# Regional development and a global Sydney

# Discussion paper

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November 2017

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Standing Committee on State Development

# Regional development and a global Sydney

# Discussion paper

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# Terms of reference

1.  That the Standing Committee on State Development inquire into and report on how Sydney's growing prominence as a global city enhances regional development in New South Wales, and in particular:

    a.  ensuring the regions benefit from the expansion of international trade, infrastructure, employment, tourism, innovation and research in the greater Sydney region

    b.  identify the sectors of the economy that can provide the greatest opportunities for regional development, including forecasts for jobs growth

    c.  how collaboration between levels of government, non-government and private sectors can assist the regions to benefit from Sydney's global position, and

    d.  any other related matter.

2.  That the committee report by 28 April 2018.

The terms of reference were referred to the committee by the Hon Anthony Roberts MP, Minister for Planning, Minister for Housing, Special Minister of State on 9 March 2017.[1]

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[1] *Minutes*, NSW Legislative Council, 6 April 2017, p 1540.

# Committee details

| | | |
|---|---|---|
| **The Hon Greg Pearce MLC** | **Liberal Party** | *Chair* |
| **The Hon Mick Veitch MLC** | **Australian Labor Party** | *Deputy Chair* |
| **The Hon Rick Colless MLC** | **The Nationals** | |
| **The Hon John Graham MLC** | **Australian Labor Party** | |
| **The Hon Paul Green MLC** | **Christian Democratic Party** | |
| **The Hon Natasha Maclaren-Jones MLC** | **Liberal Party** | |

# How to contact the committee

Members of the Standing Committee on State Development can be contacted through the Committee Secretariat. Submissions to this discussion paper and enquiries should be directed to:

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| The Director |
| Standing Committee on State Development |
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# Purpose of the discussion paper

**The purpose of the discussion paper is to seek stakeholder views on how regional New South Wales can benefit from Sydney's growing prominence as a global city.**

The Hon Anthony Roberts MP, Minister for Planning, Minister for Housing, Special Minister of State, has asked the Standing Committee on State Development to inquire into and report on how Sydney's growing prominence as a global city enhances regional development in New South Wales.

Since the establishment of the inquiry in April 2017, the committee has been actively seeking evidence to inform the recommendations it will be making to government. It has received 37 submissions, conducted seven public hearings across the state and met with a number of regional businesses, councils and universities.[2]

The committee is now issuing this discussion paper, which provides an overview of the key issues identified, based on the evidence received to date, to seek stakeholder views on various questions that have been developed in response to key issues.

This is an opportunity for individuals and organisations with an interest in the inquiry to provide specific feedback on what they would like to see the committee recommend to the NSW Government. A number of questions have been included to help you write your submission.

The committee will review all responses to the discussion paper and will then prepare its final report, for tabling in Parliament. All committee reports recommending action require a response from the NSW Government within six months of the report being tabled.

# Making a submission to the discussion paper

The committee hopes to hear from a wide range of stakeholders including industry, government and non-government sectors, academics and the private sector. There is no special format for a submission and it does not need to address all of the questions posed in this discussion paper. Your name, address and telephone number is required for administrative purposes.

Submissions should be lodged via the committee website or sent to the Director of the committee by mail or email (see page vii). The closing date for submissions is **12 February 2018**. Please indicate clearly if you wish for all or part of your submission to remain confidential.

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[2]     Transcripts of public hearings, submissions and site visit reports are available on the committee's website: www.parliament.nsw.gov.au/statedevelopment.

# Chair's foreword

Sydney has a world-class and burgeoning economy, currently estimated at $378 billion per annum.. This can be attributed to Sydney's position as a world-class centre for knowledge-based businesses such as financial services and banking, information and communications technology, legal and management services, accounting and education. The city also attracts high levels of tourism, trade and investment and is well-resourced as a transport gateway. As a result, Sydney is recognised as a global city.

This inquiry was established to identify how Sydney's growing prominence as a global city can benefit regional New South Wales, whether through the expansion of mechanisms such as international trade, infrastructure, tourism and innovation and research, through better collaboration across levels of government, or through more targeted investment of resources in particular regions or industry sectors.

Regional New South Wales is home to approximately 40 per cent of the total New South Wales population and produces one third of total gross state product. While the regions are attractive places to live and work, and are expected to provide approximately one third of all new jobs created to 2056, recent changes driven by technological innovation and market forces have seen population and employment decline in some regions, while others have been more resilient and are thriving.

While the NSW Government is already working to identify the factors that have contributed to these trends and work with communities to make them more responsive and resilient, this inquiry has presented an opportunity to explore new opportunities for growth across key industry sectors and the ways in which the NSW Government can assist regional communities to leverage off a global Sydney. To that end, the committee has benefited from the insights offered by stakeholders spanning federal, state and local government, business and industry groups, and community organisations.

Stakeholders have stressed the need for greater collaboration across the three levels of government, and between government and local communities. Stakeholders have also pointed to successful collaborations and initiatives and to those practical contributions that government can make to remove obstacles to development and attract new families and businesses to the regions. This discussion paper outlines some of the common themes and priorities identified by stakeholders and identifies a number of topics the committee seeks further information on to help identify specific actions to facilitate regional development in regional New South Wales and inform its report.

On behalf of the committee, I thank those that have contributed to our work and the secretariat for their assistance to date, including Rebecca Main, Jenelle Moore and Angeline Chung, and invite interested parties to consider the issues identified in this discussion paper and make further submissions to inform our final report.

The Hon Greg Pearce MLC
**Committee Chair**

# Summary of questions

The committee is seeking your views on how regional New South Wales can benefit from Sydney's growing prominence as a global city. This is an opportunity for individuals and organisations with an interest in this area to provide specific feedback on what they would like to see the committee recommend to the NSW Government. Below are questions, based on the evidence received to date, to help you write your submission.

## Chapter 1:   Global Sydney and regional New South Wales

## Chapter 3:   Alignment, collaboration and funding

## Chapter 4:   Opportunities for growth

## Chapter 5:   Connecting the regions to global Sydney

# Chapter 1     Global Sydney and regional New South Wales

> [Sydney] 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 manufacturing or physical products as we would imagine them.[3]

This inquiry was established on the premise that Sydney's profile as a 'global city' offers benefits both to the economies of regional New South Wales and to Sydney. This chapter considers the factors that identify Sydney as a global city and contrasts Sydney's current profile to that of its anticipated future. The chapter then considers the current and anticipated future demographics of regional New South Wales, and how the concept of Sydney as a 'gateway' could best benefit the regions.

## What makes a global city?

**1.1**     Sydney Business Chamber's *Sydney: Australia's global city*, prepared by Price Waterhouse Cooper, contends that a 'global city' demonstrates power, sophistication, leadership, wealth, influence and global interconnectedness – 'to be called a global city means that activities and ideas stemming from the city have the ability to shape the world'.[4]

**1.2**     While acknowledging that there is no concrete method to assign the title to any one city, *Sydney: Australia's global city* proffers New York and London as two cities that can lay claim to the title because, 'assessed as individual metropolises, these two cities have a strong international image that encompasses diverse cultural events, dynamic populations and commanding business and financial clout'.[5]

**1.3**     It is against this backdrop that proponents identify Sydney as a global city.

## Sydney: a global city

**1.4**     Sydney is a world-class centre for knowledge-based businesses such as financial services and banking, information and communications technology, legal and management services, accounting and education. Over 93 per cent of international banks in Australia have their regional headquarters in Sydney, over 60 per cent of Australia's information communications technology (ICT) headquarters and operations centres are located in Sydney, and the city attracts high levels of tourism, trade and investment.[6] The city is home to 4.3 million residents and more than 451,000 businesses.[7]

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[3]     Evidence, Mr Greg Ewing, Engineers Australia – Sydney and Canberra Divisions, 19 June 2017, p 44.

[4]     Sydney Business Chamber, *Sydney: Australia's global city*, prepared by Price Waterhouse Cooper, dated June 2010, p 4.

[5]     Sydney Business Chamber, *Sydney: Australia's global city*, prepared by Price Waterhouse Cooper, dated June 2010, p 4.

[6]     Submission no. 27, NSW Government, p 4.

[7]     NSW Planning and Environment, *A Plan for Growing Sydney,* December 2014, p 3.

**1.5** As a result, Sydney has a world-class and burgeoning economy. Sydney's economy is currently estimated at $378 billion, a figure that exceeds the combined value of Australia's manufacturing, mining and construction industries.[8]

**1.6** Sydney is also well-resourced as a transport gateway, laying claim to Sydney International Airport, the Port Botany Precinct, Bankstown-Milperra Airport and a road and rail network that connects key ports and industrial regions. While congestion has been identified as a limiting factor for Sydney, costing the city some $5 billion per annum, in 2014 the NSW Government announced 'Rebuilding NSW', a plan to invest $20 billion in new productive infrastructure including the Westconnex northern and southern extensions, and the Western Harbour Tunnel; a second harbour rail crossing; a Parramatta Light Rail and a new motorway extension to the south.[9]

**1.7** Adding to Sydney's current infrastructure profile, the announcement of a new Western Sydney Airport at Badgery's Creek has been identified as a 'game changer' which will create jobs, introduce new modes of freight and visitor gateways, and ignite new economy activity in neighbouring business precincts.[10] These transport gateways are reflected in Figure 1.

**Figure 1    Figure: Sydney's Strategic Centres and Transport Gateways[11]**



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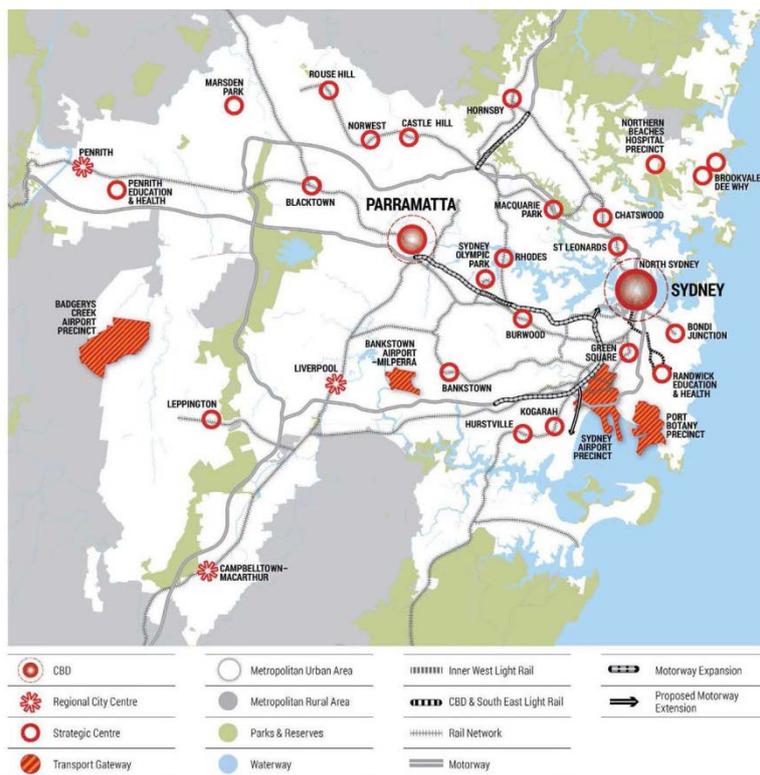
8       Greater Sydney Commission, *Towards Our Greater Sydney*, November 2016, p 1.

9       NSW Government, *State Infrastructure Strategy*, 2 October 2016, https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/state-infrastructure-strategy/#economic-benefits-of-infrastructure.

10      Greater Sydney Commission, *Towards Our Greater Sydney*, November 2016, p 3; NSW Planning and Environment, *A Plan for Growing Sydney,* December 2014, p 6, 17, 21.

11      NSW Planning and Environment, *A plan for growing Sydney*, 2014, p 47.

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**1.8**     Sydney's appeal extends beyond its economy and infrastructure. Sydney was ranked the world's 'friendliest' city by Conde Nast Traveler in 2015 and the world's 'most reputable city' in a survey of 100 cities for its effective government, appealing environment and advanced economy.[12] The city and its surrounds are renown for a natural environment comprising of mountains, beaches and wide stretches of harbour, providing a scenic backdrop to its built environment and a relaxed and inviting lifestyle for its citizens.[13]

**1.9**     The city boasts seven of Australia's top ten most popular visitor attractions, and between March 2016 and March 2017 hosted nearly half of all international visitors to Australia who spent $8.6 billion, nearly one third of Australia's international tourism earnings.[14]

**1.10**    These factors have prompted observers to identify Sydney as Australia's 'global city' across a diverse range of social, economic, environmental and cultural indicators:

- In 2016, Loughborough University globalisation and world cities research network, which measures the connectivity of cities in terms of position and influence, ranked Sydney a top 10 'alpha world city' alongside New York, London, Tokyo, Paris and Hong Kong.

- The 2015 Anholt-GfK City Brands Index ranked Sydney as the 4th best city in the world for its brand appeal and image. Sydney was voted the best city for 'people' and for 'prerequisites'.

- In 2016, the Global Financial Centres Index increased Sydney's ranking by 7 places from its 2013 ranking to 8th, and to 4th in the Asia-Pacific region. The index measures competitiveness between 75 international finance centres and their performance in business environment, finance sector development, infrastructure, human capital and reputation.

- Sydney was ranked number 1 in Australia by the University of Canberra Knowledge City Index 2017, 14th by 2thinknow's Top World Cities for Innovation and 16th in the World's Top Cities for Startups by Compass.[15]

**Future Sydney**

**1.11**    Both the NSW Government and the Greater Sydney Commission have recently released plans for the Sydney of the future. These plans, informed by economic modelling and strategic planning principles, anticipate that Sydney will continue to grow as a key global city, an economic powerhouse, and a well-connected and highly liveable city.[16]

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[12]    Submission no. 27, NSW Government, p 4, citing Conde Nast Traveler (2015), *The 2015 Friendliest (and unfriendliest cities) in the world*, and Reputation Institute (2015), *City RepTrac Report*.

[13]    NSW Planning and Environment, *A Plan for Growing Sydney*, December 2014, pp 3-4.

[14]    City of Sydney, *Our global city*, http://www.cityofsydney.nsw.gov.au/learn/research-and-statistics/the-city-at-a-glance/our-global-city.

[15]    City of Sydney, *Our global city*, http://www.cityofsydney.nsw.gov.au/learn/research-and-statistics/the-city-at-a-glance/our-global-city.

[16]    NSW Planning and Environment, *A plan for growing Sydney*, 2014; Greater Sydney Commission, *Directions for a Greater Sydney 2017-2056*, 2017.

**1.12** By 2031, Sydney's economic output is anticipated to almost double to $565 billion a year, creating of 689,000 new jobs.[17] While inquiry participants acknowledged that not all industry sectors are performing at the same high level, with the manufacturing sector having suffered significant setbacks that are not expected to reverse,[18] modelling denotes that Sydney's transformation into a knowledge and service-driven economy is already underway. The growth in finance, professional services, information media and telecommunications, health and social care sectors situate Sydney as a competitive global player and cement the city as an attractive site for investment into the future.[19]

**Figure 2        Income generated in Sydney to 2026[20]**
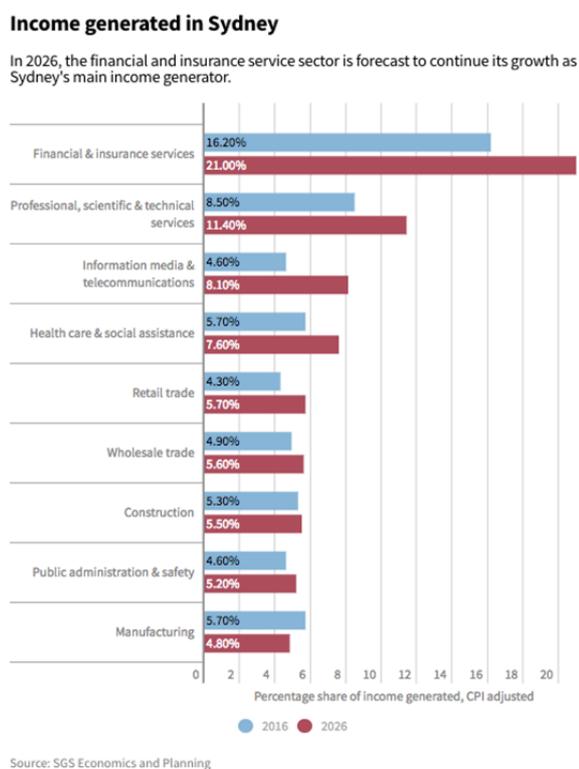


**1.13** The Greater Sydney Commission forecasts that economic growth will be further ignited as Sydney moves from a centralised economic zone in the inner city to a three-city model: the Western Parkland City, the Central River City and the Eastern Harbour City. Under this model, a variety of industry hubs will drive growth in jobs and business, and also provide new housing and lifestyle opportunities.[21]

17      NSW Planning and Environment, *A plan for growing Sydney*, 2014, p 4.

18      Regional Development Australia – Sydney, Submission no. 24, p 2; NSW Business Chamber, Submission no. 30, pp 1-2. These observations are supported by economic data published by Jobs for NSW in *Jobs for the Future*, 2016, p 32.

19      Jobs for NSW, *Jobs for the Future*, August 2016, p 32

20      Sydney Morning Herald, Sydney 2026: Jobs and the Economy, citing date published by SGS Economics and Planning, http://www.smh.com.au/interactive/2016/sydney2026/chapter7.html.

21      Greater Sydney Commission, *Directions for a Greater Sydney 2017-2056*, 2017, p 7.

**Figure 3**      **The three-city model: Greater Sydney Commission's Vision to 2056[22]**

## Western Parkland City

The Western Sydney Airport will be the catalyst for an emerging aerotropolis and tourism gateway. It will grow a strong economy in trade, logistics, advanced manufacturing, health, education and science.

Vibrant and productive centres will connect to international education facilities and well-designed residential areas to support sustainable and liveable local communities for Western Sydney.

## Central River City

Greater Parramatta and the Olympic Peninsula (GPOP) will be the focus for this developing city, with health, education, administration, finance and business services driving the economy.

At the heart of Greater Sydney, the Central River City will provide a greater choice of housing, major entertainment and cultural facilities and green spaces, within enriched waterways and restored landscapes.

## Eastern Harbour City

The established Eastern Harbour City will continue to grow as Australia's global gateway, with a strong financial, professional services, FinTech, health and education economy.

Its vibrant established suburbs and transformative renewal areas will provide a greater choice in jobs, housing and lifestyle opportunities in a celebrated and internationally recognised environment.

**1.14**      The Greater Sydney Commission's draft Regional Plan[23] and Transport for NSW's Future Transport strategy for metropolitan Sydney[24] were formally launched in October 2017 and the Commission will receive formal feedback until December 2017.[25]

**1.15**      In the next 20 years, Sydney's population is anticipated to grow by 1.6 million people, with 900,000 of this population growth occurring in Western Sydney. As indicated in Figure 4, the rate of growth during this period is anticipated to accelerate at a far greater pace than it did in the same preceding period.[26]

**Figure 4**      **Additional population growth per decade, Sydney 1991 to 2041[27]**



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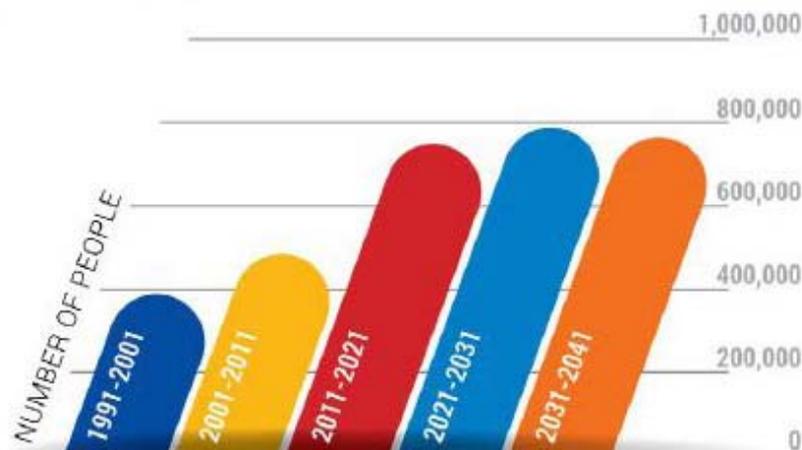
22      Greater Sydney Commission, *Directions for a Greater Sydney 2017-2056*, 2017, p 7.

23      Greater Sydney Commission, *Our Greater Sydney 2056: A metropolis of three cities – connecting people: Draft*, dated October 2017,

24      NSW Government, "Future Transport 2056", https://future.transport.nsw.gov.au/.

25      Great Sydney Commission, "District Plans", https://www.greater.sydney/district-plans.

26      NSW Planning and Environment, *A plan for growing Sydney*, 2014, p 4.

27      NSW Planning and Environment, *A plan for growing Sydney*, 2014, p 5.

**1.16**   The composition of Sydney's population will also change – more than one million people will be over the age of 65 years and almost the same number under the age of 15 years by 2031.[28] An ageing population will demand a wider variety of housing and services, access to opportunities to age in place, and will change the structure of the workforce – while the share of older people who participate in the workforce is expected to increase, workforce participation as a whole is expected to decrease.[29]

### Keeping Sydney competitive

**1.17**   While Sydney's growing prominence as a global city creates potential for the city and state, it also raises concerns for a city which is already facing infrastructure pressures caused by a rapidly increasing population. As one inquiry participant observed, while the scale of Sydney's critical mass, economy and natural features is crucial to its identity as a local city, maintaining that scale will be crucial to ensuring that Sydney *remains* a global city.[30]

**1.18**   The committee heard that businesses across Sydney have been making enquiries for alternative locations from which to base their businesses as they face higher operating costs and incentives to sell land for existing land holdings for alternative uses.[31] There was also agreement that congestion in and around Sydney is increasingly having an effect on productivity and on liveability.[32]

**1.19**   Inquiry participants were unified in their view that Sydney's growing prominence as a global city and Australia's primary economic hub presents tremendous opportunities both in sustaining Sydney and for regional New South Wales.[33] These benefits flow in two directions – while the regions stand to benefit from the spill-over effect of Sydney's success and economy, the regions will also bolster Sydney as a global player by facilitating the increased provision and movement of freight, goods and services; housing and educating a skilled secondary workforce; and providing affordable spaces for new and innovative industries to start-up and grow.[34]

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[28]   NSW Planning and Environment, *A plan for growing Sydney*, 2014, p 4.

[29]   NSW Budget 2016-17, Budget Paper No. 5: Intergenerational Report, p 7.

[30]   Evidence, Mr Greg Ewing, Engineers Australia – Sydney and Canberra Divisions, 19 June 2017, pp 50-51.

[31]   Evidence, Mr Chris Lamont, Illawarra Business Chamber, 29 June 2017, p 2; Goulburn-Mulwaree Council, Submission no. 4, pp 1-2.

[32]   NSW Government, *State Infrastructure Strategy*, 2 October 2016, https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/state-infrastructure-strategy/#economic-benefits-of-infrastructure.; Submission 1, Albury City, p 1; Submission 2, City of Wagga Wagga, p 1; Submission 20, Central NSW Councils, p 7; Evidence, Ms Debra Murphy, Regional Development Australia – Illawarra, 29 June 2017, p 40.

[33]   For example, Evidence, Mr Chris Lamont, Illawarra Business Chamber, 29 June 2017, p 2; Evidence, Ms Sandra Chipchase, Chief Executive Officer, Destination NSW, 19 June 2017, p 2; Submission 6, Newcastle Tourism Industry Group, p 6; Submission 5, Bathurst Regional Council, p 2; Submission 12, Port Macquarie Hastings Council, p 1; Evidence, Mr Troy Green, Tweed Shire Council, 28 August 2017, p 4.

[34]   Submission 27, NSW Government, p 5; Submission 10, Regional Development Australia – Illawarra, p 3; Submission 2, City of Wagga Wagga, pp 1-2.

**1.20**   The Regional Australia Institute also estimates that for every additional 100,000 Australians who choose to live in small cities rather than the capital cities, approximately $42 billion will be released into the economy over the next 30 years through reduced interest payments on mortgages alone. These funds would represent a considerable national economic stimulus if released back into the consumption economy.[35]

**1.21**   It is these mutual benefits and opportunities that will be further explored in this discussion paper.

## Regional New South Wales

> There are not many places where you can get up in the morning, drop the kids at child care, grab a coffee and be sitting in your office in under 10 minutes. That is a pretty lovely lifestyle.[36]

**1.22**   Regional New South Wales is home to 2.9 million people, representing 41 per cent of the state's population and making it the largest and most diverse regional economy in Australia.[37] The regions are a significant contributor to New South Wales' economy, contributing 30 per cent of the state's Gross State Product, and Gross Regional Product has grown by an average 4.8 per cent each year since 2006.[38]

**1.23**   Regional New South Wales provided 46 per cent of all jobs created in the year to March 2017, above its share of the state's population (almost 40 per cent) and contribution to the state's labour force (more than 37 per cent).[39] Added to this, over the past 10 years regional New South Wales has recorded stronger wage growth than Sydney (Figure 5).[40] This figure would likely be even higher if Newcastle, Lake Macquarie and the Illawarra were taken into account. However, these aggregate figures are heavily influenced by the impact of the mining construction boom.

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[35]   Submission 20, Central NSW Councils, p 4, citing Regional Australia Institute, http://www.regionalaustralia.org.au/home/2016/04/worth-benefits-proactively-developing-small-cities/.

[36]   Evidence, Ms Anna Wyllie, Parkes Shire Council, 14 August 2017, p 13.

[37]   Submission no. 30, NSW Business Chamber, p 1.

[38]   Submission no. 27, NSW Government, p 4; Submission no. 30, NSW Business Chamber, p 1.

[39]   Submission no. 27, NSW Government, p 4.

[40]   Answers to questions on notice, NSW Government, 21 July 2017, p 4.

**Figure 5        Wage growth in New South Wales, 1996 to 2016[41]**

| Region | Median Weekly Income, 1996 | Median Weekly Income, 2016 | Change (%) | Change (% p.a.) |
|---|---|---|---|---|
| Regional NSW | $249.1 | $554.8 | 122.7% | 4.1% |
| Sydney | $350.9 | $702.2 | 100.1% | 3.5% |
| Newcastle & Lake Macquarie and Illawarra | $249.5 | $572.4 | 129.4% | 4.2% |
| NSW | $298.7 | $659.2 | 120.7% | 4.0% |

1.24    Figures that have recently been reported from the latest census show that in the five years between 2011 and 2016, 342,000 jobs have been created in Sydney, while outside Sydney the number of jobs has decreased by 17,000. In response the NSW Government has quoted the Bureau of Statistics' labour force survey which shows 'more than 90,000 jobs' added in the state's regional areas between September 2011 and September 2017. These competing figures illustrate the need for better and more frequent reporting of regional economic data. While these economic statistics are produced at a national level, they have an important impact on the NSW Government's ability to drive its regional development agenda.[42]

**Question 1**

What additional statistical information would be useful to determine how regional New South Wales is fairing economically on a more frequent and more detailed basis?

1.25    With vast areas of natural beauty and diverse lifestyles, regional locations are also attractive locations to live and work. While Sydney is a major draw for net overseas migration, regional New South Wales has seen a net internal inflow of almost 10,000 people (in 2013-14) against Sydney's net internal outflow of 17,000.[43] There are major variations across regional New South Wales, for example, some centres such as Wagga Wagga, Singleton and Queanbeyan have aged dependency ratios (the ratio of those aged 65 and older to those aged between 15 and 64) markedly below the state average, while others have recorded robust population growth.[44]

**Defining 'regional New South Wales'**

1.26    The committee acknowledges that in the course of the inquiry there has been considerable discussion of what it means to be a part of 'regional New South Wales'. Regional New South Wales could be said to comprise of two distinct 'districts' – those bordering Sydney, comprising of Newcastle/the Hunter, Wollongong and the Blue Mountains, and those further

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41    Answers to questions on notice, NSW Government, 21 July 2017, p 4.

