

SUBMISSION TO THE INQUIRY INTO THE PERFORMANCE OF THE REGIONAL INVESTMENT ACTIVATION FUND AND THE REGIONAL JOB CREATION FUND



**CENTRAL NSW
JOINT ORGANISATION**

Bathurst
Blayney
Cabonne
Cowra
Forbes
Lachlan
Lithgow
Oberon
Orange
Parkes
Weddin

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Chair Cr Kevin Beatty, Mayor, Cabonne Council

27 October 2023

Reference: jb:vp 231027
Enquiries: Ms J Bennett: 0428 690 935

Mr Roy Butler MP
Chair
Committee on Investment Industry and Regional Development
6 Macquarie Street
Sydney NSW 2000

Email: investmentindustry@parliament.nsw.gov.au

Dear Mr Butler,

Re: Inquiry into the performance of the Regional Investment Activation Fund and the Regional Job Creation Fund.

Central NSW Joint Organisation speaks with a unified voice for its collective priorities. This region has a proud history of working collaboratively, representing over 180,000 people covering an area of more than 53,000sq kms comprising the local government areas of its membership - Bathurst, Blayney, Cabonne, Cowra, Forbes, Lachlan, Lithgow, Oberon, Orange, Parkes, and Weddin.

Tasked with intergovernmental cooperation, leadership and prioritisation, CNSWJO has consulted with its stakeholders to identify key strategic regional priorities. The CNSWJO Strategic Plan can be found here - www.centraljo.nsw.gov.au.

This response is informed by policy developed in region and individual Councils may have differing views.

Thank you for the opportunity to provide feedback to the Inquiry into the performance of the Regional Investment Activation Fund and the Regional Job Creation Fund. This submission identifies significant systemic issues and is hoping that this government addresses them early in its term with a view to enabling regional growth.

The Terms of reference for this inquiry are understood as:

That the Committee on Investment, Industry and Regional Development inquire into and report on the performance of the Regional Investment Activation Fund and the Regional Job Creation Fund, including:

- a) the allocation and administration of these funds*
- b) the effectiveness of these funds in achieving their aims*
- c) council and agency support for private investor enquiries and proposals in regional areas*
- d) impediments to growth in regional NSW, including challenges in the planning system*
- e) the effectiveness of the Business Concierge service and a comparison to other States' performance*

f) opportunities for regional and metropolitan councils to work together to promote productivity and economic development

g) any other related matters.

a) the allocation and administration of these funds

This region is concerned about the going historic funding relationship between local government and the NSW Government.

The cost to the public purse of over administration and unfit for purpose processes while funding programs are not designed to deliver outcomes optimally; needs remediation.

Current frameworks for funding for regional communities, including those determined by the NSW Treasury Guidelines, are disadvantageous and skewed in favour of metropolitan communities. The use of Benefit Cost Ratio and other similar methodologies that require scale and population to render an appropriate 'benefit' coefficient ultimately ensure that a disproportionate amount of funding will go to high population growth areas in western Sydney. This approach does not take into consideration the strategic importance or relative benefits smaller scale projects or support programs in regional communities.

A salient example of funding skewed to metropolitan is the proportion of regional funding and program support offered through Destination NSW, which despite various reviews does not provide equitable funding into regional NSW while the visitor economy being an integral employer and contributor to regional communities. This region recommends the Committee investigate the funding of Vivid, which is remarkably opaque, while wholly owned and operated by Destination NSW. Meanwhile regional communities are subject to significantly smaller amounts of funding in a competitive framework where members provide advice on the challenges of the administration of these programs. At the same time more than 55% of the visitor economy is realised from regional communities.

All funding programs should;

- allow the time for consultation and codesign with intended recipients on the program's criteria, funding amounts and co-investment;
- allow time for the grant application process;
- give consideration to alternatives to Councils having to develop business cases for projects and other unwieldy processes – for example leveraging the strategic work undertaken in Councils' Integrated Planning and Reporting Process and the JOs' Statement of Regional Strategic Priority;
- look for outcomes aligned to policy;
- minimise oversight and micromanagement especially for councils who are regulated for assurance;
- take advantage of the value JOs can play in the administration of grant funding, and the reduction in duplication from 92 regional Councils to 13 Joint Organisations; and
- recognize that both built infrastructure and services are an important part of community resilience and capabilities and should be supported by government through priority investments and programs.

b) the effectiveness of these funds in achieving their aims

This region has welcomed a case management concierge style approach to supporting the realisation of businesses choosing regional NSW as their home. There are ongoing challenges for regional NSW that need ameliorating for businesses to relocate to regional including but not limited to;

- the poor state response to water security;
- energy security;
- insurance costs;
- natural disasters;
- the escalating freight challenge;
- barriers in the planning and development framework; and
- skills and housing shortages.

