



The Hon Tony Kelly MLC  
Minister for Lands  
Minister for Rural Affairs  
Minister for Regional Development  
Vice President of the Executive Council  
Leader of the House – Legislative Council

---

08/1330

17 JUL 2008

Ms Janet Holmes  
Secretary  
House of Representatives Standing Committee  
on Infrastructure, Transport, Regional Development  
and Local Government  
Parliament House  
CANBERRA ACT 2600

Dear Ms Holmes

**Re: Inquiry into a new regional development funding program**

The NSW Government welcomes the opportunity to make a submission to the Inquiry. Regional development faces some critical challenges and it is important to optimise synergies between Commonwealth and State initiatives for the benefit of regional areas.

It has long been a feature of NSW Government policy that regional businesses and communities should benefit from strategic intervention to assist in mediating market forces arising from economic change.

To help manage these issues effectively, NSW is keen to see better alignment of Commonwealth and State regional development programs and a process for better sharing of information about economic development projects that are seeking funding under new Commonwealth regional programs.

NSW believes a business focus is an important aspect in the development of new programs given that the vitality of regional communities is primarily dependent on the health of the local economy.

There is a strong case for the continuation of a regional funding program particularly as it relates to maintaining sustainable communities. The NSW local government sector will be well placed to use additional Commonwealth financial initiatives in partnership with the State Government. Recent changes to planning and reporting frameworks further strengthen the ability of the NSW local government system to deliver Commonwealth financial initiatives.

Issues relating to economic development in NSW are currently being considered in a number of reviews including:

- Performance Review of the Department of State and Regional Development, by the Department of Premier and Cabinet – which is examining the structure and direction for DSRD;
- NSW Rural and Regional Taskforce – which examined key economic, environmental and social issues affecting rural and regional communities across NSW;
- Tourism in NSW – which examined a variety of issues including measures to increase regional tourism opportunities; and
- Local Government - Integrated Planning and Reporting Review.

The outcomes of these reviews may impact on the current regional economic service delivery provision in NSW. This reinforces the dynamic nature of regional development and the importance of a process of dialogue between the Commonwealth and State Governments to ensure that programs take into account evolving regional needs.

### **Regional Development in NSW**

Current NSW Government priorities for regional development are articulated in the *State Plan*, which is guiding the delivery of government services. Priority 6 of the State Plan aims to increase business investment in regional and rural NSW. Twelve Regional Business Growth Plans have been developed which provide a blueprint for working collaboratively with local government, Regional Development Boards and other business stakeholders to achieve sustainable economic growth.

The **Department of State and Regional Development (DSRD)** is the lead agency for the implementation of the Growth Plans. Examples of the Growth Plans for the Illawarra, Murray and Northern Rivers regions of NSW are attached for information.

The DSRD promotes economic growth in regional NSW through the recruitment of new business investment and helping existing enterprises to grow and improve their competitiveness. The DSRD also helps communities raise the profile of regional NSW as a business destination and build economic capacity through its suite of community economic development programs. The Department works in partnership with local government, business organisations, industry groups and regional development organisations to achieve these aims.

The DSRD's business investment programs emphasise the development of non-financial solutions. The focus of the DSRD's efforts is on developing solutions to overcoming impediments to an individual business project proceeding in a regional location. This occurs primarily through information and facilitation services with other government agencies and local service providers to help business save time and money. Specific assistance includes helping with site identification and selection, negotiating with infrastructure and finance providers and liaising with training providers. In some cases, modest funding is provided as part of a total package of assistance for a business project based on the value of new investment and jobs generated.

DSRD has a network of regional offices located in major centres throughout the State, with a head office in Sydney, which delivers programs and services directly to clients. The regional offices act as a one-stop-shop for business. Each of the DSRD's programs are directed to one of the following client groups:

- individual businesses;
- local government or local business associations pursuing local economic development;
- regional development organisations or industry associations.

Further information on the DSRD's current business investment and community economic development programs is enclosed for information.