42    Matt Wade, 'Sydney jobs boom puts pressure on transport and house prices, *Sydney Morning Herald*, 9 November 2017, http://www.smh.com.au/business/the-economy/sydney-jobs-boom-puts-pressure-on-transport-and-house-prices-20171108-gzhitj.html

43    Submission no. 27, NSW Government, p 4.

44    NSW Budget 2016-17, *Budget Paper No. 5: Intergenerational Report*, p 6.

afield. The profile of these two districts varies markedly, owing equally to their population density, proximity to Sydney, accessibility and workforce or industry composition.

1.27    Some participants sought to identify the regions bordering Sydney as an 'extension' of Sydney and argued for greater integration of those regions with Sydney.[45] In the view of Regional Development Australia (RDA) – 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'. In support of this, the RDA pointed to the ability of road networks like the M7 which, in one hour, can join regions of Sydney who once thought of each other as 'on the other side of the earth'.[46]

1.28    Other participants argued that there was merit in distinguishing between Sydney, the bordering regions of the Hunter, Wollongong and the Blue Mountains, and the broader regions. Indeed, several participants argued that the regional communities bordering Sydney would resist any attempt to integrate with Sydney, taking pride in their local identity and the different opportunities that their local region offers.[47] Views were also expressed that the connectivity of the regions bordering Sydney depend very much on the distances involved, with the Hunter Business Chamber observing: 'the umbilical cord that connects Sydney and Newcastle is nothing like it is between Sydney and the Central Coast, or Sydney and the Illawarra, or Blue Mountains. That 100-kilometre zone is a fuzzy line that rules things in and out based on distance'.[48]

1.29    Participants who live beyond these 'second-tier' regions expressed different concerns, arguing that the proximity of these regions to Sydney has seen them benefit from significant investment and the expansion of infrastructure and opportunities to the detriment of regions further afield, who do not receive the same levels of investment.[49] Conversely, the Blue Mountains and Wollongong find they are increasingly having to compete with metropolitan Sydney for funding proposals in cases where they are not considered 'regional'.[50]

1.30    In noting the diversity of views, the committee invites submissions on the question of whether there is a need to move away from the two-tier metropolitan/regional model in favour of a three tier model that takes into consideration the specificities of metropolitan Sydney, the satellite cities, and the remainder of regional New South Wales.

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[45]    Submission no. 8, Illawarra Business Chamber, pp 6-7; Submission no. 10, Regional Development Australia – Illawarra, p 2.

[46]    Evidence, Mr Bob Germaine, Regional Development Australia – Sydney, 19 June 2017, p 42.

[47]    Evidence, Mr Richard Anicich, Hunter Business Chamber, 19 June 2017, p 36; Evidence, Mr Mark Roberts, University of Wollongong, 19 June 2017, p 22; Evidence, Mr Mark Grimson, Wollongong City Council, 29 June 2017, p 32; Submission 7, Blue Mountains City Council, p 11.

[48]    Evidence, Mr Bob Hawes, Hunter Business Chamber, 19 June 2017, p 36.

[49]    Evidence, Mr Jeff Stien, Bland Shire Council, 14 August 2017, p 27; Submission 1, Albury City, p 1.

[50]    Submission 7, Blue Mountains City Council, p 11; Evidence, Mr Chris Lamont, Illawarra Business Chamber, 29 June 2017, p 4; Evidence, Mr Mark Grimson, Wollongong City Council, 29 June 2017, p 32

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**Question 2**

    a)   How should the NSW Government define regional New South Wales?

    b)   Does the concept of three tiers of regions have merit?

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### Our future regions

**1.31**    The regions have been identified as the 'beating hearting of our state' and a key enabler to sustain a growing Sydney.[51]

**1.32**    It is expected that over the period from 2017 to 2055-2056, more than half a million of the 1.6 million jobs created in New South Wales will be in the regions.[52] Many of these jobs are likely to be found in agriculture, forestry and fishing, mining, tourism, health, education, food product manufacturing, and freight, logistics and distribution.[53]

**1.33**    It is also likely that technology and the growing 'virtualisation' of the workforce will be an enabler of the regions. Technology may allow employees of the future to avoid the higher housing costs and congestion generally found in the Sydney metropolitan area.[54] Significant investment in regional infrastructure already underway will also support greater mobility.[55]

**1.34**    These growth sectors are considered in Chapter 4, and challenges identified to facilitating growth in regional development are considered in Chapter 5.

**1.35**    Projections by the NSW Department of Planning and Environment indicate that between 2016 and 2031, the regions are expected to grow at 0.7 per cent a year. While this is below the rate of 1.5 per cent projected for Sydney, significant differences between the regions also exist, with areas such as the Tweed growing at 1.0 per cent per year,[56] and Bathurst, Coffs Harbour and Newcastle expected to grow at 11 to 15 per cent over the next decade.[57] More than half the population growth in the regions will be through migration, mostly from the metropolitan areas, but also from interstate and overseas.[58]

**1.36**    The Organisation for Economic Co-operation and Development (OECD) has identified that countries with a greater network of cities or polycentric urban systems, have higher per capita

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51    NSW Government, *NSW Budget 2017-18: Regional overview;* NSW Budget 2016-17, *Budget Paper No. 5: Intergenerational Report.*

52    NSW Budget 2016-17, *Budget Paper No. 5: Intergenerational Report*, p 39.

53    Submission 27, NSW Government, p 13.

54    NSW Budget 2016-17, *Budget Paper No. 5: Intergenerational Report*, p 6.

55    NSW Government, *NSW Budget 2017-18: Regional overview.*

56    NSW Budget 2016-17, *Budget Paper No. 5: Intergenerational Report*, p 20.

57    Submission 32, NRMA, p 2, citing Regional Australia Institute (2017) *NRMA Discussion Paper*, February 2016, pp 4-6.

58    NSW Budget 2016-17, *Budget Paper No. 5: Intergenerational Report*, pp 20-21, 23; Evidence, Professor Neil Argent, Professor of Human Geography, University of New England, 29 August 2017, p 20.

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gross domestic product (GDP) and are more likely to have a buoyant economy which can resist major negative economic or environmental impacts.[59]

1.37    The committee heard that by creating a positive employment environment and gaining an influx of new workers a cultural change will emerge in the regions. Cultural change and diversity will in turn encourage the development of new value-adding sectors to the regions, which create facilities to improve the lifestyle of local residents, ensuring population retention, as well as increasing attractions to build the tourism market.[60]

## Sydney as a gateway to the regions and the world

1.38    Sydney's growing prominence as a global city makes it an important strategic 'gateway' to the world for regional New South Wales and enables the state to maintain extensive links to international markets.[61]

1.39    Ms Elizabeth Livingstone, Executive Director, Regional Policy and Analytics, Department of Premier and Cabinet told the committee that two key principles frame the relationship between Sydney and the rest of New South Wales:

- *Sydney provides a gateway to the world for the whole of New South Wales:* The gateway is not just into 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'.

- *Sydney has specialisations and economies of scale that the regions can benefit from:* Businesses benefit from the specialisations of finance and accounting services available to them from the city, which may be cheaper than if they were provided in a more dispersed way across regional New South Wales. People in regional New South Wales may also benefit from the expertise that accrues in Sydney, but can be shared either by satellite service delivery or spoke-and-hub models of expertise from health services or other things.[62]

1.40    The committee is interested to hear stakeholders' views on ways in which the NSW Government can facilitate the role of Sydney as a gateway to the regions.

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**Question 3**

What more can the NSW Government do to facilitate Sydney's role as a gateway to the regions?

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[59]    Submission 9, Evocities, p 5, citing Regional Australia Institute, Deal or No Deal – Bringing Small Cities into the National Cities Agenda, April 2016 p.6.

[60]    Submission 9, Evocities, p 5; Submission 11, Tamworth Regional Council, p 4.

[61]    Submission 27, NSW Government, p 4; Evidence, Mr Ian Smith, Office of Regional Development, 29 August 2017, p 10.

[62]    Evidence, Ms Elizabeth Livingstone, Regional Policy and Analytics, Department of Premier and Cabinet, 19 June 2017, p 2.

# Chapter 2      Government and regional development

Regional development has been identified as a key priority by both state and federal governments, and this has led to a range of funding and development initiatives that have placed regional New South Wales at the core of planning and infrastructure development.

This chapter reviews some of the primary federal and state government initiatives shaping regional development, and concludes by presenting several key concepts and principles that assist to explain how regional economies develop and decline, and where government can best play a role in supporting regions to respond to challenges and build resilience. Chapter 3 then considers the implementation of government initiatives and how government can collaborate with regions to ensure alignment of priorities for funding and development.

## Federal Government initiatives

### Regional Development Australia (RDA)

2.1     Regional Development Australia (RDA) is a Council of Australian Governments (COAG) initiative of the Australian and NSW Governments that aims to enhance the development of Australia's regions by working across different levels of government. A national network of 55 RDA committees comprising local leaders representing government, business, community groups and other key regional stakeholders was established in 2009 to provide targeted advice to government on key issues affecting the economic development of each region. New South Wales has 14 RDA Committees.[63]

2.2     In September 2016, the Federal Minister for Regional Development commissioned an independent review of the program by the Hon Warwick L Smith AM. While the review made strong recognition of the contributions made by RDA Committees to their respective regions, the review recommended that they be abolished in favour of a different model.[64] These recommendations, and the Federal Government's response to the review, are discussed later in this chapter.

### City Deals

2.3     The City Deals initiative was launched in 2016. The committee heard that City Deals target both urban and regional cities, with the aim of bringing the three levels of government together to deliver a coordinated and integrated package of initiatives, aimed at unlocking the economic and social potential of Australian cities.[65] They are modelled on similar programs in the United Kingdom.[66]

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[63]     Regional Development Australia – Sydney, Submission no. 24, p 1; Regional Development Australia website, http://rda.gov.au.

[64]     The Hon Warwick Smith AM, *Independent Review of the Regional Development Australia Programme: Final Report*, dated December 2016.

[65]     Submission 34, Department of Infrastructure and Regional Development, p 4.

[66]     Evidence, Mr Mark Roberts, Senior Manager, Strategic Projects, University of Wollongong, 19 June 2017, p 22.

**2.4**    To date, the Federal Government has signed deals for Townsville and Launceston and is working on a City Deal for Western Sydney.[67] The Western Sydney City Deal will aim to deliver almost 100,000 jobs, more housing and better transport for outer Western Sydney in what is the nation's largest ever planning and investment partnership. The Western Sydney City Deal is intended to drive a new economy in the emerging aerotropolis that incorporates the areas immediately around the Western Sydney Airport, and the broader region.[68]

### Regional Growth Fund

**2.5**    As part of the 2017/18 Budget, the Federal Government announced a $472.2 million Regional Growth Fund, $272.2 million of which will comprise of grants for major transformational projects for regions undergoing structural adjustment.[69]

### Building Better Regions Fund

**2.6**    The Building Better Regions Fund has been extended for four years to 2021 and funds projects in regional Australia outside all of the major capital cities. The fund consists of two streams:

- The Infrastructure Projects Stream supports projects that involve the construction of new infrastructure or upgrades to existing infrastructure.

- The Community Investments Stream funds community building activities such as new or expanded local events, strategic regional plans and leadership or capacity building acitivites.[70]

### Regional Jobs and Investment Package

**2.7**    This package has committed $220 million to help regions diversify their economies, stimulate long-term economic growth and deliver sustainable employment. Two of the ten pilot regions chosen to be part of the program are in New South Wales: the North Coast and South Coast regions.[71]

### Financial Assistance Grant program for local governments

**2.8**    The program consists of two components: a general purpose component which is distributed between the states and territories on a per capita basis; and an identified local road component which is distributed between the states and territories according to fixed historical shares. Local Government Grants Commissions recommend the distribution of funding to local governing bodies in accordance with the *Local Government (Financial Assistance) Act 1995* (Cth)

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[67]    Australian Government Department of the Prime Minister and Cabinet, 'City Deals', https://cities.dpmc.gov.au/city-deals.

[68]    Greater Sydney Commission, *Towards Our Greater Sydney*, November 2016, p 4.

[69]    Submission 34, Department of Infrastructure and Regional Development, p 6.

[70]    Submission 34, Department of Infrastructure and Regional Development, p 6.

[71]    Submission 34, Department of Infrastructure and Regional Development, p 6.

and National Principles. $48 billion has been allocated since 1974-75, and $2.3 billion is being allocated to local governments in untied grants to support local communities in 2017.[72]

### Productivity Commission

**2.9** The Federal Government has commissioned a 12-month study into the geographic impacts of transition of the Australian economy following the resources investment boom. The study will identify those regions and localities that face significant challenges in successfully transitioning to a more sustainable economic base as the investment phase is completed, and consider factors that influence a region's capacity to adapt to changes in economic circumstances.[73]

**2.10** The Commission published an initial report in April 2017,[74] and a final report is expected by December 2017.

## NSW Government initiatives

**2.11** Regional development is a key theme across a number of NSW Government initiatives. The commentary below summarises those most frequently canvassed in the course of the inquiry, noting that other ad hoc initiatives may operate alongside these programs.

### Rebuilding NSW and Restart NSW – 2011

**2.12** In 2011 the NSW Government established the Restart NSW fund to enable high priority infrastructure projects to be funded and delivered. Infrastructure NSW is responsible for assessing and recommending Restart NSW projects. Restart NSW is the vehicle for the delivery of the 'Rebuilding NSW' plan, which is the Government's 10-year plan to invest $20 billion in new infrastructure.[75]

**2.13** Of this money, $6 billion will be dedicated towards regional infrastructure, including: $2 billion for the Regional Road Freight Corridor Program; $1 billion for a Regional Growth Roads Program; $1 billion on water security; $500 million for the Fixing Country Roads Program; $300 million for the Regional Growth – Environment and Tourism Fund (not to be confused with the Federal Government's Regional Growth Fund); $400 million for Fixing Country Rail; and $200 million to accelerate the Bridges for the Bush program. This funding comprises part of the $13 billion the Government has dedicated to infrastructure projects, including better roads, hospitals and schools.[76]

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72 Submission 34, Department of Infrastructure and Regional Development, p 7.

73 Australian Government Productivity Commission, "Transitioning Regional Economies", https://www.pc.gov.au/inquiries/current/transitioning-regions#report.

74 Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017.

75 Infrastructure NSW, 'Restart NSW', http://www.infrastructure.nsw.gov.au/restart-nsw.aspx.

76 Submission 27, NSW Government, p 7.

**Regional Tourism Infrastructure Fund – 2014**

**2.14** The NSW Government's $110 million Regional Tourism Infrastructure Fund, announced in the 2014-15 Budget, supports regional tourism by funding critical visitor economy infrastructure projects such as rail trails, airports and cruise terminals.[77] The Fund reflects one of the Premier's key priorities, the delivery of infrastructure.[78]

**2.15** As part of this the NSW Government has committed $70 million for upgrades to 27 regional airport projects that will boost their capacity and safety and increase their ability to attract visitors to regional New South Wales. The projects include passenger terminal upgrades, improved lighting to support airport expansion, and expanding runways or aircraft parking to accommodate larger planes.[79]

**Jobs for NSW – 2015**

**2.16** Jobs for NSW was launched in August 2015 as a private sector-led and NSW Government-backed initiative. Its goals are twofold: to help make the New South Wales economy as competitive as possible, and to fulfil the Premier's primary objective for New South Wales of creating more jobs across the state.[80]

**2.17** At least 30 per cent of the $190 million Jobs for NSW Fund is being allocated to supporting the growth of businesses outside of Sydney, Newcastle and Wollongong. The NSW Government told the committee that, to connect regional entrepreneurs to the Sydney innovation ecosystem, Jobs for NSW is developing the Sydney Startup Hub, a high-density startup cluster in the Sydney CBD to drive collaboration and networking amongst startups and small to medium enterprises (SMEs). The Hub, which will open in late 2017, will support regional entrepreneurs via a 'hub and spoke' model. The initiative is the first of its kind in Australia.[81]

**Destination NSW[82] and Destination Networks – 2016**

**2.18** The committee heard that Destination NSW employs a 'Sydney Plus' Strategy to promote regional dispersal, encourage international visitors to see more of the state and prompt higher levels of return visits. This approach is used in 80 per cent of international marketing campaigns undertaken by Destination NSW and is a key element of partnership activities that include the development of travel packages, such as those sold for Vivid Sydney. Destination NSW also delivers campaigns to promote travel to the regions.[83]

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[77]  Submission 27, NSW Government, p 7.

[78]  NSW Government, "Premier's Priorities: Delivering infrastructure", https://www.nsw.gov.au/improving-nsw/premiers-priorities/delivering-infrastructure/.

[79]  Submission 27, NSW Government , pp 7-8.

[80]  Jobs for NSW, *Jobs for the Future*, August 2016, p 2.

[81]  Submission 27, NSW Government, p 8; Sydney Startup Hub, *Fact Sheet*, https://sydneystartuphub.com/17400_DOI_StartupHub_combined_WCAG_31Jul.pdf.

[82]  In 2011, Destination NSW replaced the former Tourism NSW and Events NSW. Destination NSW also replaced the Homebush Motor Racing Authority and the Greater Sydney Partnership.

[83]  Submission no. 27, NSW Government, p 11.

**2.19** The Government also advised that the NSW Events Calendar developed by Destination NSW has secured or retained 255 events for the regions since 2011; the Regional Event Investment Program supports large scale events; and the Regional Flagship Events Program supports locally developed events via grants allocated through an Incubator Event Fund, a Flagship Event Fund and an Event Development Fund.[84]

### Destination Networks

**2.20** In July 2016, the NSW Government committed to a funding program of $43 million over four years, which is being used in part to fund the creation of six new Destination Networks representing the regions of Riverina Murray, Southern NSW, North Coast (including Lord Howe Island), Country and Outback NSW, Sydney Surrounds North, and Sydney Surrounds South. It is envisaged that the Destination Networks will grow local visitor economies through industry engagement and professional development, and product development for those regions.

### Destination Management Plans

**2.21** The NSW Government advised the committee that a state-wide Destination Management Plan is also currently under development to provide a best-practice guide to growing the visitor economy in rural and regional destinations. The Government envisages that the Plan will enable destinations to understand their strengths and weaknesses and determine if attracting the visitor economy is the best approach to generating social and economic benefits for their region.[85]

### Regional Tourism Fund Product Development Program

**2.22** The program, administered by Destination NSW, is available for new accommodation projects that increase capacity for the region and where it can be demonstrated that infrastructure projects will drive increased overnight visitation to the region and align with needs identified in the relevant Destination Management Plan.[86]

#### Regional plans to 2036 – 2016

**2.23** In 2016, NSW Planning and Environment launched a package of nine regional plans. The Regional Plan Program analyses at a strategic level the economic opportunities based on regional assets and endowments for both Sydney and each of New South Wales' nine regions: Central, Coast, Central West and Orana, Far West, Hunter, Illawarra-Shoalhaven, New England North West, North Coast, Riverina-Murray and South East Tablelands to 2036. As part of the strategic analysis, the plans consider economic linkages and identify for each region the opportunities associated with a growing Sydney.[87]

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[84] Submission no. 27, NSW Government, p 11.

[85] Submission no. 27, NSW Government, p 11.

[86] Submission 27, NSW Government, pp 11-12.

[87] Submission 27, NSW Government, p 5; NSW Planning and Environment, "Regional plans", http://www.planning.nsw.gov.au/Plans-for-your-area/Regional-Plans.

**Regional Development Framework – 2016**

2.24    In November 2016, the NSW Government released the Regional Development Framework to provide an overall vision for regional development in New South Wales.

2.25    The NSW Government advised that the Framework underpins the Government's priorities to grow business confidence, create jobs and encourage business investment to build a skilled workforce and secure a strong future for the state's regions.[88] The program comprises three programs of investment:

- *Providing quality services and infrastructure in regional New South Wales:* Ensuring that people in regional areas have access to essential services such as hospitals, schools, roads, water, police and emergency services, relevant to their size and population.

- *Aligning effort to support growing regional centres:* Ensuring that government investment in regional centres is commensurate with the needs of those centres and capitalises on economic opportunities. A combination of factors including growth in population, productivity, economic output or jobs is used to identify growth centres.

- *Identifying and activating economic potential:* Supporting projects or investments that have the potential to activate new opportunities, based on evidentiary assessment, in recognition that the economic landscape in a region can improve rapidly when government and the private sector collaborate to capitalise on particular opportunities.[89]

**Centre for Economic and Regional Development – 2016**

2.26    The Centre for Economic and Regional Development (CERD) was established in December 2016. Based in Orange, the CERD was formed to lead economic and regional development policy and analytics, and provide real time analysis for industry, government, peak bodies and more broadly anyone with an interest in economic development issues. The centre is guided by a Chief Economist and advised by an Expert Panel from across Australia.

**Office of Regional Development - 2017**

2.27    In 2017 the Office of Regional Development was moved from the NSW Department of Industry to the Department of Premier and Cabinet in recognition that regional New South Wales is a key priority for the Government. The Office of Regional Development is comprised of 13 offices across New South Wales and 46 staff.

2.28    Under the Regional Development Framework, the Department of Premier and Cabinet is leading development of a single, interactive web-based prospectus for regional New South Wales to attract investment to regions and key industry sectors. The prospectus will provide potential investors information on the underlying economic strengths of each region; the best economic opportunities now and into the future; and possible locations for investment or co-investment with government. The Department stated that the prospectus will ensure the regions have a strong presence overseas together with Sydney, support the work undertaken

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[88]    Submission 27, NSW Government, p 3.

[89]    NSW Government *Regional Development Framework,* 2016, pp 7-12.

to develop Regional Plans, and support work that is underway to develop sub-regional economic development strategies.[90]

### Regional Growth – Marketing and Promotion Fund – 2017

2.29 The Regional Growth – Marketing and Promotion Fund, launched in May 2017 (not to be confused with the Federal Government's Regional Growth Fund), will promote the benefits and opportunities in regional New South Wales. The NSW Government will invest in projects that strategically market a regional location through marketing or promotion activities to attract business investment and skilled workers.

2.30 Grants of up to $500,000 will be made available to regional local councils, regional development organisations, chambers of commerce, and other industry organisations and associations. Projects must be co-funded from non-government sources and can include advertising campaigns, promotional activities or participation in industry events.[91]

### Other initiatives

2.31 The NSW Government has also prioritised the following initiatives:

- *Resources for Regions*: Aims to deliver improved local infrastructure to mining-affected communities and improve economic growth and productivity by building infrastructure across health, water, road, education, tourism and CBD renewals to attract new business, tourists and residents. Up to $50 million is available in the 2017-18 financial year.

- *Export Capability Program:* Administered by the NSW Department of Industry, the program complements work undertaken by Austrade and other organisations in supporting businesses seeking to initiate export activities, as well as export-ready businesses looking to consolidate their knowledge and maximise long-term export gains. A team of Regional Export Advisers located across the state support the delivery of the program to regional businesses.

- *The Jobs Action Plan (Payroll Tax Rebate Scheme)*: Offers payroll tax rebates to businesses that create new jobs.

- *Central West Jobs Action Plan*: Offers additional support to help businesses in New South Wales' central-west region adapt to structural adjustments taking place.

- *Aboriginal Business Development Service*: Aims to enhance the sustainability and growth potential of Aboriginal enterprises including an Aboriginal Business Directory.

- *The Mobile Black Spot Program*: A $26 million investment to work with the Federal Government and mobile phone carriers to address mobile black spots across regional and remote New South Wales.

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[90] Submission 27, NSW Government, p 7.

[91] Submission 27, NSW Government, pp 8-9; NSW Government, "Regional Growth Fund", https://www.nsw.gov.au/improving-nsw/regional-nsw/regional-growth-fund/.

- *The Easy to do Business Program*: Reducing the average time taken to start a hospitality business from 18 months to just three months, the program has been expanded to Dubbo to stimulate growth of the local café, restaurant and bar sector.

- *Pacific Highway Upgrade*: Once completed, the upgrade will reduce overall distance between Woolgoolga and Ballina from 180 kilometres to 167 kilometres, allow for increased speeds up to 110 km/hour and reduce travel from 130 minutes to 105 minutes. The Pacific Highway Upgrade will also complete the continuous dual carriageway connection from Sydney to the Queensland border.[92]

**2.32** The range of initiatives announced by the NSW Government, alongside those facilitated by the Federal Government, demonstrate the commitment by government to support the growth and development of regional New South Wales.

## Key concepts in regional development

**2.33** This section discusses several key concepts that are used to inform regional development. These concepts have emerged from recent studies undertaken by the NSW Government's Centre for Economic and Regional Development (CERD) and the Australian Government Productivity Commission.

### Recent studies

**2.34** Both the CERD[93] and the Productivity Commission[94] have recently produced detailed commentaries regarding regional growth and resilience.

**2.35** In April 2017, CERD published a 'Regional Economic Growth Enablers' report which identified potential enablers to economic growth in New South Wales. This report was prepared to assist non-economists to access the latest thinking and analysis pertinent to regional development. The report aims to inform investment and policy decisions at all levels of government and provide a resource for regional communities in planning economic development strategies.

**2.36** In October 2017, CERD also published a Multifactor Productivity Discussion Paper, which provides industry multifactor productivity estimates at state/territory and national levels using Australian Bureau of Statistics data to allow for a comparative analysis of productivity across industries and jurisdictions.

**2.37** As mentioned earlier, in December 2016, the Federal Treasurer, the Hon Scott Morrison MP, requested that the Productivity Commission undertake a study into the geographic impacts of the transition of the Australian economy following the resources investment boom. The

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[92] Submission 27, NSW Government, pp 6, 7, 9; NSW Government, "Resources for Regions", https://www.nsw.gov.au/improving-nsw/regional-nsw/regional-growth-fund/resources-for-regions/.

[93] Centre for Economic and Regional Development, *Regional Economic Growth Enablers*, April 2017.

[94] Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017.

Commission tabled an interim report in April 2017 which identified the regional communities best situated to transition to sustainable economic bases in the future.

**2.38** Findings from the first of the CERD studies will be referred to in chapter 4 in discussions around key growth sectors in regional areas. However, the studies also discuss several key concepts and principles that can assist to inform discussions around the manner in which regions develop and decline, and where government can best play a role in supporting different regions to respond to challenges and build resilience. These concepts are discussed below.

### Key concepts

#### *Regional agglomeration*

**2.39** A centre of regional agglomeration refers to a place (a centre) that people move to for work, goods and services.[95] Research and analysis conducted by CERD reflects that this trend is manifesting across the regions. The economic base of many regions is 'narrowing and deepening', with fewer but proportionately larger 'engine' industries that are directly linked to local endowments which feed the necessary competitive advantages for those industries to remain viable.[96] This trend suggests that some regional communities are already transitioning to becoming agglomeration centres.

**2.40** CERD notes that many industries can supply their goods and services to customers at lowest cost when businesses are located in urban areas because customers are more numerous and more densely concentrated, and access to labour and other inputs is cheaper because of economies of scale. Knowledge spillovers are also more common in agglomeration centres due to the denser proximity and more regular interaction of businesses and workers with shared interests. People are attracted to urban areas because finding a suitable job is easier, and goods and services are often cheaper as competition forces businesses to pass on savings to customers.[97]

**2.41** This concept is key to predicting the resilience of regional economies. As CERD explains, 'agglomeration' around urban areas becomes 'self-reinforcing, inducing large cities to grow larger while smaller towns lose population as individuals seek work in larger centres'.[98] Some regional cities and towns are centres of agglomeration in their own right as a result of the prosperity of their key industry sectors. For example, Bathurst is emerging as an 'education hub',[99] Orange as a 'health hub',[100] and Newcastle as a 'defence hub'.[101] Modelling suggests that

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95 Centre for Economic and Regional Development, *Regional Economic Growth Enablers*, April 2017, p 16.

96 Centre for Economic and Regional Development, *Regional Economic Growth Enablers*, April 2017, pp 14-15.

97 Centre for Economic and Regional Development, *Regional Economic Growth Enablers*, April 2017, p 5.

98 Centre for Economic and Regional Development, *Regional Economic Growth Enablers*, April 2017, p 5.

99 Submission 5, Bathurst Regional Council, p 3.

100 Evidence, Mr Steven Bowman, Manager, Economic Development, Bathurst Regional Council, 14 August 2017, p 3; Evidence, Mr Gary Styles, General Manager, Orange Regional Council, 14 August 2017, p 37.

