. My daughter is currently studying chemical engineering at the University of Queensland. When we first came to Australia she changed the mix of subjects that she was doing so that she could move into engineering long term. She went to a school called Kelvin Grove State College in Brisbane. We picked that one because it has a shared campus with Queensland University of Technology [QUT]. When she was in year 11 and year 12 she was able to go to QUT and get a taste of what it was like to study engineering at university.

That ability of people almost to try before they buy and then have a more seamless migration, can enable them. There is an enthusiasm out there. If we could do more in terms of our Honeywell Engineering Summer School we would do that. We can manage 100 people in that space, and 200 to experience it. They all come from regional and remote areas, so it is a big commitment. The percentage of young women that are interested is really high. An interesting challenge is that only 13 per cent of the engineering workforce are women. If we double that, and then double it again, we will get the economic impact that we are looking for and we will get a diversity of thought and a diversity of innovation that the nation as a whole needs, never mind just the regional areas.

The Hon. JOHN GRAHAM: Thank you for your submission. I think I agree with it nearly as much as the previous member clearly does. It is a fantastic submission. It really spells out the urgency of this problem. That was the thing that came through to me. One thing that is not in there is the fact that other countries are not standing still on this issue; they are rapidly dealing with the issue of producing engineers. Do you want to add to your submission to deal with what is going on elsewhere, because in some ways that makes it even more urgent?

Mr EWING: It does indeed. It is interesting that the nearest economic area to Australia is South East Asia. The number of engineers that graduate from Chinese universities is unbelievable, but there are huge numbers right across South East Asia. If you go to the Middle East or anywhere else, you find that the whole way that engineers are perceived is at the same level as doctors, lawyers and other professions. Perhaps we undervalue engineers in Australia. In fact, most of the English-speaking world has that issue about how we value engineering.

In Canberra an agreement was just made by both sides—Labor and Liberal—about the need for a chief engineer to help shape decisions about infrastructure and look at longer-term development. We are fortunate in New South Wales that we have Professor Mary O'Kane in that space, as Chief Scientist and Engineer. I could go into a number of things in depth—like the registration of engineers—but the thing is that globally engineering is seen as a desirable career. A lot of time in Australia the "resource and mining boom"—for want of a better phrase—has shaped people's minds about what engineering is. We think of engineering as being mining, resources, roads or big buildings.

The Hon. JOHN GRAHAM: Yes. In some ways, of the list of issues you have dealt with, the one I am most interested in was the one that you described as "whatever the future will bring to us". That is probably the real engineering challenge of our time—developing the new engineers to deal with the changing world. It almost requires a new engineering discipline to deal with the problems that are going to confront us over the next decade.

Mr EWING: Absolutely. Technology and the economy are moving so quickly. The issues that surround cities and regions to some extent are the same as we have always had—overcrowding, lack of housing, water, energy and transport. A variation on that is distance, which can be a real problem. You can communicate far easier now with the other side of the world than you could ever do.

I know that there are industries around now which were not around when I was going to school. I would suggest that everyone in this room has seen that move very quickly. There are disruptive technologies out there—Uber would be the classic example—that can change the whole field before you see it. There are some huge advantages around autonomous vehicles. You could go to an event on autonomous vehicles practically every day somewhere in the country if you wanted to. There are so many changes and it is about giving people education and the underpinning knowledge and understanding that will help them shape the future.

The Hon. JOHN GRAHAM: A lot of the public discussion around this is about Australia or New South Wales inventing things. That is well and good—and an important national good—but in some ways, in the world that you are describing, it is about how quickly we can adapt to those changes and how quickly we can adopt those new technologies and help our communities adapt to where the world is going. Those are really engineering problems.

Mr EWING: Also we need to change the dynamic that we have in Australia. We have some fantastic research in our universities but we need to look at how we take that research and commercialise it. In Australia we are at the bottom of the pile in the Organisation for Economic Co-operation and Development in taking research and commercialising it. We have a lot of innovation but very little implementation. There are some fantastic ideas and minds out there but we need to look at how we commercialise this and shape the future. We can adopt technologies but we need to look at what is happening in our young people's brains so that we can take and drive that.

With advances in additive printing and 3D printing—that additive manufacturing space—you have got a university at University of Technology Sydney that is building a new facility in and around that. It will be good to see how that can come out of this space. These can change things in terms of logistics, transport and freight if additive manufacturing is something that we can actually put into our regional areas. There is a whole range of different things in there. When I am speaking to industry and people say to me, "What is chartered professional engineering? What is a chartered engineer?" for me, a chartered engineer is somebody who has the underpinning knowledge and understanding in terms of their formal and informal education.