There is a significant role for all levels of government working collaboratively to address these issues facilitated by a concierge or case management type approach. Given the challenges and complexity, this region is of a view that a case management or concierge approach supported by good governance with delegation in region is essential.

This has the added benefit of managing tyre kickers especially in the renewable energy industry, that so persistently take up councils' time.

Having said that, this region is of a view that the *competitive* funding framework is not ideal for investment in job creation. Instead, there should direct investment including realising royalties from mining and energy. CNSWJO would welcome seeing dedicated funds and incentives for businesses to locate in region. These include but are not limited to;

- ensuring housing, business and industrial park infrastructure
- Special Activation Precincts; and
- incentive payments to businesses either upfront or through tax concessions.

c) council and agency support for private investor enquiries and proposals in regional areas

The same potential investors knock on the doors of councils seeking a “better deal” than their neighbours. Given the parlous state of local government sustainability in NSW, it is arguably a much better idea to have a concierge service both sorting the sheep from the goats and marrying up investment to local endowments where applicable.

d) impediments to growth in regional NSW, including challenges in the planning system

Poor water management frameworks

The impediments to growth in regional NSW go beyond planning to the system more broadly. To think that increasing water storage at either Wyangala or Warragamba cannot gain approvals in the planning system is a travesty. Having reviewed the business case for Wyangala, a delegation from Centra NSW would welcome the opportunity to explore this matter further with the Committee.

Wyangala heads a terminal river valley. Surely there can be some more mature conversations around realising the potential value of the Lachlan from a different approach to water use than the blunt instrument of the Murray Darling Plan and its subsidiary strategies and plans. The Murray Darling Basin Plan is all about ensuring water into South Australia and to the mouth of the Murray.

There must be ways to increase the value of water in the Lachlan, protect the environment, mitigate for floods and offer better security for the valley with the worst security in NSW given the system is terminal.

Every regional water strategy in NSW makes the assumption that no town will run out of water. So does the business case for raising the wall at Wyangala. This means that the benefit of the avoided cost of closing communities is not included in the calculations. The conservative modelling for this benefit for Bathurst was \$1.3bn. The earlier regional water strategic work in NSW overlooked urban water entirely for example the Macquarie Castlereagh had to have the communities along the unregulated Macquarie “back filled” into the drafting. These communities include Bathurst, Orange, Oberon and Molong. Urban water and its value is poorly recognised from the Murray Darling Basin Plan through the Water Act in NSW to drought response. This is a significant problem for regional development.

The NSW Auditor General’s 2020 review of the [Support for regional town water infrastructure | Audit Office of New South Wales \(nsw.gov.au\)](#) is scathing, though came as no surprise to the communities of Central NSW. Of even greater concern is how little has improved since then where members report regulatory barriers to urban water security. At a recent NSW Water Directorate event in Sydney the audience of local water utilities was asked who felt enough had been done to secure water for their communities since the last drought. One hand went up.

Biodiversity offset credits

There must be a better pathway to environmental protection than the expensive and opaque Biodiversity Assessment Method and its corollary biodiversity offset credits. Members report significant projects, such as the second circuit at Mt Panorama, falling victim to these processes.

The Planning Portal

The Planning Portal is another great idea very badly executed. Go to the bar at any pub in NSW and ask people what they think of the Dept of Planning and Environment (DPE) Planning Portal. Meanwhile, the bureaucrats responsible for this confusing, time-wasting torturous process do not fix it. Please request more information about this much-reported issue across regional NSW.

Cumulative impacts and poor consideration of logistics in the rewiring of NSW

An emerging issue confronting not just the Renewable Energy Zones (REZs) is the impacts of rewiring NSW. The topography of NSW comes with the primary challenge of traversing the Great Dividing Range. For the oversized overmass vehicles with police escort importing the blades for wind turbines, TfNSW estimate between five and twenty movements along the Golden Highway per working night. The more conservative modelling says this transport task will last twenty years for the build



One wind turbine blade road transport breakdown on Cowra bridge – image credit: Over and Above Photography

of windfarms. The life of a blade is twenty years meaning the task is endless.

The Bowden's silver and lead mine in the Central West and Orana Renewable Energy Zone has no secure water for continuous operation yet has approval through the State Significant Development pathway. Assumptions are made by renewable energy developers that they will be able to access water and accommodation in the same area. Unfortunately, they all count the same beds and make assumptions about access to urban water supply. For the planned workers camps assumptions are made about water and sewer. Social impacts are poorly considered if they are considered at all. Councils and communities have been shouting loudly about these cumulative impacts since the REZ was announced and are only just beginning to be heard.

