

Rebuilding NSW
GPO Box 5341
Sydney
NSW 2001

To whom it may concern,

Thank you for the opportunity to respond to the Rebuilding NSW Discussion Paper.

Regional Development Australia – Orana is particularly interested in the \$6 billion earmarked for regional investment, but also has a great appreciation for how infrastructure outside the region can still benefit the Orana: this includes projects such as improved access to markets and movement of freight via the state’s air and sea ports or access to business via metropolitan areas.

We are excited by the opportunities presented by this initiative. There is great potential for the NSW government to invest in region and state shaping infrastructure projects, which will enhance regional productivity and create employment and ongoing economic opportunities to enhance New South Wales’ Gross State Product.

The Orana region accounts for approximately 25 per cent of the state’s land mass, and contains 13 separate Local Government Areas, each with their own infrastructure priorities and plans. We have great synergies with our bordering regions, particularly Central West and Hunter, through which we gain access to air, inland and sea ports, local business opportunities in Sydney and Newcastle, and the greater world.

New infrastructure investment has immediate measurable benefits, especially through the construction phase. In the Orana region, every dollar spent on construction adds a further \$0.616 to the economy via industrial effects, or the demand for intermediate goods and services from the local economy. Increases to direct and indirect output would also typically correspond to changes to wages and salaries. A proportion of these wages and salaries are spent on consumption within in the local economy. In the Orana this adds a further \$0.251 for every dollar spent.

Regional Development Australia – Orana has responded to a number of the questions raised in the discussion paper, detailed below. We have responded from the context of an organisation charged with leading economic development in the region: we take a strategic view of how economic development may occur not only within the Orana, but also across regional boundaries.

a. How can the Government help communities and businesses to better plan for the opportunities made available as a result of new infrastructure investment?

At a regional level, new infrastructure investment requires two major streams of planning; one in identifying projects which will bring the most returns in terms of growth and economic and community wellbeing, the other in providing a ready workforce to undertake major infrastructure projects. These are both aspects where the Government can work in partnership with communities, business and groups like Regional Development Australia to ensure mutual outcomes are achieved.

There has already been considerable investment, at all levels of government, in infrastructure planning across the Orana. Multiple plans exist for both hard infrastructure (such as roads and rail networks, power, water, telecommunications and public housing) and social infrastructure (health, education, tourism) as well as that infrastructure that supports culture, heritage and economic development for indigenous communities.

It is vital that work be done to integrate these plans, to ensure consistency, reduce duplication and to safeguard the previous investment of time and money that went into their development. What is lacking in existing plans is business and industry specific priorities; further discussion with these stakeholders will ensure that new infrastructure investment is leveraged for the best outcomes in terms of productivity, economic growth and improved quality of life.

Based on this need, Regional Development Australia – Orana, alongside Department of Premier and Cabinet, Department of Planning and Environment and the Orana Regional Organisation of Councils, has recently determined to undertake a Regional Infrastructure Masterplan.

The intent of the Masterplan is to integrate a range of existing and imminent policy and planning documents into a comprehensive statement of infrastructure development that:

- i. Addresses the ageing condition of the existing social and physical infrastructure across the region
- ii. Identifies any emerging infrastructure developments that can be leveraged from within the region or traverses the region
- iii. Provides stimulus for underpinning economic growth across the Orana, Central West and Far West regions
- iv. Identifies a range of future policies and strategies that periodically review and refresh the master plan.

This project is an example of how Government is already partnering with the wider Orana community, via Regional Development Australia –Orana and Local Government, to effectively plan for the opportunities made available as a result of new infrastructure investment.

There will also be a need to ensure local skills are utilised in the delivery of the planned infrastructure, and that skills are developed to meet this need.

Regional Development Australia – Orana alongside 20 stakeholders from federal (Department of Employment and Prime Minister and Cabinet), state (Department of Education and Communities and Premier and Cabinet) and local governments, business, industry, and the employment, skills and training sectors, are currently undertaking a region-wide Workforce Planning and Development study which will inform a regional approach to workforce strategies, agreed to and actioned by these stakeholders.

Triggers such as the delivery of major infrastructure projects in the region can assist in informing these strategies. Further government cooperation may be required should the study's recommendations identify any immediate workforce interventions. That being said, Regional Development Australia – Orana through this project and other initiatives, have a strong and active relationship with the relevant Government departments at a State and Federal level and are assured of their commitment to the outcomes of the study.

Just as the Workforce Planning and Development Strategy needs to be established, through input from the diverse stakeholders mentioned above, so too does the delivery of major infrastructure projects.

We have recently had experience with a major regional project where a huge shortfall of skilled workers was identified soon after the project was announced. Local enthusiasm for the project waned throughout its duration, as employment was sourced via subcontractors from all around Australia and the local community struggled to see local employment outcomes.

In this case, the opinion of Regional Development Australia – Orana and the project's Community Consultative Committee was that employment should be sourced from three tiers, dependent on need: first, at a local level, then, across the wider immediate region, then across New South Wales. This approach would ensure the main economic returns are delivered first in the local community, then the wider region and, of course, across the state.

