

**NEW SOUTH WALES GOVERNMENT
SUBMISSION**

to

**Commonwealth House of Representatives Standing Committee on
Primary Industries and Regional Services**

Inquiry into

**The Role of Infrastructure in Assisting Economically Sustainable
Development in Regional Australia**

May 1999

The Inquiry's Terms of Reference and Context

The Context:

“The inquiry’s terms of reference are given below. They encompass many aspects of infrastructure planning, delivery and use, and the impact of infrastructure on a range of economic activities. The committee is of the view that the most valuable outcome for the inquiry will be obtained from a focus on identifying impediments to regional development and the factors that contribute to sustainable economic growth. To achieve this, the committee will seek information on these topics that includes evidence of failures of regional development because of infrastructure deficiencies, and case studies of infrastructure that has promoted development. Sound analysis and solid substantiating data will usefully advance the committee’s work”.

“The Committee wishes the inquiry to make a significant contribution to development and employment in Australia’s regions. The aim is to promote understanding of the need for infrastructure in regional areas of Australia, and to reach conclusions about the most appropriate approaches to providing the infrastructure needed to stimulate economic growth and employment. The following terms of reference should be read in the context of these comments”.

The Terms of Reference:

“The House of Representatives Standing Committee on Primary Industries and Regional Services will inquire into and report on the role of infrastructure in assisting the economically sustainable development of Australia’s regional areas. The committee will, among other matters, consider and make recommendations about:

- *Deficiencies in infrastructure which currently impede development in Australia’s regional areas;*
- *Factors that would enhance development in these areas, including the provision of infrastructure such as energy, transport, telecommunications, water supplies, and facilities that deliver educational, health and financial services;*
- *The potential for development in regional areas;*
- *The extent to which infrastructure development would generate employment in regional Australia;*
- *The role of different levels of government and the private sector in providing infrastructure in regional areas;*
- *Planning, coordination and cooperation in the provision of infrastructure in regional areas; and*
- *The benefit to the national economy of developing regional infrastructure”.*

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Supporting documents attached:

- NSW Department of State and Regional Development Regional Map
- Rebuilding Country New South Wales
- Action for Transport 2010, An Integrated Transport Plan for New South Wales.
- Infrastructure (Private Finance) Guidelines

Introduction

The New South Wales Government welcomes the opportunity to provide a submission to the Commonwealth House of Representatives Standing Committee on Primary Industries and Regional Services Inquiry into the Role of Infrastructure in Assisting Economically Sustainable Development in Regional Australia.

The New South Wales Government is aware of the importance of modern and relevant infrastructure in generating employment and assisting economically sustainable development in regional New South Wales.

Because of finite resources it is increasingly necessary to identify infrastructure needs, not only in terms of the priorities but also in terms of converging immediate, medium and long-term needs. Demand aggregation, in the use of infrastructure, is also an important strategic consideration in assessing infrastructure needs. These issues need to be taken into consideration to ensure that limited resources are strategically placed into our regions so that they are better able to cope with change.

Improvements to roads and vehicles, rail and telecommunications, have contributed to population declines of many country towns in New South Wales and has at the same time stimulated and assisted to the emergence of regional centres. It can be anticipated that improvements to telecommunications infrastructure enabling electronic trade and on-line services may contribute to further small township declines and consolidation of key regional centres. In addition, metropolitan centres, via Internet, will be better placed to provide services to small towns and regional centres.

NSW regions may find that they have a greater dependence on Sydney than they did before the middle 1970s. The emergence of Sydney as a 'global city' has added additional pressures to our regions. Sydney is the national centre of skills for the knowledge industry, attracts the largest proportion of regional headquarters of international corporations, attracts the greater share of business migrants and is the key trading centre in Australia for shares, bonds and futures. In addition, the emerging global city is attractive to tourists because of a concentration of leisure activities and entertainment.

Some New South Wales regions are at economic risk because of population decline, having a predominance of industries that are internationally exposed and large fluctuations in demand, and are especially vulnerable as the sustaining of competitiveness is becoming rapidly dependent on new technology skills.

In addition to emerging key regional centres, New South Wales country regions are embarking on a range of strategies to improve their sustainability. Agricultural diversification is emerging as a strong trend placing new demands on infrastructure as more products are destined for national and international markets.

Country regions that have access to irrigated water are emerging as growing and strengthening economies and have lower unemployment rates compared to the 'dry-land' regions. The Murray and Riverina regions, for example, have unemployment rates of below 3%. Apart from access to irrigated water these two regions have

adopted an aggressive approach to the attraction of investment and the adding of value to local agricultural and horticultural products.

The New South Wales Department of State and Regional Development defines the State as thirteen distinct regions (map attached). Three of these regions are essentially metropolitan (Greater Western Sydney, Hunter and the Illawarra).

The Mid North Coast and Central Coast regions are experiencing growth pressures and typical infrastructure shortfalls. The New South Wales dry land regions are increasingly concerned about access to water, water storage and water quality. Western New South Wales is heavily dependent on the Darling River and there is growing concern about the environmental well being of the Darling and its capacity to meet both current and future demands.

Environmental rehabilitation and sustainability are emerging as significant issues within country regions. Sustaining water supply, drought proofing, treating salt laden soils are issues that are placing demands on government services and infrastructure whilst also providing employment opportunities to regions.

The need for land-use planning is featuring strongly in some NSW regions. As regions seek to diversify their economies, pressure is placed on government to facilitate these changes in demand.

The New South Wales Government contends that this Inquiry, presents the Commonwealth with a challenge to address its responsibilities in improving the sustainability of regional NSW, and will work in collaboration with NSW to systematically address their needs.

This submission addresses the key elements of the Inquiry's Terms of Reference from a New South Wales Government perspective, focusing on regional infrastructure demand (short, medium and long-term) and links to economic diversification, economic sustainability and development, and employment generation.

The issues of a role for government in regional development and the planning and coordination of infrastructure for regions, are discussed within the context of the New South Wales Government's efforts to rebuild country New South Wales and to enable its regions to change and develop.

The New South Wales Government's Regional Development Strategy

The New South Wales Government, principally through the Department of State and Regional Development (DSRD), works with businesses, communities, industries and regions across New South Wales to enhance sustainable economic development and employment growth.

The creation of good quality jobs in regional New South Wales is the ultimate objective of regional policies and programs.

The Government's approach to rebuilding country New South Wales is to:

- Boost economic growth in regional centres;
- Help rural towns, especially small towns, cope with major structural change;
- Reverse the negative perception of regional centres as an investment and lifestyle option; and
- Deliver a structured approach that will clearly define the Government's role and objectives.

The New South Wales Government has introduced micro-economic reforms to create an improved environment for business and employment creation across the regions of New South Wales. The Government also delivers a number of regional assistance programs, including new programs recently introduced in its *Rebuilding Country New South Wales* Strategy (attached).

The Government has created a Ministry for Regional Development and Rural Affairs to sharpen the focus within Government on the issues that impact on country New South Wales.

The Government has established the Office of Regional Communities and the Regional Communities Consultative Council to advise the government on a wide range of issues affecting rural and regional communities. In addition to consultation mechanisms, the Government has established eight Regional Coordinator positions across the State to ensure an integrated whole-of-government approach to the delivery of services. A Taskforce comprised of representatives from the Country Summit, the Local Government Association and the Country Mayors has been established to advise the Government on private sector proposals in regional NSW.

The Small Business Development Corporation, established to advise the Government on small business matters, is conducting meetings in regional NSW with small business and has established two sub-committees (Export and Information Technology) that consult with small businesses in regional areas of NSW.