101 Submission 29, Hunter Business Chamber, pp 12-13.

where these agglomeration centres emerge, they provide employment and services for residents in surrounding smaller communities, and then collectively form 'regional economies'.[102] CERD states that because net benefits from agglomeration vary by industry and by business, it is worth examining which industries and which business types are more and less likely to establish in regional New South Wales.[103]

**Figure 6        Labor flow between a centre of regional agglomeration and satellites – an example[104]**
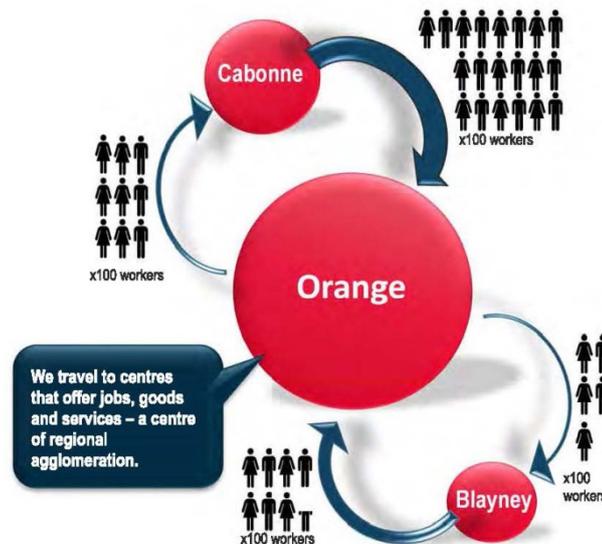


***Consolidation***

**2.42**    Agglomeration is a positive development for the economy of larger towns, but smaller towns may struggle. As services and industries consolidate, small towns take the impact both to their economy and to their social and cultural fabric.[105]

**2.43**    While the committee has heard that it will be vital to find ways to connect small or struggling towns to new employment opportunities, whether directly or utilising new technologies that close the geographic gap,[106] the Productivity Commission offers a different observation.

**2.44**    The Commission acknowledged that as industry has pooled in key regional areas as a result of agglomeration, the services provided by smaller towns, such as banking and finance, retail, machinery repairs, professional services, education and health have also consolidated in larger

102    Centre for Economic and Regional Development, *Regional Economic Growth Enablers*, April 2017, p 5; Submission 27, NSW Government, p 13.

103    Centre for Economic and Regional Development, *Regional Economic Growth Enablers*, April 2017, p 5; Submission 27, NSW Government, p 22.

104    Centre for Economic and Regional Development, *Regional Economic Growth Enablers*, April 2017, p 5; Submission 27, NSW Government, p 20.

105    Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017, pp 21-22, 88.

106    For example, Submission 13, Broken Hill City Council; Submission 28, Bland Shire Council.

regional towns and centres. Wagga Wagga in the Riverina was cited as an examples of these changes.[107]

**2.45**    In the view of the Commission, the movement of people from smaller communities to larger towns is a familiar story in the history of Australia's regions, as many previously thriving towns have shrunk over the past century. While acknowledging the adverse impacts that these movements have on small towns, including the loss of local leadership and expertise, the Commission believes these are trends that cannot, nor should be, thwarted:

> When people and businesses leave a regional community to take up better opportunities elsewhere, this often generates greater value and so increases the overall wellbeing of the population as a whole. However, such changes can have adverse effects on people left behind. Individuals who depart the region to pursue other opportunities are also often those who played key roles in the community, such as leading local sporting clubs and similar organisations. A shrinking of the population can harm a community's social and cultural life, and reduce local leadership expertise and skills. As noted above, this is not a unique Australian trend, with many OECD countries experiencing similar trends. It is a trend that cannot, nor should be, thwarted.[108]

**2.46**    These competing values between assisting and sustaining struggling regional areas, and the need for those towns to be commercially competitive and responsive to the same market ebbs and flow that have historically driven growth and decline in regional areas, were reflected in many of the observations made by stakeholders, and will remain central to future decisions regarding regional development.

### How can governments best facilitate regional transition and development?

**2.47**    The Productivity Commission acknowledged that how and whether governments should support people in regions so that they can adapt to challenges and opportunities in a sustainable way is a contentious issue. Governments are often under pressure to respond to competing demands and to achieve multiple objectives. Furthermore, Australia's regions are highly diverse in their characteristics and experiences, and in the risks and opportunities they face. The Productivity Commission observed that this makes it a complex task for governments to:

- determine whether and how best to support regional communities in their efforts to make a successful transition,

- identify priorities, and

- avoid exacerbating regional problems through badly selected, incoherent and costly interventions.[109]

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[107]    Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017, p 20.

[108]    Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017, p 21.

[109]    Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017, p 116.

**2.48**    The Productivity Commission concluded that government assistance is best directed through a tiered approach, under which those regions facing less severe changes and having the greatest capacity to adapt to change would receive minimal support such as assistance in the removal of regulatory barriers, and other generally available measures. On the other end of the spectrum would be those regions who are experiencing severe adverse circumstances or have a relatively low capacity to adapt and develop. These regions should received targeted and selective support in the form of regional development programs aimed at building the capacity of people to adjust to change and enhancing the connectivity of regions.[110]

**2.49**    The Productivity Commission also found that while there is no single approach that will facilitate adaptation and sustainable development in all regions, the best strategies are those that:

- are identified and led by the regional community itself, in partnership with all levels of government

- remove barriers to people or businesses relocating, both within or to other regions

- are aligned with the region's relative strengths and inherent advantages

- are supported by targeted investment in developing the capability of the people to deal with adjustment and the connectivity of the region to other regions and markets, and

- facilitate private economic activity that is not dependent on ongoing government financial support (beyond general government transfers).[111]

**2.50**    These concepts provide a backdrop against which to consider the growth sector opportunities and challenges discussed in later chapters.

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[110]    Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017, pp 117-120.

[111]    Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017, p 125.

# Chapter 3    Alignment, collaboration and funding

This chapter considers the implementation of the government initiatives canvassed in Chapter 2.

When asked to comment on the operation of government initiatives to date, many inquiry participants argued for better collaboration between local, state and federal governments, particularly in the funding of infrastructure and in identifying local priorities. It was argued that better collaboration in this regard would greatly facilitate regional development and therefore the capacity of the regions to benefit from Sydney's global position.[112] Two clear themes emerged: the need for greater alignment between government priorities and those of local communities; and the need for assistance and collaboration in the funding application process.

## Aligning priorities: identifying projects from the 'bottom up'

> … We need to start with the dialogue. Quite often now we start with the strategy, give it to people and say, 'Here is the image we have created. You either like it or do not, but we have to move forward'. I think that is not producing the outcome.[113]

**3.1**    A number of inquiry participants observed that there is little alignment between local needs and priorities and those identified in the 2036 regional plans or those identified through grant opportunities. Councils also told the committee that they had not been consulted as to whether a funding package would work for the regions, or advised if plans would be linked to funding, how they would be managed, or what the measurable and tangible goals of the plans would be.[114] As one participant observed, 'decisions are going to be made about quite a lot of money being allocated but feeling we have no control of that process is, frankly, concerning to us'.[115]

**3.2**    Parkes Shire Council observed that the NSW Government's approach to formulating plans and priorities and implementing those plans stood in contrast to the stringent demands placed on local councils by the Government to implement compulsory 'integrated planning and reporting' plans. The committee heard that these plans are produced every four years, and comprise a community strategic plan, a delivery plan, an operational plan and a communications continuum. These plans then drive local council budgeting.[116] The council's Economic and Business Development Manager, Ms Anna Wyllie, explained the process:

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[112]    Submission 7, Blue Mountains City Council, p 10; Submission 6, Newcastle Tourism Industry Group, p 7; Submission 5, Bathurst Regional Council, pp 3-4; Submission 12, Port Macquarie Hastings Council, p 4; Submission 17, Bulahdelah Chamber of Commerce and Tourism Inc, p 9; Submission 32, NRMA, p 6; Submission 36, Parkes Shire Council, p 9; Evidence, Mr Paul McFarland, Lecturer, School of Behavioural and Cognitive Sciences, University of New England, 29 August 2017, p 18.

[113]    Evidence, Mr McFarland, 29 August 2017, p 23.

[114]    Submission 20, Central NSW Councils, p 6; Evidence, Ms Anna Wyllie, Economic and Business Development Manager, Parkes Shire Council, 14 August 2017, p 11; Evidence, Mr Lindsay Woodland, Group Leader, Organisational Services, Armidale Regional Council, 29 August 2017, p 8; Submission 28, Bland Shire Council, p 11; Submission 7, Blue Mountains City Council, pp 4,8; Submission 6, Newcastle Tourism Industry Group, pp 4, 7.

[115]    Evidence, Mr Woodland, 29 August 2017, p 9.

[116]    Evidence, Ms Wyllie, p 11.

> Every four years we go out to our community and we consult with them. We go to every single hall, every single showground, … the bowling club, mothers groups, the business community, consultative committees in our smaller communities, and we listen. We really listen to what our community wants. From that we set our list of priority projects.[117]

**3.3** Ms Wyllie asserted that the priorities are continually revised and the council consults again every six months – a highly rigorous process, with tangible, measurable and achievable documents.[118] She pointed out that councils carry out these processes in part because they are legally required to do so by the NSW Government, which introduced the reporting requirements to increase transparency.[119]

**3.4** In contrast, Ms Wyllie argued, it was the perception of many councils that the priorities identified by departments and agencies were not informed by the same rigorous processes, nor the criteria applied to funding applications.[120]

**3.5** Like many inquiry participants,[121] Ms Wyllie argued in support of locally driven regional plans and opportunities to collaborate for more localised grant prioritisation, noting that the preparatory work was already available in the form of councils' integrated planning and reporting – 'for the State, it is a really cheap way of getting your projects done'.[122]

**3.6** This is supported by the findings of the Productivity Commission, which determined that 'a locally-owned, strategic and coordinated approach' should be a key guiding principle in the provision of government support to the regions. The Commission acknowledged that many local governments already prepare strategic plans for their communities and while the quality is highly variable, support for regional development has the best chance of success when it involves regional communities taking a leadership role in planning their own development needs and identifying strategies for how best to facilitate development.[123]

**3.7** The perception that the 2036 plans may not reflect local priorities is particularly pertinent given that the Federal Government stipulates that a project must be included in a state plan, or have the support of a state government, to be eligible for federal funding.[124]

**3.8** In view of the observations made by regional stakeholders regarding the development of regional plans and priorities, the committee invites comment on how the NSW Government can ensure that the priorities of state and local government are better aligned.

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[117] Evidence, Ms Wyllie, p 11.

[118] Evidence, Ms Wyllie, p 11.

[119] Evidence, Ms Wyllie, p 11.

[120] Evidence, Ms Wyllie, p 11.

[121] Evidence, Ms Meredith MacPherson, Manager, Centroc Water Utilities Alliance Program, Central NSW Councils, 14 August 2017, p 23; Submission 20, Central NSW Councils, p 6; Submission 28, Bland Shire Council, p 8; Submission 6, Newcastle Tourism Industry Group, pp 7-8; Submission 7, Blue Mountains City Council, p 4.

[122] Evidence, Ms Wyllie, pp 11, 16, 17.

[123] Australian Government Productivity Commission, *Transitioning Regional Economies: Productivity Commission Initial Report*, April 2017, p 25.

[124] Evidence, Ms Ruth Wall, General Manager, Regional Programs, Department of Infrastructure and Regional Development, 24 October 2017, pp 19-20.

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**Question 4**

How can the NSW Government ensure that regional planning priorities are aligned with those identified by local councils and other regional stakeholders?

## Collaboration: navigating the funding puzzle

### A resource intensive process

**3.9** The committee heard that preparation of funding applications is a resource intensive process, requiring applicants to navigate tight and competing timeframes; uncertain turnaround times; excessive costs and certain skillsets needed to develop the economic assessments and cost benefit analyses; and different criteria applied for different programs, across state and federal government.[125] With little certainty as to outcomes, judging where best to divert resources is a difficult balancing act for many stakeholders, with Armidale Regional Council likening the process to one of 'trial and error':

> To some extent it has been trial and error and that may continue. Having certainty around what would give us our best shot such as: Do we put one project in and hang everything on one project that is a sizeable significant project, or do we have three projects so we have backup in case one does not get across the line? They are the sorts of things we would like more certainty and advice about.[126]

**3.10** These challenges are further compounded by the competing data models favoured by government. Bathurst Regional Council stated that while the NSW Government favours Australian Bureau of Statistics (ABS) data, councils prefer to utilise the data prepared by consultancy companies .id and REMPLAN, as 'they interpret economic data to make it a much more easily understood platform, as opposed to the ABS website, which can be quite confusing'.[127] The council said that it is not always realistic for councils to present data from the ABS, as they do not employ economic modellers to interpret the data to support their individual business cases.[128]

**3.11** Participants argued in favour of applying a consistent set of funding criteria across different grants and initiatives, additional time in which to complete applications, and a more coordinated approach.[129]

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[125] Evidence, Mr Jeff Stien, Senior Economic Development and Senior Adviser, Bland Shire Council, 14 August 2017, pp 28, 32; Evidence, Ms Wyllie, 14 August 2017, pp 11, 16; Evidence, Mr Steven Bowman, Manager, Economic Development, Bathurst Regional Council, 14 August 2017, p 6; Evidence, Mr Woodland, 29 August 2017, pp 6, 8.

[126] Evidence, Mr Woodland, 29 August 2017, p 8.

[127] Evidence, Mr Bowman, 14 August 2017, p 6.

[128] Evidence, Mr Bowman, 14 August 2017, p 6.

[129] Evidence, Ms Wyllie, 14 August 2017, p 11; Evidence, Mr Stien, 14 August 2017, pp 28, 32; Evidence, Mr Woodland, 29 August 2017, p 8.

**3.12**    The committee seeks stakeholders' views on how the funding application process can be made accessible, equitable and transparent.

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### Question 5

How can the NSW Government work with local councils and other regional stakeholders to develop a more accessible and responsive funding application process?

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### The best funding model?

**3.13**    Stakeholders questioned the funding models used by government to determine approval of regional development projects. These comments centred on two main methodologies: the NSW Government's policy decision to target funding to the regions who have recorded the highest population growth; and the cost benefit analysis process used by NSW Treasury to assess funding applications.

#### *Prioritising funding according to population growth*

**3.14**    The NSW Government advised that it is directing the bulk of resources to those regional areas that have demonstrated the strongest recent growth – 'basically, where do people go to live, work and play?'.[130]

**3.15**    Under the 2016 Regional Development Framework, one of the three central tenets of the investment model the NSW Government has applied to regional New South Wales is that it will 'align efforts to support growing regional centres, acknowledging the needs of areas with strong growth in population, jobs or both'. In theory, this is balanced by another of the three tenets, under which the NSW Government commits to identifying and activating economic potential by 'looking across regional New South Wales for opportunities to change the economic outlook and activate local economies'.[131]

**3.16**    The argument in support of this is straightforward – as the Framework notes, the NSW Government wants to ensure that 'services are commensurate with growing needs and that we capitalise on economic opportunities'.[132] In doing so, there is an acknowledgement that not all areas will have the same levels of investment, but regions should receive essential services to support their size and population.[133] While some of the larger regional towns support this approach,[134] a number of smaller towns argued that this model operates to the detriment of communities that would relish the chance to grow, and was due in part to a lack of

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[130]    Evidence, Mr Ian Smith, Director of Regional Operations, Office of Regional Development, 29 August 2017, p 11.

[131]    NSW Government, *Making It Happen in the Regions: Regional Development Framework*, 2016, p 6.

[132]    NSW Government, *Making It Happen in the Regions: Regional Development Framework*, 2016, p 7.

[133]    NSW Government, *Making It Happen in the Regions: Regional Development Framework*, 2016, p 7.

[134]    For example, Submission 5, Bathurst Regional Council, p 2.

understanding of the requirements of the smaller regional centres,[135] or to flawed assumptions that historical trends would dictate future trends.[136]

**3.17** As noted elsewhere in this chapter and in Chapter 1, population also poses a problem for satellite cities like the Hunter, Blue Mountains and Wollongong.[137] The committee heard that Wollongong and Newcastle are excluded from their immediate regions and 'lumped in with Sydney', where the regions they compete against for funding have vastly larger populations than the satellite cities.[138]

**3.18** The committee invites submissions on how the NSW Government can address the impact that population, as a funding criteria, has on satellite cities and smaller regional centres.

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**Question 6**

What can the NSW Government do to address the impact that population figures, as a funding criteria, have on satellite cities and smaller regional centres?

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### NSW Treasury's cost benefit analysis process

**3.19** All business cases and applications for funds or grants are subject to a cost benefit analysis (CBA) process, through which NSW Treasury allocates a project a cost beneft ratio (CBR or BCR).

**3.20** Treasury's *Policy and Guidelines Paper: NSW Government Guide to Cost-Benefit Analysis* states that 'cost-benefit analysis captures social, economic and environmental impacts on social welfare' and the CBA principles and framework apply to all government policies, projects, and business case for any initiative, not just capital expenditure.[139] In brief, the CBA measures the change attributable to a government action, relative to a situation without the proposed action.[140] Broadly speaking, the CBA must produce a net BCR of 1 or greater.

**3.21** There was strong criticism from inquiry participants of the BCR process. Central NSW Councils (Centroc) argued that as benefit cost ratios are driven by population and the economy, projects that meet Treasury's BCR requirements tend to get funded in locations where there is a higher population base, such as Western Sydney.[141] Similar sentiments were expressed by Hunter Business Chamber[142] and Wollongong City Council:

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135   Submission 28, Bland Shire Council, pp 5, 8; Submission 13, Broken Hill City Council, p 16; Submission 20, Central NSW Councils, p 6.

136   Evidence, Ms Wyllie, 14 August 2017, p 11.

137   Submission 7, Blue Mountains City Council, p 11; Evidence, Mr Chris Lamont, Executive Director, Illawarra Business Chamber, 29 June 2017, p 4; Evidence, Mr Mark Grimson, Economic Development Manager, Wollongong City Council, 29 June 2017, p 32.

138   Evidence, Mr Grimson, 29 June 2017, p 32.

139   NSW Treasury, *Policy and Guidelines Paper: NSW Government Guide to Cost-Benefit Analysis,* March 2017, p ii.

140   NSW Treasury, *Policy and Guidelines Paper: NSW Government Guide to Cost-Benefit Analysis,* March 2017, p 1.

141   Centroc, Answer to question on notice, p 1.

142   Evidence, Mr Hawes, 19 June 2017, p 30; Evidence, Mr Grimson, 29 June 2017, p 32.

> [I think] it is probably very hard for many projects in regional New South Wales to get up on the strictest BCR sense. Because of the size of the population of Sydney, when you take into consideration some of those infrastructure projects, no project in regional New South Wales would get to the top of the list. That is a real challenge.[143]

**3.22**   Centroc gave the example of a water treatment plant in a western New South Wales town with a population of under 2,000. Notwithstanding that the provision of safe secure water 'is a basic human right', Centroc argued, when assessed against the Treasury funding framework, such a project would never achieve a BCR of 1 required to meet funding criteria as the population it would serve is relatively small.[144]

**3.23**   The NSW Government acknowledged that Treasury's model may not always result in the best outcome for regional towns, with Mr Gary Barnes, Deputy Secretary, Regional New South Wales, Department of Premier and Cabinet, noting in a recent Budget Estimates hearing that it would be preferable for Treasury to utilise a different 'version' of the process in future:

> We are acutely aware that a strict interpretation of cost-benefit analysis that generates a benefit-cost ratio needs to be, if you like, taking care of regional factors. In fact, there is a version of the cost-benefit analysis process that allows for that to occur, which we will be using for the regional growth funds.[145]

**3.24**   In the same hearing, the Minister for Regional Development, the Honourable John Barilaro MP, stated that in recognition that the BCR may not work for regional projects in the way it does for metropolitan projects that are assessed on the impact of the benefit to a larger population, a new $1.3 billion Regional Growth Fund [this fund is separate to the Federal Government's Regional Growth Fund] has been established under which $500 million has been allocated to a 'Growing Local Economies Fund'. Importantly, staff of the Office of Regional Development will work with proponents across 34 different economic regions throughout the application process to ensure that applications meet the assessment requirements applied by Infrastructure NSW, who then make a recommendation for approval of funding to Treasury.[146]

**3.25**   It was highlighted to the committee that the Office of Regional Development's team comprises of a group of 'extremely passionate' regional representatives on hand for local councils and businesses to consult. The Director of Regional Operations advised that, while an application still needs to go through the BCR process, 'we are trying to make sure, upfront, that councils are better prepared to make sure that those applications are given the best chance of success'.[147] These teams are discussed below.

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[143]   Evidence, Mr Grimson, 29 June 2017, p 32.

[144]   Centroc, Answer to question on notice, p 2.

[145]   Evidence, Mr Gary Barnes, Deputy Secretary, Regional New South Wales, Department of Premier and Cabinet, Portfolio Committee 3, Budget Estimates, 31 August 2017, p 16.

[146]   Evidence, the Honourable John Barilaro MP, Deputy Premier, Minister for Regional New South Wales, Minister for Skills, and Minister for Small Business, Portfolio Committee 3, Budget Estimates, 31 August 2017, pp 15-17.

[147]   Evidence, Mr Smith, 29 August 2017, p 11.

**NSW Government assistance to navigate the process**

**3.26**   The Office of Regional Development exists to assist applicants with the funding process.[148] In the words of one representative, '[I] streamline the process and bring the agencies to the table to help them get an understanding of the project and for the proponent to get an understanding of the needs of the government agency'.[149] The committee also heard that representatives are 'with councils every week, working with them on the ground to identify priorities but to also assist them with business cases'.[150]

**3.27**   The Office of Regional Development advised that the agency has evolved to deliver the range of tools and assistance needed to assist stakeholders to achieve outcomes that foster economic and community development:

> I feel more than ever that we are getting the mix about right and that is a blend of mentoring to help small businesses start up and expand, assistance to gain access to skills and knowledge, incentives to collaborate and innovate and to help in developing new export markets and especially now, a new set of targeted infrastructure programs to help provide a vibrant environment to foster true economic and community development.[151]

**3.28**   The committee received mixed reviews of the Office of Regional Development's input to date. Bathurst Regional Council indicated that, while they had previously had concerns that they had missed opportunities and that there was a lack of transparency around Treasury guidelines, since meeting with the department 18 months previously, they better understood the way forward:

> It really has been such a great realisation for my council over the past six to 12 months, considering the relationship between ourselves and Stewart Webster's [NSW Government] team in the department has improved immeasurably. It really does allow us to understand the economic models that they are requiring us to complete to improve the chances of successful funding applications.[152]

**3.29**   However, a number of other local councils stated that they receive little assistance. Bland Shire Council told the committee that while feedback varies between state and federal governments, they get very little feedback in response to applications, either in writing or over the telephone, sometimes being told a program was simply oversubscribed.[153] Central NSW Councils stated that notwithstanding the good rapport they have with some state agencies, '…so little has been delivered in terms of that intergovernmental collaboration that was spoken about. The Department of Premier and Cabinet are not resourced to do the job and getting synergy [between departments] back to local government is a real challenge'.[154] Parkes Shire Council

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[148]   Evidence, Mr Smith, 29 August 2017, p 10.

[149]   Evidence, Mr Craig Jenkins, Business Development Manager, Department of Premier and Cabinet, Industry and Investments NSW, 28 August 2017, p 17.

[150]   Evidence, Mr Smith, 29 August 2017, p 11.

[151]   Evidence, Mr Peter Sniekers, Business Development Manager New England Region, Office of Regional Development, 29 August 2017, p 10.

[152]   Evidence, Mr Bowman, 14 August 2017, p 6.

[153]   Evidence, Mr Stien, 14 August 2017, p 32.

[154]   Evidence, Mr Bill West, Centroc Portfolio Chair of Regional Development, Mayor of Cowra Council, Central NSW Councils ,14 August 2017, p 24.

observed that while they meet regularly with the Department of Premier and Cabinet, the level of feedback they received varied and there had been little coordination across departments.[155]

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**Case study: West Wyalong[156]**

West Wyalong is a town located within the Bland Shire. The town is located 467 kilometres of west of Sydney on the crossroads of the Newell Highway between Melbourne and Brisbane, and the Mid-Western Highway between Sydney and Adelaide.

West Wyalong was originally a gold mining town and mining is still a key industry for the area, with Evolution Mining, Argent Minerals, Thomson Resources, Sandfire Resources and St Barbara Limited undertaking activities in the Shire. Other key industries include agriculture, food production, freight and catering to tourists travelling the Newell Highway.

Though the Bland Shire is centrally located along key highway routes, the population of approximately 5,865 is comparatively small to other regions and key towns like West Wyalong have not enjoyed the strong regional profile that some of the neighbouring regional centres like Parkes and Wagga Wagga have enjoyed. The Shire's Senior Business Development Manager, Mr Jeff Stien, shared with the committee some of the difficulties that far-regional communities face in attracting funding and new infrastructure projects.

Mr Stien explained that the funding application process is geared towards those councils and stakeholders who have deep pockets and wide pools of resources, while small councils struggled to compete. 'For a small council like the Bland Shire, I am the grants officer – I am everybody's officer. I am the jack-of-all-trades. If you have all of these multiple applications coming in with the same deadline, we cannot get them all in', said Mr Stien. He pointed to the prohibitive costs involved in preparing an application, observing that a cost benefit analysis can cost a minimum of $20,000, and more if a business plan is required, and the money is wasted if the grant is not approved. Mr Stien also spoke to some of the other challenges inherent in the process: difficulties in pinposting the likely cost of projects that would be carried out by in-kind support; requirements for councils to match funding with large 'buy-ins' up to $1 million; and the multiple rounds of applications councils are required to go through for the one project, with no guarantee of an outcome. Mr Stien pointed to a recent example Bland Shire Council had spent $10,000 on the application only to have the grant refused.

Mr Stien stated that towns like West Wyalong just want a 'fair go' from government, concluding that regional areas would benefit from additional assistance and training in bidding for funding.

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**3.30** The committee acknowledges that the NSW Government has made concerted efforts in recent months to prioritise regional development and streamline the model under which regional representatives operate, particularly in the decision to move the Office of Regional Development from the NSW Department of Industry to the Department of Premier and Cabinet. A new strategic plan has been developed for the Office of Regional Development and a new policy team will drive new directions with regular input from representatives 'on the ground' in the regions.[157]

**3.31** However, the committee believes that more work can be done by the Office to develop strong collaborative networks with local councils and businesses and to provide the necessary support to ensure that the best projects are the subject of grant applications, and that grant

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[155] Evidence, Ms Wyllie, 14 August 2017, p 17.

[156] Evidence, Mr Stien, 14 August 2017, pp 28, 32.

[157] Evidence, Mr Smith, 29 August 2017, p 13.

applications are developed in a way that will ensure their success. The committee notes that it is keen to follow the progress of the team in this regard, and believes it would be beneficial for the Department to develop clear performance indicators by which the activities of the Office for Regional Development can be measured.

**3.32** The committee also notes that the regional representatives will operate across 34 economic regions,[158] yet only nine regions are identified under the 2036 regional development plans. Local stakeholders may require some clarification or assistance in identifying their regional representative.

**3.33** The committee seeks stakeholders' views on how the Office of Regional Development's regional representatives can better support local stakeholders to facilitate growth and development in their communities.

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**Question 7**

How can the Office of Regional Development's regional representatives better support local stakeholders to facilitate growth and development in their communities?

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## Better borders and boundaries

**3.34** A number of inquiry participants observed that the different borders and boundaries applied to their local area, or designation as a regional centre, was highly changeable across the different plans and programs and did not necessarily reflect organic connections between local government areas.[159]

**3.35** The concerns of participants were best articulated by the Illawarra Pilot Joint Organisation, who observed that the lack of consistency across borders undermines strong governance, muddies the collection of data and creates divisions in discussions of priorities:

> While stakeholders in this region continue to work closely together whatever the boundaries established for specific programs, or state or federal agency delivery areas, the community and private sector remains confused not just in this region, but in many regions in New South Wales, by the continuing lack of consistency. This does not provide a firm governance basis, muddies the collection and use of data, and creates divisions in discussions of priorities.[160]

**3.36** This issue particularly manifests for those regions that immediately border Sydney who struggle with the changeable application of their 'regional' identity. As noted in Chapter 1, the Blue Mountains, Wollongong and Newcastle frequently find that they are unable to apply for regional grants because they are deemed to be a part of Sydney, requiring them to compete

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[158]    Evidence, Minister Barilaro, Portfolio Committee 3, Budget Estimates, 31 August 2017, p 15.