The informal would be everyday is a school day stuff—you learn something new from your colleagues. But it is more important than that: It is how they apply that underpinning knowledge and understanding—what they design, what they deliver, what they develop, what they do, and then how they bring their professional skills of project management and budgetary control to the table. And even more important than that is how they communicate, influence and act as a driver for change and innovation. Regulations and codes are important but underpinning all of that it is about ethics—doing the right thing at the right time in the right way for the right reasons. If we can develop that kind of thinking within our young people, even if they do not go on to become engineers they can go on to do great things and shape our future. For me that is one of the best outcomes that there is—it is to give our young people understanding about their world and how they can change it and do something new.

The Hon. JOHN GRAHAM: Secondly, on your retention point, I want to again thank you for raising that. I was interested in some of the views that the Hon. Rick Colless expressed earlier about how some of these problems have been solved before. This should be an area of focus for the State and the country. Certainly in my experience of going to a country high school, part of that retention issue in the country was not that kids were not staying on till year 12; they were leaving at the first opportunity. They were leaving at 15 and going out the school gate. Part of the way that has to be fixed is by being honest with those kids about what that means for their employability down the track. Getting that message out in country communities is a real challenge. I do not know if you have any views on that piece of the puzzle.

Mr EWING: It is interesting. "Why would you stay at school?" could be the other way of looking at it. Perhaps we need to tip the question on its head. I left school on three separate occasions way back in Scotland, and I went back twice. But why would you stay at school? It is like anything. If you think, "It is another two years at school, but what am I going to get out of that? Is it just that I am going to be at school and I am going to be doing more of the same and I really do not want to be here?" So why? You need to be able to show them a why at the end of that. There is massive potential to build off some of the initiatives that are coming forward in terms of what we are going to do with the inland rail. It is the same with whatever we decide to do in and around Badgerys Creek and the airport. There is massive potential to look at how people do that. It is making it easier for people to commute.

I find it quite incredible I can get to Canberra quicker by car than I can by train, which would be the opposite way around in Europe. In the same way, if you are going from Newcastle to Sydney by train it is probably going to take you nearly two hours longer here than it would do on an equivalent journey in Germany. That really inhibits the movement of people. Regardless of all the technology we have got, a face to face meeting and a discussion with someone gets something done, particularly when you have issues around ideas, trust and everything. You would rather stand and have a conversation with someone—shake their hand and look them in the eye and do business. And in regional areas I would suggest that is even more important. People like to know who they are dealing with.

The Hon. JOHN GRAHAM: There is a real productivity benefit to that—economies run on trust.

Mr EWING: They do.

The Hon. JOHN GRAHAM: What you are describing is a real productivity benefit to the economy.

Mr EWING: It is. And there can be some real productivity boosts if we get our long-term thinking around our infrastructure in terms of road, rail and air transport but also in terms of health and education. I cannot remember the exact figures, but if you listen to a program like *Landline* you hear about issues such as the fact that you are more likely to die from a heart attack in rural and remote areas than you are anywhere else, and that is not a level field for people. Why would you move there? If you are not from there, why would you move? One of the really interesting challenges that we have is that if we make these opportunities for our young people in the communities now, they will grow, become self-sustaining and vibrant, and continue to attract other people into those communities. At the moment it would be fair to say that in terms of regional and rural parts of Australia it is people being dragged into the cities or overseas. That would be a challenge anywhere in the world for remote areas—how do you keep your young people and attract other people to join that community?

The Hon. PAUL GREEN: On page 5 of your submission you talk about energy as a growth sector. Given that it is a hot issue at the moment, I am very interested in your views about energy.

Mr EWING: I will give you an interesting example of this. Canberra is obviously, I suppose, leading the nation in terms of its energy use, but most of the energy that is generated for Canberra is not generated within the boundaries of the Australian Capital Territory [ACT]; it is in New South Wales. I used to work for the Institution of Engineering and Technology that is all around energy. Engineers Australia has made submissions to the Finkel review of the national electricity market and we have a number of different policy positions in that space around energy as a whole.