The Government has introduced the Regional Economic Transition Scheme, with funding of \$5 million per year over the remainder of 1998/99 and a further two financial years, to help regions that have suffered the effects of sharp economic downturns.

The Country Centres Growth Strategy piloted in the Western Riverina is to be extended to other regions in NSW. The Strategy recognises that each regional area is different and offers a tailor-made approach rather than the catch-all regional development approach favoured by other governments.

The Government has also introduced measures to encourage regional investment and employment and to help resolve particular regional economic difficulties.

The New South Wales Government has also made submission to the Ralph Committee's 'Review of Business Taxation', where it pointed out the need to improve regional business opportunities through a restructured tax system, and especially on the need to amend section 51AD and Division 16D of the Income Tax Assessment Act 1936 which seriously affect the NSW Government's ability to negotiate contracts with the private sector for the provision of public infrastructure.

The New South Wales Government's regional development strategy recognises the universality of structural change and seeks to improve the sustainability of country regions by developing a role for government in assisting regions to cope with change.

In recognising that adequate infrastructure is essential for rural economic growth as well as ensuring equitable access to services, the New South Wales Government has given priority to the infrastructure requirements of rural communities. Cost and other access disadvantages often experienced by communities, business and service sectors will impede their development and must be addressed through the provision of infrastructure which is appropriate and relevant to their needs.

The New South Wales Government's work in regional areas through strategic projects targeted to individual communities undertaken through the Regional Coordination Program is an important focus of the Government's commitment to this issue.

The initiatives reflect the Government's 'whole of community' view of the needs of rural communities which incorporates an integrated response to economic, social and environmental issues. Strategies for infrastructure development in regional areas reflect this approach, recognising the need for all levels of government to work together with communities to overcome any under utilisation of existing infrastructure, and build new infrastructure, to meet the priority needs of people in regional NSW.

Infrastructure provision must be linked to the identified needs of each community to ensure the achievement of integrated, flexible and accessible services and physical facilities that are responsive and appropriate to the needs of individual communities.

National Leadership

Whilst the New South Wales Government applauds this timely Inquiry and encourages further positive and active involvement in developing our regions, the Commonwealth Government deserves criticism for its past neglect of rural and country New South Wales.

Commonwealth Capital Grants to New South Wales have been declining for more than a decade. In 1995/96 the Commonwealth Capital Grants to NSW was \$919 million and in 1998/99 it is \$788 million.

Road grants under the Australian Land Transport Development Program will decline by 2.3 per cent from \$330 million in 1997/98 to \$323 million in 1998/99.

The Commonwealth's policies on infrastructure development in regional Australia require immediate review along with the introduction of new incentives and strategies.

The Commonwealth's policy on regional infrastructure development should, among other things, take into consideration the regional development strategies and policies of the New South Wales Government.

The New South Wales Government is committed to assisting its regions to attract international investment and to improve the sustainability of its regional economies. The strategy of the 'Supermarket to Asia' for example, requires access to water for our dry land regions along with improved coordination of transport and water policies. Access to modern information technology and telecommunications infrastructure is critical in the pursuit of new and international customers and is the foundation for an efficient system of e-commerce.

The New South Wales Government emphasises the importance of the Commonwealth's role in ensuring that Australia remains attractive to international investors and continues to develop its overseas markets. Within this context of responsible fiscal management, the New South Wales Government encourages the Commonwealth to acknowledge its responsibilities in the planning and development of our regional infrastructure and provide a suitable level of funding to enable this to take place.

The Terms of Reference:

1. Deficiencies in infrastructure which currently impede development in Australia's regional areas;

Key points:

- *Definition of Infrastructure.*
- *Information technology and telecommunications infrastructure is an immediate need for all of the regions of NSW. Pricing policy is an important issue.*
- *Dry land regions have an equally pressing need for water supply and storage to enable them to diversify their economic base.*
- *Health and education services are an important aspect of the attractiveness and sustainability of regions.*
- *Roads have assumed greater importance as more and more services are accessed in the key regional centres.*

Regional communities are concerned that the Committee takes a wide view of the term 'infrastructure' to include:

- Physical infrastructure such as road and rail links and other transport-related infrastructure;
- Telecommunications and other information technology infrastructure;
- Service provision infrastructure, as well as physical facilities, for the delivery of services in the areas of education, health and emergency support services; and
- Social infrastructure necessary to build successful and cohesive communities.

The New South Wales Government notes that the focus of the Committee on Primary Industries and Regional Services is on identifying impediments to regional development and the factors that contribute to sustainable economic growth.

Sustainable economic growth, it is assumed, includes consideration of economic, ecological and social issues. Assessing infrastructure against the potential for development at the regional level (taking into consideration employment generation, strategic development, ecological and social issues) requires knowledge of the links between infrastructure development and outcomes such as business productivity, attractiveness of the region, and employment generation, social benefits and impact on the ecology.

Converging needs/uses for infrastructure is also an important aspect in the assessment of infrastructure needs and benefits. The provision of gas to a business, for example, may have spin-offs for local residents if they were able to tap into the gas line. Power distribution infrastructure, another example, is currently being considered for telecommunication use in addition to power supply.

Traditionally, Australia has embarked on major projects that have enhanced economic activity and generated greater opportunities. The Snowy Mountains Scheme, the Ord River Scheme, National Highways Program, National Rail Program and, more

recently, the Very Fast Train feasibility studies, continue to provide development opportunities for regional New South Wales.

Currently, Australia finds itself with very few, if any, major infrastructure projects beyond the development of the Olympic Games infrastructure and the ongoing consideration about a second Sydney Airport or the expansion of capacity at Mascot.

Immediate infrastructure requirements in New South Wales include:

Information Technology and Telecommunications (IT&T)

Accelerating information and communication technologies are generating a more immediate demand for information technology and telecommunications infrastructure by all regions in New South Wales.

The lack of adequate, reliable and appropriate telecommunications and IT infrastructure at reasonable cost in many areas of NSW impedes the attraction of investment, as well as service, business and employment infrastructure to regional areas.

Appropriate and cost effective information infrastructure in regional communities is now mandatory to meet access and equity standards in government service provision, including education and training options. Further, unless communities on a regional or sub-regional basis can develop business and service directories on the Internet and conduct e-commerce, local employment will continue to decline with goods being ordered from metropolitan or overseas suppliers instead of locally. The multiplier effect of this decline can be devastating for many regional communities.

The NSW Government's Rural Social Justice Statement *Working Together for Stronger Rural Communities* places a high priority on enhancing regional access to online services and telecommunication options for regional communities, specifically with its *connect,nsw*, *Service NSW* and *Country On-line* initiatives.

Regional Development Boards in NSW, the Regional Communities Consultative Council and the Small Business Development Corporation have all identified IT&T infrastructure as a critical and immediate infrastructure need. Projects currently being developed through the Commonwealth's 'Networking The Nation Program' (Regional Technology Infrastructure Funds) also indicate a strong demand by regions for on-line services and a desire to access the same level of services and information as their city counterparts.

The inland regions of NSW, in particular the Far Western, Central Western, Orana and New England want IT&T infrastructure and services of a standard that is comparable to Sydney. Regional communities regard equality of services and infrastructure as critical to their future. Equal access and costs to IT&T infrastructure (including mobile phone access) is a major issue for the regional Australia.