[159]    Submission 28, Bland Shire Council, p 13; Submission 7, Blue Mountains City Council, p 10.

[160]    Submission 16, Illawarra Pilot Joint Organisation, p 4.

alongside projects of a much larger scale.[161] This issue particularly manifests between state and federal definitions of regional areas.[162]

**3.37**    While participants acknowledged that there had recently been some improvement in this regard,[163] particularly by aligning Pilot Joint Organisations within state agency boundaries under the Fit for the Future Program,[164] the committee believes that the lack of alignment in the definition of regional boundaries both across different levels of government is confusing for stakeholders.

**3.38**    The committee seeks input from stakeholders on how borders and boundaries can be better aligned to promote regional growth and acknowledge existing commonalities and connections across the regions.

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### Question 8

    a)  How can the NSW Government work with their federal and local counterparts to identify uniform boundaries across regional areas?

    b)  How can considerations such as data collection requirements, existing commonalities and connections across the regions, population and geographic proximity be taken into account in implementing uniform boundaries across regional areas?

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## Ensuring Destination NSW delivers for the regions

**3.39**    Inquiry participants acknowledged that the decision to locate Destination NSW offices in regional areas was a positive move, and there was recognition amongst participants that the Destination Management Plans led to valuable funding opportunities where the plans align with state strategic priorities. For example, Bathurst Regional Council pointed to funding received for the Bathurst 1000 and their Bathurst Winter Festival, and observed significant increases in visitor numbers since they adopted their plan.[165] There was also recognition of the reform being undertaken of the state's Destination Networks, with the NRMA asserting that the Networks would be 'critical in providing important connections between the regions and Destination NSW from a coordination and tourism marketing perspective'.[166]

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[161]    Submission 7, Blue Mountains City Council, p 11; Evidence, Mr Lamont, 29 June 2017, p 4; Evidence, Mr Grimson, 29 June 2017, p 32.

[162]    Submission 16, Illawarra Pilot Joint Organisation, p 5.

[163]    Submission 28, Bland Shire Council, p 13.

[164]    Submission 16, Illawarra Pilot Joint Organisation, p 4. Under the Fit for the Future Program, the NSW Government is realigning local government boundaries. As part of the program, the Government has encouraged the establishment of Regional Joint Organisations to provide a forum for local councils and the State to work together to deliver regional priorities, such as jobs, education, housing, roads and transport: http://www.fitforthefuture.nsw.gov.au/content/regional-joint-organisations. A recent evaluation of the program by consultants KJA found the pilot of the Joint Organisations model has been a success:

http://www.fitforthefuture.nsw.gov.au/sites/default/files/JO%20Evaluation%20Summary%20Report.pdf.

[165]    Answers to questions on notice, Bathurst Regional Council, 6 September 2017, p 1.

[166]    Submission 32, NRMA, p 7.

**3.40**    Destination NSW advised that they are still in the process of recruiting general managers for the Destination Network boards, establishing their destination network headquarters and appointing tourism development managers for individual regions.[167] However, their key driver to is achieve the NSW Government's goal of doubling overnight visitor expenditure by the year 2020. To this end, Destination NSW advised that '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'.[168]

**3.41**    Destination NSW also advised that they intend to make sure there are measurable tools in place to determine how funds are being applied, whether they are driving increased overnight visitation and whether they are delivering the benefits intended.[169]

**3.42**    A number of inquiry participants expressed concerns that the substantial funding allocated towards the Destination NSW 'Destination Networks' would be absorbed in the establishment, staffing and running the Destination Networks, rather than reach the local communities they were intended to assist.[170]

**3.43**    There were also practical problems identified in the funding structure. Bland Shire Council observed that small organisations and councils could not afford the $100,000 buy-in required for assistance with marketing campaigns.[171] Tweed Shire Council reported that the monetary demands on local councils to fund the regional offices were prohibitive and had led to a large regional council in Lismore hosting an office despite lacking the tourism profile of some of its neighbours, were an office might arguably have been better situated:

> Their new regional offices are a great idea. The way it was to be funded was not such a great idea. We put an expression of interest in to house it with Destination Tweed, … an entity that is funded by Tweed Shire Council. But to have the Destination NSW offices in your area, the council itself had to fund the officer and provide a car and accommodation. It is not really Destination NSW if council is doing that. So we did not win the office; the office was won by Lismore. And with no disrespect to Lismore, in the Northern Rivers the premier destination is Byron Bay. They do not even have to advertise and people go there, and then probably Ballina and Tweed. So … it will be good to get tourism to Lismore but it certainly does not have the same things that people generally look for.[172]

**3.44**    The geographic boundaries of the Destination Networks were also a point of contention. Central NSW Councils (Centroc) and Parkes Shire Council raised concerns that the 'tyrannies of distance and difference' inherent within each network would likely result in ongoing struggles for towns wishing to collaborate effectively with one another.[173] Centroc pointed to the example of their own Destination Network region, which stretches from Lithgow to

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167    Evidence, Ms Sandra Chipchase, Chief Executive Officer, Destination NSW, 19 June 2017, p 6.

168    Evidence, Ms Chipchase, 19 June 2017, p 7.

169    Evidence, Ms Chipchase, 19 June 2017, pp 6-7.

170    Submission 28, Bland Shire Council, p 13; Submission 20, Central NSW Councils, p 7.

171    Evidence, Mr Stien, 14 August 2017, p 29.

172    Evidence, Mr Troy Green, General Manager, Tweed Shire Council, 28 August 2017, pp 6-7.

173    Submission 20, Central NSW Councils, p 7; Evidence, Ms Wyllie, 14 August 2017, p 14.

Broken Hill (near the Adelaide border), and from Quandialla to the Queensland Border.[174] Although keen to work with the new Destination NSW regional board, they concluded: 'it is difficult for anybody to get their head around how that is going to work'.[175]

**3.45**  Criticism was also directed at the priority areas identified by Destination NSW, which focus on Aboriginal tourism, youth, food and wine, cruise and regional conferencing, with one participant suggesting that these should be expanded to other areas such as caravanning and camping.[176] Other participants criticised a perceived Sydney-centric approach to destination planning in general.[177]

**3.46**  Moving forward, inquiry participants observed that the Destination Networks model and associated plans could be improved by:

- aligning regional campaigns with state campaigns[178]

- increasing efforts to bring the projects identified in the plans to market, including associated infrastructure such as roads and transport linkages[179]

- applying less stringency around signage[180]

- placing greater emphasis on campaigns for road tourists, who account for 80 per cent of regional tourists, rather than just fly-in visitors[181]

- facilitating increased opportunities for regional non-government and private organisations to be involved in the development of the statewide Destination Management Plan,[182] particularly in relation to regional events and conferences[183] and industry training and product development to meet changing consumer needs and expectations.[184]

**3.47**  Noting the experience of Tweed Shire Council, the committee also suggests that more could be done to situate offices where they can most leverage off local needs and attractions. Destination NSW may also like to engage with the towns and councils that comprise some of the large Destination Networks to discuss the practicalities of collaborating across such broad geographic regions.

**3.48**  The committee is interested to hear how collaboration could be improved between regional stakeholders, the Destination Networks and Destination NSW. The committee also notes while Destination NSW is primarily focused on increasing overnight visits to regional areas,

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[174]  Submission 20, Central NSW Councils, p 7.

[175]  Evidence, Mr West, 14 August 2017, p 25.

[176]  Submission 28, Bland Shire Council, p 14.

[177]  Submission 12, Port Macquarie Hastings Council, p 2; Evidence, Mr Green, 28 August 2017, p 6.

[178]  Answers to questions on notice, Bathurst Regional Council, 6 September 2017, p 1.

[179]  Submission 32, National Roads and Maritime Association (NRMA), p 6.

[180]  Answers to questions on notice, Bathurst Regional Council, 6 September 2017, p 1.

[181]  Evidence, Mr Stien, 14 August 2017, p 29; Submission 32, NRMA, p 6.

[182]  Submission 6, Newcastle Tourism Industry Group, p 6; Submission 12, Port Macquarie Hastings Council, p 2; Submission 32, NRMA, p 7.

[183]  Submission 12, Port Macquarie Hastings Council, p 2.

[184]  Answers to questions on notice, Bathurst Regional Council, 6 September 2017, p 1.

many regional areas benefit from daytrippers who pass through regions on their journey to another. The committee would like to receive additional submissions on the contribution that both day visitors and overnight visitors make to regional economies, and how best to attract the right visitors to bolster those economies. Finally, the committee would like to be updated on the rollout of tools to measure performance referred to by Destination NSW, and any related feedback or evaluation prepared to date.

**Question 9**

a) How can Destination NSW better assist Destination Networks and local stakeholders to work together to grow tourism in the regions?

b) What economic contribution do day visitors and overnight visitors make to regional economies?

c) How can Destination NSW work with regional communities to attract visitors that will contribute to their economies?

d) What tools are in place to measure performance to assess the effectiveness of funding allocation across Destination Networks projects?

## Opportunities for regional collaboration

**3.49** While inquiry participants agreed that the regions would benefit from greater collaboration with government, some also pointed to opportunities for inter-regional collaboration, in particular: satellite city cooperation, Evocities, and utilisation of the Regional Development Australia committees.

### Satellite city cooperation

**3.50** The Committee for Sydney has established a high-level working group drawing from across Newcastle, the Central Coast, Sydney and Wollongong. Professor Paul Wellings from the University of Wollongong is deputy chair of the 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 committee 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. The committee also seeks to provide broader opportunities for affordable housing, aggregating the collective capacity of ports, airports and technology precincts as well as higher education and research institutions.[185]

**3.51** The Executive Director of the Illawarra Business Chamber, Mr Chris Lamont, shared his positive experience of working alongside the Hunter with the Committee for Sydney. He commented that the strength of the collaboration could be attributed to an appreciation of the unique identity of each region and a will to work together, rather than against one another:

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[185]    Evidence, Mr Damien Israel, Chief Finance Officer, University of Wollongong, 19 June 2017, p 22.

> There is a recognition in that committee that each region has unique and different competitive advantages and something different to offer a global Sydney, and working together rather than against each other is probably a better way to provide value not just for the individual region but for the State. I think if we collectively focused our efforts more on those initiatives and less on planning studies that are inwardly focused and focus on the collective and collaborative benefits of the regions, it would be a better approach.[186]

### Evocities

**3.52**  In an Australian first, seven of New South Wales' leading regional cities – Albury, Armidale, Bathurst, Dubbo, Orange, Tamworth and Wagga Wagga – united to form the Evocities. The campaign operates with support and funding from the NSW Government and QantasLink.[187]

**3.53**  The campaign aims to change perceptions of life in a regional city and encourage people to live, work and invest in an Evocity by marketing the opportunities available due to the lower cost of living, and the strong career and business opportunities and enhanced lifestyle on offer in the Evocities.[188] Evocities indicated that, in taking a collaborative approach, 'the combining of funds and resources means the PR, advertising / marketing and digital elements of the campaign … have far greater impact than a campaign run by individual cities on their own'.

**3.54**  The committee heard that Evocities is one of the most successful regional marketing campaigns undertaken in Australia, with over 2,995 families having relocated and over 6,000 relocation enquiries having been generated via the Evocities website.[189] Evocities cited the Draft Central West and Orana Regional Plan, which states that the campaign has 'helped to lift median incomes, encourage business growth, increase tourism and grow participation in community groups'.[190]

**3.55**  The Evocities towns, such as Bathurst and Armidale, were strongly supportive of the concept and asserted that there was evidence to suggest that the benefits of the campaign flowed not only into the Evocities themselves, but also on to neighbouring towns.[191] While this assertion was challenged by some inquiry participants from the regions outside those central areas,[192] there was an acknowledgement that 'there is the potential for Evocities to provide, through collaboration, a really good network and a platform for regional growth', so long as the growth of these towns does not progress at the expense of smaller towns and communities.[193]

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186    Evidence, Mr Lamont, 29 June 2017, p 6.

187    Evocities, 'Evocities Regional City Living', http://evocities.com.au/.

188    Evocities'Evocities Regional City Living', http://evocities.com.au/.

189    Submission 9, Evocities, pp 2-3.

190    Submission 9, Evocities, pp 6-7.

191    Evidence, Mr Peter Dennis, Chief Executive Officer, Armidale Regional Council, 29 August 2017, p 5; Evidence, Mr Steven Bowman, 14 August 2017, pp 4-5.

192    Evidence, Mr Stien, 14 August 2017, p 33; Evidence, Mr Bill West, 14 August 2017, p 21.

193    Evidence, Mr West, 14 August 2017, p 21.

**Case study: Bathurst, a successful Evocity[194]**

The Bathurst region is located in the Central tablelands of New South Wales and covers an area of 3,818km$^2$. Located 2.5 hours from Sydney and 3.5 hours drive Canberra, Bathurst is the fourth fastest growing regional centre in the state and experiences strong economic growth, bringing new business and investment opportunities. Bathurst is the largest local government area in the region and represents 20 per cent of the total Central West economy.

While a strong and diverse economy underpins Bathurst, with food manufacturing, health care, government administration and construction being the main sources of employment and economic contribution, Bathurst is recognised as the 'Education Hub' of the Central West with over 60 institutions employing over 2,000 residents. The most notable of these is Charles Sturt University, which is expanding into new areas such as medicine and technology.

Bathurst has used this profile to work towards becoming a Smart City, establishing Australia's first technology hub, called Gunthers Lane. The city is attracting app-development companies, working with Federal Government to implement a free wi-fi system across the central business district for residents and visitors, and incorporating smart lighting and smart parking. Bathurst also benefits from an increasing tourism industry.

Bathurst Regional Council advised that, as an Evocity, Bathurst has benefitted from 350 confirmed relocations since the program's inception. Bathurst Regional Council was able to point to Lithgow and Oberon as examples where Evocities have incorporated their sister towns into the 'evojobs' platform, an online job portal where individuals can search for opportunities available throughout regional New South Wales – the 'number one thing' people looking to relocate are looking for. Bathurst Regional Council told the committee they also look for other opportunities to incorporate their sister towns into broader promotional opportunities wherever possible.

### Regional Development Australia (RDA) Committees

**3.56** As noted in Chapter 3, Regional Development Australia (RDA) is a Council of Australian Governments (COAG) initiative of the Australian and NSW Governments that aims to enhance the development of Australia's regions by working across different levels of government. A national network of 55 RDA committees comprising local leaders representing government, business, community groups and other key regional stakeholders was established in 2009 to provide targeted advice to government on key issues affecting the economic development of each region. New South Wales has 14 RDA Committees.[195]

### *Review of the RDA committees*

**3.57** In September 2016, the Federal Minister for Regional Development commissioned an independent review of the RDA Committee program by the Hon Warwick L Smith AM. While the review made strong recognition of the contributions made by RDA Committees to

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194 Submission 5, Bathurst Regional Council, pp 1, 3; Evidence, Mr Bowman, 14 August 2017, pp 3-5, 7, 8; Evidence, Professor Andrew Vann, Vice Chancellor; Professor Terry Bossomaier, School of Computing and Mathematics; Professor Chang-Tsun Li, School of Computing and Mathematics; Mr Peter Fraser, Director, Government and Community Relations, Charles Sturt University, 14 August 2017, pp 42-50.

195 Regional Development Australia – Sydney, Submission no. 24, p 1; Regional Development Australia website, http://rda.gov.au.

their respective regions, it concluded that the vision for the program was never fully realised as the Federal Government and most state and territory governments had maintained or created other mechanisms to achieve similar policy outcomes. The review recommended the cessation of the RDA program, favouring the establishment of a Regional Business Advisory Board and a network of Directors of Regional Development. The review also made a suite of other recommendations aimed at refocusing government efforts towards 'true' regional areas, being those outside the urban areas of major capital cities.[196]

**3.58**    The Federal Government did not agree to cease the RDA Committees, but instead implemented a new charter which would repurpose the committees as 'brokers' for regional investment that work across the three levels of government and with the private sector, in favour of their previous planning role. The Federal Government also implemented reforms to the structure of some RDAs, the appointment process for Chairs and members, and the performance framework used to monitor and measure the outputs of the Committees.[197]

**3.59**    There was acknowledgement from RDA Committees that, notwithstanding the significant achievements of many RDAs, they are currently in a state of some considerable uncertainty:

> We are really collaborators but we are in a bit of an uncertain period at the moment. From the State perspective we have been told that we need to hang tight. Our money runs out at the end of the year and if we want access to a contestable pool of money we may be able to compete for that.[198]

**3.60**    Other inquiry participants acknowledged that the RDA's were held back by their funding constraints.[199]

### Moving forward

**3.61**    The committee was advised that with the Federal Government waiting on the Federal Minister for Regional Development's final response to the independent review, the NSW Government has sought to incorporate the RDA into joint initiatives. Members of the RDA Committees asserted that there were opportunities for the NSW Government to embrace the industry and localised expertise that is on offer across many of the RDA boards, and that it would be a 'bit of a tragedy if the wisdom that comes from those board members is not embraced and utilised for the greater good'.[200]

**3.62**    This sentiment was supported by other inquiry participants, several of whom have strong relationships with their local Committees and were cognisant of the skills offered by the

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[196]    The Hon Warwick Smith AM, *Independent Review of the Regional Development Australia Programme: Final Report*, dated December 2016.

[197]    Australian Government Response to the Independent Review of the Regional Development Australia Program, pp 2-3, http://regional.gov.au/regional/publications/files/Australian_Government_response_to_the_Independent_Review_of_the_RDA_program.pdf

[198]    Evidence, Ms Debra Murphy, Chief Executive Officer, Regional Development Australia – Illawarra, 29 June 2017, pp 41-42.

[199]    Evidence, Mr Bowman, 14 August 2017, p 9; Evidence, Ms Wyllie, 14 August 2017, 2017; Evidence, Mr West and Ms MacPherson, 14 August 2017, p 20.

[200]    Evidence, Ms Murphy, 29 June 2017, p 42.

members. Acknowledging the effective advocacy work achieved by the Committees to date, and their ability to 'take the politics out of different regional plans', participants suggested that, if increased funding was not made available there may be a role for RDAs to take a bipartisan approach to leading advocacy or marketing initiatives for their regions.[201] Central West Councils (Centroc) suggested that one option for moving forward may be to have local councils and stakeholder sign a memorandum of understanding (MOU) with the RDA to ensure that all parties agree on how to work together and collaborate. Centroc pointed to the success of their own MOU with their local RDA in progressing advocacy on telecommunications, the NBN, transport linkages and exports to China.[202]

**3.63** The committee seeks stakeholder views on best practice for regional collaboration, in particular how the success of Evocities can be passed on to smaller regional centres. The committee also seeks further information on the future of the RDA Committees.

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**Question 10**

   a) What changes could be made to the Evocities framework to ensure that the benefits that flow into the regional centres are passed on to the surrounding towns and villages?

   b) What is the future of the Regional Development Australia Committees?

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[201]   Evidence, Mr Bowman, 14 August 2017, p 9; Evidence, Ms Wyllie, 14 August 2017, 2017.

[202]   Evidence, Mr West and Ms MacPherson, 14 August 2017, p 20.

# Chapter 4 Opportunities for growth

This chapter identifies key growth sectors for regional New South Wales and discusses stakeholders' observations regarding the ways in which the Government can assist regional communities to foster these sectors, and how they could leverage off a global Sydney.

## Key growth sectors

4.1    As noted earlier, in April 2017 the Centre for Economic and Regional Development (CERD) published a 'Regional Economic Growth Enablers' report which identified potential enablers to economic growth in New South Wales. A table listing the key industries or emerging sectors in key regional areas identified by CERD is listed in Figure 7.

Figure 7    Principal industry sectors to drive growth by regional economy[203]

| Regional Economy | Sector I | Sector II | Sector III | Sector IV |
|---|---|---|---|---|
| **Albury-Wodonga** | Agriculture | Food product and manufacturing | Road freight transport | |
| **Armidale** | Higher education | Agriculture | | |
| **Bathurst** | Agriculture | Food product manufacturing | Wood product manufacturing | Higher education |
| **Bega** | Tourism | Dairy product manufacturing | Dairy cattle farming | |
| **Broken Hill** | Mining | Tourism | Agriculture | |
| **Coffs Harbour** | Health care | Aged care | Tourism | Fruit and nut growing |
| **Dubbo** | Agriculture | Food product manufacturing | Road freight transport | Tourism |
| **Goulburn** | Agriculture | | | |
| **Griffith** | Wine production | Agriculture | Food product manufacturing | |
| **Lismore** | Tourism | Agriculture | Higher education | |
| **Moree** | Agriculture | Road freight transport | | |
| **Mudgee** | Mining | Agriculture | Wine production | Tourism – food and wine |
| **Orange** | Mining | Health care | Agriculture | Road freight transport |
| **Parkes** | Agriculture | Mining | Tourism | Road and rail freight transport |
| **Port Macquarie** | Tourism | Health care | Aged care | |
| **Tamworth** | Agriculture | Food product | Road freight | |

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[203]    Submission 27, NSW Government, p 14, citing analysis undertaken by the NSW Centre for Economic and Regional Development.

| Regional Economy | Sector I | Sector II | Sector III | Sector IV |
|---|---|---|---|---|
| | | manufacturing | transport | |
| **Tweed** | Tourism | Aged care | Health care | |
| **Wagga Wagga** | Higher education | Agriculture | Food product manufacturing | Road freight transport |

**4.2** While the committee intends to further explore these trends and job projections in its final report, the bulk of the evidence received by the committee has canvassed the ways in which the NSW Government could assist regional communities to foster growth in the key sectors identified above, and the obstacles that may impede growth. The committee's discussion below therefore primarily focuses on stakeholders' observations as to how the NSW Government can work with local communities to address challenges and obstacles to strong connectivity and successful development in rural and regional New South Wales, and assist the regions to leverage the benefits of Sydney's global position.

**4.3** The committee would benefit from further submissions that specifically address forecasts for jobs growth in industry sectors across each region of New South Wales to assist the committee to further explore job projections in its final report.

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**Question 11**

What are the forecasts for jobs growth in industry sectors across each region of New South Wales to 2036?

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## Agriculture and food production

**4.4** Agriculture is a key sector for economic growth in regional New South Wales, which is home to key productive areas including the Riverina Murray, Central West and Orana, and New England and North West regions.[204]

**4.5** New South Wales is already a major agricultural exporter, with food and agriculture accounting for $7 billion of the state's $64.7 billion exports in the 2015-16 financial year.[205] New South Wales' strong export growth can be attributed to its reputation for being a source of high-quality and safe produce, with research indicating that this has been a particularly persuasive marketing factor in Asian markets.[206]

**4.6** The committee was advised that population growth, increasing prosperity in the Asia-Pacific region and changing consumer diets and preferences are creating consumer demand for food and fibre. Worldwide, demand for food is projected to rise by around 75 per cent in the first

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[204] Submission 27, NSW Government, p 14.

[205] Department of Industry, 'Export from New South Wales: Agribusiness and food", https://www.industry.nsw.gov.au/export-from-nsw/key-industry-sectors/agribusiness-and-food.

[206] Submission no. 30, NSW Government, p 6; Evidence, Mr Mark Roberts, Senior Manager, Strategic Projects, University of Wollongong, 19 June 2017, p 26.

half of this century, with three quarters of this growth in Asia.[207] Demand is projected to be greatest for vegetables and fruit, meats, dairy products, cereals and fish.[208] Australia is well placed to meet this demand both by expanding its current agricultural production and expanding into new areas of production.

4.7    Inquiry participants acknowledged that as south-west Sydney and north-west Sydney continue to develop, the food bowl that has existed to supply fresh produce has been overwhelmed by greenfield housing.[209] The NSW Government confirmed that while the capacity of the Sydney Basin to feed the growing population is unlikely to meet demand, this creates new opportunities for regional communities. To capitalise on the potential in the agricultural sector, the 2036 Regional Plans include actions to protect important farmland, facilitate the growth of agribusiness and food processing through improved land use planning and to enhance road and rail connectivity to Sydney.[210] The centrality of these freight corridors to a strong agricultural industry, and concerns regarding the adequacy of these corridors, is discussed further in the following pages.

4.8    Identifying opportunities for new agricultural markets and production will be particularly important. For example, Parkes Shire Council indicated that it has opportunities for the agricultural sector to value add to its region, including smaller boutique processing and packaging operations to service specific markets such as bottling and stock feed, processing facilities, and centralised storage and distribution points for fertiliser, chemicals and fuel, among other commodities and products.[211] Agritourism, food tourism and food production industries were similarly identified as growth sectors for the Tweed Shire.[212]

4.9    The committee recognises that regional New South Wales is well placed to cater to growing demand from both Australian and international markets. Taking the example of Parkes and the Tweed, the committee believes that government can play a role in utilising its network of regional officers to build connections to meet demand. Where local opportunities are identified, regional representatives can market those opportunities to relevant investors and stakeholders, or advocate through government for the necessary resources to facilitate those markets. Likewise, where external markets are identified, regional representatives can act as a conduit to connect local providers to those markets.

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**Question 12**

   a)  How can the NSW Government develop strong linkages between growers, producers, investors and new markets?

   b)  Have the strategies currently employed by the NSW Government been effective in connecting growers to buyers, and investors to regional investment opportunities? How can these be improved?

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207    Submission 28, Bland Shire Council, p 6, citing data from the Australian Bureau of Agricultural and Resource Economics and Sciences.

208    Submission 36, Parkes Shire Council, p 4.

209    Evidence, Mr Troy Green, General Manager, Tweed Shire Council, 28 August 2017, p 5.

210    Submission 27, NSW Government, p 14.

211    Submission 36, Parkes Shire Council, p 5.

212    Evidence, Mr Green, 28 August 2017, p 6.

**4.10**    The committee also notes observations made by inquiry participants that urban food production sites are increasingly being sold and developed in favour of greenfield housing. Acknowledging that the NSW Government has advised that the 2036 regional plans have sought to address these concerns and to incorporate solutions into future planning, the committee seeks further comment from stakeholders as to the adequacy of the plans, and whether they reflect the priorities and concerns identified by local stakeholders.

**Question 13**

a)    Does the NSW Government have a clear strategy to ensure that the increasing volume of greenfield housing does not prevent an adequate supply of food and other agricultural produce?

b)    What measures are in place to determine whether the strategies proposed in the 2036 Regional Plans to protect farmland, facilitate the growth of agribusiness and food processing, and enhance road and rail connectivity to Sydney and other distribution points are adequate?

c)    Have the strategies proposed in the 2036 Regional Plans to protect and enhance the agricultural industry been informed by regional expertise and regional priorities?

**Marketing a Regional New South Wales brand**

**4.11**    The NSW Government advised that collaborative projects between industry partners and ecosystem startups[213] aim to differentiate New South Wales from the rest of the world, taking advantage of the state's natural capabilities in resources and agriculture. The committee heard that the NSW Department of Primary Industries assists agricultural exporters to increase awareness of their high-quality produce in its target markets.[214]

**4.12**    Mr Ian Smith, Director of Regional Operations in the Office of Regional Development, explained that while Sydney benefits from clear brand recognition, and New South Wales is somewhat known internationally, regional New South Wales is not a strong brand 'so we need to provide a hook'. Mr Smith advised that the new online investment prospectus being developed by the Office of Regional Development (discussed in chapter 2) will assist in this regard, identifying opportunities for investment and inviting stakeholders to learn more about regional New South Wales through one centralised portal.[215]

**4.13**    Mr Smith also spoke to the benefits of developing industry 'clusters' in agriculture and agtech, noting that this model had been particularly successful in the United States. Mr Smith said that both identifying the right regions for investment and then acquiring that investment, by private or public funds, will be the key challenges to encouraging development of these economic clusters.[216]

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213    An 'ecosystem startup' is formed by people, startups in their various stages, and different types of stakeholders, who then interact as a system to create and new startup companies or opportunities.