The matrix of energy generation, transmission, consumption and security—both physical and cyber—is a space that New South Wales needs to address. We have probably got at least four of our coal powered generating stations due to go offline at some point soon. So what do we replace it with? That could be a mix of renewables. It could be new coal. It could be gas. It can be a whole range of things. Gas has its challenges because we know that in terms of the domestic marketplace we have a pressure on that. That also affects economic growth. Energy is the biggest price issue for manufacturing steel in the Illawarra, for example. The price of gas is quite horrendous—that is a big issue.

It is about looking at the entire picture, I would suggest. Renewables can be a dirty word to people in the same way that coal can be a dirty word to other people. It is not necessarily one or the other. And what does renewables mean? Are we talking wind, onshore or offshore? Are we talking solar? The European Marine Energy Centre in Orkney does tidal and it is really coming on now. Are we looking at anaerobic digestion? The old saying was, "Where there is muck, there is money." Anaerobic digestion is using bacteria to break down waste, turn that into methane and use that when it is compressed to produce electricity. And then we have solar. We have a whole range of different options so it is a really complex picture. It is not a one size fits all.

I mentioned earlier how disruptive Uber was in terms of the marketplace. There are potentially some big disruptions around the corner. There could be a challenge for TransGrid, Ausgrid and a lot of other people as people take themselves off grid. Communities can become off grid. There is an organisation—it has just changed its name and I cannot remember to what—called Pact Projects. It is based out of Alice Springs. They do small grid technology worldwide for Pacific Islands and other places.

The Hon. RICK COLLESS: We are going back to the future with that, are we not?

Mr EWING: We are.

The Hon. RICK COLLESS: Because that was the way energy was delivered when electricity was first put out there.

Mr EWING: It was. One of the other interesting things is the overlap of that energy story. Big business in regional areas is agriculture, so energy and water are two very important factors in that. We need to think of things in a very joined up and holistic way. If energy is one part of the issue, water is another part, transport is another part of that and the communities and infrastructure that go with that are another part of it and we do not have the young people that are educated enough then none of it is actually going to happen unless we bring people in. And that is a big challenge.

The CHAIR: We have spent a fair bit of time on what seems to be a narrow area, but it has actually been a very good case study on some of the opportunities of globalisation as well as some of the restrictions, difficulties and challenges of taking advantage of it. I refer to my first question. I did not mean to scare you, but I asked how you define Sydney as a global city. You talked about ideas and competition. What key ideas or story keeps Sydney up there as a global city?

Mr EWING: If you do not mind my saying it, it is almost scale. When you have a critical mass, you can drive a whole economy through that continuous cycle of business. There is also some real understanding. In terms of, for example, engineering, there is some top-level thinking and real leadership based at the universities in the Sydney basin. The University of New South Wales produces one-fifth of all engineering graduates in Australia. That is a big push. If you look at infrastructure investment, in particular in Sydney, but also in New South Wales as a whole, that draws in a lot of people and everything that goes with them. Some of the innovation in New South Wales is incredible.

Veena Sahajwalla has some great ideas; she is really good in that area. Another one would be Chris Harris, who is in a business I will not name. He also works at the University of New South Wales. He came up with a concept around bacteria that excretes concrete. It is mind blowing. How would you come up with that? It is those ideas. There are also Professor Mark Hoffman at the University of New South Wales and Chris Cook at the University of Wollongong. I could name a series of other people and the people who sit behind them. It is about all the innovation they do with composite materials and different ways of mining. There are some fabulous ideas in the knowledge economy. It is all about knowledge and thought. It can really drive that forward. It is about some of the leading practitioners in this city now. That is a big thing when you look at how we shape our cities going forward.

Flipping that over, the big challenge for Sydney is maintaining that. It is interesting the amount of investment going into different modes of transport, or the multi-modal approach that can keep the city going forward. Parramatta is another hub. How do we learn lessons from where we have got it wrong elsewhere? We could use Parramatta as a model focused more on low-carbon living. It is about smart and liveable cities. That kind of environment attracts more people. Parramatta and the way it is developed over the next five, 10 or 15 years could be a real driver for the economy.

The CHAIR: Thank you very much.

Mr EWING: I would like to add one more thing. I cannot table this today because we submitted it only on Friday. It relates to one way that regional New South Wales can benefit. We have made a submission about the defence industry in New South Wales and the amount of expenditure that comes through defence industries.

The CHAIR: Is that submission to this inquiry?

Mr EWING: Yes.

The CHAIR: Members will have the chance to read it.