The main elements of the necessary infrastructure are:

- Adequate, reliable and economically viable mobile phone coverage throughout NSW;

- The removal of any policies in relation to the size of local call zones which result in a cost disadvantage to people living in regional areas;
- The provision of sufficient cabling and other physical infrastructure to regional areas and the use of spare capacity of existing cabling. This will ensure that Internet connections throughout NSW are reliable and of a bandwidth adequate to allow sufficiently fast information transfer that is cost effective, so local businesses relying on e-commerce remain competitive and efficient;
- Advances in IT and telecommunications technology should be used to enhance the choice of service delivery methods to regional areas, not as a reason to withdraw face-to-face service delivery modes. Service delivery must take into account customer service obligations to special needs groups and people who are not familiar with the technology;
- Encouragement by government of better local and regional coordination of IT and telecommunications infrastructure, and consideration of ways to facilitate increased locally based ownership, control and maintenance responsibility for communications links within regional areas; and
- Governments should assist regional areas to establish local Intranets and other mechanisms to promote local services and products. An example is the provision of seed or more substantial funding for individual projects, improving general awareness of the opportunities that modern IT and telecommunications can provide communities in regional areas, and improving access to under-utilised IT infrastructure.

The importance of information infrastructure to communities requires that it be provided on the same terms as other utilities such as electricity and water, and managed as an essential service where providers must meet accepted access and equity standards. Existing access deficiencies and cost disadvantages experienced by regional NSW need to be addressed by requiring providers to supply sufficient cabling and other physical infrastructure to regional communities, and ensuring the use of spare capacity of existing infrastructure. Government service providers must also achieve better local and regional coordination of IT and telecommunications infrastructure and assist regional areas to establish local Intranets and other mechanisms to promote local services and products.

On-line Health and Education Services

Inadequate health and education services are impeding regional development. The attractiveness of communities to recruit and retain health professionals, their partners and family – including schooling, employment for family members, social and recreation facilities may be enhanced via the provision of modern IT&T infrastructure. Alternatively, modern IT&T could enhance health and education services if health professionals can at least be retained.

Rural health services have long suffered from under investment in IT&T infrastructure. While Health overall spends about 1.7% of its budget on IT&T, the proportion spent in rural areas is well below 1%. This creates special difficulties as

rural areas have an even greater need for basic information technology infrastructure, especially telecommunications, and for IT&T skilled support staff.

The NSW Health Department has a number of initiatives such as telehealth projects, Clinical Information Access Project, Telecommunications Upgrades, Community Health Information Development, and the Health Information Exchange project. These projects all are based on emerging technologies and are designed to improve health services in regional New South Wales.

The objectives of the New South Wales Departments of Health and Education are consistent with NSW regional development policy. Better health and education services may, among other things, serve to attract people to our regions and thus assist to sustain the region.

Active assistance from the Commonwealth in the form of policy and regulatory changes in telecommunications pricing and infrastructure will enable regional economies to fully realise the benefits of infrastructure investment made by the State. Governments of countries such as the United States, United Kingdom and Singapore are putting telecommunications pricing regimes in place, which support their education and training sectors.

Government Services to Small Towns

There is a growing concern about the demise of government services to small towns. This matter was raised at the NSW Regional Communities Consultative Council's Grafton Forum held in August 1998. It was proposed in that forum that government should give consideration to the development of benchmarks defining acceptable minimum standards for access to government services in regional areas based on population.

Regional communities are of the view that the adoption of benchmarks will assist government service providers to plan and implement an economically viable network of service provision infrastructure across the State in areas such as health, education and community services.

Water Access, Supply and Storage

Water access is a major issue, especially in dry land areas. Water quality and access to water have been identified as an immediate and pressing demand in our dry land regions.

State Water is the bulk water operating arm of the New South Wales Department of Land and Water Conservation, supplying water to all its customers in NSW and maintaining the related assets and infrastructure. It owns and operates 17 major dams in NSW as well as over 200 other structures such as regulators and weirs. These dams have a total capacity of 12,407 Gegalitres (GL). Each year about 5,000GL of regulated water is supplied to customers. An additional 15,000GL of unregulated water and groundwater is utilised by the State.

A Total Asset Management Plan (TAMP) is currently under development to manage the State's water supply and storage assets effectively, which will be in draft form by

December 1999. The TAMP will identify the investment needed for refurbishment and remediation to provide the functions at the desired levels of service.

State Water's Area Business Plans identify the requirements to overcome operational deficiencies. Improved technology and management is gradually being introduced to respond to customer and stakeholder needs.

A related issue is the projected impact of dryland salinity on water quality in inland rivers. This could reduce the current level of infrastructure development unless catchment management initiatives are undertaken. Most of the dryland salinity programs are labour intensive projects, providing employment opportunities.

Water supply systems and their dependent industries are linked with other infrastructure such as transport, communications and financial systems. Sustainable development depends on an integrated approach by the providers of these services.

There is usually a long lead-time required to develop major water supply or sewerage projects. Invariably water storage and effluent discharge proposals generate public controversy. It can take up to 10 years to reach an agreed solution with community and interest groups.

While the health of inland rivers is a major concern for water resources management, a number of initiatives are in place to ensure appropriate economic development is not unduly affected by the availability of water. These initiatives are designed to extract efficiencies from the existing infrastructure and to ensure water is moved to uses of the highest economic and social value. These initiatives include the expansion of water markets via temporary and permanent transfers of water entitlements.

Community Centres

In many small towns and regional centres, regional communities are demanding improved facilities for the provision of a greater range of activities for youth and the aged. In some cases it has been suggested that sporting and cultural facilities combine. Low cost access to the Internet and on-line services is also seen as an important issue for youth and the aged and is often linked to the demand for improved community centres.

Transport and Highways

Roads have been identified as the most common infrastructure issue in NSW. Better roads enable trouble free access to key regional centres. Local Councils/ Shires, in particular, placed rural and local roads as a high priority.

Medium to long term infrastructure needs in New South Wales include:

Great Western Highway

Improving the Great Western Highway between Sydney and Orange to provide a more efficient transport access between the Central West Region and the East Coast of NSW. The Blue Mountains crossing has been identified as an impediment to developments in Western NSW. Other developments such as the Parkes inter-modal transport facility would benefit from improved access to Sydney, which would enable the region to attract interstate activity. The exact nature of the solutions will depend

on careful economic appraisal of a number of alternative ways of rectifying these identified needs.

Intercity road and rail links

Road and rail links between key regional centres and the major NSW cities have been identified as requiring improvement. The main concern is with the North-South routes.

Land transport connections

Land transport connections to market, especially to ports has been identified as an important issue for NSW regions.

Land transport efficiency can have important consequences for rural development, for instance in the location of industry in rural areas. There are questions about whether land transport is currently at optimal efficiency. A sub-optimal land transport system will produce sub-optimal outcomes for the nation.

The New South Wales Government recognises that road and rail development is critical to the future growth of rural NSW, and is actively working to upgrade and improve major road links, seal roads and replace bridges, build better freight routes and support tourism. Achievements to date include:

- Strategies to ensure the reduction in real terms of transport and utility costs, for example, electricity prices, rail freight charges and NSW Ports Corporation charges to help address cost disadvantages experienced by rural and regional communities.
- Implementation of the NSW Government's Integrated Transport Plan for *NSW Action for Transport 2010*, including a \$1 billion Rebuilding Country Roads Program to improve key regional routes, a \$1.6 billion contribution to improve the Pacific Highway over 10 years, and a \$1.1 billion investment in rural regional roads in 1998/99; and
- \$2 billion funding for rail maintenance in rural NSW by 2010, including investigation of the feasibility of reopening disused rail lines in country NSW, with a commitment to reopen lines between Kandos and Gulgong, and Blayney and Cowra, by 2001.

