

Response to the Discussion Paper Kickstarting the Productivity Conversation November 2019



The CNSWJO member councils are; Bathurst Regional, Blayney Shire, Cabonne, Cowra Shire, Forbes Shire, Lachlan Shire, Oberon, Orange City, Parkes Shire and Weddin Shire. Associate members are Central Tablelands Water, Department of Premier and Cabinet (DPC) and Regional Development Australia, Central West.

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Reference jm:jb 191122
Enquiries: Ms J Bennett: 0428 690 935

22 November 2019

Peter Achterstraat, AM
NSW Productivity Commissioner
GPO Box 5469
Sydney NSW 2001

Dear Commissioner,

Re: Response to the Discussion Paper Kickstarting the Productivity Conversation

Thank you for the opportunity to provide advice regarding the Discussion Paper Kickstarting the Productivity Conversation.

We understand the Discussion Paper aims to commence a conversation about how the NSW Government can best support continued growth in living standards in the years ahead, recognising that higher productivity growth is key to ensuring this.

The Discussion Paper identifies six priority areas with potential to boost productivity in New South Wales:

1. Building human capital for a modern and evolving economy
2. Reliable, sustainable and productive use of our water and energy
3. Smart ways to get more from our infrastructure
4. Modernising our tax system to help our economy grow
5. Planning for the housing we want and the jobs we need, and
6. Forward looking regulation to support competition and innovation.

This region welcomes the opportunity to provide input to the “Kickstarting the productivity conversation.

In the first instance we welcome a “bold” approach which recognises the role of every citizen in every community. For communities to be empowered they need their data. This region would be very keen to work with the State government on informing this bold discussion with facts.

Regarding the categories for the discussion paper, this region is support of the broader headings but has concerns around the issues as identified. In particular – we would like to see thinking through out the discussion on leveraging the value of our regional communities.

Please find following a summary of the broader policy position of the JO followed by some brief dot points on the issues identified in the discussion paper.

This region would welcome the opportunity to work more closely with IPART as the conversation continues.

Policy Background

This region seeks to do business differently with the State and Federal governments. This involves both continuing with what is working well to grow productivity while removing barriers to growth. This region is a staunch supporter of the growing strategic framework for regional growth in NSW and keen to work with other levels of government on its optimisation. In the first instance we recommend the State **keeps up the good work**. NSW has a growing strategic planning framework that, if retained and leveraged by the Federal Government, will offer better advice into master-planning. This includes:

- The NSW Regional Economic Vision and its subset Regional Economic Development Strategies based on Functional Economic Regions;
- Regional Plans based on Dept of Planning boundaries in NSW where these are the centre piece of strategic work in regional NSW;
- Special Activation Precincts;
- The emerging Regional Transport Plans and Water Strategies; and
- The role of Joint Organisations and Regional Leadership Executives where this region has a MoU with Regional Development Australia, the only one of its kind in Australia.

Having said that are some significant challenges and opportunities for growth in productivity and these include:

- sufficient delegation in region to support local decision making and program implementation;
- leveraging the opportunity of the Community Strategic Planning process to reduce the consultation burden;
- reviewing the funding framework so that it recognises the transparency and accountability of local government where currently it is overworked – start from Treasury gateways and work out from there;
- reducing churn in State agencies eg 14 changes in 17 years for agencies in water;
- taking advantage of the Joint Organisations;
- recognising that Benefit Cost Ratio skews funding towards larger metropolitan areas and may have nothing to do with basic human needs – like drinking water;
- recognition that regions have plenty of water but there needs to be change in how it is administered to sustain growth;
- recognition that the regulatory framework at both the State and Federal levels needs to be able to respond more swiftly to innovation – for example the definition of a “meter” by the AER does not include digital metering
- reviewing how government tackles risk – it should tackle the big issues effectively, for example urban water supply, rather than becoming a process that drives inactivity

This region is also supportive of setting aspirational targets and taking a pragmatic place-based approach to planning and service delivery. To achieve this there needs to be sufficient delegation in the region to support local decision making and program implementation. Doing business differently looking for productivity outcomes, for example in activation precincts like that in Parkes is also welcomed.

This region is keen to work with all levels of government on the provision of water. There needs to be more storage and a change in how the Murray Darling Basin Plan is administered to sustain growth.

There is an opportunity for State and Federal agencies to leverage the Community Strategic Planning process mandated for Local Government in NSW. Imagine a regional NSW that is well informed about their demographics, health, education, environment, economic indicators and recidivism to empower them to make better decisions for themselves and their communities. This is achievable through a more collaborative and accessible approach to data leveraging the Community Strategic Planning process.

A current area of interest is the Murray Darling Basin Plan where there is a lot of discussion around its administration and whether the nation has got the settings right, particularly in the context of drought.