Mr EWING: It is not to be missed. Defence can be really significant. Nowra is an obvious area, but there is a lot in that space. One of the opportunities that may be considered is not only servicing military bases but also the potential to attract investment into the manufacturing space in those areas. It is not only the Navy that can be considered. There are also land vehicles, aviation and other spaces that could have a significant input.

The Hon. PAUL GREEN: The Parliament is conducting an energy-to-waste inquiry to which you may wish to make a submission.

Mr EWING: That would be good.

The Hon. PAUL GREEN: Your contribution is relevant to the terms of reference for that inquiry.

Mr EWING: In parting, I point out that best thing in the world is that in Scotland we turn the wastewater produced by making whiskey into energy, which is then used to drive the distillery. It is wonderful if you can use your own waste products to create something.

The Hon. RICK COLLESS: Whiskey is for drinking; water is for fighting over.

(The witness withdrew)

LUKE AITKEN, Senior Manager, Policy, NSW Business Chamber, affirmed and examined

SIMON SPELLICY, Tourism Advisory Council, NSW Business Chamber, affirmed and examined

The CHAIR: Thank you for appearing today to give the Committee the benefit of your thoughts and experience. Would you like to make an opening statement?

Mr AITKEN: The NSW Business Chamber is one of Australia's largest business support groups. More than 20,000 businesses are members of the chamber, and it provides services to more than 30,000 businesses each year. The members range in size from owner-operators to large corporations, and they span all industry sectors, including manufacturing, construction, agriculture, and professional services. The chamber is a leading business solutions provider and advocacy group. Its strengths are in workplace management, occupational health and safety, industrial relations, human resources, international trade, and business performance consulting. The chamber also has some key industry verticals. I have with me today Mr Simon Spellicy, who is the president of our Tourism Advisory Council. Many of our members are either directly or indirectly involved in the tourism industry. The sector contributes more than \$28 billion to State's economy. We believe this is a fundamental area where regional New South Wales can benefit from Sydney's status as a global destination and gateway to Australia.

China's growing middle class presents a tremendous opportunity with clear economic benefits. China is already New South Wales's largest tourism and trade partner. It is a crucial contributor to the success and growth of Australia's tourism industry. It is Australia's most valuable tourist market, with arrivals increasing to one million in January 2016. That number is expected to continue to grow exponentially over the next decade. Despite that, fewer than one in 20 international visitors to regional New South Wales were Chinese compared to almost one in five international visitors to Sydney. Only 5 per cent of Chinese visitors to New South Wales dispersed beyond the Sydney metropolitan area. Only 7 per cent of all nights that Chinese stay in New South Wales are spent in regional locations.

From January 2016 until December 2016, tourists from China spent \$2.6 billion in Sydney compared to \$130 million in regional New South Wales. Obviously, Chinese tourism is only one sector of the tourism market. However, we believe that the Chinese example is a key example that regional New South Wales could pick up on to develop its tourism industry. We are happy to take questions on this and on any of our other suggestions in the submission.

The CHAIR: Mr Spellicy, can you tell the Committee why Chinese tourists come to Sydney as a global city, other than to look at real estate? Why do so few of them go to regional New South Wales, and what is being done to leverage regional tourism?

Mr SPELLICY: I think that the Chinese example is, in a way, typical of Asian travel to Australia. Even the mature markets like Japan, at most there is about 7 per cent of Asian visitors that are dispersing. They come for the reasons that Tourism Australia has established that people like to come here because of the natural environment, because of the clean air, and safety and security is an important thing, but also the fact that in the cities there are some world-class attractions—things like the Opera House, Taronga Zoo. So I think that the reason that China in particular is of interest is just that it is such a rapidly growing market and, after New Zealand, is the largest inbound market to Australia.

The dispersal is an interesting thing, and the lack of dispersal, partly from the Asian point of view and from the Chinese market point of view, in a way it is because they do not have a lot of time here and it is very hard to make a strong case to those people who are bringing them; about 50 per cent of the market still comes as a group touring offering and that group touring sector is very competitive—it is very much for the operators about how they can get people in, get them to see as much as they can at as little cost as possible and then get them out again. The issue there is that that sector is not particularly committed to a high-quality product but a high-volume product. Moving them from a city offering in the generally seven days or so at the most that they have got here to a regional offering does not actually add enough value to that operator for them to try very hard to do it.