The road transport industry is currently operating at close to world's best practice and moving record amounts of freight. In Australia, rail has not proved as effective in terms of transport task. This may be related to infrastructure cost recovery arrangements but an important factor is the low quality of the infrastructure. Currently, this is substandard over much of the interstate network and impedes efficiency. The Productivity Commission's "Draft Report on Progress in Rail Reform" has also identified reforms required to promote competitive neutrality in road and rail, for consideration by the Commonwealth .

Very Fast Train

The Very Fast Train link between Sydney and Melbourne, was identified by the Commonwealth Government as an important infrastructure initiative for the Southern and South Eastern regions of NSW.

Ports

Ports are but one element of a complex transport chain responsible for Australia's transport and distribution task.

Over the past decade there has been considerable effort reforming and raising the efficiency of transport infrastructure in Australia. However, while considerable and measurable progress has been made, the inherently high cost of infrastructure, ownership issues and complex jurisdictional arrangements still characterise this sector and impact upon investment decisions.

From a port management perspective land transport issues are now seen as being as critical to the efficient function of a port as the operations within the port itself. As far as the movement of cargo is concerned the relationship between ports and land transport modes is best described as mutually dependent. In recent years the port managers and planners have begun to focus on ports as one link in an overall transport chain. The policy aim is to ensure seamless and efficient cargo movement along the transport chain, integrating the use of port facilities within the operation of a cohesive transport plan.

Against a lull in major infrastructure projects there is a sense of urgency within Regional NSW about the standard and relevance of the existing infrastructure stock. Information technology and telecommunications infrastructure (optical fibre technology), along with access to water in the dry land regions are the major and immediate deficiencies facing regional NSW.

2. **Factors that would enhance development in these areas, including the provision of infrastructure such as energy, transport, telecommunications, water supplies, and facilities that deliver educational, health and financial services.**

Key Points:

- *A clear role for the Commonwealth Government in regional infrastructure development.*
- *A partnership between the NSW Government and the Commonwealth.*
- *Consultation with Regional Stakeholders.*
 - Regional Development Boards.*
 - Regional Communities Consultative Council.*
 - Taskforce for advising the State Government on private sector projects.*
 - NSW Small Business Development Corporation.*

The Commonwealth should build a role for itself and provide a clear and positive direction for the development of regional infrastructure. This role should be linked with the aims and strategies of the NSW Government and should be in partnership with the State Government. The Commonwealth's role should incorporate national funding, a national strategy for infrastructure development, and a role in national coordination and implementation.

Notwithstanding the above, enhancing development in country regions involves more than the provision of infrastructure. Promoting a region, strategies to attract investment, marketing regional products and services, the level of local institutional sophistication, availability of relevant services and lifestyle considerations are important factors for regional development.

Consultations in regional and rural areas have demonstrated that communities have a deep appreciation of the critical relationships and interdependence between different forms of infrastructure. Healthy and successful communities generally have a range of infrastructure which is adequate for, and relevant to the needs of that locality and the region that it serves, with well established feedback loops between the different forms of infrastructure development and business and economic stimuli.

Regional development strategies are also an important part of the development process. In NSW, Regional Development Boards are appointed by the Government and play an important role in advising the Government about the needs and strategies of its regions.

The Boards prepare business plans each year for funding by the State Government. There is, therefore, greater pressure on the Regional Development Boards to deliver sophisticated business plans and research supporting their strategies in liaison with their regional communities.

The Commonwealth could work in partnership with the State as it seeks to provide greater support for the Regional Development Boards. Such support could assist in the assessment of the demand for social, economic and ecological infrastructure.

Additional assistance to the State's regions would enable research, marketing and promotion of regions with a particular focus on competitive business advantages of regions, including linkage industries, buyer-supplier linkages, raw materials and business support and transport services.

Such research and information would be vital in promoting sustainable economic development and identifying critical infrastructure needs at the local level required to retain existing, and support emerging industries.

This type of support must link into regional economic development strategies developed by NSW Regional Development Boards and assessed by the New South Wales Department of State and Regional Development. These strategies form the basis for a range of regional and economic development initiatives undertaken by the Board and by other organisations in the regions.

Demographic and population trend analysis, analysis of local wealth generation and understanding of emerging opportunities are considered by New South Wales Regional Development Boards when they develop their regional strategies each year for submission to the New South Wales Government.

Business migrants and migrants tend to settle in Sydney and not our regions. The migrant welfare and assistance services and infrastructure that can be found in the Local Government Area of Fairfield that assists Vietnamese and Cambodian migrants cannot be found in any of our country regions. The Commonwealth should play a proactive role in assisting NSW to attract new migrants to our regions.

The New South Wales Small Business Development Corporation (SBDC) is conducting forums throughout regional NSW to, among other things, identify the concerns of small business. The concerns of regional small businesses are brought to the notice of the Government by the SBDC.

Whilst small business in regional NSW share the concerns raised in this submission, they have identified additional concerns about the standard of mobile phone services and telecommunication infrastructure. E-commerce is the way of doing business in the future and the existing regional technology is deficient in this regard.

Small business in regional NSW shares a common concern about declining business opportunities due to infrastructure deficiencies and the lack of major new infrastructure project proposals for the regions.

The identification and implementation of infrastructure and how the States and the Commonwealth mechanisms are brought together, are also critical factors to the enhancement of development in our regions.

Infrastructure provision and funding could be enhanced, infrastructure development could be more strategic and regions could gain greater benefits if the Commonwealth worked with the State Government on the major infrastructure needs.

Information Technology and Telecommunications infrastructure

Pricing policy for access to telecommunications infrastructure within NSW regions is critical to a satisfactory level of equity to be reached. NSW regions are concerned that the current charges for use of on-line services and communications is prohibitive and places them at a competitive disadvantage. These concerns have been highlighted by the NSW Departments of Health and Education as they seek to provide on-line services to regional NSW.

Information Technology and Telecommunications infrastructure has been identified as the main and immediate infrastructure need across the State. There is an opportunity to bring regional Australia into the 21st Century, and at the same time provide Australia with a new and major infrastructure project.

Assessment of the economic and social benefits of leading information technology and telecommunication infrastructure should involve stakeholders as these strategic considerations could enhance a major infrastructure program for the 21st Century.

A total government program is required to address IT&T infrastructure demands.

Water Supply

Across New South Wales, irrigated agriculture has a gross annual production value of \$2.1 billion. Downstream value adding, through food processing and manufacturing, results in a further \$7 to \$10 billion.

The last major enhancement to the inland water supply infrastructure was the enlargement of Pindari Dam on the Severn River in 1990. No new major water storages are currently under consideration in New South Wales.

New agricultural diversification along with the 'Supermarket to Asia' stimulus require not only better quality water but more water. New products such as irrigated grapes, herbs, olives and inland aquaculture are already addressing a rapidly growing market demand but are being constrained by inadequate supplies of water. The Commonwealth needs to address this inadequacy in a systematic and strategic way.

The NSW Government recognises that river water systems in NSW are suffering a number of environmental problems, which in many cases are affecting regional economic development. These problems include algal blooms, rising salinity, carp infestations, and declining numbers of native fish stocks.

It is critical that the water quality of inland rivers is improved to ensure that useful and productive attributes of water resources are not exhausted. There is also a pressing need to ensure that the viability of farming is not further eroded and that profitable, expanding and new enterprises are not permanently locked into existing resource constraints.