A report being considered by the CNSWJO at its November meeting says that it is likely that the current approach by the NSW Government, to be enshrined in legislation, is unlikely to succeed. This region would welcome an opportunity to discuss this matter more where we have solutions.

Self fulfilling assumptions about population decline affecting smaller, more remote communities

The CNSWJO Board recently commissioned a review of population projections including Treasury Common Planning Assumptions that all State agencies must use including for their work in building business cases. The review showed that generally planning assumptions were improving in their accuracy however there are significant outliers. In this region the outliers are Oberon and Blayney where the current growth in these communities is significantly underdone.

It is understandable that the modelling is likely to be less accurate in smaller communities, however the impacts of getting this wrong in smaller and more remote communities is particularly devastating. It means that investment does not happen in infrastructure and services. Business does not invest and ultimately these communities become less liveable. At the same time, they are integral to the productivity of these areas and the safety of the people living in them. In a climate future of more floods, fires and droughts we need more volunteers and quite simply – more people.

A stark example of this challenge is the work done by DPE Planning on the current Central West and Orana Regional Plan (CWORP). Having commissioned work by the Western Research Institute showing the construction task for the region, primarily from the renewable energy build, needed 64,000 jobs for the next five years, it could not be analysed in the CWORP as it was at odds with Treasury Common Planning Assumptions.

Strategic planning for regional communities

The better planning for this regional typically involves extensive consultation with councils and community. The plans for this consultation are not codesigned with community and typically have a lot of room for optimisation. This region has an agreed policy position in engagement in region with our Regional Leadership Executive. [210217 Consultation-Policy CNSWJO RLE Final-2.pdf](#). The contents are common sense and align with IAP2, yet it is remarkable how few NSW Government agency led consultations comply.

The more unfortunate planning for this region does not include engagement with community, is not implemented and becomes shelfware. Examples can be provided on request where the NSW Food and Beverage Strategy this region was aligned to has some amusing anecdotes but is an unfortunate case in point.

In the first instance, any NSW Government plans or strategies should be called for under legislation. Sadly, for regional development strategy this is not the case. The Regional Economic Vision developed under the last government has no legislative imprimatur and may not have survived the change of

government. All the Regional Economic Development Strategies developed across the State are similarly at risk.

Meanwhile the CWORP needs more support to be what it should be – the jewel in the crown of strategy for the region with a regional development focus. This role has not been enabled and has led to the second and more recent iteration of this plan stepping away from the regional development focus and moving more towards land use. There is no regional accountability governance in this iteration. These are steps backwards though the fact that the process is continuing, is timely and includes implementation makes this plan rare and highly valued.

Accountability frameworks are poor if they exist at all. A website-based report is not an accountability framework this region finds acceptable (Planning). Nor is voting by emoji on uninformed priorities (TfNSW). This region does not want a “sense of involvement” or “socialisaiton” of strategy affecting its communities- it wants its leaders at the wheel in steering committees making decisions that drive us towards a better future.

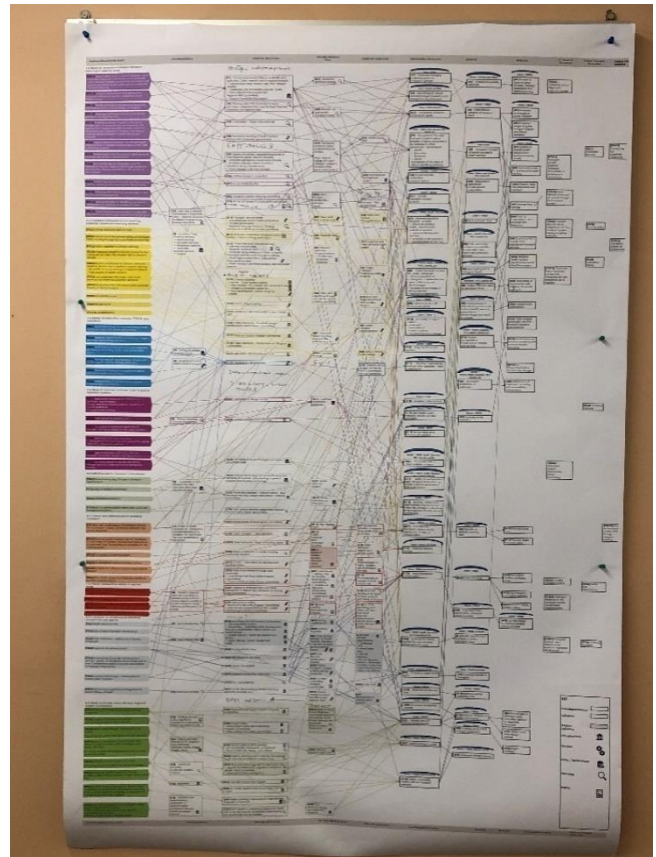
Regional Water Strategies are mentioned above. They are five years in the making in this region. Happily, they are contemplating in region governance arrangements for implementation.