There are some other structural issues around dispersal generally though and I think that not just for the Chinese market but for tourism visitors generally there is not a strong understanding of what the offering of a regional experience is. The local towns, regional towns, whether it is through the local council or through the local tourism organisation, do not necessarily articulate what the offer is well and that is partly because they do

not really have a strong understanding of what their offer is—they have not really decided what it is that they are going to be, what is their position. So it is really the same as anyone trying to sell a product. The way that Destination NSW is working towards overcoming that is through the vehicle of a destination management plan, which we think is a really strong way for a local tourism organisation or for the local government area to be able to position the experience there in the right way and to look at how they get people here, how they promote it, how they actually get people to travel.

But there are some other structural things. Transport is an issue for a lot of regional areas. A previous speaker we heard talked about the length of time it takes to get to a lot of places by train. Having a look at comparative data for the other States in terms of their ability to disperse visitors from a capital city to regional areas, New South Wales' performance of about 18 per cent to 20 per cent of overall tourists dispersing to regions is pretty much on par with the rest of the country except for Queensland, where in Queensland they are distributing about 60 per cent. The primary reason for that is that they have more than one international airport—they have Brisbane, the Gold Coast and, importantly, Cairns.

The Hon. JOHN GRAHAM: How much of that is the Gold Coast as opposed to Cairns?

Mr SPELLICY: It is primarily Cairns. Cairns has a very strong local tourism organisation—Far North Queensland tourism is at least as active and as successful as Queensland tourism. They have a very strong understanding of the importance of tourism to their region and have worked very hard to maintain their direct links to Asia, direct flights into Asia. When Japan Airlines, JAL, pulled out of Cairns they worked very hard with Jetstar to get Jetstar flying from Japan in. They handled dispersal at the point of exit rather than at the point of entry. It is not as easy, obviously, for New South Wales to do that, but there are a couple of opportunities we think, the first being Badgerys Creek, which is an obvious example, but also working cooperatively with Canberra, which is now an international airport with links into Singapore; Qatar Airlines are flying in soon; they have got Tiger. It is effectively in the middle of New South Wales and would be a great way to get people to the Southern Highlands, to the South Coast and to the snow. So that transport issue I think is part of the difficulty.

The Hon. JOHN GRAHAM: But you are saying it almost makes sense to try and make it the first destination, then they come to Sydney. Is that the Cairns strategy?

Mr SPELLICY: People fly into Cairns, do their thing and fly back home again.

The Hon. JOHN GRAHAM: So it is just in and out.

Mr SPELLICY: It is just in and out. Talking to the people at Brisbane, marketing their issue is, in fact, how do they make Brisbane appealing as a tourist destination internationally? So they have the opposite issue. Then the third thing which is a factor is accommodation in regional areas—and this is not just in New South Wales but it is regional Australia. The level of accommodation is not what people particularly out of Asia expect; they are looking for good-quality, international-standard accommodation. They do not understand, I do not think, the smaller motel-style accommodation. Even if in those occasions where something happens to boost tourism, whether it is to a small regional town, whether it is a major event or a festival, accommodation will fill up very, very quickly. The issue around accommodation is that it is economically quite difficult for a developer to decide to put their money into a hotel just purely in terms of return on investment: A hotel room does not pay off the way that a serviced apartment does or an office does.

We think one of the things that can be done there is to incentivise people to build hotel rooms and to keep them as hotel rooms as well, but it is probably not enough to just be renovating an older building, there do need to be new builds around these things. I think from our point of view it is those three things: it is what is the product and how is that product value articulated; can people get there; and are there places for them to stay? It is relatively simple.

The CHAIR: Just looking at Chinese tourism as another case study that might be useful to us, off the top of your head can you tell us what percentage of Chinese tourists to Australia are coming in through Sydney? If you cannot, just take it on notice and you can let us know.

Mr SPELLICY: I do actually have it. It is in the forties. About 80 per cent are split between Melbourne and Sydney and Melbourne's dispersal is no better than Sydney's, in fact it is a bit worse.

The Hon. JOHN GRAHAM: Just to follow on from a couple of those views, and I think it is quite an interesting example, I just wanted to ask about the other sector you are highlighting as part of the visiting friends and relatives, particularly in the education area. Presumably they have got quite different attributes to some of

what you have just described. Can you talk us through those and tell us how big a proportion of the market it is at the moment?