The NSW Government is currently considering the development of River/ Water Management Plans to ensure that future planning will take into consideration the need to support existing and emerging agricultural industries and the application of new and future farming methodologies or commercial activity.

Following are the key factors associated with water supply infrastructure, which would enhance regional development:

- Development of key criteria for allocation of water based on efficient use of resources, for example, value generated per Megalitre (ML) used and ML used per hectare.
- Research and Marketing studies for new development.
- Reduction of water supply system losses and water conservation through technology.
- Improved operations for quick response to water users through telecommunication technology.
- Multi-objective structures to deliver water for a range of users. There is a need to recognise public and private benefits and invest accordingly. Wetlands on private property can be managed jointly by government and landholder to result in a healthy wetland as well as a development opportunity.
- Improving the conveyance capacity of systems, through works programs, but in an environmental sensitive manner.

Secure high quality reticulated water supply and adequate facilities to manage residential sewerage and industrial and commercial trade waste enhance regional development potential, particularly if the annual charges and upfront developer charges can be kept at a reasonable level when compared to capital city charges.

It is important that infrastructure proposals for those services should be provided in a sustainable fashion and respects the environmental and scenic values of the region, which might form the basis for its initial attractiveness.

Provision of significant urban water services infrastructure ahead of committed development must be approached cautiously because of the financial and environmental impacts that affect the existing population.

Access to water is an issue on par with IT&T infrastructure needs. The dry land Regions of NSW regard access to water as an urgent need to ensure the sustainability of their regions.

A Commonwealth role in the funding of research and environmental repair work would enhance existing infrastructure and water availability.

Transport

While the State Government has been spending more on the NSW transport network, the Federal Government is spending less. In 1998/99 the Commonwealth will spend \$232 million on NSW National Highways – a cut of \$88 million compared to 1995/96.

Inadequate investment in rail infrastructure has produced problems (for instance speed restrictions because of poor track apply on a number of sections of the interstate network), resulting in calls for significant increases in funds and attendant commercial and regulatory reforms to improve existing networks and build new ones. These, and

other concerns were noted by the Productivity Commission Draft Report “Progress in Rail Reform – Overview”, March 1999.

The issue of inadequate rail infrastructure was also highlighted by the Bureau of Industry Economics (BIE) in its Report “Rail Freight 1995 – International Benchmarking”, Report 95/22, December 1995.

“The adequacy of rail infrastructure impacts substantially on the costs of operating and running trains, their reliability and transit times. These are key elements of rail freight services. The rail sector has long complained of insufficient investment in rail infrastructure, especially compared to roads. As a result, rail systems claim that the performance and competitiveness of rail freight is substantially impaired” (BIE 1995, page 80)”.

In all three major rail corridors from Sydney (to Adelaide, Brisbane and Melbourne), the Bureau of Transport and Communications Economics (BTCE), found major deficiencies that are impinging on the competitiveness of Australia’s interstate rail services (BIE 1995, page 87).

Based on its work covering each of the main transport modes, the BTCE concluded that the factors shaping future investment requirements for these modes differ.

For roads and airports, the main drivers of future investment needs seem to be capacity limits which, in the absence of investment, will produce rising costs and deteriorating levels of service quality. However, in the case of rail and ports, capacity is less of an issue. Investments in these areas are primarily justified on the basis of improving operating efficiencies, costs and service levels to users (BIE 1995, page 90).

The complex issues surrounding infrastructure provision, investment and the need to secure optimum transport outcomes has been behind the calls for the development of a National Transport Plan.

The Commonwealth Government’s House of Representatives Standing Committee on Transport Communications and Micro-economic Reform’s July 1998 report “Tracking Australia” has recommended that a National Land Transport Plan be developed by the Commonwealth by 1 July 1999. It was recommended that a National Land Transport Commission be established to implement the plan. The question of establishing the Commission is being examined by the Australian Transport Council, with a decision expected at its next meeting on 30 April 1999.

The argument for the National Transport Plan is that land transport infrastructure where it is being provided by the Commonwealth and State Governments needs to be coordinated and integrated, both among modes (road and rail) and across jurisdictions (Commonwealth and States). This should deliver a more efficient transport network with community wide and national economic development benefits.

The objectives of the National Transport Plan, amongst other things, would include an assessment of the present level of land transport infrastructure and the need for capacity improvements.

The development of a National Transport Plan would enable Governments to take a strategic approach to land transport infrastructure. A strategic approach will enable funding, investment and planning of infrastructure across the tiers of Government to be aimed at a common goal. This goal should be related to both community desired outcomes and industry efficiency.

A Plan would also enable Government to provide industry with certainty as to its approach to land transport. It will also allow the current deficiencies to be more readily identified and action taken to improve the infrastructure. A prerequisite to dealing with rural land transport deficiencies is establishing the extent of the problem in the context of total transport outcomes.

A National Transport Plan will allow these decisions to be made in a climate of stability and certainty. This will aid the decision making process by Governments. Once Governments have determined what they want from transport networks, existing deficiencies can be identified and acted upon.

In addition to a National Transport Plan the Commonwealth should review its current policy on capital grants to ensure that, at the very least, existing national transport stock is maintained and efficient.

Health and Education Services

The cost of on-line services to regions is prohibitive. NSW regions regard health and education services as critical to their attractiveness and development. The NSW Government has initiated programs to attract health professionals into our regions.

The NSW Department of Education and Training provides a substantial infrastructure to regional NSW through a geographically dispersed network. This extends to over 2,200 schools, eleven institutes of TAFE over 130 campuses and associated study centres of which over 100 are outside Sydney. In addition to this the Department provides an Open Training and Education Network which provides distance education. Adult education and the Adult Migrant English Service are also provided.

The Department has made a significant investment in technology to support teaching and learning in schools through the Government's *Computers in Schools Program*. The Program has provided the equivalent of 90,000 computers to schools in NSW and has enabled country schools to offer a rich variety of subjects through multi media capable computers. All government schools have been connected to the Internet since 1996.

The Commonwealth regulates all telecommunications pricing and upgrading of communication infrastructure. A major issue for the Department of Education and Training is funding the high cost of telecommunications in rural and remote areas. It has been necessary for the Department to subsidise the STD charges associated with Internet access for schools in remote and rural NSW. In 1998, this subsidy amounted to \$4.4 million. Further, subsidies are incurred by the TAFE and university systems, although the latter is Commonwealth funded.

Financial Services

Bank Services and Insurance services are centralising and may centralise further with improvements to on-line services and IT&T infrastructure. Whilst the number of bank closures in the NSW regions are not as high as in the metropolitan areas, the real concern is with the loss of employment and the multiplier effect of financial service skills being lost to the regions. Banking and insurance services continue to be provided to regions, however the services are now heavily dependent on telecommunications infrastructure.

The Commonwealth has established Regional Transaction Centres separately to State initiatives. A Commonwealth and State Government partnership could be extended to the provision of services to regional NSW. The Commonwealth Rural Transaction Centres, for instance, could have been blended in with the State's One-Stop Shops to maximise the use of infrastructure and minimise cost.

This is another example of the need for greater inter-government collaboration to improve services to regional communities.

In 1997 and 1998, the Commonwealth provided grants (\$50 million each year) under the Networking the Nation Program. However, in relation to IT&T infrastructure, it appears that no total government and coordinated government program exists. This can also be said for water access to dry land regions.