### **Characteristics of an effective regional development program**

The following are characteristics of an effective regional development program, based on DSRD's experience:

- applications can be made on an ongoing basis, not in "rounds". This allows proponents to submit the application at a time which genuinely reflects the "real time" development of their project;
- eligibility and assessment criteria and application processes are clear and transparent;
- assessment of a proposal focuses, in particular, on the credibility of the project budget, the strength of the business case and the key performance indicators by which project results will be assessed;
- funding is provided in partnership with the private sector or other levels of government;
- funding is disbursed on the achievement of performance milestones;
- where two levels of government are involved as funding partners, there is a mechanism for sharing economic and other analysis of the merits of a case. There are precedents for State Government agencies playing a screening role in the assessment of applications for funding. A current example is the Targeting Skills Needs in Regions COAG program, where funding bids are sought via the intermediary of the States. While this does add another layer to the process, DSRD's strong regional presence adds valuable local knowledge, proposal development and participation in local management committees;
- the level of funding is modest and designed to leverage partner funding and/or to be applied at critical stages;
- the timeframe from application to decision is commercially responsive (6-12 weeks turnaround time); and
- program promotion does not generate unrealistic expectations for potential clients.

### **Key issues in the development and administration of new Commonwealth programs**

DSRD would argue that the vitality of regional communities is primarily dependent on the health of the local economy. Priority should therefore be given to projects which assist regional communities to diversify away from dependence on a single traditional industry and adjust to the impacts of climate change.

Programs such as the Regional and Local Community Infrastructure Program, which was announced in the recent Federal Budget, should focus on establishing pre-conditions for business investment such as funding the provision of essential infrastructure in regional areas. This business focus should be an important aspect in the development of the program.

Better alignment of Commonwealth and State regional development programs would help to address duplication of effort between the jurisdictions, resulting in more efficient and strategic delivery of regional development programs to regional communities.

DSRD's administration of the Newcastle Structural Adjustment Fund on behalf of the Commonwealth Government, under a Deed of Grant, demonstrates this point. This arrangement provided an opportunity for a more integrated approach to facilitating business investment in the Newcastle area. However, there was only limited discussion between DSRD and the then Commonwealth Department of Transport and Regional Services regarding processes for administration of the Regional Partnerships Program. Similarly, when the Commonwealth Government established the Port Kembla Industry Facilitation Fund the State was not consulted, despite previous approaches from the NSW Government to the Commonwealth for a joint Illawarra Investment Fund. Consultations between the Commonwealth and the State Government would have helped to align the Port Kembla Industry Facilitation Fund with the State's existing Illawarra Advantage Fund to better leverage government assistance for business projects in the area.

Commonwealth regional programs such as Regional Partnerships and Sustainable Regions offer one-off funding for business projects and the level of funding provided effectively underwrites the cost of the project in many cases. This approach to funding projects creates unfair expectations regarding the level of funding that the State should provide toward a specific project and does not provide clear signals to industry about the commercial framework they will be operating in. The efficient use of resources is hampered by these opaque consultative processes. Therefore the Inquiry should consider improving the mechanisms for managing jointly funded projects between the States and Commonwealth.

Ideally a mechanism for sharing of information should be established between the Commonwealth and NSW with regard to business and community economic development projects seeking funding under new Commonwealth regional programs. The NSW Department of State and Regional Development as well as the NSW and Commonwealth networks of regional development organisations, such as Regional Development Boards and Regional Development Australia committees, are well placed to provide intelligence on projects for potential funding. It should also be noted that discussions are currently underway between the Commonwealth and States regarding prospects for better alignment of regional development organisations.

### **Engagement with local government**

An assessment of how projects are implemented should also consider the role of local governments. The NSW Department of Local Government has undertaken a review of the existing local government planning and reporting framework, with a view to strengthening councils' strategic focus, and improving integration and streamlining of various statutory planning and reporting processes required by the *Local Government Act 1993*.

There is widespread support to streamline the existing planning and reporting framework and introduce a mandatory long-term strategic and financial plan, and asset management strategies for councils. This Integrated Planning and Reporting Project should result in more efficient use of council resources and long-term management of community assets. However, it is unlikely that councils in rural and regional areas will be able to meet all community infrastructure needs.

At a national level the Local Government and Planning Ministers' Council recognises that sustainable asset management is the key to local government sustainability. In recognition of this, the Council has developed and endorsed the National Frameworks for Financial Sustainability in Local Government. The NSW local government reforms mirror the Frameworks, positioning NSW local governments to work co-operatively with the Commonwealth.

NSW is committed to working with the Commonwealth to support the long term, sustainable and profitable development of regional communities. The opportunity to comment is much appreciated.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matt Brown', written in a cursive style.

**Matt Brown MP**  
**Acting Minister for Regional Development**