Mr SPELLICCY: Visitors tend to be categorised either as group touring or free and independent travellers [FITs]. The good thing about FITs, as they are called, is that they do not operate within the constraints that group tour people do. They tend to be more sophisticated. It is generally not their first visit. They feel confident enough to be able to find their own way around. The largest single proportion of them are coming to visit friends and relatives [VFR]. The student market is a very strong driver of that as well. We think there is an opportunity, particularly with regional universities, to get them to try to get people to come and visit them rather than the students coming into Sydney, for example. One of the things that the studies done by Tourism Research Australia or TRA shows is that the VFR market does not disperse very much from the place in which they first land; that is, the place where their family is or where their family and friends are. That tends to be where they spend their time. In fact, I think that would be another reason why some strong links with Canberra would make sense as well. The ANU has a huge Chinese student base.

The Hon. JOHN GRAHAM: Presumably one of the benefits is that, unlike tourists coming on a short-term perhaps a seven-day tour, as you have described, these people are coming back. These are long-term links.

Mr SPELLICCY: They stay a bit longer, yes.

The Hon. JOHN GRAHAM: They really have a much better understanding and they are more likely to spread the word back home.

Mr SPELLICCY: Yes.

The Hon. JOHN GRAHAM: All those characteristics make them much more attractive from a tourism development point of view.

Mr SPELLICCY: Yes. They are much more attractive because, as you say, they stay longer and tend to spend more. They can be influenced more as to what it is they are going to do and it is easy to influence them once they have landed. The issue about people on a group tour is that very often out of China their visa is dependent upon them being able to submit a complete itinerary before they leave the country; otherwise, they do not get their ticket. By the way, VFR is the largest single sector of leisure travel into Australia, and not just for the Chinese market. They tend to be, as I said, very independent. They will book some content ahead of arrival, but really they are here to explore. They will take the advice of the people they are visiting as to what it is there is to do.

The Hon. JOHN GRAHAM: On that question of how big a proportion of the market it is, could you give us some steer?

Mr SPELLICCY: I would have to come back to you on that. It does vary but generally it is around 40 per cent of the visitors to the cities who will be VFR. But we might come back with the actual number.

The Hon. JOHN GRAHAM: That might be interesting to have that on notice.

The CHAIR: Thanks.

The Hon. JOHN GRAHAM: Just on the guest one, I think it is a really interesting case study although my question would be, given what you have described, if we have not been able to crack this problem with other Asian tourists or with the Japanese market, which is much more mature, why do we expect we will be able to crack it this time?

Mr SPELLICCY: I think it is probably not so much that it will be that much more successful, but they are coming in huge numbers. It is actually the size of the opportunity.

The Hon. JOHN GRAHAM: So it is just the scale.

Mr SPELLICCY: It is the scale that is the thing. The things that are restricting them from dispersing, other than cultural things, are the things that are restricting dispersal anyway for all visitors. If you can solve those underlying structural issues, then you will essentially be increasing the slice of the pie for everybody.

The Hon. JOHN GRAHAM: Chair, I have couple of other questions but in a different topic area.

The Hon. RICK COLLESS: I have some questions that follow on from that line of questioning, actually. In terms of the culture, particularly of the Japanese, I think they only get a week's holiday a year or something. If they decide to come to Australia it has to be, as you say, in and out. I have heard that they fly to Cairns and have two days there. They fly to Ayers Rock and have a couple of days there. They fly to Sydney and have a couple of days there. Then they go home. Are you aware of that sort of route that they take? Is that a general thing?

Mr SPELLICY: I cannot actually comment on those people who are coming in that way. I do know that even if they are flying into Sydney, particularly for people in a group, they will spend at most about a day and a half in Sydney. They will go up to the Blue Mountains, but they will not stay. They will be loaded onto a bus and they will go out and visit the Blue Mountains. They come back into Sydney and they will overnight. Then they will be on a plane going the other way. They will go up to Brisbane or to Cairns. It would not surprise me at all if that was a very similar kind of pattern and it is because of that short holiday period where they have got to basically, as you say, be in and out and hit the highlights.

I ran tourism for the Sydney Opera House for about six years. Even for that organisation, which is sort of a must-see for people coming to Sydney, the hardest job is to get onto the itinerary of these groups. They are on the bus and adding in a \$35 tour of the Opera House just does not add enough additional value. You have to work hard for them to change the way that they do things.

The Hon. RICK COLLESS: You state in your submission that Chinese tourists spent an average of \$8,000 per visit in 2015-16 and \$2,500 on retail. How do they do their retail shopping? Virtually, does the bus pull up outside Chinese retailers in Sydney and they get shuffled in and shuffled out? Does that sort of thing occur?