214    Submission 30, NSW Government, p 6.

215    Evidence, Mr Ian Smith, Director of Regional Operations, Office of Regional Development, 29 August 2017, p 12.

216    Evidence, Mr Smith, 29 August 2017, p 12.

**4.14** The committee believes that development of a clear and recognisable brand for regional New South Wales would augment other strategies for marketing the regional New South Wales' product to an international market. The committee seeks comment from stakeholders as to how this regional brand could best be cultivated and targeted to key markets.

**4.15** The committee is also keen to monitor the development and rollout of the new investment prospectus being prepared by the Office of Regional Development, particularly in regards to the capacity of the prospectus to identify and market investment opportunities with a view to encouraging economic clustering in key regional markets.

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**Question 14**

    a) How can regional New South Wales develop as a brand?

    b) Has the online investment prospectus developed by the Office of Regional Development been successful? How can this success be measured?

    c) What can the NSW Government do to encourage investment in industry clusters in regional New South Wales?

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**Agriculture and technology**

**4.16** The committee identified agricultural technology as a key enabler for the growth of regional economies, which was well demonstrated when the committee visited the University of New England SMART Farm, as outlined in the case study below.

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**Case study: University of New England SMART Farm**[217]

How can farmers use drones to weigh sheep from a distance? And how can a landowner check the water levels in a trough on another property with the time and expense of travelling long distances?

These are some of the problems that the UNE SMART Farm (Sustainable Manageable Accessible Rural Technologies Farm) has found solutions to at 'Kirby-Newholme', a 7,000 acre commercial farm located 10 kilometres north west of the campus. Kirby-Newholme is one of several commercial farms owned by the university, and while the university has owned the farm for over sixty years, the 'precision agriculture' dimension was introduced to the farm approximately 10 years ago.

Professor David Lamb, McClymont Distinguished Professor (Research), Precision Agriculture Research Group, University of New England told the committee that the farm was designed primarily as a learning and outreach space and the floor of the classroom and office building has been designed to integrate the farm's landscape into the classroom's floorscape. Professor Lamb explained that the key purpose of the training provided and the operation of the farm as a whole is to remind all who interact with the farm to never forget who their clients and stakeholders are: farmers.

The farm has been established as a demonstrator site, showcasing the latest technologies aimed at improving productivity, environmental sustainability, safety, workflow and social/business support

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217    Site visit report: Armidale, 29 August 2017.

networks on Australian farms. To achieve this, the university invested heavily to be linked by AARNet and the national broadband network (fibre, terrestrial wireless and satellite). Professor Lamb advised that satellite connectivity was chosen to demonstrate the huge possibilities presented by this mode of connectivity – the farm is able to run complex data networks at a cost of $50/year via satellite, which would otherwise cost $1500/month on a normal telco plan.

The farm utilises a mesh network comprised of a series of probes dotted around the farm which send information to each other. Projects on the site have included: chicken analytics, quadbike safety analytics, use of drones to streamline everyday farm management tasks such as checking and weighing livestock and verifying water levels in troughs; and research into noxious weeds. The farm has also served as a test site for new technologies and as host to the Agmentation hackathon, which challenged engineers, startups and students to find low-tech solutions to everyday problems posed by farmers.

The farm is also connected to 29 sites around the country and analytical work canvasses wool, grain, mining and other industries. The university has prioritised the use of technological solutions developed by New South Wales companies and sees themselves as the conduit between a growing community of innovators and start-ups that has formed around them – 'we bring the dreamers, the doers and the dollars together', said Professor Lamb.

Professor Lamb told the committee that NBN is critical infrastructure for regional communities – 'like roads and hospitals'. He advised that the NSW Government could assist regional communities by prioritising satellite connectivity for regional business, particularly farms that require tech connectivity across a sprawling landmass, and assist regional communities to foster strong business and innovations networks.

**4.17** The committee recognises that agricultural technology will be a key driver for economic growth in regional areas in the future. The committee's visit to the UNE SMART Farm impressed upon the committee that those communities who have the infrastructure in place to roll out new technological solutions, and the educational opportunities available to skill-up farmers and other agribusiness workers, will be better placed to do business in the global markets of the future. The committee seeks further submissions on actions the NSW Government can take to support research and development into new agtech opportunities.

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**Question 15**

a) What more can the NSW Government do to support research and development into new agricultural technology opportunities?

b) What more can the NSW Government do to make satellite connectivity accessible to farmers and other regional business owners?

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## Education

### Growing the sector

**4.18** Jobs for NSW's *Jobs for the Future* report places adult, community and school education amongst the top 20 growth industries.[218] Sydney Business Chamber's *Sydney: Australia's global city* identified that a reoccurring theme in discussions around making Sydney a more innovative city is the role of universities and research centres in supporting the intellectual capital of the city. This is achieved through two fundamentally important roles:

- Universities and centres of research and development are crucial in fostering local human capital, vital to building a skilled workforce

- The influx of human capital to universities affords businesses located within Sydney superior access to a deep and diversified labour market. The diversity of the population has also been shown to foster creativity and innovation as ideas are shared and remoulded by these diverse influences.[219]

**4.19** Similarly, universities in regional areas are a driving force in developing human capital, economic activity, and community and cultural assets.[220]

**4.20** As technological developments reduce the disparity between the on-campus and off-campus experience into the future, the demand for education from regional universities, particularly those with specialist expertise, will increase. The University of New England advised that the proportion of their face-to-face students as a total student body is 'declining all the time', while the capacity of new technologies to allow face-to-face immediate contact and tuition is 'increasing all the time'. The ratio of on campus to online students has increased from 6,000:4,000 15 years ago to 4,000:18,000 today.[221]

**4.21** In addition to generating more jobs and broadening the base of skilled workers, an increase in regional university places and access to education online will make tertiary education options more accessible to people already living in regional communities. This in turn will assist those communities to become more resilient and develop more diversified skills bases.[222] The University of Wollongong suggested that guaranteeing first year student accommodation can be an effective mechanism for attracting regional students to university.[223]

**4.22** The committee would like to further explore ways to assist universities to expand their student reach and, in particular, expand their campuses into more regional communities.

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[218] Jobs for NSW, *Jobs for the Future: Adding 1 million rewarding jobs in NSW by 2036,* 2016, p 32.

[219] Sydney Business Chamber, *Sydney: Australia's global city*, prepared by Price Waterhouse Coopers, dated June 2010, pp 14, 16.

[220] Submission 15, University of Wollongong, p 3.

[221] Evidence, Professor Neil Argent, Professor of Human Geography, and Dr Greg Winslett, Director, Teaching and Learning Support, University of New England, 29 August 2017, pp 20, 21-22.

[222] Submission 13, Broken Hill City Council, pp 9-10.

[223] Evidence, Mr Canio Fierravanti, Director, Government Relations, University of Wollongong, 19 June 2017, p 22.

**Question 16**

> a) How can the NSW Government assist universities to expand their student reach and expand their bases into regional communities?
>
> b) What more could be done to ensure that regional universities can guarantee accommodation to tertiary students relocating from regional areas?

### Collaboration

**4.23** Stakeholders identified that opportunities for collaboration with universities will be particularly important to addressing some of the major issues facing the community, from policy and health care responses to an ageing population, to knowledge exchange and enterprise opportunities with business, industry and government. The University of Wollongong observed that the NSW Government has a vested interest in fostering successful collaboration and commercialisation of research and innovation as a vehicle to drive innovation in regional New South Wales.[224]

**4.24** There is a role here for all stakeholders. Industry and business could do more to establish linkages – for example, Jobs for NSW's *Jobs for the Future* notes that while only 4 per cent of New South Wales firms actively engage with higher education, by comparison 48 per cent of larger innovators do so in Sweden, and up to 17 per cent of innovating small to medium enterprises (SMEs) do so in the UK and Israel.[225] Likewise government could also do more to support innovative models to fund activities in research and knowledge exchange.[226] The University of Wollongong observed that there is also a role here for universities to move beyond a focus on pure research and look for opportunities that industry and government are seeking.[227] The committee recognises that the University of New England's SMART Farm (discussed earlier) is a practical example of universities working with industry stakeholders to find solutions to problems and foster innovation networks.

**4.25** The committee seeks submissions that suggest ways in which the NSW Government can play a greater role in facilitating research and innovation networks in targeted areas of expertise to build capacity for research and commercialisation across New South Wales.

**Question 17**

How can the NSW Government play a greater role in facilitating research and innovation networks in targeted areas of expertise to build capacity for research and commercialisation across New South Wales?

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224    Submission 15, University of Wollongong, p 4.

225    Jobs for NSW, *Jobs for the Future: Adding 1 million rewarding jobs in NSW by 2036,* 2016, p 43.

226    Submission 15, University of Wollongong, p 4.

227    Evidence, Mr Damien Israel, Chief Finance Officer, University of Wollongong, 19 June 2017, p 23.

**Building a skilled and flexible workforce**

4.26    As regional job opportunities continue to grow, it will be necessary for the regions to develop a workforce skilled across relevant industry sectors from which employees can draw. Inquiry participants observed that while a number of regional tertiary institutions are bringing innovation and growth in higher education to regional areas, including Charles Sturt University (with campuses from the Central West down to Port Macquarie), the University of New England, University of Wollongong and University of Newcastle, further broad based investment is required. This would work not just to the benefit of the regions, but can support Sydney in terms of growth in international education which is currently focused very heavily in major metropolitan cities.[228]

4.27    In particular, inquiry participants stated that they would benefit from local training providers and TAFE/VET or university campuses being better equipped and staffed to offer training to meet workforce demand in local growth areas, whether in trades or white collar services. Participants called for opportunities to collaborate with government to establish dedicated training programs to meet demand and assist local employees and suppliers to enhance their regions' reputations.[229]

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**Question 18**

What action can the NSW Government take to work with regional stakeholders to ensure that training and education caters to local workforce demand?

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**Skilling regional communities up for the jobs of the future**

4.28    The committee heard that while New South Wales needs a 'strong pipeline' of workers to take advantage of new economic opportunities, current school retention rates and study electives suggest that New South Wales may struggle to develop the skilled workforce it requires to take advantage of new jobs and therefore broaden the productivity of New South Wales to beyond Sydney's boundaries.[230]

4.29    For example, engineering is amongst the top 20 growth industries in New South Wales.[231] However, Engineers Australia raised their concerns regarding the development of New South Wales' engineering capability and current high school trends in Science, Technology, Engineering and Maths (STEM) subjects. Falling rates of participation in the core subjects of mathematics and physics demonstrate a trend that leads to decreasing numbers of students undertaking engineering courses in universities.[232] Engineers Australia attributed this in part to the fact that the Australian Tertiary Admission Rank (ATAR) system can discourage students

228    Submission 12, Port Macquarie Hastings Council, p 3; Evidence, Mr Bob Germaine, Executive Officer, Regional Development Australia – Sydney, 19 June 2017, p 38.

229    Submission 28, Bland Shire Council, p 16; Submission 7, Blue Mountains City Council, p 1; Submission 6, Newcastle Tourism Industry Group, pp 5-6; Submission 20, Central NSW Councils, p 7.

230    Submission 25, Engineers Australia, pp 5-8.

231    Jobs for NSW, *Jobs for the Future: Adding 1 million rewarding jobs in NSW by 2036,* 2016, p 32.

232    Submission 25, Engineers Australia, p 6.

from enrolling in STEM subjects: if a student enrols in advanced maths or physics and performs satisfactorily but does not rank highly, their ATAR will in turn be impacted. There was anecdotal evidence of parents 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.[233]

**4.30**  Retention rates for year 12 students pose even greater cause for concern. New South Wales ranks third lowest in Australia for Year 12 retention, ahead of Tasmania and the Northern Territory, and the retention of students to year 12 regionally falls far short of those in metropolitan areas.[234] Engineers Australia advised that the worst performing areas within Sydney would have a retention rate of 76 per cent of students who stay until year 12, whereas regional areas have a base retention rate of 64 per cent,[235] sinking to as low as 56.2 per cent in the far north west of the state.[236]

**4.31**  As Engineers Australia observed, 'retention rates are important if New South Wales wishes to reach its full potential of becoming a globally relevant state with each of its major centres connected to each other. Without more technically and scientifically literate people in the labour force, this ambition will not be realised'.[237]

**4.32**  Regional universities could play a key role in raising retention rates. The rate of retention markedly increases in those regional areas that have strong universities with good linkages into local schools:

> 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.[238]

**4.33**  This suggests a role for government in encouraging regional universities to develop strong linkages with regional students, particularly those students located in geographic areas that are isolated from tertiary institutions. Industry also has the opportunity to intervene in the early years of the school journey and help students to become engaged and even curious about these emerging industries. The committee was made aware of a number of successful examples already underway. For example, Engineers Australia participate in the following programs:

- providing coding workshops to students from year 2 to year 7, which explain the relevance of coding to robotics and mechatronics

- running the 'Experience it' program with the Sydney Motorway Corporation and Western Sydney University, which targets 200 female students in years 8, 9 and 10 to find out what engineering is about

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[233]  Evidence, Mr Greg Ewing, Managing Director, Engineers Australia – Sydney and Canberra Divisions, 19 June 2017, p 47.

[234]  Submission 25, Engineers Australia, p 6.

[235]  Evidence, Mr Ewing, 19 June 2017, p 44.

[236]  Submission 25, Engineers Australia, p 6.

[237]  Submission 25, Engineers Australia, p 6

[238]  Evidence, Mr Ewing, 19 June 2017, p 44.

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- the Honeywell Engineering Summer School, a long-running residential school for regional and remote students to come to Sydney and be engaged with universities and industry to find out whether engineering is the career for them

- a similar but non-residential program is run in conjunction with Cochlear

- a teacher development program which started in Newcastle and is spreading to other parts of New South Wales, which aims to skill teachers up and explain where the STEM subjects sit in the career space. [239]

4.34    Similar programs are also operating in the defence space, and the committee discusses these programs further in its paper on the defence industry in New South Wales.

4.35    Engineers Australia also stressed that it is important that cadet programs and internships lead to jobs, particularly for regional communities. Often students are educated regionally but then have to move to a city to find employment. As the industry clusters discussed elsewhere in this report increasingly move to regional areas, retention and employment may also become more achievable.[240]

4.36    Noting current retention rates both in New South Wales and across regional areas, and the fall in participation in key STEM subjects, the committee seeks submissions on what actions the NSW Government can take either to directly address retention and STEM enrolment, or to work alongside universities and industry to that end.

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**Question 19**

What action can the NSW Government take to address year 12 retention rates and increase enrolment in science, technology, engineering and maths (STEM) subjects across New South Wales?

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## Health and support services

4.37    With an ageing population, demand for higher order health services will increase, as will demand for skilled workers to provide these services. Jobs for NSW's *Jobs for the Future* report places the sector amongst the top 20 growth industries, and found that health and social care accounts for the largest proportion of the New South Wales workforce.[241]

### A strong health sector for regional communities

4.38    Evidence indicated that there is potential to develop health precincts around hospitals in well-connected regional cities. For example, Charles Sturt University is increasing its profile as a health training and development hub with the relocation of a specialty medical training centre to its Bathurst campus. In addition, the University has invested in a Bathurst Clinical

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[239]    Evidence, Mr Ewing, 19 June 2017, pp 45-47.

[240]    Evidence, Mr Ewing, 19 June 2017, p 45.

[241]    Jobs for NSW, *Jobs for the Future: Adding 1 million rewarding jobs in NSW by 2036,* 2016, p 32.

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Simulation Centre and a new dental school. Bathurst and Orange Hospitals have also undergone over $350 million in capital works in recent years and are major medical hubs for regional New South Wales. Bathurst Regional Council asserted that further investment in regional health hubs as research or training facilities would constitute an investment that will generate self-sustaining growth.[242]

**4.39** While there was an acknowledgement that certain high-order medical services can only be delivered in Sydney, stakeholders were optimistic that high-speed NBN linkages will facilitate the rollout of telemedicine, and that there will be greater capacity for specialists either to fly to regional locations to deliver services or diagnose patients online.[243] In this scenario, health precincts would be a delivery point for higher order specialist services from Sydney.[244] These technical solutions would also address frustrations and constraints caused by lengthy travel times from regional areas.[245]

**4.40** The University of New England advised the innovations driven from the health and support industry involving technological advances and adaptations are also providing numerous opportunities for tech start-ups and entrepreneurs to design, develop and test new products.[246]

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**Case study: The 'Innovation Sandpit'[247]**

How can health or support workers keep safe when entering an unknown premises? And how can organisations connect workers operating across a wide geographic area who do not share a centralised 'base'?

A group of innovators proposed workable solutions to these problems as a result of the 'Innovation Sandpit' in October 2016, hosted by Illawarra Forum in partnership with the University of Wollongong iAccelerate.

For over 20 years the Illawarra Forum has represented and supported the local community services sector, a major employer in the region consisting of more than 300 organisations. The Forum explained that because services in their sector are predominantly provided by not-for-profit organisations, government guidelines generally prohibit the sector from applying for business funding opportunities. This places limitations on opportunities for expansion and, in particular, innovation, but the Sandpit offered an opportunity to move forward. The event not only celebrated current partnerships with businesses in the region but also explored new opportunities that could lead to new innovations.

Worker safety was the ideal issue to workshop at the event. 'Many of our workers are going into homes on their own and often quite a long distance from their base', explained Ms Nicky Sloan, Chief Executive Officer of the Forum. 'Often people do not actually have a base anymore in the area; they might work for an organisation that is based in Sydney and they just have a laptop and iPad and off they go'. The skills base on offer at the workshop soon identified a solution. 'One of the great [results]

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242   Submission 5, Bathurst Regional Council, p 3.

243   Evidence, Professor Neil Argent, 29 August 2017, p 19; Submission 27, NSW Government, p 15.

244   Submission 27, NSW Government, p 15.

245   Evidence, Mr Steven Bowman, Manager, Economic Development, Bathurst Regional Council, 14 August 2017, p 3.

246   Submission 23, Illawarra Forum, p 2; Evidence, Dr Greg Winslet and Professor Neil Argent, 29 August 2017, pp 19- 20.

247   Evidence, Ms Nicky Sloan, Chief Executive Officer, Illawarra Forum 29 June 2017, pp 26-27; Submission 23, Attachment 1, Illawarra Forum, pp 1-2.

that came out of this was [an] app about ensuring safety for workers. It was being used in universities; the developer was there and said we could really make that work for out-of-home workers.'

Since then work has been underway to roll the technology out across all departments and agencies. Other new technologies being embraced across the network following the event include the use of virtual reality in assisting the elderly, 3D printing technology for disadvantaged school students, and introducing non-invasive fibre optic technology into the homes of older people to improve safety.

### Ensuring a steady workforce

**4.41**   Inquiry participants acknowledged that as the population ages and as regional communities grow larger, it will be vital to ensure that the regions have a sufficient workforce of skilled doctors, nurses and support workers, particularly specialist service providers and practitioners.[248]

**4.42**   The committee received evidence that the Illawarra, a high growth regional area, is already experiencing difficulties finding the requisite workforce to meet demands for nursing, home support and disability services, however a local network comprising of employee groups, Illawarra Forum, TAFE, university and state training services is working hard to fill the skills gap.[249] The Illawarra Forum acknowledged that the health and support services industry was often not the first choice of work for people owing to stigma surrounding the industry, and recommended that the NSW Government work to challenge that stigma to increase workforce participation by raising the profile of the health and support sector.[250]

**4.43**   The Illawarra Forum also observed that it would be vital to ensure that affordable housing options are made available to health and support workers who have traditionally received comparatively low wages but whose services would be essential to sustaining the ageing population that is forecast to contribute to significant growth in regional community populations. This would be a particular challenge as the popularity of regional areas grows and places further upward pressure on housing affordability.[251]

**4.44**   In view of New South Wales' growing and ageing population, the committee sees health as a key sector to support a prosperous and resilient state. While the sector poses new employment opportunities, the rate of growth will see significant demand for skilled workers, affordable housing, new health technologies and reliable connectivity both across the NBN and via more tradition and direct means such as regional air transport. The committee seeks further submissions as to the readiness of New South Wales to meet these demands. In particular, we seek information relating to the capacity of tertiary institutions to meet the demand for doctors, nurses and other support workers, and the ability of regional hospitals and medical services to cater to the needs of their populations.

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[248]   Evidence, Mr Bowman, 14 August 2017, p 3; Submission 36, Parkes Shire Council, p 8; Submission 7, Blue Mountains City Council, p 6; Submission 15, University of Wollongong, p 3.

[249]   Evidence, Ms Sloan, 29 June 2017, p 25; Submission 23, Illawarra Forum, p2.

[250]   Evidence, Ms Sloan, 29 June 2017, p 26.

[251]   Evidence, Ms Sloan, 29 June 2017, p 26.

**Question 20**

a) Do tertiary institutions currently have requisite student enrolment to meet future workforce demands for doctors, nurses and other health and support workers?

b) What action can the NSW Government take to raise the profile of a career in the health and support sector, particularly in aged care and disability services?

c) How can the NSW Government encourage specialist service providers and practitioners into the regions?

d) What action can the NSW Government take to ensure that health and support workers have access to affordable housing?

e) How can the NSW Government foster linkages between the health sector and regional universities to bolster the capacity of the sector to meet demand?

## Decentralisation of government and private sector services

4.45    In 2011, the NSW Government announced its 'Decade of Decentralisation' policy, the broad objectives of which are to support the development and sustainability of regional economies and communities; attract population, skills and investment from metropolitan Sydney to regional New South Wales, and increase opportunities for communities in the regions to participate in government decision-making. Under the policy, the Government committed to reducing its CBD office space holdings by at 100,000 square metres by 2021 and moving those jobs out to metropolitan and regional areas.

4.46    While the relocations announced to date have primarily centred on movements to western Sydney,[252] a number have been announced for the regions. For example, in August 2017 the Deputy Premier, the Honourable John Barilaro MP, announced that there will be 100 new public sector jobs in Queanbeyan by December 2018. Half of these jobs will be created within the Department of Finance, Services and Innovation and half in the South East Rural Education hub to be built at Queanbeyan High School.[253]

4.47    In 2017, the Federal Government has also announced that it will commence a decentralisation program.[254] The Federal Government stated that its commitment to the structured decentralisation of government jobs from Canberra, Sydney and Melbourne will benefit regional Australia through the creation of local jobs and career paths, increased economic

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[252] NSW Government Department of Finance, Services and Innovation, 'Media release: Public service decentralisation plan on track', Minister for Finance, Services and Property, 18 February 2016, https://www.finance.nsw.gov.au/about-us/media-releases/public-service-decentralisation-plan-track; NSW Property, 'Relocations to Western Sydney and the regions', https://www.property.nsw.gov.au/relocations-western-sydney.

[253] Elliott Williams, 'NSW Deputy Premier announces 100 new public service jobs for Queanbeyan', *Canberra Times*, 25 August 2017, http://www.canberratimes.com.au/act-news/nsw-deputy-premier-announces-100-new-public-service-jobs-for-queanbeyan-20170825-gy48z9.html.

[254] The Honourable Fiona Nash, Minister for Regional Development, and Local Government and Territories. Media Release. *Coalition begins decentralisation process*. 19 April 2017 http://minister.infrastructure.gov.au/nash/releases/2017/April/fn054_2017.aspx.

diversification and the stimulation of economic growth. The Federal Government suggested that this move will build on the Federal Government's previous decentralisation of activities with core relevance to rural and regional Australia, such as the Rural Industries Research and Development Corporation's relocation to Wagga Wagga.[255] The Federal Office for Regional Development and Infrastructure advised that to date no decision has been made as to the departments or agencies that will be decentralised or the regions to which jobs will be relocated.[256]

**4.48**    Inquiry participants strongly advocated for the relocation of both public and private sector jobs to regional New South Wales, particularly beyond those areas that already have a concentration of regional government offices.[257] Bathurst Regional Council observed that the benefits that flow from decentralisation extend far beyond the roles available in the relocated agency or department:

> Decentralisation significantly contributes to employment growth, diversity and the growth of the local skills base. The relocation of individuals to regional centres through decentralisation also results in the relocation of households, whereby population increases result in increased demand for schools, hospitals, shopping centres and further expansion within the community.[258]

**4.49**    Inquiry participants also pointed to the benefits of relocation for the private sector – namely lower running costs and access to a ready and available, skilled workforce who are in many cases already commuting to Sydney or outlying metropolitan regions to perform similar roles.[259] Wollongong City Council spoke to NEC's successful relocation of a number of roles to Wollongong, where a 20,000 strong skilled commuter workforce was able to fill 180 roles in just 12 months:

> We have more than 20,000 people commuting every day, which means we have a ready-made workforce of people who have a broad range of skills. NEC initially went to the market with 100 roles it was looking to fill, and it had 2,000 applicants. The company was blown away by the calibre and quality of those people. The University of Wollongong also produces many hundreds of IT graduates every year, and NEC was able to tap into that. After 12 months, it has 180 employees. It is winning new contracts and it is servicing state and national contracts out of Wollongong because it stacks up. It now has a much lower cost base than it would have had in Sydney, but it has the skilled workforce to be able to deliver those services out of Wollongong.[260]

**4.50**    The committee strongly supports the moves made by both the NSW Government and the Federal Government to decentralise government services. Noting the strong support for regional distribution of these services, the committee invites comment on the current

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255    Submission 34, Department of Infrastructure and Regional Development, p 7.

256    Evidence, Ms Nicole Pearson, General Manager, Regional Programs, Department of Infrastructure and Regional Development, 24 October 2017, p 16.

257    Submission 28, Bland Shire Council, p 18; Submission 5, Bathurst Regional Council, p 4; Submission 17, Bulahdelah Chamber of Commerce, p 9; Submission 29, Hunter Business Chamber, p 7; Submission 8, Illawarra Business Chamber, p 1.

258    Submission 5, Bathurst Regional Council, p 4.

259    Submission 10, Regional Development Australia – Sydney, p 11; Evidence, Mr Mark Grimson, Economic Development Manager, Wollongong City Council, 29 June 2017, p 33.

260    Evidence, Mr Grimson, 29 June 2017, p 33.

timeframe for the decentralisation of services so far announced, the suitability of the roles and agencies identified for decentralisation and the distribution of roles across regional areas, particularly between Western Sydney and regional New South Wales.

### Question 21

a)  What more can the NSW Government do to accelerate the decentralisation of public sector agencies and departments to regional New South Wales?

b)  Has the distribution of decentralised public sector roles between Western Sydney and regional New South Wales been equitable?

### 'Inshoring', not offshoring

4.51    Building from this concept of tapping into a ready-made regional workforce, several inquiry participants suggested that large companies stood to benefit from moving jobs to regional areas rather than moving jobs offshore to Manila, China or India. They termed this 'inshoring'.[261]

4.52    Wollongong City Council advised that they, together with Advantage Wollongong, are talking to a host of different organisations including the big four banks, a law firm and a large international professional services firm to identify inshoring opportunities, observing that companies stood to save 25 per cent by moving functions to the regions.[262] Armidale Regional Council advised that they are undertaking similar negotiations with Australian companies and utilities with a view to relocating call centres to their region, pointing to the region's quality infrastructure and low running costs.[263]

4.53    Acknowledging the many benefits that inshoring of services poses to both business and regional communities, the committee seeks submissions on ways in which the NSW Government can assist to incentivise the private sector in this regard.

### Question 22

How can the NSW Government incentivise the private sector to 'inshore' services to regional New South Wales?

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[261]    Evidence, Mr Lindsay Woodland, Group Leader, Organisational Services, Armidale Regional Council, 29 August 2017, p 2; Evidence, Mr Mark Grimson, 29 June 2017, p 37.

[262]    Evidence, Mr Grimson, 29 June 2017, p 37.

[263]    Evidence, Mr Woodland, 29 August 2017, p 2.

## Defence industry

**4.54**   New South Wales is home to 21 major bases and training areas – more than any other state – and New South Wales' share of Australia's Defence spend currently stands at $7.9 billion.[264] With the Commonwealth Government's Defence White Paper foreshadowing defence spending of more than $195 billion over the coming decade,[265] New South Wales has the opportunity to build on its industry profile.