3. The potential for development in regional areas;

Key points:

- *Emergence of key regional centres.*
- *Attracting investment.*
- *Diversification of agriculture and horticulture.*
- *Niche marketing.*
- *Development and management of new opportunities.*
- *Linking infrastructure with business productivity and lifestyle considerations.*

The emergence of key Regional Centres has placed a new level of demand on infrastructure. The loss of many services from small towns and the need to travel to regional centres for shopping and services has placed, in particular, a greater dependence on roads infrastructure.

The growth of key regional centres in NSW has been, in part, at the expense of small country towns. Whilst this development may have some negative impacts on small country towns, it is important to examine regional centre developments for their potential to enhance our regions.

The Bureau of Industry Economics (BIE 1993, page 142) suggested that "...modern and efficient economic infrastructure enhances a location's attractiveness for Multi National Enterprise investment, both directly through its impact as a factor input, and indirectly, from its spill-over effects throughout the economy."

Regional centres have the capacity to attract new investment and promote rural services at the international level. These centres are also capable of attracting business migrants and migrants and can play a significant role in diversifying the regional economy. The attraction of overseas investment with a rural emphasis and the direct marketing of regions are new opportunities for regional NSW.

Development of niche markets and the diversification of the agricultural base to horticulture, aquaculture and value adding processing facilities are emerging as strong trends in the NSW regions.

Whilst access to water is an important aspect for sustaining regional diversification, there are also areas for potential development in the provision of water supply and storage infrastructure as follows:

- Review of issues and problems in rural areas and consideration of sustainable economic opportunities in addressing these problems.
- Technical or engineering solutions to address specific environmental issues with appropriate quantities of water. For example, regulating wetlands to produce a more natural cycle of wetting and drying; self-sustainable wetland works in the Murray Valley.
- Drainage minimisation and reuse systems, to provide additional water as well as reduce harmful impacts of drainage water.

In addition to the considerations in the supply and access to water, environmental restoration and the maintenance of the ecology along with waste management developments, also offer new opportunities for employment development at the regional level.

The opportunities for NSW regions, concerning infrastructure provision, lie in our approach to the identification, management and implementation of useful and properly assessed infrastructure. Greater innovation and improved demand management are concepts consistent with the NSW Government's regional development policy.

Ports, for example, play a special and significant role in the regional economies in which they operate, and in the process of regional economic development. The deep and extensive linkages that exist between a port and the industries in the region are often best explained through Input-Output analysis. This analysis also reveals the significant regional multiplier effects that are generated by port activity, including infrastructure developments at the port.

Given their critical position in logistics chains, port operations can directly and indirectly effect the competitive advantage of companies, regions, and nations involved in the process of trade. Accordingly, the provision of timely, cost effective, and appropriate port infrastructure including streamlined links to land and rail transport can enhance the competitive advantage of port users. Conversely, impediments that act to delay or negate the provision of port infrastructure can generate negative impacts on the competitive advantage of port users.

A further incentive for developing integrated infrastructure is the changing pattern of international shipping. Shipping companies wish to minimise the number of ports they must visit in any one country and concentrate those visits in the major centres of production and consumption.

The imperative is to maintain and enhance the attractiveness of New South Wales's regions. Government can assist with overcoming the negative perception of regions as investment and lifestyle options. It is critical to the future of our regions that Governments recognise the important strategic aspects of infrastructure planning and how this can add to the potential of regions.

4. The extent to which infrastructure development would generate employment in regional Australia;

Key points:

- *Strong link between infrastructure development, growth and employment.*
- *Assessing infrastructure proposals.*

Since the late 1980s there has been considerable discussion and research on the question of the link between public infrastructure on the one hand, and private sector productivity on the other. The overwhelming evidence is that government expenditure “can and does increase the productivity of the private sector if it is directed into investment in the core infrastructure of water services, transport and communications (Dowrick, 1995, page 96)”, and the investments are intrinsically worthwhile.

The evidence suggests, according to Dowrick (1995, page 96), that the decline in public investment in the 1980s probably contributed substantially to the slow-down in productivity growth...there is no evidence to suggest that the aggregate need for publicly provided infrastructure has declined”.

Dowrick (1995, pages 101 and 110) refers to the work of David Aschauer (1990) and Alicia Munnell (1992) suggesting that, for the United States, the publicly owned stock of capital in the core infrastructure of transport, communications and water services has had important spillover benefits onto private sector productivity.

The findings of the research, according to Dowrick, confirms that public investment in infrastructure raises private sector productivity and thereby stimulates private investment in the medium term. However “ Aggregate results cannot be used to guide actual investment spending. Only cost-benefit studies can determine which projects should be implemented” (Dowrick 1995, page 110).

Given the nature of global trade, its competitive pressures, and the pressures on government to withstand economic crisis through responsible fiscal management and the maintenance of a conducive business climate, it is critical that the funding of infrastructure development within Australia be placed within this wider context.

Infrastructure development can also sustain employment or retain employment. The Nebraska approach, concentrating on putting in place optical fibre technology, appears to have at least held jobs, schools and health services in place in many small towns by being able to access teachers, health professional and new markets via the Internet.

However, Nebraska has also seen the centralisation of financial services (banking and insurance) out of towns to cities. Insurance and banking services are also rapidly centralising in Australia.

Despite the centralisation of banking and insurance services, new technology may in fact empower people to change their living patterns. People “will be able to take their

family and their skill and settle somewhere based on quality of life, not on how close they'll be to the big city job market ...this is the main departure from the traditional form of social organisation in the US" (Allen 1994, The Wall Street Journal, November 21, 1994).

The advent of telecentres and callcentres in NSW may indeed be an indication of a new form of "social and economic organisation" referred to by Allen. Building modern technology infrastructure in regions, at the very least, will provide new investment opportunities.

The NSW water supply and storage infrastructure program will directly generate employment in the following areas: surveys, studies, design, construction and operation and maintenance. Substantial indirect employment will be created in the customer industries, primarily in irrigated agriculture and associated manufacture.

The significant direct impact on employment is in the construction of urban water services infrastructure (country NSW). Construction of such works generates from 4 to 6 local jobs per \$1 million construction expenditure.

Urban water services infrastructure costs are in the range of \$10,000 to \$15,000 per connection. Urban water services for a planned development for 10,000 new connections would cost in the range of \$100 million to \$150 million and if constructed over 5 years would generate 100 to 150 local jobs during that period.

The Department of Land and Water Conservation is able to provide an indication of the immediate impact of infrastructure development on employment. The Department is now in the process of addressing the wider impact of infrastructure from a water and waste management perspective. The development of a Total Asset Management Plan will provide government with a demand management approach for regional infrastructure development that may have application across all forms of infrastructure.

In addition to the above is the call for a National Transport Plan. As stated earlier, the Plan would enable Governments to measure impacts of land transport improvements and the benefits from investment into land transport infrastructure.

5. The role of different levels of government and the private sector in providing infrastructure in regional areas;

Key points:

- *The different levels of Government should work together with regional stakeholders.*
- *The Commonwealth should develop a role in regional infrastructure development in partnership with the State.*
- *The NSW Government will continue to implement its strategy for rebuilding country NSW.*
- *It is an imperative that government assists regions to overcome negative perceptions.*
- *The limitations to private sector investment into regional infrastructure should be examined with a view to encouraging investment.*

Coping with change at the regional level could be made easier for our regional communities if the three tiers of government could, with the private sector and the regions, work together on rebuilding regional NSW.