Based on this experience we would recommend that the Government, prior to awarding funding outcomes, ensure that project proponents specify local employment and procurement outcomes in their tender documentation, and actively monitor this. Project proponents should include criteria around a hierarchy of local, regional and state-wide employment and procurement opportunities, as well as Indigenous employment and procurement outcomes (with any specified participation rates to be based on local demographics).

It is vital for Government, business and community to continue to work cooperatively. We are proud to play a role in ensuring these relationships work effectively and ensure the best outcomes for the region and the state.

b. Which potential projects would create the greatest benefit in terms of economic growth, productivity and quality of life?

It is the intention of the upcoming regional Infrastructure Audit and Masterplan to provide well researched, evidence based answers to this question in the Orana. The Masterplanning process will focus on the

economic and productivity returns of infrastructure. This will ensure that the Masterplan is focused on future growth potential, rather than past needs or a random wish list.

The other benefit of this economic focus in the Orana, is that it also provides immediate impacts on health and community wellbeing. Health and social services, education and public administration are key pillars of the regional economy and labour market. Any infrastructure plan focused on economic growth in this region must, as a result, have a clear vision for these sectors.

Greater connectivity would significantly impact the productivity and economic growth of the state. We are at a great turning point, with an increasing freight task, a focus at all levels of government on the productivity of agriculture, and changing modes of work and providing services across great distances. Connectivity, therefore, refers to all manner of connections across the state, including road, rail and air services infrastructure, as well as telecommunications.

Improved freight networks would reduce cost for business; which is particularly important as we look toward agriculture as a major economic driver of the region, state and nation and work to enable greater productivity in this sector. A 2014 report by the Australian Export Grains Innovation Centre found that, in terms of grain production, supply chain costs are 30 per cent of the cost of production, stating “supply chain costs are generally the single largest cost item for a grain producer in a typical year” (Stretch et.al. 2014). Currently Agriculture provides value-add to the region of approximately \$4.95 billion annually. It is a major pillar of the economy and any increase in productivity would have significant multiplier effects across the whole region.

Next to Agriculture (6171 jobs), Health Care and Social Assistance is the second largest employer in the region (5726 jobs), providing a greater salary contribution to the region (approx. \$3.75 billion) than mining (\$3.65 billion). Therefore infrastructure to improve community wellbeing, in turn increasing employment in this sector, would have significant flow on consumptive effects across the whole economy and community wellbeing.

For the Orana, one of its greatest advantages is its strategic location. We are intersected by major national highways, and have a strong direct connection to the Newcastle Port. The Orana is also traversed by the proposed Inland Railway route. Two significant and strategic airports (Dubbo and Narromine) are well located alongside these other freight connections.

With the trifecta of air, road and rail the greatest immediate opportunity may therefore be an inland port. This would not only provide immediate and long term employment opportunity, but also have great flow on effects throughout the economy through increased productivity via increased freight capacity. At present, transport and warehousing is one of the Orana’s largest domestic imports (approximately \$1.05 billion being spent outside the region). Given our strategic location it is a highly underrepresented sector in the local economy. An Inland Port would fill this gap.

Given the span and diversity of our region, Regional Development Australia – Orana also see the economic and community benefits of increased water security, and increased amenity in our faster growing centres:

Mudgee, the fastest growing inland community in New South Wales, for example, has struggled to provide water and sewerage amenity at the rate demanded by their growth. These are amenities expected of living in a thriving and vibrant community and the lack of this infrastructure impacts the region's capacity to attract skills and business investment.

c. Are there other ways to leverage NSW Government investment to expand infrastructure services across the state (eg. deliver more infrastructure for the same amount of government funding)?

Public/Private investment and community co-contribution are the obvious methods of making government expenditure reach further. However, from a regional perspective, it is important to ensure that these partnership arrangements, particularly co-contribution, be confined to those projects which bring additional advantages to a region, rather than those projects which simply act to create an equity of access to services and connectivity comparable to that enjoyed by our metropolitan cousins.

For example, when the Australian Government released their Discussion Paper on Mobile Coverage Regional Development Australia – Orana consulted widely, not only with stakeholders from our region, but were also approached by people from as far away as Mt Isa and Perth. The 50 per cent contribution suggested in this paper was widely rebuffed by stakeholders around the Orana, who felt they would be required to contribute to infrastructure that was, in metropolitan areas, considered a staple of our modern business and social lives. In this example, increased mobile coverage would also lead to huge economic and safety gains; presenting a large return on investment to government.

It is important that infrastructure investment in regional New South Wales be utilised to increase equity in terms of access to market and business opportunities, as well as leverage and improve productivity of the region's natural advantages such as agriculture. The region, per worker, already contributes a greater figure to the Gross State Product (\$162.513 million) than the state average (\$159.012 million). The benefits of improved infrastructure already mentioned throughout would do much to multiply this per worker productivity, presenting higher returns on investment for any regional project.

d. In addition to asset recycling, what other avenues are available to the Government to bring forward significant capital expenditure on infrastructure?