**4.55**   The NSW Defence and Industry Strategy, *Strong, Smart and Connected*,[266] is the key mechanism through which the NSW Government intends to drive industry growth. The Strategy is likely to provide a major boost to the regions, and a significant portion of Defence NSW's service delivery will be coordinated through regional centres.[267] Inquiry participants agreed that New South Wales has significant scope to improve its defence profile, notwithstanding the capabilities that already exist.[268]

**4.56**   The committee is conducting a concurrent inquiry into the defence industry in New South Wales, which will report on opportunities to incentivise and grow the defence industry, encourage industry innovation, research and education, and maximise opportunities for New South Wales-based companies to tap into the growing investment in development and export for defence. The committee will table a discussion paper alongside this paper for stakeholder comment on this industry.

**4.57**   However, the committee takes this opportunity to share its findings as they pertain to regional development. Charles Sturt University advised that opportunities for regional areas to tap into the growing defence industry are particularly intensified where 'co-location' occurs.[269] Co-location refers to the development of a hub of related industry in a concentrated geographical area to provide opportunities for collaboration, sharing of ideas, sharing of equipment and resources and the fostering of a culture of innovation. The committee saw a number of successful examples of this in the Hunter and Nowra, which are discussed further in the committee's discussion paper on the defence industry. Similar opportunities are also emerging in the Central West, particularly around Bathurst, Wagga Wagga and Albury.[270]

**4.58**   It is evident to the committee that as like industries build around a university or business, the region quickly attracts not only more industry, but more investment for related infrastructure.

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[264]   NSW Department of Industry, 'Hunter hearing into growing defence industry', 18 September 2017, https://www.industry.nsw.gov.au/invest-in-nsw/invest-news/news/hunter-hearing-into-growing-defence-industry.

[265]   Australian Government Department of Defence, *2016 Defence White Paper*, 2016, http://www.defence.gov.au/WhitePaper/Docs/2016-Defence-White-Paper.pdf.

[266]   NSW Government, *New South Wales: Strong, smart and connected – The NSW Government Defence and Industry Strategy 2017*, 2017, https://www.industry.nsw.gov.au/__data/assets/pdf_file/0011/98624/NSW-Strong-smart-and-connected-defence-strategy.pdf.

[267]   NSW Government, *New South Wales: Strong, smart and connected – The NSW Government Defence and Industry Strategy 2017*, 2017, p 18.

[268]   Submission 29, Hunter Business Chamber, p 13; Submission 4, Illawarra Business Chamber, p 4.

[269]   Evidence, Professor Andrew Vann, Vice Chancellor, Charles Sturt University, 14 August 2017, p 43.

[270]   Evidence, Professor Vann, 14 August 2017, p 46.

This in turns feeds in to grow the towns and businesses around them. The committee believes that it will be vital for government to work with universities and industry to identify these emerging hubs, both to direct funds where they can have the most effect, and also to ensure that these hubs have the necessary hard and soft infrastructure around them to grow quickly.

**Question 23**

    a) How can the NSW Government work with universities and industry to ensure that regional development priorities incentivise co-location?

    b) Is the NSW Government doing enough to guarantee that the necessary soft and hard infrastructure will be in place to meet the needs of emerging hubs?

## Tourism

4.59      A number of inquiry participants stated that tourism is a fundamental area where regional New South Wales can benefit from Sydney's status as a global destination and gateway to Australia, and that the failure to leverage off tourism drawn to Sydney had been a missed opportunity.[271] The *Jobs for the Future* report also identifies tourism as a globally competitive tradeable segment that should be pursued with the potential to contribute significantly to growth in jobs and the economy.[272]

4.60      Tourism already contributes more than $32 billion to New South Wales' economy and employs approximately 170,000 people, 84,600 of which work in regional tourism.[273] In the year ended December 2016, New South Wales welcomed a total of 91 million visitors and regional New South Wales welcomed 17 per cent more overnight visitors than in 2011. At 55 per cent, Sydney holds the highest market share of international visitors of all capital cities in Australia, with its closest rival, Melbourne, at 38 per cent. Currently, only 23 per cent of all international visitors to New South Wales spend time in the regions.[274]

4.61      Destination NSW observed that any strategy to encourage tourism into the regions must acknowledge that growth opportunities are intrinsically linked to Sydney – as the Chief Executive Officer, Ms Sandra Chipchase observed, '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'.[275]

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[271]      Evidence, Mr Luke Aitken, Senior Manager, Policy, NSW Business Chamber, 19 June 2017, p 52; Submission 7, Blue Mountains City Council; Submission 6, Newcastle Tourism Industry Group, p 1; Evidence, Mr Bowman, 14 August 2017, p 2.

[272]      Jobs for NSW, *Jobs for the Future: Adding 1 million rewarding jobs in NSW by 2036,* 2016, p 34.

[273]      Evidence, Ms Sandra Chipchase, Chief Executive Officer, Destination NSW, 19 June 2017, p 6; Submission 27, NSW Government, p 10.

[274]      Submission 27, NSW Government, p 10.

[275]      Evidence, Ms Chipchase, 19 June 2017, p 6.

**Marketing regional New South Wales to Chinese visitors**

4.62    A number of inquiry participants consider a growing China to be central to future regional prosperity,[276] with the NSW Business Chamber observing that China's growing middle class presents a 'tremendous opportunity with clear economic benefits' and is 'a crucial contributor to the success and growth of Australia's tourism industry'.[277] Inquiry participants also noted that the new Western Sydney Airport will further increase capacity for both recreational and business tourists from China.[278]

4.63    Stakeholders advised that China is already New South Wales' largest tourism and trade partner and Australia's most valuable tourist market, with visitors contributing more than $7.7 billion to GDP annually, forecast to reach $13 billion by 2020. Arrivals from China increased to one million in January 2016, and that number is expected to grow exponentially over the next decade. Of those visitors, 80 per cent will enter Australia through Sydney or Melbourne, with the number of arrivals spit evenly at approximately 40 per cent each.[279]

4.64    Yet regional New South Wales has not captured the overnight visitation potential from the Chinese market. Fewer than one in 20 international visitors to regional New South Wales were Chinese, compared to one in five international visitors to Sydney. Only five per cent of Chinese visitors to New South Wales dispersed beyond the Sydney metropolitan area and only seven per cent of all nights that Chinese visitors stay in New South Wales are spent in regional locations. While tourists from China spent $2.6 billion in Sydney between January and December 2016, they spent only $131 million in regional New South Wales.[280]

4.65    The NSW Business Chamber pointed to a number of factors that discourage Chinese visitors from dispersing beyond Sydney. These included:

  •    The short duration of visits to Sydney: Many international visitors have access to comparatively short weeks of annual leave to those accessible to Australian travellers.[281]

  •    The need to keep costs competitive for tourism operators: The NSW Business Chamber advised that the group touring sector is very competitive, and '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 ... That sector is not particularly committed to a high-quality product but a high-volume product.'[282]

  •    The standard of accommodation in regional areas: The level of accommodation 'is not what people, out of Asia, expect; they are looking for good-quality, international-

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276    Evidence, Mr Bowman, 14 August 2017, pp 2, 8; Mr Aitken, 19 June 2017, p 52; Mr Simon Spellicy, Tourism Advisory Council, NSW Business Chamber, 19 June 2017, p 52; Submission 30, NSW Business Chamber, Submission, p 3; Submission 6, Newcastle Tourism Industry Group, p 6; Submission 12, Port Macquarie Hastings Council, p 2; Submission 32, NRMA, p 7.

277    Submission 30, NSW Business Chamber, p 2.

278    Submission 24, Regional Development Australia – Sydney, p 3.

279    Submission 30, NSW Business Chamber, p 2.

280    Submission 30, NSW Business Chamber, p 2.

281    Evidence, Mr Spellicy, 19 June 2017, pp 54-55.

282    Evidence, Mr Spellicy, 19 June 2017, p 52.

standard accommodation. They do not understand … the smaller motel-style accommodation.'[283]

- There is not a strong understanding of what the offering of a regional experience is: The NSW Business Chamber said that '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'.[284]

- Poor transport linkages: Linkages into New South Wales and around the regions are limited and restrictive.[285] The Royal Agricultural Society similarly observed that 'from a tourism perspective, the ability to visit the multitude of attractions in Western, South Western and regional New South Wales is restricted by the need to use private transport and the majority of visitors do not have access to such an option.'[286] The economic multipliers that could result from greater dispersal are not clearly not captured. The NSW Business Chamber pointed to Queensland, which has a dispersal rate of 60 per cent. This can be attributed to the existence of three international airports – Brisbane, the Gold Coast and Cairns, and Far North Queensland tourism is recognised as a strong operator with a sound understanding of direct flight links into and out of Asia. The NSW Business Chamber commented that while it would not be straightforward for New South Wales to replicate that model, there were opportunities to capitalise on the new Western Sydney Airport at Badgerys Creek  and to work more cooperatively with Canberra airport, which recently announced that it would operate regular scheduled international flights into Singapore – as the Chamber observed, '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.[287]

**4.66** The NSW Business Chamber pointed out that addressing these issues would have benefits beyond simply attracting larger numbers of Chinese visitors – 'the things that are restricting [Chinese visitors] from dispersing, other than cultural things, are the things that are restricting dispersal for all visitors. If you can solve those underlying structural issues, then you will essentially be increasing the slice of the pie for everybody'.[288]

### Solutions to drive tourism into regional New South Wales

#### Better transport linkages

**4.67** Building on the observations made above, there is an urgent need for New South Wales to develop better public transport linkages between Sydney and the regions, and from key infrastructure sites like airports and train stations into regional towns and communities. Sydney Business Chamber's *Sydney: Australia's global city* reports that, when compared to other major international centres, infrastructure is often identified as Sydney's fundamental

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283  Evidence, Mr Spellicy, 19 June 2017, p 53.

284  Evidence, Mr Aitken, 19 June 2017, pp 52, 54-55.

285  Evidence, Mr Spellicy, 19 June 2017, p 53.

286  Submission 3, Royal Agricultural Society, p 3.

287  Evidence, Mr Spellicy, 19 June 2017, p 53.

288  Evidence, Mr Spellicy, 19 June 2017, p 54.

drawback.[289] Inquiry participants argued strongly in support of reliable, and preferably high speed, public transport network and linkages.[290] The Newcastle Tourism Industry Group suggested that there would be merit in construction of high speed rail along the east coast.[291]

*Better coordination*

**4.68**    A number of inquiry participants argued that measures to market the regions to Chinese visitors need stronger coordination across governments, destination networks and local businesses, with local stakeholders actively engaged to shape local strategy, provide access to information and services, and support and encourage increased tourist visitation.[292]

**4.69**    The NSW Business Chamber also see the new Destination Management Plans under development with Destination NSW as a way that regional communities can articulate their regional features and 'position the region experience in the right way', particularly in terms of promotion. Finalisation and delivery of Destination NSW's Regional Business Events Strategy was also seen as a mechanism to coordinate and raise awareness of Chinese business events and other opportunities for regional New South Wales.[293] These initiatives may be informed by Destination NSW's new China Market Toolkit.[294]

*Linking into the student market*

**4.70**    The NSW Business Chamber said that travellers from China can be categorised into two groups: group touring visitors, and free and independent travellers. This second group do not operate within the constraints of a tour, are often more confident travellers who can more easy find their way around, are generally enjoying their second or subsequent visit, and generally stay longer and inject more funds into the economy. The largest single proportion of these visitors come to visit friends and relatives, with the student market is a strong driver of these visitors.[295]

**4.71**    However, notwithstanding their 'free and independent' status, studies conducted by Tourism Research Australia found that the dispersal of these visitors from the area in which their family or friends reside is extremely limited. The NSW Business Chamber suggested this trend presents an opportunity for tourism agencies to partner with regional universities to encourage family and friends to visit students on campus, rather than the student travelling to Sydney.[296]

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289    Sydney Business Chamber, *Sydney: Australia's global city*, prepared by Price Waterhouse Coopers, dated June 2010, p 11.

290    Submission 7, Blue Mountains City Council, pp 1, 4; Submission 6, Newcastle Tourism Industry Group, pp 1-2; Submission 32, NRMA, p 1.

291    Submission 6, Newcastle Tourism Industry Group, p 3.

292    Submission 30, NSW Business Chamber, Submission, p 3; Answers to questions on notice, Mr Steven Bowman, Bathurst Regional Council, 6 September 2017, p 1; Submission 6, Newcastle Tourism Industry Group, p 6; Submission 12, Port Macquarie Hastings Council, p 2; Submission 32, NRMA, p 7; Submission 12, Port Macquarie Hastings Council, p 2.

293    Evidence, Mr Spellicy, 19 June 2017, pp 52-53; Submission 30, NSW Business Chamber, p 3.

294    Destination NSW, China Market Toolkit, http://www.destinationnsw.com.au/wp-content/uploads/2015/06/China-Market-Toolkit.pdf.

295    Evidence, Mr Spellicy, 19 June 2017, pp 53 – 54.

296    Evidence, Mr Spellicy, 19 June 2017, pp 53 – 54.

*Highlighting our key features*

**4.72** The NSW Business Chamber argued that it is vital that new tourism opportunities illustrate the state's key features and identity, rather than seeking to take advantage of mass-market appeal:

> … You could build a Dreamworld on the South Coast if you wanted to, but it would not say anything about the South Coast … 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 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.[297]

**4.73** The committee acknowledges the work that Destination NSW is already undertaking to develop Destination Management Plans and a Regional Business Events Strategy to assist regional communities to better market their local attractions and facilities. The committee invites submissions on the adequacy of these plans, in particular in addressing the factors identified above that work to disincentivise Chinese travellers.

**4.74** The committee also notes that while evidence suggests that factors such as the standard of accommodation work as a disincentive, there is scope to put more resources into explaining and marketing the charm and unique character of regional accommodation and villages – what to many Australians is a quintessential travel experience.

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**Question 24**

a) Do the Destination NSW Destination Management Plans adequately incentivise Chinese visitors to disperse beyond Sydney?

b) Is Destination NSW doing enough to assist regional communities to market their local features?

c) How can Destination NSW work with regional universities to encourage the families and friends of students studying in regional areas to visit them in their regional communities?

d) How can Destination NSW market the quintessentially Australian experience of visiting and staying in a regional town?

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## Supporting small and medium enterprises (SMEs)

**4.75** In 2016, Jobs for NSW's *Jobs for the Future* report found that in the past six years, high-growth small and medium enterprises (SMEs) that make up just six per cent of New South Wales firms created over 1 million new jobs. They also more than offset the 600,000 jobs that larger firms shed as they increased their productivity, often by buying from smaller, specialised firms.

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[297] Evidence, Mr Spellicy, 19 June 2017, p 57.

Of these SMEs, the firms with the highest rates of jobs growth are termed gazelles.[298] Sydney has the largest startup ecosystem in Australia, being home to 40 per cent of the nation's startups.[299]

4.76    Acknowledging that more startups need to develop longevity, become high-growth SMEs or even gazelles, Jobs for NSW has prioritised the development of strong business ecosystems and funding sources to ensure that entrepreneurs have requisite opportunities to fulfil their ambitions and create jobs in New South Wales. In particular, Jobs for NSW intends to make gazelle financing programs and investment and networking events available to regional SMEs.[300] As discussed in chapter 3, many of these programs will operate by connecting regional SMEs to the Sydney Startup Hub via a 'hub and spoke' model.

4.77    Stakeholders indicated that there are already a number of regional centres with strong startup ecosystems, including Wagga Wagga and Lismore.[301] Wollongong also benefits from iAccelerate, a University of Wollongong business incubator program built around a robust educational program, business acceleration monitoring, one-to-one mentoring and access to the extensive resources available at the university.[302]

4.78    Regional Development Australia (RDA) – Sydney advised that it is not possible for startup ecosystems to be 'created'. While conditions can be created that foster an innovative environment, there is no guarantee that those conditions will lead to successful and prosperous startup ecosystems. RDA – Sydney did, however, assert that real time virtual links between regional higher education bodies, business support centres and others in regional centres with the startup ecosystem in Sydney and other locations can effectively facilitate the growth of regional ecosystems. The Sydney School of Entrepreneurship, who partner with regional universities such as Charles Sturt University, Southern Cross University, the University of Newcastle, the University of New England and the University of Wollongong, is already setting out to do this, as is the NSW Government's Boosting Business Innovation Program.[303]

4.79    Particular areas of technological innovation that would be suited to regional startups were identified by RDA – Sydney. These included:

- Agriculture: crop and livestock monitoring; weather information systems; soil fertility.

- Transport and logistics: getting produce and livestock to market in the most efficient way possible; receiving and tracking agricultural supplies.

- Education: remote education.

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[298]    Jobs for NSW, *Jobs for the Future: Adding 1 million rewarding jobs in NSW by 2036,* 2016, p 7, https://www.jobsfornsw.com.au/__data/assets/pdf_file/0020/90740/Jobs-for-the-future-full-report-August-2016.pdf.

[299]    Submission 24, Regional Development Australia – Sydney, p 5.

[300]    Jobs for NSW, *Jobs for the Future: Adding 1 million rewarding jobs in NSW by 2036,* 2016, pp 41-47.

[301]    Submission 24, Regional Development Australia – Sydney, p 5.

[302]    Submission 15, University of Wollongong, p 4; Jobs for NSW, *Jobs for the Future: Adding 1 million rewarding jobs in NSW by 2036,* 2016, p 39.

[303]    Submission 24, Regional Development Australia – Sydney, p 5.

- Remote medicine: monitoring systems for people with particular health issues living in small communities; telemedicine.

- UAV technology (drone) driven solutions for agricultural monitoring.[304]

### Fostering innovation in the regions through global Sydney

**4.80**   Mr Bob Germaine, Executive Officer of RDA – Sydney, asserted that regional centres are well placed to access the expertise that global Sydney has attracted in the likes of Google, Amazon and Atlassian. They can then utilise this expertise to develop their own innovative ecosystems, particularly as factors like housing affordability and workplace flexibility entice increasing numbers of talented people to the regions:

> 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.[305]

### Sustaining innovation

**4.81**   The Journal of Economic and Social Policy recently published an article entitled 'Supporting Innovation in Regional Australia – Perceptions from Regional and Urban Innovators'. The study found that both urban and regional organisations indicated that networking, alliance building, and forums for exchange of ideas would be the most beneficial in making an organisation more innovative for the future. These were followed by training in leadership and assistance in government support programs, which supported by a larger proportion of regional respondents than metropolitan respondents.[306]

**4.82**   RDA – Sydney also argued that partnerships between SMEs and universities also create opportunities to foster innovation and retain access to fresh ideas. For example, RDA has successfully partnered with Data61 and Food Innovation Australia Ltd to leverage the Ribit Platform (developed by Data61) to access university student placements in the food industry sector. The prime purpose of the partnership is to develop innovative practice. RDA suggested that this model could easily be applied across regional areas as a tool for introducing needed expertise into a business.[307]

**4.83**   Drawing on the examples provided by RDA – Sydney, and noting that the Sydney Startup Hub (which will link to regional SMEs) is due to launch in late 2017, the committee seeks to

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[304]   Submission 24, Regional Development Australia – Sydney, pp 5-6.

[305]   Evidence, Mr Germaine, 19 June 2017, p 38.

[306]   Submission 24, Regional Development Australia – Sydney, p 4.

[307]   Submission 24, Regional Development Australia – Sydney, p 4.

monitor the progress of the Hub and seek additional submissions on the ways in which government can facilitate linkages between SMEs, business, universities and other innovators. Suggestions could canvass capacity building across business, technical expertise, leadership and decision making skills, and assistance accessing government support.

4.84    The committee would also like to hear more about the successful regional startup ecosystems already in place.

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**Question 25**

a)  What action can the NSW Government take to facilitate linkages between small and medium enterprises (SMEs), business, universities and other innovators?

b)  How can regional communities better leverage links with the innovative international companies that are attracted to global Sydney?

c)  How is the Sydney Startup Hub progressing?

d)  What factors have contributed to the success of regional startup ecosystems already in place? How can similar ecosystems be established across the regions?

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### Accessing finance

4.85    The committee is cognisant that access to finance can be a significant barrier for smaller SMEs or startups. While the committee will discuss this issue further in its discussion paper on the defence industry in New South Wales, the committee takes this opportunity to acknowledge the difficulties faced by SMEs in the face of reluctance from banks to lend them sufficient capital to fund their new enterprises, possibility on account of a limited understanding of new and emerging areas of industry, particularly with regard to defence. This can make it difficult for SMEs to secure the necessary funding to attract or deliver larger, more valuable contracts.

4.86    The committee seeks further submissions on what appropriate steps should be taken by the NSW Government to assist SMEs and startups to secure the necessary finance to innovate, expand their businesses and attract large contracts, particularly where those new industries and contracts can facilitate relocation of business to the regions and fuel regional economies.

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**Question 26**

How can the NSW Government assist SMEs and startups to secure the necessary finance to innovate, expand their businesses and attract large contracts, particularly where those new opportunities can facilitate relocation of business to the regions and fuel regional economies?

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# Chapter 5    Connecting the regions to global Sydney

This chapter discusses stakeholders' observations regarding challenges in connecting the regions to global Sydney, including issues with freight corridors, communications connectivity, energy supply and incentivising relocation.

The committee is seeking further submissions on how the NSW Government can best address these issues to facilitate regional development and ensure that the regions can leverage of opportunities made available by a growing and increasingly globalised Sydney.

## Freight and transport

**5.1**      In New South Wales, 67 billion tonne kilometres of freight is moved annually and the value of the products carried exceeds $200 billion. Freight volumes through New South Wales are projected to double to nearly 800 million tonnes by 2031.[308]

**5.2**      The NSW Government's 'NSW Freight and Ports Strategy' acknowledges that transport of freight is critical to the state's economy – the efficiency of the transport network contributes to the success and growth of New South Wales as well as being significant to maintaining national defence interests and capability. Conversely, inefficiencies, friction and capacity constraints in the transport network add costs for manufacturers, producers and consumers.[309] The Australasian Railway Association has reported that traffic congestion is costing Australians $15 billion per year, and this cost is rising.[310]

**5.3**      Freight and transport have been dominant issues canvassed in the inquiry.

## Road and rail

**5.4**      The NSW Government has acknowledged that rail freight access through Sydney is constrained due to train path availability, particularly during peak commuter periods when regulatory and operational mechanisms require that passenger services be prioritised over freight services.[311] Providing efficient freight access through regional areas may help alleviate these bottlenecks and facilitate better access to key ports.[312]

**5.5**      As issues pertaining to road and rail freight manifest in very particular ways in each region, the following pages seek to summarise the key projects and concerns discussed with the committee on a region by region basis.

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[308]    NSW Government, *NSW Freight and Ports Strategy,* November 2013, pp 1, 5.

[309]    NSW Government, *NSW Freight and Ports Strategy,* November 2013, p 5.

[310]    Submission 36, Parkes Shire Council, p 2 citing Australasian Railway Association.

[311]    NSW Government, *NSW Freight and Ports Strategy,* November 2013, p 27.

[312]    Submission 36, Parkes Shire Council, p 4.

**Central West and Orana**

5.6    The Central West and Orana sit at the heart of New South Wales and encompass a region that primarily lies west of the Great Dividing Range. Major towns include Bathurst, Orange, Dubbo, Lithgow, Mudgee, Cowra, Parkes and Forbes. Key industries in the area are mining and agriculture, making reliable freight links a necessity for the region.[313]

5.7    The Central West and Orana shares borders and connections with six of New South Wales' 10 regions. It connects along interstate transport links between Sydney, Adelaide, Melbourne and Brisbane, and has the only double-stacked containerised freight connection with Western Australia. Many of the state's freight connections converge in Parkes and Dubbo and these major freight hubs act as an aggregation point for selling, processing, manufacturing and transporting livestock and agricultural produce to markets and ports across Australia.[314]

5.8    Despite this key positioning, Central West stakeholders observed that communities west of the Great Dividing Range experience significant difficulties accessing metropolitan markets and finding smooth and efficient freight linkages, despite the fact that they are 'only just over that curtain'.[315] The head of a regional factory owned by a large international company told one inquiry participant that they can do three return trips from their Thailand factory to Japan for the same cost of getting their product from Bathurst to Sydney.[316]

5.9    Bathurst Regional Council explained that if the NSW Government wants to see regional areas be able to compete in and benefit from the expansion of international trade in the greater Sydney region, sustained targeted investment in infrastructure and reducing freight costs from Sydney will be required, particularly in accessing key terminal hubs such as Port Botany.[317] The Council argued that improvements to key links such as the Great Western Highway and Main Western rail line would ensure a genuine connection between regional primary production and industry and the international marketplace, reduce the cost of doing business for regional producers and manufacturing, and facilitate regional business clustering and better collaborative endeavours.[318]

5.10   Stakeholders pointed to a number of key logistics routes and projects that have the capacity to facilitate a stronger and smoother supply chain.

*Blue Mountains' Great Western Highway and the Bells Line of Road*

5.11   More than half of the road freight transport between the Central West and Sydney uses the Great Western Highway through the Blue Mountains, and the route will become even more important for the region's prosperity when the Western Sydney Airport precinct is completed.[319] However, movement of freight through this corridor is problematic.

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313    NSW Planning and Environment, *2036 Central West and Orana Regional Plan*, p 4.

314    NSW Planning and Environment, *2036 Central West and Orana Regional Plan*, p 13.

315    Evidence, Mr Bill West, Centroc Portfolio Chair of Regional Development, Mayor of Cowra Council, Central NSW Councils, 14 August 2017, p 22.

316    Evidence, Professor Andrew Vann, Vice Chancellor, Charles Sturt University, 14 August 2017, p 49.

317    Submission 5, Bathurst Regional Council, p 2.

318    Submission 5, Bathurst Regional Council, p 2.

319    NSW Planning and Environment, *2036 Central West and Orana Regional Plan*, p 13.

**5.12**   While Bathurst Council acknowledged that recent upgrades to the Great Western Highway through the Blue Mountains have improved speeds and decreased travel times,[320] a number of inquiry participants spoke to the difficulties experienced in moving freight over the Blue Mountains and Bells Line of Road to Sydney and to key ports owing to restrictions on B-double and other high mass vehicles over load restricted bridges. This in turn adds significant costs to profitability margins for all businesses that form part of the supply chain.[321] As Central NSW Council observed:

> A lot of our freight movement, our traffic movements and our corridors are around east-west and we get caught on the Blue Mountains, which is an incredible impediment …[322]

**5.13**   Bells Line of Road, stretching from Richmond to Bell at the top of the mountain, provides an alternative crossing route of the Blue Mountains, but is also subject to heavy congestion, particularly at the foot of the mountain where the route joins the busy road corridors through the Hills District and Western Sydney to access the city and the ports. Though there was acknowledgement that the route has been the subject of extensive discussion and analyses for some time, with Central NSW Councils noting that there are '12 kilograms of reports written on the Bells Line of Road',[323] inquiry participants nevertheless insisted that improvements to the route would have significant impacts on ease of freight movement for the Central West.[324]

**5.14**   Parkes Shire Council suggested a tunnel underneath the mountains may be an option.[325] Central NSW Councils argued in favour of preserving the eastern end (that is, the end closest to Sydney) of the corridor, which is 'in real danger of being completely closed out because of the pressures from housing and industry that are going to come out of the western suburbs of Sydney'. This would prioritise a second crossing place for the Hawkesbury to enable easier access to the Hawkesbury at or about the Kurrajong area,[326] which the NSW Freight and Ports Strategy notes is a project that was agreed to between the Australian and NSW Governments in 2009. A plan for the works was published by Roads and Maritime Services in 2009.[327] Central NSW Councils argued that upgrades to the route will require additional comprehensive and urgent planning, without which the opportunity will be lost as urban development makes such a project prohibitively difficult and expensive.[328]

**5.15**   It was suggested that if the Maldon to Dombarton rail line is completed (discussed below), there will be opportunities to build better connections via lines that bypass the Blue Mountains, instead connecting the Western Rail line (which runs through the Blue Mountains, Central West, North West Slopes and the Far West regions) to the Southern Rail Line (which

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[320]   Evidence, Mr Steven Bowman, Manager, Economic Development, Bathurst Regional Council, 14 August 2017, p 2.