The New South Wales MainStreet Program, for example, has from time to time attracted a Commonwealth and State involvement in some of its projects. MainStreet projects developed in Cabonne, Coolah and Gloucester recently won Commonwealth funding under 'Networking the Nation' Program (Regional Technology Infrastructure Fund) for two telecentres and a 'technology heart'. The total amount of funds won from the Commonwealth was over \$600,000. In this case the MainStreet program has successfully combined a State and Commonwealth input.

The Commonwealth should provide more funds, leadership and co-ordination along with cooperation with the State in the planning and provision of infrastructure for its regions.

The Commonwealth's policies on infrastructure development in regional Australia require immediate review along with the introduction of new incentives and strategies. The following concerns require immediate attention:

- Commonwealth capital grants to NSW remain well below 1995/96 levels.
- The new Commonwealth Infrastructure Bond Scheme's cap is not at a high enough level to provide incentives for private sector investment into major infrastructure projects.
- Decisions for the provision of grants under the Federation Fund should be thoroughly assessed and have input from State Government.
- Repeal of section 51AD and Division 16D of the Income Tax Assessment Act 1936 which currently discourage the provision of financing of public infrastructure projects by the private sector.
- The Prime Minister's commitment to the establishment of a National Infrastructure Development Council has not been delivered.

- Pricing Policy needs to address the prohibitive costs of delivering educational and health services via Internet and telecommunication channels.
- Pricing Policy for regional businesses seeking to market their region and products via Internet and telecommunication channels, needs to ensure sustainability of the regional employment base and equitable access to services.

There are limitations for private sector investment into regional infrastructure, both in terms of financial incentives (due in part to the unintended impacts of the anti avoidance measures of the Income Tax system) and the capacity of the infrastructure to return profit. There is also an issue with the way in which potential investment projects are identified and prepared. Attraction of private sector investment into regional infrastructure projects is also rarely considered because there is insufficient coordination between the three tiers of government to this end.

Government needs to provide a greater degree of certainty so that private sector investment can be encouraged. The development of plans such as a National Transport Plan and the Total Asset Management Plan will provide a greater degree of certainty for the private sector.

Also, regions have difficulties with preparing and presenting investment proposals to potential investors. Experience in understanding investor requirements is not readily available at the regional level. In addition, regions could benefit from skills in marketing and promotion.

The NSW Government has established a Taskforce comprised of representatives from the Country Summit, the Local Government Association and the Country Mayors to advise the Government on private sector proposals in regional NSW.

The NSW Department of Public Works and Services (DPWS) role is that of a service provider to NSW Government Agencies and Authorities in the planning and implementation of regional infrastructure projects.

The structure of DPWS includes an established regional network that provides DPWS services in regional areas. Major offices are located in Lismore, Bathurst, Newcastle and Wollongong, along with fifteen sub-offices at strategic locations across the State.

There is also a regulatory role for government should private sector investment be attracted to regional infrastructure implementation. Government would also need to monitor the impact of infrastructure investment into regions to ensure a greater understanding of its relationship with business productivity.

The NSW Government welcomes the participation of the private sector in owning and financing infrastructure asset creation to the extent that this results in net benefits to the community beyond those from public provision. Most proposals for Build Own Operate Transfer (BOOT) projects are for investments in metropolitan infrastructure.

There is a need for a whole of government approach to regional planning. In addition, there is a need to recognise that there is a pressing need for a coordinated approach to the provision of infrastructure and services in regional NSW.

6. Planning, coordination and cooperation in the provision of infrastructure in regional areas;

Key points:

- *Consultation with State Government and NSW Regions.*
- *NSW Regional Infrastructure Management Plan.*
- *NSW Total Assessment Management Plan.*
- *The Commonwealth has to define a role in regional development within a framework of cooperation and recognition of the State's regional development strategies.*

Planning, coordination and cooperation in the identification, assessment, funding and implementation of infrastructure at the regional level is an essential element to ensuring that infrastructure development achieves positive outcomes, is strategically placed and non duplicative.

There is a strong move towards economic diversification in the regions of New South Wales and there is a growing demand coming from the regions for government to become more involved. These are not conflicting demands, our regions are enthusiastic about meeting the challenges ahead and they believe that Australian taxpayers want to support the revitalisation of regional Australia with infrastructure playing a key role in this.

At the regional level, there is increasing investment into activities that are adding value to new products such as wine grape processing, olive oil extraction, aquaculture, grocery rice, cotton, and even the cultivation of 'bush tucker'. In addition to this, many regions have research and development facilities geared to local agricultural and horticultural research and development.

The emergence of a highly competitive viticulture industry in Australia was not by chance. Viticulture skills were attracted to our regions at a time when Australians consumed very little wine. The combination of skill, quality, a changing culture, vast improvements to roads and water supply infrastructure combined to build a remarkable export and import replacement earner.

Whilst the relationship between infrastructure and viticulture development in Australia may not be clear, there is little doubt that the wine industry is making use of regional infrastructure. The benefit to the nation is derived through the diversification and innovation because of, among other things, the returns on the use of the infrastructure.

Rice growing in NSW has also made better use of infrastructure. Rice growers in the Southern NSW regions have deliberately planned around rail infrastructure and have designated areas for certain varieties of rice to reduce sorting and handling costs.

In the New South Wales Far Western Region, an innovative project utilising existing roads and a National Park is unfolding. The project is the establishment of an animal sanctuary in the living desert, and is designed to foster greater interest in our desert regions within the scientific community as well as providing a unique tourist facility.

Modern and efficient infrastructure will give rise to new industries and the expansion of existing businesses. Modern infrastructure in our regions will retain our innovative rural culture, facilitate diversification and make our regions attractive for investors and new settlers.

The New South Wales Government is pursuing strategies that will achieve better planning and coordination, and cooperation as it seeks to address the infrastructure demands of its regions.

New South Wales Regional Infrastructure Management Plan

The New South Wales Government is in the process of developing a Regional Infrastructure Management Plan in consultation with the regions. The Plan is being developed using the model of the Urban Infrastructure Management Plan, released by the Government in March, 1998. It will provide a framework for establishing priorities in infrastructure development in regional NSW.

The development of the NSW Regional Infrastructure Management Plan is designed to strengthen existing mechanisms and enable new initiatives to be assessed with a view to implementation.

The NSW Government recognises that its regions not only have better lifestyle options but also have significant potential for economic growth. A Regional Infrastructure Management Plan will enable regions to harness the combination of natural resources, lower input costs and an entrepreneurial spirit.

Total Asset Management Plan

The gross value of the dams and weirs assets attributed to State Water as at 30 June 1996 was estimated at \$2 billion, including the structures under the Murray Darling Basin Commission (MDBC) control. A Total Asset Management Plan (TAMP) is currently under development to manage these assets effectively, which will be in draft form by December 1999. The NSW Department of Land and Water Conservation is the agency responsible for the development of the Plan.

This Plan is based on a series of investigations ranging from safety and risk, to function and management. The TAMP will identify the investment needed for refurbishment and remediation to provide the functions at the desired levels of service.

Due to the interdependencies among services, in order to provide sustainable development opportunities in regional NSW, a five-year strategic regional development plan is essential. All the service providers would be required to cooperate in developing this strategic plan. Local initiatives in implementation of the plan would result in appropriate development.

The Department of Land and Water Conservation works with local councils to develop water supply and sewerage infrastructure plans which will overcome any backlog problems and provide a timely service to planned new development.

Currently, the State Government via State Water provides most of the rural water infrastructure. Most of the major irrigation schemes in inland NSW have been either corporatised or privatised. The community and government are discussing the role of the private sector. There are opportunities for improvement but the policy framework is still under development.