Ultimately, good data, consistency in strategy with implementation including governance and funding arrangements is only just beginning in Central NSW. There is the opportunity to recognise the consistency of Local Government as a key platform for driving positive change rather than setting up and dismantling other entities.

There has been discussion for decades ranging from zonal taxation through to funding programs that increase locational preference factors. An all of government aligned and strategic approach to promoting locational preference factors would be welcomed.

For every additional 100,000 Australians who choose to live in small cities rather than the capital cities, the RAI estimates that around \$42 billion dollars is be released into the economy over the next 30 years through reduced interest payments on mortgages alone. Released back into the consumption economy, this is would represent a considerable national economic stimulus.

- Small city growth can also play a role in reducing congestion problems in Australia's major cities.
- The avoidable cost of congestion in Australia's capital cities was \$16.1 billion in 2010. This takes into account both the value of private and business time, as well as vehicle operating costs and air pollution costs.
- Tourism is a major economic driver, people visit before they relocate.

About Central NSW

Central NSW is a diverse area that covers around 47,000km² with a population estimated to be 157,686 persons.^[1] Infrastructure Australia identified in the Australian Infrastructure Plan that the Central NSW

^[1] Office Local Government – Council statistics – based on 2016 Census data. Accessed December 2018

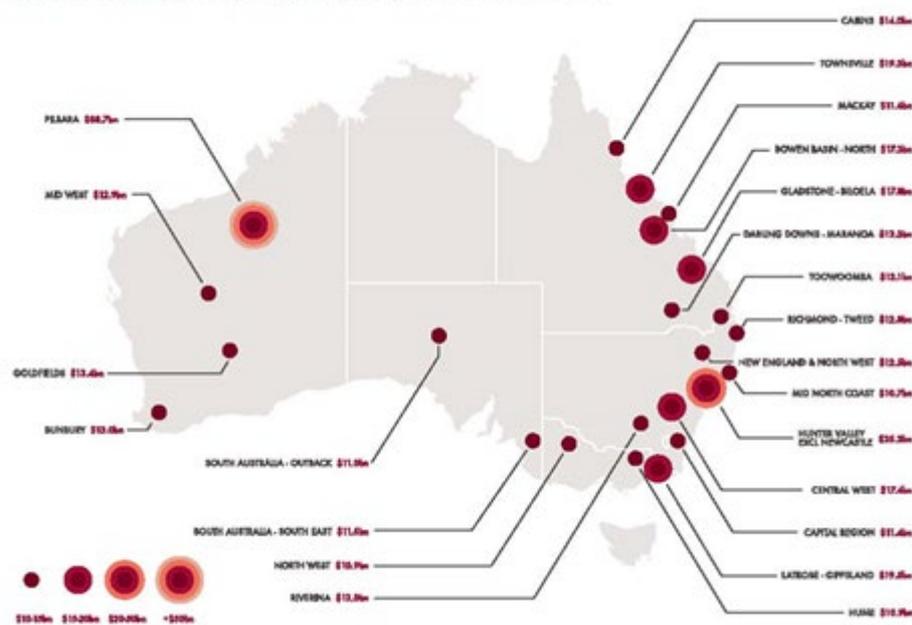
region was a significant contributor to the national economy.^[2] Central NSW was second behind the Hunter area in the assessment of NSW based regional growth areas and seventh overall in the nation.^[3]

This region is home to Banjo Patterson, Henry Lawson, Australia’s only Chinese bushranger and 1130 items of significance on the National Trust register. Primarily Wiradjuri country there is significant aboriginal heritage in the region.

The region’s natural heritage includes Jenolan Caves, various national parks, the Lachlan and Macquarie river systems, storages including Wyangala, Carcoar, Oberon and a number of urban water storages. Of note is the pattern of settlement and this along with its proximity to Sydney, Canberra and ports has seen a growing tourism offering as well as sound locational preference factors to support any decentralisation policy by both the State and Federal Governments.

Having said that, Central NSW does not have a “brand” like say the Snowies or the Hunter. This region would argue that it is consistently overlooked in the strategic and funding framework and is considered as “part of the rest of the west of NSW.”

Figure 4.1: Projected gross regional product for major regional centres in 2031



Source: Australian Infrastructure Audit, 2015

This region welcomes the opportunity to provide input to the “Kickstarting the productivity conversation.

Joint Organisations – the new opportunity to support kickstarting NSW

On 11 May the NSW Governor General the Hon David Hurley, Proclaimed the Local Government Regional Joint Organisations under the Local Government Act 1993. While early days, this region sees great opportunity through having a more formalized role under the Local Government Act. Ultimately, we hope to work more closely with the Federal Government on opportunities for this region.