[321]   Evidence, Mr West, 14 August 2017, p 23; Evidence, Mr Bowman, 14 August 2017, pp 2,9.

[322]   Evidence, Mr West, 14 August 2017, p 23.

[323]   Evidence, Mr West, 14 August 2017, p 22.

[324]   Evidence, Mr Bowman, 14 August 2017, pp 2, 9; Evidence, Ms Anna Wyllie, Economic and Business Development Manager, 14 August 2017, p 13; Evidence, Mr West, 14 August 2017, p 22.

[325]   Evidence, Ms Wyllie, 14 August 2017, p 13.

[326]   Evidence, Mr West, 14 August 2017, p 22.

[327]   NSW Government, *NSW Freight and Ports Strategy,* 2013, p 215.

[328]   Evidence, Mr West, 14 August 2017, p 22.

passes through the Southern Highlands, Southern Tablelands, South West Slopes and Riverina) via a link near Blayney, just west of Bathurst. This would open the entire region to Port Kembla and Port Botany and offer an alternative route where incidents and delays occur over the Blue Mountains.[329] A number of inquiry participants supported the movement of freight from road to rail.[330]

5.16    Bathurst Regional Council observed that a faster route from Sydney to the Central West would have a range of flow-on benefits to logistics, tourism, business expansion, population growth and the capacity to better leverage off of global Sydney.[331]

### Newell Highway Corridor Strategy

5.17    The Newell Highway has been recognised as the 'economic backbone of regional New South Wales'. Stretching for 1,060 kilometres, it is the third largest freight corridor in New South Wales, the longest highway and acts as a vital link between Queensland, Victoria and regional centres in western New South Wales.[332] The Central West region lies centrally along the Newell Highway, providing proximity to these key interstate markets and export opportunities.

5.18    However, the highway has been plagued by blockages, particularly those caused by periodic flooding events. Local stakeholders spoke to the significant impacts that the recent flooding events had on the region, which were estimated to have cost up to $200 million. The event impeded freight and tourism, which had a flow-on effect for local businesses, and saw funds that had been set aside for important projects diverted to pay for the rehabilitation work required.[333] As one stakeholder observed, the work required after the flooding meant that 'you could not focus on anything else'.[334]

5.19    In recognition of these obstacles, in 2015 the NSW Government published the Newell Highway Corridor Strategy.[335] Developed in consultation with the Federal Government, the strategy sets out a 20-year plan for addressing road safety issues, transport efficiency and asset maintenance. While stakeholders shared their extensive experience of the difficulties faced in accessing and linking the highway to date, and the importance of prioritising the linkages west

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[329]    Evidence, Mr West, 14 August 2017, p 23.

[330]    Submission 7, Blue Mountains City Council, p 6; Evidence, Mr Troy Green, General Manager, Tweed Shire Council, 28 August 2017, p 8; Evidence, Mr Bowman, 14 August 2017, p 9.

[331]    Evidence, Mr Bowman, 14 August 2017, p 2.

[332]    Submission 28, Bland Shire Council, p 17; Transport for NSW, "Newell Highway Corridor Strategy", https://www.transport.nsw.gov.au/projects/current-projects/newell-highway-corridor-strategy.

[333]    Tabled document, National Institute of Economic and Industry Research, *The Newell Highway closure in 2016 from flooding: The direct and indirect effects – Draft for comment*, dated June 2017; Evidence, Ms Anna Wyllie, 14 August 2017, p 16; Evidence, Mr Jeff Stien, Senior Economic Development and Senior Adviser, 14 August 2017, p 28.

[334]    Evidence, Ms Wyllie, 14 August 2017, p 16.

[335]    NSW Government, *Newell Highway Corridor Strategy,* May 2015, https://www.transport.nsw.gov.au/sites/default/files/media/documents/2017/newell-highway-final-corridor-strategy.pdf.

of the highway into the future,[336] Parkes Shire Council said that the consultation process for the Newell Highway Corridor Strategy had been particularly successful and had benefited from the input of all three tiers of government.[337] The plan has also been developed with clear key performance indicators.[338]

### Inland Rail

**5.20**   A number of inquiry participants nominated the development of the Melbourne to Brisbane Inland Rail line as having a transformative potential for the Central West,[339] with Parkes Shire Council stating that the route 'will be the critical backbone of transport and logistics driving Australia's global competitiveness into the future'.[340] The Australian Government will fund the Inland Rail project with $8.4 billion in equity to be provided to the Australian Rail Track Corporation, making it one of the biggest investments seen in regional Australia. Construction on the 1,700 kilometre project will begin in 2017-18.[341] The line will pass through New South Wales towns such as Wagga Wagga, Junee, Parkes, Narromine, Gwabegar, Narrabri and Moree.[342]

**5.21**   The Inland Rail line will connect the Central West to a global market via the ports of Australia, placing the region into an economically advantageous position by providing employment, investment opportunities and access to new buyers and consumers.[343] The Inland Rail will also provide opportunities for New South Wales to move goods into the new Western Sydney Airport, offering regional exporters access to varied overseas markets.[344]

**5.22**   Regional Development Central West has determined that the economic impact of the Inland Rail project to the Central West will be approximately $216 million over 60 years. The project will create 490 new jobs during the construction phase, and up to 150 post-construction new jobs in sectors such as agriculture, manufacturing and mining across the Parkes, Forbes and Lachlan local government areas.[345]

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[336]   Submission 28, Bland Shire Council, pp 12, 17, 18; Submission 26, Newell Highway Promotions Committee; Evidence, Mr Stien, 14 August 2017, pp 28, 31; Evidence, Ms Wyllie, 14 August 2017, p 10.

[337]   Evidence, Ms Wyllie, 14 August 2017, p 10.

[338]   Evidence, Ms Wyllie, 14 August 2017, p 17.

[339]   Submission 25, Engineers Australia, p 3; Evidence, Mr West, 14 August 2017, pp 19, 23; Evidence, Ms Meredith Macpherson, Manager, Centroc Water Utilities Alliance Program, Central West Councils, 14 August 2017, p 20; Evidence, Ms Wyllie, 14 August 2017, p 10.

[340]   Submission 36, Parkes Shire Council, p 3.

[341]   Submission 36, Parkes Shire Council, p 3.

[342]   Australian Government and Australian Rail and Track Corporation, *Inland Rail Alignment*, October 2017, https://inlandrail.artc.com.au/13223/documents/24370.

[343]   Submission 36, Parkes Shire Council, p 4.

[344]   Submission 25, Engineers Australia, p 3.

[345]   Submission 36, Parkes Shire Council, p 3.

Figure 8        Inland rail alignment route[346]
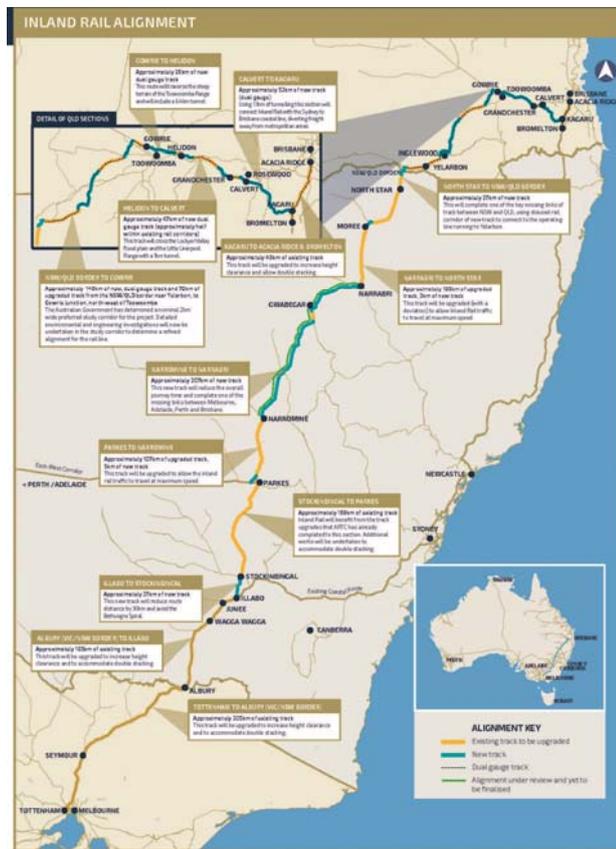


### Parkes National Logistics Hub

**5.23**    Parkes Shire Council, with approval from the NSW Government, has rezoned 516 hectares for the development of the Parkes National Logistics Hub, with an additional reserve of over 100 hectares. Funded by three private investors (Linfox, SCT Logistics and Pacific National), the site has been designed for 24 hour, seven days per week operation of a multi-modal transport facility. The hub will offer cheaper, faster and more efficient modal choices, and a centralised storage and distribution point for a range of commodities including agricultural products.[347] Parkes believe they will act as a national node, linking all capital cities.[348]

**The Hunter**

**5.24**    Stakeholders advised that the Hunter is well served by road and rail access. Principal road access to the south comes via the M1, to the north by the M1 as the coastal link, and the Hunter Expressway and New England Highway as inland connection to Brisbane, the Upper Hunter and Northern Tablelands.[349] Recent upgrades to the Hunter Expressway were said to

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346    Australian Government and Australian Rail and Track Corporation, *Inland Rail Alignment*, October 2017, https://inlandrail.artc.com.au/13223/documents/24370.

347    Submission 36, Parkes Shire Council, p 3.

348    Evidence, Ms Wyllie, 14 August 2017, p 10.

349    Submission 29, Hunter Business Chamber, pp 9-10.

have been particularly effective in decreasing travel times, reducing the journey from Singleton to Newcastle from 90 minutes to 55 minutes.[350] Hunter Business Chamber said that these links will be further enhanced by projects under construction or in planning, including:

- the NorthConnex link of the M1 to the M2, connecting the Hunter to Sydney, particularly to manufacturing businesses in northern and western Sydney,

- planning and pre-construction of the Fassifern to Hexham freight rail bypass, which will relieve congestion at the Adamstown gates, particularly if the Wallarah 2 Coal Project is approved, and improve passenger rail services by removing freight trains from the Hunter rail network,

- an investment of $130 million to acquire a new intercity rail fleet which will improve travel times and comfort on the Newcastle to Sydney passenger rail service,

- extension of the M1 to the Pacific Highway at Raymond Terrace, improving access to Newcastle Airport and the Port of Newcastle,

- completion of the Newcastle inner city bypass, and additional bypasses at Scone, Muswellbrook and Singleton,

- investment by the Australian Rail Track Corporation (ARTC) in upgrading the Hunter Rail Network, and

- the ability to connect to the Inland Rail Project at Narrabri, which would also improve access to the Hunter and to the Port of Newcastle.[351]

**5.25** Stakeholders stated that the Hunter would benefit from a priority review of the transport linkages to key ports, with a view to freeing up Newcastle Port and fulfil ambitions to diversifying port trade. This would become particularly important as Sydney spreads out to better utilise the Port of Newcastle and ease congestion from Port Botany.[352] Further upgrades to the Sydney to Newcastle rail line were also nominated as priorities, particularly with a view to removing freight rail from the line.[353] Port Macquarie Hastings Council also said that funding is desperately needed to support road network maintenance for large local government areas.[354]

### Illawarra Shoalhaven

**5.26** As the third largest economy in New South Wales, the Illawarra contributes significantly to the state's production output.[355] Illawarra Business Chamber said that an assessment of

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[350] Evidence, Mr Richard Anicich, Board Director, Hunter Business Chamber, 19 June 2017, p 32.

[351] Submission 29, Hunter Business Chamber, pp 9-10.

[352] Evidence, Mr Bob Hawes, Chief Executive Officer, Hunter Business Chamber, 19 June 2017, p 30; Submission 25, Engineers Australia, p 4.

[353] Evidence, Mr Hawes, 19 June 2017, p 30.

[354] Submission 12, Port Macquarie Hastings Council, p 2.

[355] Submission 10, Regional Development Australia – Illawarra, p 3.

transport connectivity within the Illawarra and between the region and Sydney found that Illawarra has the lowest overall transport connectivity score by comparison with three other Australia cities and areas comparable in distance from a major city, population and sociodemographic characteristics: the Central Coast, Geelong in Victoria, and the Gold Coast in Queensland.[356]

**5.27**     The key factors contributing to this performance were the region's poor freight rail connection and comparatively poor road speed for passenger and freight transport and public transport. The committee heard that the 20,850 workers who rely on these road and rail corridors to travel to work incur approximately $450 million per year in time and out of pocket costs, or $27,200 per person travelling by road and $17,100 per person travelling by rail. These costs are estimated to increase to $690 million by 2031.[357] While passenger and freight trains already compete for scarce timetable slots, freight projections out of Port Kembla suggest that demand for freight is expected to double over the next 20 years, alongside increasing demand for passenger rail.[358]

**5.28**     The primary entry and exit points for traffic into the region, the F6 Freeway/Mt Ousley Road (recently renamed the M1 Princes Motorway) and the A1 (Princes Highway) were identified as Australia's busiest inter-urban road corridor in 2007. The Illawarra Business Chamber advised that while congestion was the significant challenge at that time, traffic volumes today are even higher, congestion is worse and the journey time takes increasingly longer. Freight movements on the steep incline to the road are prone to traffic accidents and other incidents that can cause lengthy delays.[359] There is therefore strong impetus to move freight to rail, both to facilitate passenger transport and streamline freight movements.

### Improving the efficiency of the South Coast Rail Line

**5.29**     The Illawarra Business Chamber commissioned the SMART Infrastructure Facility at the University of Wollongong to investigate options to improve the speed and reliability of passenger and freight rail transport services between the Illawarra.[360] SMART first investigated the cost of improving the efficiency of the South Coast Line and at what cost. SMART then investigated the alternative of the potential for an additional passenger and freight line between the Illawarra and Sydney by completing the 35 km Maldon-Dombarton line.[361]

**5.30**     SMART reported that rail travel times could in theory be reduced by shortening the distance travelled via line straightening, reducing gradients, and tunnelling; increasing train speeds safely via line straightening or new signalling technology; or investing in line duplication to reduce bottlenecks and congestion. SMART found that these projects would be significantly obstructed by the geological conditions of the Illawarra escarpment and consequent engineering challenges, which necessitate tunnelling. As tunnelling costs would be in the order

356     Submission 8, Illawarra Business Chamber, p 7.

357     Submission 8, Illawarra Business Chamber, p 7.

358     Submission 8, Illawarra Business Chamber, p 8.

359     Submission 8, Illawarra Business Chamber, p 8.

360     Submission 9, Illawarra Business Chamber, p 8.

361     Illawarra Business Chamber and SMART Infrastructure Facility, University of Wollongong, *Upgrading rail connectivity between Illawarra and Sydney*, 2 August 2017, p v, provided as an Answer to questions on notice by Illawarra Business Chamber.

of $150 million per kilometre, tunnelling across up to 13 kilometres of escarpment could cost up to $2 billion in total.[362]

### Maldon to Dombarton rail line (or 'South West Illawarra Rail Link')

**5.31** As the costs of the project to improve the South Coast Line would likely be prohibitive and fail to receive support from government, SMART was tasked with investigating the potential for an additional passenger and freight line between the Illawarra and Sydney as an alternative.[363]

**5.32** This work would involve completing and electrifying the Maldon-Dombarton line, which was partially built in the mid 1980s. The rail link would connect the Main South Line at Maldon and the Moss Vale-Unanderra dedicated freight line at Dombarton. The 7 km rail link from Dombarton along the Moss-Vale Unanderra Line to the junction with the South Coast Line would require electrification.[364] The project would be rebadged the South West Illawarra Rail Link (SWIRL) in acknowledgement that the Maldon-Dombarton project has developed a brand in the region that was said to be 'rather pessimistic'. The new name would also reflect the new approach taken to upgrading Western Sydney and Illawarra connections.[365]

**5.33** SMART's central estimate for the total cost of constructing the SWIRL was $1.689 billion in 2016-17 dollars, which stood in significant contrast to the estimated cost of upgrading the South Coast Line. SMART based this estimation on completion of the SWIRL as follows:

- the completion and electrification of the proposed 35 km Maldon-Dombarton rail line,

- a dual passenger/freight track (except for the two main bridges and a 4 km tunnel) with electrification, and

- electrification of the 7 km section of the Moss Vale-Unanderra Line.[366]

**5.34** SMART concluded that the SWIRL could meet the transport connectivity objectives set by Transport for NSW at a lower cost and provide many economic and social benefits for residents of the Illawarra and Western Sydney. SMART also noted that the availability of a

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[362] Illawarra Business Chamber and SMART Infrastructure Facility, University of Wollongong, *Upgrading rail connectivity between Illawarra and Sydney*, 2 August 2017, p v, provided as an Answer to questions on notice by Illawarra Business Chamber.

[363] Illawarra Business Chamber and SMART Infrastructure Facility, University of Wollongong, *Upgrading rail connectivity between Illawarra and Sydney*, 2 August 2017, p v, provided as an Answer to questions on notice by Illawarra Business Chamber.

[364] Illawarra Business Chamber and SMART Infrastructure Facility, University of Wollongong, *Upgrading rail connectivity between Illawarra and Sydney*, 2 August 2017, p v, provided as an Answer to questions on notice by Illawarra Business Chamber.

[365] Evidence, Mr Chris Lamont, Executive Director, Illawarra Business Chamber, 29 June 2017, p 3.

[366] Illawarra Business Chamber and SMART Infrastructure Facility, University of Wollongong, *Upgrading rail connectivity between Illawarra and Sydney*, 2 August 2017, p vi, provided as an Answer to questions on notice by Illawarra Business Chamber.

second passenger and freight line would ameliorate the impacts of rock falls and landslides on the South Coast line.[367]

**5.35** Central NSW Councils also observed that the line would present opportunities to drive product from the Riverina into Sydney and the ports, opening up Port Kembla and the Wollondilly area.[368] Links would also be opened up through this area into the new Western Sydney Airport.[369]

**Figure 9    The proposed South West Illawarra Rail Link (SWIRL)[370]**



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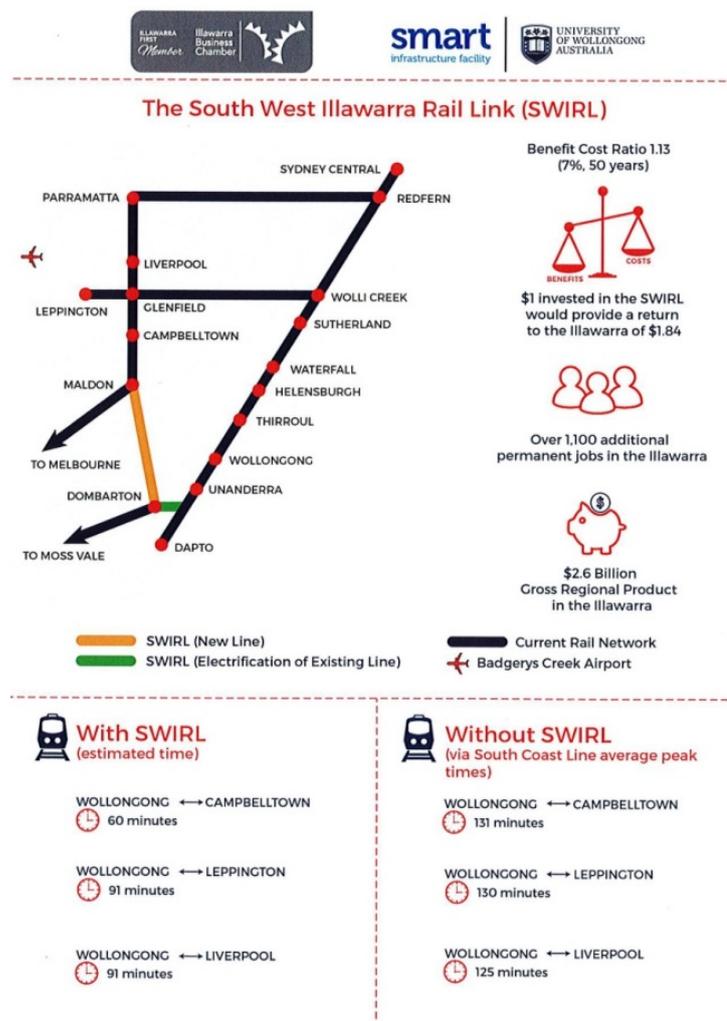
[367]    Illawarra Business Chamber and SMART Infrastructure Facility, University of Wollongong, *Upgrading rail connectivity between Illawarra and Sydney*, 2 August 2017, p vi, provided as an Answer to questions on notice by Illawarra Business Chamber.

[368]    Evidence, Mr West, 14 August 2017, p 23.

[369]    Submission 25, Engineers Australia, p 4.

[370]    Illawarra Business Chamber and SMART Infrastructure Facility, University of Wollongong, *Upgrading rail connectivity between Illawarra and Sydney*, 2 August 2017, p vii, provided as an Answer to questions on notice by Illawarra Business Chamber.

**Far West**

**5.36**  Broken Hill City Council told the committee that the NSW Government's draft regional plan for the Far West has acknowledged that historically, infrastructure investment has been provided to the Far West in a piecemeal way, resulting in ad hoc or misaligned priorities across the region. Roads are particularly vulnerable to closure during wet weather events, causing lengthy detours.[371]

**5.37**  The Council advised that the region requires significant investment to restore and improve road quality, which is significantly impacting on economic productivity, particularly where the poor road quality necessitates restrictions on freight vehicles. The Council claimed that the region has been unfairly disadvantaged in their attempts to advocate for road upgrades owing to the application of Treasury's cost benefit ratio which favours regions with high population and high density.[372]

**5.38**  The committee also heard that the region urgently requires a heavy vehicle bypass to ameliorate problems caused by the 24-hour a day movement of heavy vehicles through the city. Although the Federal Government, NSW Government and Perilya committed $6 million to the project in 2012, Council was unable to secure the capital for the remaining $3.7 million at the time and the project did not proceed. Construction of the bypass continues to be a major priority for industry, business and Council to delivery a range of economic and social benefits to Broken Hill and the surrounding regions.[373]

**5.39**  Broken Hill has experienced additional setbacks following a decision by the Federal Government to withdraw subsidies for the Great Southern Rail, which is the only railway link to the nearest capital city, Adelaide. This led to the withdrawal of the economy class service. The effects of this decision were further exacerbated when Regional Express Airlines increased fares to a minimum one-way fare of $500. The NSW Trains service to Sydney is now the only economy service available, necessitating a journey of over 1,000 kilometres. This has impacted both the community and potential tourist trade. The Council advised that the NSW Government could assist Broken Hill by advocating for a cross-border train service to Adelaide, introducing a second service from Sydney and lobbying the Federal Government to reinstate concession travel for Great Southern Rail Services.[374]

**North Coast**

**5.40**  The North Coast is comprised of key regional cities such as Port Macquarie, Coffs Harbour, Lismore and Tweed Heads. By 2020, approximately $15 billion will have been invested to deliver a four-lane divided highway through the North Coast, from Newcastle to Queensland.[375] Mr Craig Jenkins, Business Development Manager, Department of Premier and Cabinet, Industry and Investment NSW, advised that improvements to the Pacific Highway have facilitated growth in tourism, which is one of the largest industries in the region, and will also assist with freighting services and food between the North Coast and

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[371]  Submission 13, Broken Hill City Council, p 16.

[372]  Submission 13, Broken Hill City Council, p16.

[373]  Submission 13, Broken Hill City Council, p 16.

[374]  Submission 13, Broken Hill City Council, p 15.

[375]  NSW Planning and Environment, *2036 North Coast Regional Plan,* p 11.

Queensland during the Commonwealth Games in 2018.[376] In fact, the 2036 regional plan for the region forecasts that Pacific Highway Freight Transport will increase by up to 83 per cent by 2031.[377] Mr Jenkins said that the improved highway has encouraged travellers from Queensland to visit further down into the Clarence area and to Yamba.[378] Clear highway routes are particularly important as businesses in the area still export out of Sydney, although nearby Brisbane and Gold Coast Airports have also become important for freight purposes, with several businesses already exporting to overseas regions such as South-East Asia.[379]

**5.41**    Mr Troy Green, General Manager of Tweed Shire Council, said that the region will also benefit from the extension of a light rail service to Burleigh Heads, then extension of heavy rail from there to Gold Coast airport and into Coolangatta, ending within 500 metres of the Tweed Shire Council Chambers. However, this project is aimed at facilitating passenger transport, particularly tourism, rather than freight.[380] Notwithstanding that, Mr Green observed that given the existence of a rail corridor that extends into Queensland, he was of the opinion that as the population of Australia grows, the reliance on and use of rail should grow. In Mr Green's view, moving freight off the road to rail will reap significant economic benefits as it will enable faster and safer travel.[381]

### New England

**5.42**    Agricultural industries in the New England region, which encompasses key regions such as Tamworth and Armidale, rely on efficient freight networks and benefit from access to domestic and international markets due to the proximity of the ports of Newcastle, Brisbane and Sydney and the three international airports. The Newell and New England Highways and the rail line to Newcastle and Sydney provide bulk shipping and high capacity freight networks that are capable of maintaining high levels of productivity and the competitiveness of the region's agricultural industries. Potential new opportunities exist with the introduction of overseas freight capacity at Toowoomba, Queensland.[382]

**5.43**    Armidale Regional Council advised that Armidale benefits from its location at the mid point between Sydney and Brisbane on the Newell Highway, a major aertial road that serves freight transport and passenger transport. While they do have access to Sydney via rail, the track requires upgrading.[383] Professor Neil Argent from the University of New England observed that while much focus has rightly gravitated towards the upgrade of new information and communication linkages for the region, the New England remains an agricultural region 'that moves lumpy stuff, heavy stuff', and it is vital that reliable infrastructure linkages are also

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[376]    Evidence, Mr Craig Jenkins, Business Development Manager, Department of Premier and Cabinet, Industry and Investment, 28 August 2017, pp 16-17.

[377]    NSW Planning and Environment, *2036 North Coast Regional Plan,* p 5.

[378]    Evidence, Mr Jenkins, 28 August 2017, pp 16-17.

[379]    Evidence, Mr Jenkins, 28 August 2017, p 19; Evidence, Mr Troy Green, General Manager, Tweed Shire Council, 28 August 2017, p 5.

[380]    Evidence, Mr Green, 28 August 2017, p 4.

[381]    Evidence, Mr Green, 28 August 2017, p 8.

[382]    NSW Planning and Environment, *2036 Draft New England North West Regional Plan*, p 15.

[383]    Evidence, Mr Lindsay Woodland, Group Leader, Organisational Services, Armidale Regional Council, 29 August 2017, p 4.

maintained to a standard that reflects the high-value of the food and fibre that is produced by the region:

> Those information and communication linkages need to be maintained at an extremely high level, but this is an agricultural and agricultural processing region that moves lumpy stuff, heavy stuff. Those infrastructure linkages have to be world-class as well. We have world-class businesses in this region producing fibre and food for the world that is in high demand, but they are going a step further and processing that into commodities that are high value added that are demanded here in Australia and internationally. We need to ensure that those individual businesses and the industries that they are part of have those reliable infrastructure linkages to national and international markets.[384]

**5.44**     Armidale Regional Council is hopeful of upgrading its regional airport to support food freight to all parts of the nation and eventually internationally.[385] The region is researching new food markets such as berries and mushrooms, which are more resilient to air freight than crops traditionally grown in the area such as tomatoes.[386]

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**Question 27**

   a)   What more can the NSW Government do to ensure road and rail freight corridors are made a priority to facilitate regional development and connections to Sydney?

   b)   How has the NSW Government worked with stakeholders in each region to ensure that funding for freight-related projects and the priorities published in the regions' 2036 Regional Plans address the concerns raised by stakeholders?