Mr SPELLICY: Pretty much, yes. It is something that Tourism Research Australia has been working on. It is getting better, by the way. Tourism Research Australia worked very hard in the mid-2000s when the Chinese boom was taking off and with the Chinese Government, I have to say, to work around these completely controlled tour experiences because there was some restriction. Those shops would be owned by the same people who ran the tour and were tour operators. There was that type of locking-up of the economic benefit, which was an issue, but also there was an issue of people being charged for the whole package holiday, which included a number of things that were in fact free experiences. For example, driving down and walking on Bondi Beach and doing those kinds of things, they were being charged for that. That happens much less now. What would be interesting—and I do not know if Mr Aitken might be able to talk about this with those numbers—is whether or not that is just for those short leisure tourists or whether or not it includes longer stay visitors.

Mr AITKEN: I am not sure. I believe it is Tourism Research Australia data that we took it from. I am aware. I had a presentation from UnionPay, which is one of the Chinese credit card companies, and some of the data they have is absolutely incredible. For example, a quarter of a million dollars was spent by one person in one restaurant. I do not know how they actually did it. Maybe from one of those merchants there might be some data that you might be able to break down and see what they are actually spending the money on. But absolutely these are individuals who want to come over and spend money in the economy and a lot of it within the retail market. I am happy to take that on notice and see if there is any further breakdown that we can provide.

The Hon. RICK COLLESS: Thank you. That would be great.

The CHAIR: I have a more general question. Mr Aitken, you are probably best placed to answer this. The New South Wales Business Chamber does a lot of policy research and so on. What would you say are the characteristics that make Sydney a global city? Which of those do you think, other than tourism examples that we have just spent some time on, are capable of leveraging for regional New South Wales? How would you think of doing that?

Mr AITKEN: I think our status as a global city is like all cities—an amazing agglomeration. It is also one of our biggest challenges. We obviously have an international airport and we are very close to a very big port and they are close to a big central business district [CBD]. We have obvious strengths with financial services within our city. We also have wonderful links with our universities, which I think can also drive that. The chamber just recently did some work with Deloitte around innovation districts within Sydney. Some quite interesting things came out of that. We were not just looking at innovation that is necessarily inspired just by outputs. We actually were looking at the intensity of some of those innovations. We found some interesting

things, such as areas like Turrella and Rydalmere that are close to universities and close to airports. They actually generate a lot of innovation, which puts Australia out in front and Sydney out in front.

I do not think it is by any grand design that we have become a global city, but we have an amazing city that is linked with amazing natural resources. I think the challenge for regional New South Wales, and I think Simon spelt it out at the start, is that Sydney—at least at the CBD and probably within the global arc—knows what it is about: It is about the harbour, it is about the Opera House, it is about our universities and it is about linking all those things up. I think a lot of regional towns struggle in terms of identifying what it is they want to be about and making that engagement, but I think the key is understanding the institutions that exist in regional towns, especially with towns which have universities linked to them. That is key promotion as an international gateway to bring people in. It is also joining yourself up with your government body, councils, and communicating to the wider community what it is you want to promote.

Some of the good things I see with regionally based towns is when they partner up with Sydney councils to promote themselves. We have seen Mudgee food fairs and things like that within North Sydney. That is fantastic, because I think some of the dispersal you need, visiting friends and relatives, is not just visiting your friends from China; it might be visiting an Australian friend you met in China and then dispersing into those regional towns. The more we can engage people with not just the city but the regional area and getting more dispersal that way can encourage international visitation as well.

The Hon. JOHN GRAHAM: I want to look at another angle of the tourism point and at what is unique about regional tourism locations. Two things stand out: the major tourism opportunities in New South Wales and also some of the Indigenous tourism. There are a lot of remarkable things about this State, but those two things are unable to be replicated anywhere else around the world. What are your views on those potential tourism markets and how we could do better in both of those?

Mr AITKEN: One thought on those: One of the things with some of our natural assets is that there are challenges with tourism and the social licence for tourism to operate. As an example, it is not within a regional town, but the Royal National Park and the Figure Eight Pools have become this go-to destination for everyone. They are all jumping over fences to go and get photographs. Educating your tourists about the need to respect certain areas and be sure that we maintain that social licence to operate, because we all love visiting these things, but ensuring that they are there long term—in terms of promoting them, you need to understand the market and what it is looking for. I think they refer to, is it soft tourism?