The Government has already made good steps toward securing other forms of capital investment in the state through the encouragement of outside investment. We were lucky enough to be involved in Consulate General Corps visit to Dubbo and Parkes earlier in the year and believe this event was a great success. Not only have we had the ability to expose the competitive advantages of the Orana to an international audience, but also demonstrate the combined strength of the whole of Western New South Wales.

The Waratah Bonds initiative and recent streamlining of the Significant Investor Visa program also meet this aim.

Regional Development Australia – Orana look forward to working with the Government on similar events in the future, and further developing our international relationships. Over the next twelve months we have a strong focus on attracting both local and international investment; this will include working with our colleagues across neighbouring regions to promote our combined strengths, assisting our local communities to promote a positive business environment and ensuring the necessary players in the region are investment ready.

e. Please provide examples of specific infrastructure projects in regional NSW that would contribute to the productive capacity of the economy.

As a regional development organisation we have answered question (b) with a focus on those potential projects which would provide the best economic returns to the region and state.

First and foremost we are concerned with the potential for these projects to enable a more productive and vibrant economy; for this reason a major outcome of the region’s Infrastructure Audit and Masterplanning process is to assess the BCR of various projects and highlight those that have the greatest opportunity for not only immediate returns, but also multiplier effects throughout the region’s and neighbouring regions economy. The projects highlighted through this process will present the best opportunities for exponential growth. The Masterplan will be completed late February 2015.

f. How can regional communities share in the benefits of Rebuilding NSW, including economic productivity and jobs creation?

As mentioned previously, greater and more efficient connectivity between regions (whether from a freight, transport, or telecommunications perspective) would have a huge positive impact on regional economies. The result of improved infrastructure, that is, more equitable, enhanced access to markets and business opportunities, as well as services such as health and education, will ensure that regional communities have a share of the benefits of Rebuilding NSW.

In a recent speech delivered in Sydney the Hon. Andrew Stoner, Deputy Premier and Minister for Regional Infrastructure and Services, cited that 41 per cent of the New South Wales’ population live in regional areas. He also noted that regional New South Wales contributes over a third of the State’s GSP, an unsurprising figure given that the state’s natural competitive advantages, that is resources and agriculture, are housed in the regions. It is interesting that only 30 per cent of the entire proposed fund is currently allocated to regional investment. Regional Development Australia – Orana believe that a further review of this figure is warranted, taking into consideration the regions’ contribution to productivity and the primary location of production of goods in our agricultural and resources sectors. Such a review would provide greater insight into best return on investment for the entire fund.

g. How much scope is there for consumers to benefit from greater efficiency in NSW electricity networks?

The Discussion Paper indicated that there is a good opportunity for consumers to benefit from greater efficiency of networks, and discounted network prices, assuming that these savings are passed on by retailers.

At present, the higher cost of electricity (as stated on page 12 of the Discussion Paper) in New South Wales is a barrier to business investment, and reduces the state's competitiveness. Consultation with business shows that this is a major cost to doing business in our region. For our region, where telecommunications infrastructure and distance also pose some complications, increasing the ease of doing business across the state would have huge flow on effects throughout the economy.

h. Are there any other matters that the Government should consider in ensuring network businesses comply with service and reliability standards?

Just as privatisation will assist in driving down prices, competition will also be an added guarantee that providers will do their utmost to ensure reliability. Given there is already a regulatory framework in place we would propose that there are no other matters Government should consider at this stage.

i. Considering existing service standard protections for customers will remain in place, what concerns remain about service standards and public safety? Is there any reason why the Government should consider any further conditions, and why?

Regional Development Australia – Orana has no additional comment.

j. Taking into account the Government's employment guarantee condition on the proposed transaction, are there other relevant considerations regarding jobs?

Regional Development Australia – Orana has no additional comment.

k. What is the appropriate balance between providing security to employees in the transition and keeping downward pressure on the cost of providing network services?

As stated previously, the current high electricity prices in New South Wales reduce the region and state's competitive advantage in terms of ease of doing business. This should be taken into consideration when defining the balance between the security of employment and ensuring downward pressure on costs.

l. How can all businesses be encouraged to invest appropriately in skills development regardless of ownership?

Regional Development Australia – Orana appreciate the complexity of ensuring equal private/public investment into skills and training.

In many ways this complexity has driven the development of the region's Workforce Planning and Development Strategy previously mentioned. It was recognised at an early stage that the aims of this project would not be met without equal understanding of the roles of government, training, business and industry or shared responsibility in the implementation of policy and projects.

Whilst we have not yet completed the research phase we are confident that, having been involved in the research and identifying regional need, business will be encouraged to play a role in the development and implementation of the resulting strategies. Early buy-in, relationship management and open communication are key.

Thank you again for the opportunity to have input in this process, which is certainly an exciting opportunity for the state of New South Wales. We look forward to being able to share the results of our current projects, including the Infrastructure Audit and Masterplan and Workforce Planning and Development Strategy which will clearly establish the projects in detail with accompanying BCR and analysis, and continuing to work with the Government to take steps to practically apply this evidence to furthering economic growth in the region and the state.

Kind regards,



Felicity Taylor-Edwards

CEO

Regional Development Australia – Orana