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## Port freight

**5.45**     According to the *NSW Ports' 30 Year Master Plan*, regional container exports through Port Botany originate from the North West, Central West, Riverina, Hunter and Southern Inland New South Wales regions. Containerised exports from regional New South Wales via Port Botany include: grain, meat and timber from the Central West; paper products, grain, wine and meat from the Riverina; and wheat, canola, fava beans, chickpeas, cereals, assorted grains and cotton from the North West. Some produce from Southern New South Wales is transported to the Port of Melbourne and Northern New South Wales exports some of its produce through Port of Brisbane.[387]

**5.46**     Regional Development Australia – Sydney stressed that it is vital that road and rail access to Port Botany be optimised with effective rail connections, improved infrastructure to facilitate

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384     Evidence, Professor Neil Argent, Professor of Human Geography, University of New England, 29 August 2017, p 21.

385     Evidence, Mr Woodland, 29 August 2017, p 4.

386     Evidence, Mr Woodland, 29 August 2017, p 8.

387     Navigating the Future: NSW Ports' 30 Year Master Plan (2015), cited by Regional Development Australia – Sydney, Submission no. 24, p 2.

intermodal transport[388], and regular rail services to ports to remove trucks off the roads and create a more cost-effective process.[389] This was supported by Engineers Australia, the Illawarra Business Chamber and Hunter Business Chamber, who also advocated for similar connections to Port Kembla and the Port of Newcastle.[390] The regions in receipt of the highest number of exports from Port Botany are East Asia and South East Asia.[391]

5.47    The Illawarra Business Chamber advised that Port Kembla is the only significant bulk port in southern New South Wales. As Australia's largest vehicle import facility, it has the largest grain handling terminal on the East Coast and is New South Wales' second largest coal export facility.[392]

5.48    Illawarra Business Chamber said that Port Kembla will remain a multi-use port with a range of current activities projected to show solid growth. The future of the port is expected to be based around heavy industry, car imports, and grain and coal exports, with the eventual development of a container terminal. However, an over reliance on road transport will place increasing pressure on road networks and improved rail links will be crucial for Port Kembla to effectively operate as a container terminal. The Chamber also observed that, with no additional capacity in Sydney Harbour, Port Kembla provides a viable option to support growth in the cruise ship industry.[393]

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**Question 28**

Given the primacy of port freight to exports for regional producers, what is the NSW Government doing to ensure that road and rail networks to key ports are able to accommodate forecasted growth in freight over the coming years?

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## Air freight

5.49    According to the NSW Government's *NSW Freight and Ports Strategy*, while air cargo only represents a small proportion of the freight task and movements to and from the port and airport precinct, its value to the New South Wales economy is significant. Failure to accommodate the increasing demand for air freight in landside infrastructure planning has the

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388    Intermodal transport involves the transportation of freight in an intermodal container (being a container or vehicle that is compatible with multiple modes of transportation, whether rail, ship or vehicular/truck), without any handling of the freight itself when changing modes. The method reduces cargo handling with the aim of reducing costs, increasing speed, improving security and reducing damage and loss.

389    Regional Development Australia – Sydney, Submission no. 24, pp 2-3.

390    Submission 25, Engineers Australia, p 4; Mr Richard Anicich, 19 June 2017, p 34; Submission 8, Illawarra Business Chamber, p 10.

391    Regional Development Australia – Sydney, Submission no. 24, p 2.

392    Submission 8, Illawarra Business Chamber, p 9.

393    Submission 8, Illawarra Business Chamber, p 10.

potential to increase industry costs and reduce the reliability and competitiveness of air freight.[394]

**5.50**    As noted elsewhere in this chapter, stakeholders identified numerous problems in accessing fast and reliable freight routes into Sydney airport. This poses particular issues for the transport of food and other produce, as 57 per cent of exports from Sydney Airport are food and perishables.[395] This adds to the compelling case presented for a second airport at Western Sydney.

**5.51**    Regional Development Australia – Sydney's 2016 report *Strategic Industries Development around the Western Sydney Employment Area* explored the potential industry development opportunities created by the presence of a Western Sydney Airport. It found that air freight will grow with changing markets and improved digitisation. To cater for this changing market, the report recommended that the new 24/7 Western Sydney Airport needs to provide the necessary enabling infrastructure to maximise export potential for both metropolitan and regional business. These were identified as:

- good road and rail access infrastructure with quick in and out last mile freight access that minimizes unloading congestion for high value products

- good warehouse cold/chilled facility which consolidates several producers freight, especially for high end products

- government to provide food inspection for export on site

- meeting, export trade offices, accommodation and conference facilities for overseas buyers

- infrastructure provision to support transport and temporary storage of commodities at a range of volumes/quantities make opting-in opportunity worth pursuing, even for small producers.[396]

**5.52**    In the view of Engineers Australia, the Western Sydney Airport will become the new focus of businesses that are associated with a major transport and freight hub including logistics, freight and aeronautics. Jobs will be created in the region and new housing will spring up along the fringe of the city. This will in turn change some of the regional centres around this hub.[397]

**5.53**    Inquiry participants also advocated for the expansion of Williamtown Airport near Newcastle to increase international trade routes to the Asia-Pacific and facilitate the development of export markets for key agricultural sectors including dairy, viticulture, equestrian and avian

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[394]    NSW Freight and Ports Strategy (2013), cited by Regional Development Australia – Sydney, Submission no. 24, p 3.

[395]    Submission 24, Regional Development Australia – Sydney, p 3.

[396]    Submission 24, Regional Development Australia – Sydney, p 3 citing Strategic Industries Development around the Western Sydney Employment Area (2016).

[397]    Submission 25, Engineers Australia, p 3.

industries;[398] and for additional funds to be allocated to improvements to smaller regional airports.[399]

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**Question 29**

What can the NSW Government do to prioritise the development of air freight capacity in regional New South Wales?

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## The 'productivity killer': NBN and reliable telecommunications

5.54    Inquiry participants called for higher quality mobile towers, comprehensive rollout of the NBN network and better support for communities as they try to optimise the NBN, which is not performing as well as expected.[400] Concerns were best articulated by Bathurst Regional Council, who observed that 'the availability of high speed internet and reliable communications services is a key consideration to prospective business relocation, and the deficiencies and unreliability of such services has been a historical impediment to such relocation'.[401] Representatives of Charles Sturt University labelled the absence of a reliable NBN connection a 'productivity killer'.[402]

5.55    For many regional communities, reliable telecommunication and NBN services would help to ameliorate the disadvantages of distance. For example, Broken Hill City Council said that it has historically been disadvantaged by the impact of high fuel prices on tourism and household budgets; local infrastructure that has not been maintained to the standard of general community expectations, underinvestment by governments and inadequate phone access and broadband speeds. However, 'by thinking differently about how services can be delivered by leveraging the internet, cloud, mobile and social technologies, offers Broken Hill a real opportunity'.[403] Similarly, Charles Sturt University has liaised with international companies who have expressed interest in relocating to regional New South Wales but cannot do so without the ability to conduct videoconferences with their counterparts overseas via a reliable internet connection.[404]

5.56    The NSW Government advised that, through the Department of Premier and Cabinet, it is commencing discussions with NBN Co to investigate actual internet speeds achieved at individual sites and consider options for improved service delivery. The NSW Government

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[398]    Submission 21, Hunter Joint Organisation of Councils, p 2.

[399]    Submission 13, Broken Hill City Council, pp 17-18; Mr Peter Dennis, Chief Executive Officer, Armidale Regional Council, 29 August 2017, p 2; Evidence, Mr Bowman, 14 August 2017, pp 3-4; Evidence, Mr Stien, 14 August 2017, p 31.

[400]    Submission 20, Central NSW Councils, p 6; Submission 9, Evocities, p 5; Evidence, Professor Vann, 14 August 2017, p 47.

[401]    Submission 5, Bathurst Regional Council, p 2.

[402]    Evidence, Professor Vann, 14 August 2017, p 47.

[403]    Submission 13, Broken Hill City Council, p 4.

[404]    Evidence, Professor Terry Bossomaier, School of Computing and Mathematics, Charles Sturt University, 14 August 2017, p 47.

also draws on industry standard reporting such as the Akamai State of the Internet report that includes global, regional, and country-specific connection speeds, broadband adoption rates and mobile connection speeds. The committee did not receive evidence as to the progress of the NSW Government's discussions to date or whether industry reporting revealed the quality or adequacy of NBN in New South Wales.[405]

### Remote work opportunities

**5.57** Regional Development Australia (RDA) – Sydney acknowledged that for some occupations it may be possible to work remotely from a regional area, at least on a part-time basis, particularly for those in computer-based jobs where physical presence in an office environment is not mandatory. They acknowledged that improved connectivity (NBN) and cloud computing have facilitated this process, and many people employed in the Sydney Region are already benefitting from these arrangements in the public and private sectors.[406]

**5.58** RDA Sydney provided the example of the Nexus Smart Hub at Wyong, which provides remote work services for commuters to Sydney. Nexus caters for a variety of customers including home based business, small business and commuters.[407] RDA Sydney suggested that the Blue Mountains, Southern Highlands, Wollongong and the Hunter are places of opportunity for remote work in the Sydney Region as they have reasonable transport connectivity for the days when presence in the workplace is required. They argued that improved transport services to these areas would give even greater opportunity for remote work.[408]

**5.59** Additional remote work opportunities may also become available as companies opt to 'inshore' their services. As discussed on previously, several regional councils are currently in negotiations with large international and Australian companies, utilities and professional services firms to discuss opportunities to relocate their call services or other functions to regional New South Wales.[409]

**5.60** The committee is cognisant that NBN is primarily a Federal Government function. However, the committee believe that the absence of a reliable network will not only be a 'killer' of productivity, but potentially of the regions themselves, as opportunities for investment, relocation, remote work and the rollout of agricultural, health and other technologies are stifled and the regions become disconnected from both global Sydney and other markets. Telecommunications and the NBN also offer opportunities for those regional communities who have witnessed a decline in traditional industries such as manufacturing and agriculture to tap into new growth industries.

**5.61** The committee seeks to monitor the progress of discussions between the Department of Premier and Cabinet and NBN Co, and the quality and adequacy of the NBN rollout via available industry reporting referred to by the NSW Government in answers to questions.

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405 Answers to questions on notice, NSW Government, 1 August 2017, p 9.

406 Submission 24, Regional Development Australia – Sydney, p 5.

407 Submission 24, Regional Development Australia – Sydney, p 5.

408 Submission 24, Regional Development Australia – Sydney, p 5.

409 Evidence, Mr Woodland, 29 August 2017, p 2; Evidence, Mr Mark Grimson, Economic Development Manager, Wollongong City Council, 29 June 2017, p 37.

**5.62** The committee also notes the concerns expressed by stakeholders regarding the absence of reliable telecommunication networks. While the committee acknowledges that the NSW Government is seeking to address these problems through initiatives such as the Mobile Black Spot Program (see Chapter 2), more needs to be done to prioritise this work. The committee seeks input from both the NSW Government and other stakeholders on how best to quickly and efficiently eradicate mobile black spots.

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**Question 30**

    a) What have been the outcomes of the Department of Premier and Cabinet's discussions with the NBN Co as to actual internet speeds achieved at individual sites and options for improved service delivery?

    b) Is the NSW Government taking requisite action to advocate for a quality NBN rollout for regional and rural communities?

    c) How can the NSW Government ensure that mobile black spots are quickly and efficiently eradicated?

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## A reliable energy supply

**5.63** Electricity and gas prices for manufacturing businesses and households have increased sharply in recent years and indications are that prices will continue to increase.[410] A number of inquiry participants observed that access to an affordable, robust and secure energy supply would be vital for both Sydney and regional New South Wales into the future.[411] Others expressed concerns that sharp increases in electricity and gas prices for businesses and households will impact the longevity of businesses, staff retention rates or opportunities for expansion.[412]

**5.64** Engineers Australia observed that while New South Wales has historically used a variety of energy sources mainly in coal and gas, it will need to reconsider its energy supply mix as fossil fuel power stations reach the end of their economic life cycle. They argued that to overcome an impending and large loss of generation from the grid the state will need to further diversify its energy supply – New South Wales currently generates over 76.6 per cent of its energy from coal and gas, with four major black coal stations generating the majority of this power. However, these four power stations are all due to be decommissioned over the coming 15 to 20 years, leaving a large gap in the energy supply.[413]

**5.65** Bathurst Regional Council asserted that development of capacity energy generation infrastructure, most particularly renewable based, in regional New South Wales will generate increased regional employment whilst providing for the future requirements of the State

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410 Parliament of Australia Parliamentary Library Briefing Book, *Energy prices – the story behind rising costs*, https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook44p/EnergyPrices.

411 Submission 24, Regional Development Australia – Sydney, p 6; Submission 29, Hunter Business Chamber, p 8; Submission 25, Engineers Australia, p 5.

412 Submission 28, Bland Shire Council, p 18; Evidence, Mr West, 14 August 2017, p 26.

413 Submission 25, Engineers Australia, p 5.

including the greater Sydney area.[414] This was supported by Regional Development Australia – Sydney and the NSW Government, who observed that the very nature of renewable energy leads to commercial possibilities for remote, rural and regional New South Wales.[415] Engineers Australia asserted that the strain placed on the energy supply by Sydney's growing population will necessitate diverse energy options and the development of smart grids to help strengthen resilience.[416]

5.66    Broken Hill provides a practical example of these possibilities. AGL's Broken Hill Solar Plant is the second largest installation of its kind in Australia and feeds enough energy into the grid each year to power Broken Hill's residential power needs more than two and a half times over. The Silverton Wind Farm, currently under construction, will further bolster the region's renewable industry by generating up to six times the amount of electricity produced by the solar plant.[417]

5.67    The NSW Government advised that the resources and energy sector represents significant potential for international trade and investment through international partnerships, research collaborations and access to new markets. Examples given included:

- The Mining Equipment Technology and Services (METS) industry, which is increasingly looking to emerging export markets to provide services to boost productivity and efficiency. New South Wales is host to one quarter of Australia's $27 billion METS sector.

- $6 billion in newly approved renewable energy projects in New South Wales looking for investment.[418]

5.68    Noting that there is a strong demand for renewable energy and opportunities for new investment, the committee seeks submissions as to how the NSW Government can utilise its linkages with business and industry to assist regional communities to attract investment for new renewable energy projects.

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**Question 31**

What action can the NSW Government take to assist regional communities to attract investment for renewable energy projects?

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## Incentivising relocation

5.69    The committee recognises that, as factors such as those outlined in the preceding pages cease to act as obstacles to regional development and connectivity to Sydney and the world, it will be vital that there is a clear pathway for relocation to the regions for families and businesses.

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414     Submission 5, Bathurst Regional Council, p 3.
415     Submission 24, Regional Development Australia – Sydney, p 6; Submission 27, NSW Government, p 5.
416     Submission 25, Engineers Australia, p 5.
417     Submission 13, Broken Hill City Council, p 8.
418     Submission 27, NSW Government, p 15.

This will become all the more urgent as Sydney continues to grow and the cost of operating a business, the cost of city living and population density become increasingly pressing factors. The following section discusses strategies identified by stakeholders to incentivise relocation and make the transition to regional living easier and more desireable.

### Challenging perceptions about regional New South Wales

5.70   The City of Wagga Wagga advised that feedback from relocating firms, or those looking to build regional linkages, revealed that some firms are risk averse to move to the region because of perceptions of a lack of skills, poor transport linkages, lagging information communication technology (ICT) and utility infrastructure, and distance from suppliers, customers, and other collaborative factors.[419] Bathurst Regional Council agreed that there is a 'knowledge gap' for people in Sydney in understanding what it would be like to operate in the regions.[420]

5.71   Professor Neil Argent of the University of New England explained that this could in part be attributable to lessening rates of interaction between city dwellers and people who live in the regions, leading to a disparity in understanding about what rural life is like:

> We have fewer people living in our capital cities who actually have relations who live outside the capital cities. If you go back a generation, a lot of people living in capital cities would have relatives in rural parts of Australia and they would go and see them on an occasional basis. The number of people living in cities now having an understanding of what rural life is like is getting smaller and smaller. There is a psychological gap to get over.[421]

5.72   It was the recognition of these perceptions that led to the creation of the Evocities campaign to educate metropolitan residents about what regional New South Wales has to offer and combat long held misconceptions about regional city living – as Evocities observed, 'people are more likely to make the move if they understand that the services offered within regional capitals are similar to those offered in a capital city'.[422] Research undertaken by Evocities found that relocators look for a critical mass of services and community vibrancy linked to population and progress; while investing firms will look for the presence of quality, multi-skilled people and education systems as part of their investment decisions.[423] Bathurst Regional Council argued in favour of education to assist people to make well-informed decisions about location and the benefits on offer.[424] The council also observed that while Evocities exists to entice families and individuals to the regions, to their knowledge there was no such dedicated program to target the relocation of businesses.[425]

5.73   Parkes Shire Council observed that students that study at regional universities often choose to permanently reside in the regions – for example, 74 per cent of Charles Sturt University's

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419   Submission 2, City of Wagga Wagga, pp 1-2.

420   Evidence, Mr Bowman, 14 August 2017, p 4.

421   Evidence, Professor Argent, 29 August 2017, p 17.

422   Submission 9, Evocities, p 4.

423   Submission 9, Evocities, p 4.

424   Evidence, Mr Bowman, 14 August 2017, p 4.

425   Evidence, Mr Bowman, 14 August 2017, p 5.

student base has settled in the regions.[426] The council suggested that this model could be used to inform other education initiatives – for example, opportunities to 'taste' the regional lifestyle over a short period during a regional work or lifestyle placement.[427]

**5.74**  Noting the experience of stakeholders, the committee seeks submissions as to the merits of trialling a program to provide professionals with a short-term regional living experience, and how this might best be modelled. The committee also seeks submissions as to other ways in which the Government can assist communities to challenge perceptions about regional living.

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### Question 32

    a)  What action can the NSW Government take to assist communities to challenge negative perceptions about regional living?

    b)  Would there be merit in the NSW Government facilitating a trial program to provide professionals with a short-term regional living experience?

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### Making sure the right incentives are in place

**5.75**  Stakeholders commented that an absence of incentives has operated as an active disincentive for some businesses who are choosing between relocation to regional New South Wales or a location interstate. For example, Goulburn-Mulwaree Council stated that they had recently worked 'tirelessly' with TMA Group, who had to relocate from their premises in Fairfield. The Council spoke a number of times to State Government representatives to have TMA Group's business of 500 employees relocated to Goulburn, but was told that no assistance would be provided because there was 'no net capital gain' to be had:

> The State Government informed Council that it could not assist because there was no policy in place. 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.[428]

**5.76**  The committee learned TMA Group has since relocated to Victoria, resulting in 'a net employment loss to New South Wales of 500 jobs'. In the council's view, TMA could have been retained in New South Wales if the NSW Government had worked proactively with business to provide relevant incentives,[429] some of which had already been under consideration by the NSW Government:

> In January of this year, the Minister of Regional Development stated on radio that incentives they were investigating for businesses moving to regional New South Wales included stamp duty and discounted payroll tax. Either of these two incentives if discussed with TMA Group would have been sufficient to have kept that business in New South Wales.[430]

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[426]   Evidence, Ms Wyllie, 14 August 2017, p 13.

[427]   Evidence, Ms Wyllie, 14 August 2017, p 13.

[428]   Submission 4, Goulburn Mulwaree Council, p 1.

[429]   Submission 4, Goulburn Mulwaree Council, p 1.

[430]   Submission 4, Goulburn Mulwaree Council, p 1.

**5.77**   Illawarra Business Chamber also commented that government could make a strong case for relocation by 'making things easier' for businesses, whether by providing support or just reducing red tape:

> We have done a lot of work marketing our region and we have been in the scenario where we know full well that firms are making the choice between us and Geelong or Adelaide … They will tell you that one thing that has made their decision [was] that they got better support, the ease of doing business, that the Department of Planning made it easier for them or the Department of Industry gave them a leg-up.[431]

**5.78**   However, while inquiry participants agreed that incentives were important,[432] they expressed competing views about the best way in wish to incentivise relocation and investment. Some participants favoured financial or resource-based incentives, such as relocation grants; a co-ordinated Regional Investment Strategy which increases investment in key infrastructure including transport, supply chain connectivity, ICT and utilities; innovation vouchers; funding for Smart City incubators; accelerated decentralisation of government agencies and departments; and coordination amongst government and across regions of marketing initiatives directed at encouraging relocation.[433]

**5.79**   Other inquiry participants argued that financial incentives are not necessarily the best way to address the problem and were often not sustainable, so instead argued in favour of more practical incentives.[434] For example, Bathurst Regional Council observed that 'simply giving a monetary incentive to a business to relocate does not create the passion or attachment they need to relocate and sustain themselves in that regional centre. You need to sell them on the benefits and have them become an advocate for regional New South Wales'.[435]

**5.80**   The Illawarra Business Chamber echoed similar sentiments, arguing that short-term financial incentives can sometimes do more harm than good:

> I think we would be a bit careful with subsidies, particularly ones that are short-lived in that they might provide a short-term inducement for companies to relocate, but if there is not a comparative or competitive advantage to begin with for the relocation companies may tire of the subsidy or the subsidy may be withdrawn, which, in some cases, can cause more damage for a community that sees an uplift in employment activity only to be disappointed in years four and five where that subsidy is removed and there is, again, an exodus back to a metropolitan centre.[436]

**5.81**   The Illawarra Business Chamber suggested that both government and regional communities could better direct these energies into incentivising businesses on the economic competitive and comparative advantages of their region, such as lower rents, lower commercial operating costs, higher retention rates in the labour force, improved housing affordability in general, and

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[431]   Evidence, Ms Katherine Baker, Policy Manager, Illawarra Business Chamber, 29 June 2017, p 8.

[432]   Submission 5, Bathurst Regional Council, p 2; Submission 9, Evocities, p 5; Submission 11, Tamworth Regional Council, p 2.

[433]   Submission 2, City of Wagga Wagga, pp 1-2; Submission 11, Tamworth Regional Council, p 3; Evidence, Mr Stien, 14 August 2017, p 28; Evidence, Mr Bowman, 14 August 2017, p 3.

[434]   Evidence, Mr Bowman, 14 August 2017, pp 4-5; Evidence, Mr Chris Lamont, Executive Director, Illawarra Business Chamber, 29 June 2017, p 5; Evidence, Ms Wyllie, 14 August 2017, p 13.

[435]   Evidence, Mr Bowman, 14 August 2017, p 5.

[436]   Evidence, Mr Lamont, 29 June 2017, p 5.

living affordability in the regions.[437] The Chamber stated that Advantage Wollongong, Illawarra First and the Illawarra Business Chamber have found that these factors make a stronger, more compelling argument for Sydney-based businesses who would be financially better of selling their existing operations for residential or other commercial activities, particularly in the advanced manufacturing and other manufacturing sectors.[438]

5.82    Noting the competing viewpoints expressed by stakeholders, the committee seeks further submissions providing research that may illuminate the most effective means by which the NSW Government can support business relocation to regional areas.

### Question 33

 a) What does research indicate is the best way to support business relocation to regional areas?

 b) How can the NSW Government work with regional communities to assist them to market the comparative advantages of living and working in their region?

### A role for local councils

5.83    The experiences shared by local councils suggest that there also exists a strong role for local government to identify ways in which they can offer workable incentives to encourage investment and relocation. For example, Ms Anna Wyllie, Economic and Business Development Manager, Parkes Shire Council said that 'we will roll out the red carpet as much as we can, try and reduce the red tape and work with you as closely as we can through that process'. While the council is open to supporting new products and ventures, businesses wanting assistance need a strong business plan – as a small council, 'we are not in a financial position to prop up businesses that may be tinkering on the edge', said Ms Wyllie.

5.84    Tweed Shire Council advised that a decision to defer developer contributions had assisted in attracting Stone and Wood Breweries to their region. They introduced higher water consumption charges, so the brewery does not have to pay up-front headworks charges anymore. The company has gone on to grow very successfully and has now surpassed Coopers as Australia's biggest private brewer.[439]

5.85    The committee believes that local councils are well placed to drive and inform regional relocation initiatives and seeks comment as to how the NSW Government can assist local councils to target their programs, work to their strengths and reach a wide audience.

### Question 34

How can the NSW Government encourage and support local councils to identify regional relocation incentives that work to their individual strengths?

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437 Evidence, Mr Lamont, 29 June 2017, p 5.

438 Evidence, Mr Lamont, 29 June 2017, p 5.

439 Evidence, Mr Green, 28 August 2017, p 6.

**Case study: Potager[440]**

A highlight of this inquiry was the committee's meeting with the team at Potager, a kitchen garden restaurant located on a 10 acre farm in Carool in the Tweed hinterlands. The restaurant places an emphasis on organic and locally sourced food and exceptional service and, though only open for a year, has built a high profile with outstanding reviews.

Peter Burr and Gareth Leslie are the owners of Potager. They advised that, having purchased the property some 12 years ago, it was planned for combined use as a restaurant and bed and breakfast. However, red tape proved prohibitive for the bed and breakfast and so focus was turned to the restaurant.

Since launching the restaurant the Potager team have gone from strength to strength, building a thriving business that also makes a point of supporting local producers and businesses. Peter and Gareth have utilised the skills of local tradespeople in the construction of the restaurant and furniture, local artisans in sourcing tableware, and source their meat and other produce from local providers and growers, some just 'over the next hill'. However, the business has not been without its challenges, mostly again attributable to red tape and border issues. The restaurant is subject to significant regulatory burdens in the form of noise regulations and other related mechanisms, necessitating costly compliance studies and constant vigilance. While the team have a strong and collaborative relationship with Tweed Shire Council, they believe there is scope to introduce a more pragmatic approach to some of these regulations.

The Potager team also advocated for the NSW Government to take a more inclusive approach to regional communities like the Tweed that lie on the outskirts of the state, observing that these communities can sometimes suffer from cross-border neglect.

Cross-border conflicts have also impacted on the everyday operations of the restaurant, as the team have struggled to access taxi transport for guests. Many guests live or stay in Queensland, where New South Wales taxi drivers are unable to deliver passengers. Similarly, the team is unable to utilise Queensland tax drivers, who cannot pick up passengers over the border. While Peter and Gareth advocated for a more commonsense approach to cross-border tensions, they have found a creative and workable solution in the interim, utilising Uber where possible and partnering with quality local AirBnB service providers to accommodate their guests.

Peter advised that working together this way benefits everyone – restaurant guests can avoid the usual risks inherent in booking accommodation over the internet and avoid post-dinner travel, transforming a beautiful dinner into a relaxing short getaway; Potager has been able to attract a broader customer base who might otherwise have viewed the restaurant's rural location as a disincentive to visit; and local hosts have benefited from a steady stream of visitors. As Peter observed, 'locals support us so we support them. That approach assists this community to thrive'.

### Impact of relocation on regional communities

5.86    While much of the evidence received by the committee has spoken to the benefits of developing the regions, stakeholders commented that it can sometimes have negative consequences for communities. As families and businesses move to regional areas and demand fosters growth in house prices, low-socioeconomic groups face pressures in finding

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440    Site visit report: The Tweed, 28 August 2017.

affordable housing and transport options. As the Illawarra Forum observed, 'we not only need to benefit from the expansion in greater Sydney but … we need to protect what is special about our region, protect our vulnerable individuals and families to make sure they are not rendered worse off but in fact benefit from any expansion in the city'.[441]

**5.87**    These factors were said to manifest in a number of ways. Relocation of families and businesses to the regions can result in existing families and businesses being pushed further into the regions, moving people away from support systems; isolating families who do not have adequate access to transport either due to affordability or increased regionality; workers being forced to sleep in cars at their place of employment to overcome insurmountable commuting distances; and restricting opportunities for education and employment.[442]

**5.88**    The committee acknowledges that relocation may have negative impacts on some people living in regional communities, particularly those from low socioeconomic groups. The committee supports the NSW Government in taking measures to assist these communities, and seeks further submissions on strategies to ameliorate these impacts.

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**Question 35**

a)    What strategies are already in place to address the impacts of regional relocation for regional communities, particularly for those in low socioeconomic groups?

b)    What is the impact of rising housing costs in global Sydney on nearby regional areas?

c)    What opportunities and issues do rising housing costs create for regional areas across New South Wales?

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441    Evidence, Ms Nicky Sloan, Chief Executive Officer, Illawarra Forum, 29 June 2017, p 25.

442    Evidence, Ms Sloan, 29 June 2017, p 28.