The Central West and Orana Transport Strategy is close to seven years in the making, has seen two iterations of development, multiple drafts, significant consultation and will never see the light of day. Meanwhile there is an urgent need to plan for the freight task in region given the impacts renewables, the higher than anticipate growth in region and the post disaster construction task.

Regional Development for regional NSW in its infancy and at the mercy of sovereign risk and machinery of government (MOG) changes

Change of government and MOG changes create malaise and uncertainty in the bureaucracy. After years of advocacy this region finally has its own boundary for Regional NSW and a Destination Network. This new boundary is in its infancy and could enjoy leveraging the decades of mature collaboration Central NSW has to offer. As the incoming government changes its approach to regional development, we ask that or boundary is protected.

This region is hopeful that the incoming government will set a course for regional development codesigned with local government, Joint Organisations and other key peak regional bodies and agencies, then legislate for its implementation.



This tablecloth sized graphic covered in 9 font text comes from a 2-day benefits realisation workshop across agencies led by TfNSW as part of its Transport Plan for the Central West and Orana Region. The final Plan will never be published and a new direction is being taken by the incoming NSW State govt.

e) the effectiveness of the Business Concierge service and a comparison to other States' performance

This region makes no comment on comparative performance of the concierge service however notes the good work of the team and that there are multiple drivers for locating businesses in regional NSW including incentives.

f) opportunities for regional and metropolitan councils to work together to promote productivity and economic development

This region has had some good experiences collaborating with metropolitan councils. The friendship relationship between Penrith and Lachlan is a great example. However, these relationships do not explore productivity and economic development to any extent and the Board would be interested in hearing the thinking behind this head of consideration.

The greater opportunity is to build the regional development fabric of regional NSW. The Joint Organisations are working towards this with some support however sustainability is an issue as well as the challenges raised above.

This region is of a view that strategic investment should be made in strengthening the JO network rather than the adhoc growth happening at present. The JO Review Implementation Plan developed under the auspices of the OLG has never been finalised let alone implemented. The recommendations of the JO Review have languished. This region will report in its Annual Statement a ROI of 9.4:1 on every dollar members spend on membership fees. While this JO has offered great returns to its members for years and any other JO can achieve this sort of return - it has taken two decades to achieve. Our members comparatively spend more than other JOs and it is very challenging for financially constrained Councils to contemplate making these investments hoping for a good outcome sometime in the future.

In the first instance, effort needs to be made in helping NSW Government agencies recognise the value that JOs can offer them in rolling out programming in region. This is particularly important given the centralised structure of most bureaucracies and the sheer number of resource constrained councils in NSW. A significant barrier is the paternalistic relationship between the state and local government in NSW which leads to so many unfortunate outcomes.

Despite these barriers the JO network is achieving outcomes in the areas of disaster risk and net zero acceleration. Working across 9 JOs with the support of forward thinking stage agencies this region would welcome the opportunity to present to the Committee on progress leveraging local government working regionally.

Regarding regional economic development in particular, in the first instance work needs to be undertaken on strategy that outlives electoral timeframes and MOG changes. Centralisation and siloisation of State agencies is remarkably unhelpful to regional economic growth.

Arguably, efforts undertaken in the past decade on regional development, while valued by this region, are tinkering at best. Instead, why doesn't NSW pose this question to itself:

How can we double our regional production value while halving our inputs?

This is journey the Dutch have taken with great success, one this region is exploring and would welcome NSW government support.

g) any other related matters.

It is worth noting that business cases for investment opportunities supporting regional economic growth were developed by the previous government using Treasury Guidelines.

This region has invested over \$1m in the business case for investment on the nexus between net zero and energy security.

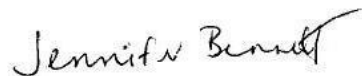
Support is sought for progressing this work where an opportunity to present to the Committee would be welcomed.

Conclusion

Thank you for opportunity to provide advice on regional development frameworks in NSW. There is so much opportunity in regional NSW. CNSWJO would welcome an opportunity to work with the NSW Government on establishing frameworks that realise this potential where it must be acknowledged that significant work needs to be done.

The CNSWJO Board would welcome an opportunity to present to the Committee to provide clarification and explore this issue further.

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)