Mr SPELLICY: Soft tourism, yes.

Mr AITKEN: Soft tourism is a popular thing for the Chinese market. They do not want to rough it too hard out in the bush; they want to go and find a destination—

The Hon. JOHN GRAHAM: To be clear, I am not asking about the Chinese example now; I am asking about tourism in general.

Mr SPELLICY: I think the advantage is that that natural environment is actually quite easy to experience from Sydney. The difficulty is the way that the tourism sector operates as a value chain. It is not necessarily easy for anybody to make money out of selling those experiences. I think that is one of the issues.

The Hon. RICK COLLESS: Is that because the demand is not there, or is it too expensive?

Mr SPELLICY: No, it is the same issue that cultural institutions have in that they are free to enter. With the best will in the world, a tour operator who makes all of his money from a commission on a sale finds it very hard to promote something which is free. But that can be overcome by some clever packaging of free experiences in with paid experiences, which is the way the cultural sector is going. There are some very creative ways that people are engaging with the natural environment through tours, through other experiences, through glamping and those kinds of things which are ways of monetising that.

The Hon. JOHN GRAHAM: It is things like the rail trails that are the subject of a broader discussion, like the adventure tourism markets that are well developed overseas but, frankly, hopeless here. What is the potential in those areas to provide the sort of commercial opportunities you are talking about?

Mr SPELLICY: I think that the opportunities are good. I think the quality of the experience can be very good, but it does come up against the same issue of dispersement. How do we get people to them? It is the transport and accommodation issue. It is that basic infrastructure of how you get people there and where they stay which is a limiting factor. I think also that they have not necessarily articulated what is different about those

experiences. It is the same for Indigenous things—there is an overwhelming noise about Central Australia from an adventure tourism point of view and the north of Australia from an Indigenous point of view, which is very hard for local New South Wales operators to break into.

An Indigenous tourism product has its own challenges in that it has to be driven by community. There are some great examples but it is quite often difficult for those businesses to be able to find the number of staff that they need that are trained properly and those sorts of things. There are some challenges around that. Having said that, with the exception of China, the international markets are looking for accessible, authentic Indigenous product. There is a strong demand for that if they can find it.

The Hon. PAUL GREEN: About the Chinese tourism market, we heard earlier from the City of Sydney about creating strategies and being more thoughtful about how to take everything we can from these opportunities. What would you say are some of the opportunities to take more of that market and the global market?

Mr SPELLICY: That is interesting.

The Hon. PAUL GREEN: To give you an idea, some time ago in the Shoalhaven they were talking about replicating one of the major temples, the Shaolin Temple. It was for hundreds of thousands; the numbers were huge. I am asking whether there are any other creative thoughts about putting certain infrastructure in place to milk that market better and that may be worth our investment.

Mr SPELLICY: My view is that what brings visitors to the country and the State is seeing what the State is all about. I think that built infrastructure that is designed just as a way to bring in tourists has a relatively limited scope. You could build a Dreamworld on the South Coast if you wanted to, but it would not say anything about the South Coast. What brings people here now is that Sydney is the city that it is. It does have some of those bells and whistles, but I know from my experience at the Opera House that the thing that really amazes Japanese tourists is that they can stand in the Botanic Gardens and get a photograph through the trees of the Botanic Gardens of the Opera House with the harbour and the city. It is that weird juxtaposition for them of what they see as a natural environment with the built infrastructure of the city right on its doorstep and then this extraordinary piece of architecture. It grows out of the fact that that is what Sydney is.

That is what I think the success of Vivid has been. In its first two or three years it was sort of struggling to find its place, its voice and its identity, but now it is the thing that Sydneysiders do for two weeks in winter: They go down to see Vivid. That is the kind of thing that drags people into a city from overseas. They look at it and go, "Those guys are having a great time for those two weeks. We want to go and have a look." I am not sure that answers your question but I think it has to grow out of the authentic experience of—

The Hon. PAUL GREEN: It is probably value-adding on exactly that. How do we value-add on the very thing that they are coming to see, because we have lots of it?

Mr SPELLICY: Exactly.

The CHAIR: Thank you. As there are no more questions, we will have an early mark. Thank you very much for your time. That China case study is quite useful to us. There are a couple questions on notice for you to send us answers to and information on within 21 days.

(The witnesses withdrew)

The Committee adjourned at 16:20.