Local Councils own and operate urban water services in country NSW. The State Government provides financial and technical assistance to Councils in the provision of infrastructure through the Country Towns Water Supply and Sewerage Program (CTWSS). The Department of Land and Water Conservation (DLWC) administers the Program. The Department of Public Works and Services (DPWS) acts as project manager for most projects.

DPWS shares investigation and design work between its in-house consultants and private sector consultants. All construction work is carried out by the private sector.

DLWC is currently refining with the Local Government and Shires Associations (LGSA) an overall framework for the development of such plans. This involves:

- Local Councils in a catchment working together to agree to an overall and coordinated strategy for the provision of water supply, sewerage and drainage (WSD) services.
- Each local council developing a more detailed integrated WSD strategy for each of its urban centres.
- Each local council preparing Strategic Business Plans for its individual water service showing how it proposes to develop, manage and finance each service.

DLWC works with local councils in the development and delivery of infrastructure projects that have been proposed in broad terms in local council's Strategic Business Plans.

DLWC assists local councils in their dealings with the various government regulators and resource management agencies. It tries to integrate government requirements and resolves conflict. For major projects DLWC will convene an Interdepartmental Committee to facilitate this work.

Commonwealth, State, Local Government, education, research and private sector cooperation in providing rapid and high quality service and advice to developers is required. A commitment to a Planning Focus Meeting approach to jointly identify the process is essential.

Working Together to Build Strong Rural Communities

Economic sustainability in rural communities at a time of major change and restructuring requires a partnership between government and the community, and the NSW Government is actively working with rural communities to eliminate or minimise impediments to economic development. Many rural regions have successfully built new investment and employment opportunities based on their competitive strengths with targeted help, including infrastructure provision, from the Government.

The NSW Government is also working closely with rural communities and local councils to improve social cohesion and community safety. The design of smarter, more flexible services, which can reach remote and isolated rural people, and the use of new information technologies, will greatly enhance access to some services. The NSW Government's *Rural Access Strategy* to improve the delivery of 'over the counter' Government services and information will include access benchmarks for these services. Partnerships between government and communities help build social and community infrastructure vital to the development and resilience of regional and rural communities.

Community building projects are underway across NSW tackling social and economic issues facing communities such as Armidale, Lismore, Gilgandra, Bourke, Griffith, Tumut, Lithgow, Wilcannia, Moree, Dubbo, Kempsey and Goulburn.

One example of a successful community project has been the establishment of the Northern Inland Regional Alliance (NIRA). The project has brought together peak business, industry, cultural and community groups in the region to achieve a collaborative and integrated approach to planning, including in the provision of physical, service and social infrastructure for the region.

In particular, the holistic approach to dealing with the issues of concern for the Moree and Armidale communities has translated into a noticeable improvement in community attitudes and cohesion, and a better sense of ownership of and commitment to local decision making. This outcome emphasises that governments' identification and response to physical, service and social infrastructure needs of communities must deliver real and meaningful benefits in a way that is relevant to the targeted community.

7. The benefit to the national economy of developing regional infrastructure.

Key points:

- *Regional infrastructure provision and maintenance is critical to the sustainability of our regions.*
- *Innovation at the regional level has led to new strategies and opportunities.*
- *Greater, and more economical use of infrastructure.*
- *New industries and expansion of existing businesses.*
- *Employment creation and unemployment relief.*
- *Culture retention.*
- *Equity.*

The New South Wales Government wishes to emphasise to the Committee that there are many positive and innovative developments taking place within regional New South Wales that could be greatly enhanced by a more thoughtful approach to addressing regional infrastructure demands.

An initial benefit to our National economy from developing regional infrastructure will enable country businesses to maintain and enhance their presence in world markets, to develop niche markets, acquire new skills and new technologies and assist regional communities in coping with change.

There are growth pressures on Sydney and the NSW North and Central Coast regions at the same time much of our regional infrastructure has spare capacity. There are also emerging environmental problems in the pressured areas. An active and strategic infrastructure program could address some of these issues.

It is also important to examine the question in terms of what the Nation might lose by not developing regional infrastructure. Approximately 30% of the Australian population lives outside the cities (in New South Wales the percentage in country regions is even lower) and they produce around 50% of Australia's export income. Australian export earnings from agricultural produce alone amounted to \$22.1 billion in 1997/98 (Craik, 1999, page 46).

The Taskforce on Regional Development (1993, page 5) pointed out that efficient infrastructure was critical to our international competitiveness. The Report argued that it was time for a National Commitment to a strategic modernisation and development of Australia's infrastructure base.

There is a great deal of literature on how important modern infrastructure is to the sustaining of regional economies and communities. It has also been acknowledged that demand management measures should be used wherever possible to meet business infrastructure needs.

Kevin T. Duffy and Randall W Eberts (1989, page 20), for example, concluded that "decaying public capital appears to one factor that can retard regional economic development, as measured by per capita personal income". Their results show that "the positive effect of public capital on a region's economy comes from more than

simply a surge in construction activity. Public capital stock is shown to be an important input into the regional production process, which has long-run consequences for enhancing a region's productivity, and thus its competitive advantage. Therefore, well-maintained public infrastructure should be an important component of any policy package designed to promote regional economic development".

Other work in this area, such as that undertaken by Alicia H Munnell (1990, page 26) finds that public capital actually affects state-by-state levels of economic activity. She concludes that the empirical work on this subject "provided convincing evidence...that a state's investment in public capital had a significant positive impact on the state's private employment growth", in short "the evidence seems overwhelming that public capital has a positive impact on private sector output, investment and employment".

Helmut Seitz and Georg Licht (1995, page 237) suggested that public capital formation encourages private investment and the results indicate significant cost reducing effects. Seitz and Licht estimated that private production costs would be reduced by 0.2% with each 1% expansion in public capital investment of infrastructure. This conclusion has important implications for manufacturers located in regions and supports the recommendation of the Kelty Report for a National commitment to modernising regional infrastructure.

It is estimated by the NSW Department of Land and Water Conservation, for example, that the maintenance of regional NSW communities and a sustainable irrigation industry contribute an estimated \$10 billion per year to the national economy and would support a population of 2 million.

There is a growing body of literature supporting the view that investment in infrastructure has a positive impact. This submission has informed the Committee of some of this literature and has provided references.

The answer to these critical questions lies in greater cooperation between the three tiers of government and greater sensitivity to the plans and strategies of our regional players. It is this direction that the NSW Government seeks to impress on the Standing Committee for their consideration.

Conclusion

The New South Wales Government has sought to provide the Standing Committee with considerable information on its regional development strategies. These strategies provide a backdrop for the Commonwealth to determine a way forward in the critical areas of:

- Access to modern information technology and telecommunications infrastructure;
- Water supply to dry land regions, and
- Modern transport infrastructure.

This submission from the New South Wales Government has provided the Standing Committee with proposals for their consideration, emphasising the New South Wales Government's approach to the rebuilding of country NSW. Within this context the NSW Government demands a greater involvement from the Commonwealth.

The Commonwealth must take a more active role in the funding and development of regional infrastructure in collaboration with the State, and recognise the important impact modern public infrastructure has on sustaining and creating jobs in our regions.

The New South Wales Government has previously stated its concern that the Commonwealth works with the State and the rural and regional communities of New South Wales in a strategic and coordinated way so as to maximise the regional benefits. The Commonwealth's challenge is to address the concerns in this Submission without delay.

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