[2] Infrastructure Australia, Australian Infrastructure Plan 2015 cited in the Central NSW JO Strategic Plan page 9

[3] Ibid

The region's vision is to be a vibrant, prosperous and welcoming place of seasonal landscapes that is recognised in the nation for its agricultural heart.

The region's policy position is that we need to do things differently if we are to get a different result and there is already activity in the region moving in that direction. Alignment with and support from other levels of government, preferably in some type of genuine collaboration, would be welcomed.

Please find attached an example of the shared value that can be realized from leveraging the Joint Organisation in bridge assessments. This type of value can be realized in a multiplicity of areas but collaborative work is required to assure the sustainability of the JO network. This is underway under the auspices of the Minister for Local Government and further advice can be provided in due course.

In response to the issues raised

Section 1 – Building human capital etc. – No comment

Section 2 – Reliable water and energy –

- a. The wording around billing implies that the locus of the problem is the LWU – it is noteworthy that communities in this region buying raw water from WaterNSW pay up to three times the price than those with their own raw water sources. Could this issue be better worded so it does not push poll a conversation around local government inefficiency?
- b. Are State based policies putting downward pressure on electricity pricing? Certainly the Federal framework is not helping – but this region sees enormous potential for the State to provide better support. For example the lack of support from the State for the Southern Lights project has had a serious impact on energy costs for Councils.

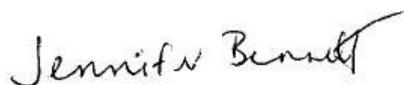
Section 3 – Smart ways to get more from our infrastructure – This region wonders whether we should be looking at “continued improvements to project selection” or a root and branch review of the funding framework – we would recommend the second. The ongoing tinkering is just leading to more complexity.

Section 4 - Modernising our tax system....This region suggests the addition of a question on “how can the taxation system enable decentralisation?”

Sections 5 and 6 – no comment

If you require further information or clarification on comments in this submission, please do not hesitate to contact me on 0428 690 935.

Yours sincerely,



Jennifer Bennett
Executive Officer
Central NSW Joint Organisation (CNSWJO)

CASE STUDY

Bridge Assessments in Central NSW

What happened

At the request of member Councils this region applied through the Fixing Country Roads program for bridges to be assessed. Advice and support from Riverina Regional Organisation of Councils enabled the funding request. This program was 100% funded by the State and administered through Centroc. This led to cost savings on the aggregated procure, the State only having to deal with one entity instead of 10 and Councils only needing to deal with the ROC rather than the funding entity. Centroc gained a small income stream from the provider as it managed the contract on behalf of eleven Councils.

What was achieved

Where the project will be completed in September 2019 from Centroc's perspective the aggregated procure has led to 159 bridges being assessed at a lower price than anticipated, one contact for Councils, the provider and the State. There will also be a regional learning and next steps for members to consider with regards to this asset class.

Shared value

Value to the State

- One entity to deal with, Centroc, experienced in regional projects and offering a compliant procurement and contract management framework. This region estimates the State spends 3 hours per month managing this contract. The life of the contract including variations is 12 months. Instead of 36 hours in administration, or one week, it would have been 10 weeks assuming each Council were as easy to deal with as Centroc.



- Aggregated procurement delivers cheaper pricing and a better ROI to the State – quite simply, more bridges being assessed for the same price.
- Centroc manages Council staff turnover and other risks that lead to slippage. With their deep knowledge of Council personnel Centroc is able to assure project delivery including altering internal timeframes in the project to manage Councils' capacity to engage.
- Regional learnings from the project inform further action. In an ideal world the State would be party to these conversations to help optimise the program going forward.
- Councils with staffing challenges are taken on the journey, deliver outcomes, and give consideration to future engagement.
- Road safety outcomes as bridges are closed or in other ways managed depending on their status.

Value to members

- Councils with staffing challenges are taken on the journey, deliver outcomes, and give consideration to future engagement.
- Cheaper pricing for bridges being assessed outside the grant using the same provider as a contract extension.
- Councils deal with Centroc staff using known Centroc processes which offer compliance and with which they are comfortable rather than unknown grant administrators.
- Regional management means less staff time and costs dedicated to the project, for example reporting to Councils and the funding entity, the procurement process and contact management are all delivered by Centroc.
- Road safety outcomes.
- Asset management outcomes.

Value to contractor

- One entity to deal with rather than 11.
- Experienced at regional programming, Centroc smooths the way for the contractor with member Councils and provides
- The contractor recognises this value by paying a management fee.

Value to JO

- Regional advice leads to further regional programming embedding the value to members of Centroc.
- Success of project leads to further regional programming embedding the value to members of Centroc.
- Income stream from management fee from the contractor helps with financial sustainability.

