



Trade &  
Investment

# THE NSW GOVERNMENT RESPONSE TO THE NSW DECENTRALISATION TASKFORCE REPORT

AUGUST 2013



## FOREWORD

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The *Decade of Decentralisation* is the NSW Government's overarching policy to ensure that regional NSW plays an even greater role in the future of the State. We are changing the way government does business in NSW by developing new approaches to capitalise on the opportunities of our regional economies, environment and quality of life. This Government is committed to delivering greater regional opportunity through steady and strategic growth during the *Decade of Decentralisation*.

The NSW Government is committed to whole of State development and to improving economic and employment opportunities within the Sydney basin and beyond. The *Decade of Decentralisation* is our policy vision for regional economic development in NSW, and it aligns with the objectives of *NSW 2021: A Plan to Make NSW Number One*. *NSW 2021* was released in September 2011 and is the State's 10 year strategic plan outlining the Government's priority strategies, goals and actions.

Regional economic growth must be maintained to enable our regions to be more competitive and productive in a rapidly changing global environment. A strong and diversified economy will better position NSW to adapt to challenges and capitalise on opportunities.

In November 2012, after eighteen months in office, the NSW Government appointed the NSW Decentralisation Taskforce to undertake a review of the *Decade of Decentralisation* policy. After a productive consultation process with stakeholders representing the great diversity of interests across regional NSW, the Taskforce submitted its report and recommendations to Government in April 2013.

On behalf of the NSW Government, I would like to thank the Taskforce Members for providing frank and thoughtful input to the review of the *Decade of Decentralisation* policy initiative to date, and for taking a careful and considerate approach to the views of regional stakeholders, including business, industry and the broader regional community.

The NSW Government response provides an update on the current status of the *Decade of Decentralisation* initiatives, highlights changes to a range of associated regional policies and programs, and outlines the next steps in implementation.

I look forward to working with all regional Ministers, Parliamentary Secretaries and MPs to continue the implementation of measures that will advance the *Decade of Decentralisation*.

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## EXECUTIVE SUMMARY

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### Decade of Decentralisation

The *Decade of Decentralisation* is the NSW Government's commitment to delivering greater regional opportunity through sustainable economic growth and increased role in decision-making.

This report outlines the Government's response to the report of the NSW Decentralisation Taskforce which was established in November 2012 to review the progress of Government's decentralisation policy to date.

The contribution of regional NSW to the prosperity of the State is vital. Moreover, there is considerable potential for regional economies to grow, diversify and become even more productive. Recognition of this potential underpins the Government's *Decade of Decentralisation* agenda. Unlocking this potential is a joint challenge for Government, regional business and communities.

The NSW Government's 'whole of State' development approach is presented in *NSW 2021*, the strategic plan for NSW. *NSW 2021* commits the Government to working toward steady and strategic growth in regions through a focus on regional infrastructure and job creation. It also commits the Government to supporting balanced population growth across the State, invigorating regional economies and relieving congestion pressures within Sydney by increasing the population of regional NSW.

### NSW Decentralisation Taskforce

The NSW Decentralisation Taskforce was appointed by the Government in November 2012 to undertake a review of the *Decade of Decentralisation* policy and associated initiatives. The Taskforce comprised five regional Members of Parliament who undertook extensive consultation with stakeholders. (For the Taskforce Terms of Reference, see Appendix 1.)

In its review, the Taskforce found that the community, business and other stakeholders were broadly supportive of the overall objectives of the policy. The Taskforce endorsed the objectives of the *Decade of Decentralisation*, and made a number of recommendations designed to strengthen and provide better focus for the Government's commitment to decentralisation and regional development.

The Taskforce report made 19 recommendations. The NSW Government has considered the Taskforce's report, and this report provides a detailed response to its recommendations.

Through the consultation process, a number of matters were raised by stakeholders, which were beyond the scope of the Taskforce's Terms of Reference. These matters were referred to the relevant agencies for consideration and further action as appropriate.

The broad objectives of the *Decade of Decentralisation* policy are:

- supporting the development and sustainability of regional economies and communities;
- attracting population, skills and investment from metropolitan Sydney to regional NSW; and
- increasing the opportunities for communities in regional NSW to participate in Government decision-making.

## Decade of Decentralisation initiatives

This Government response is intended to enhance and build upon the agenda of the *Decade of Decentralisation*. Key components of the Government's decentralisation strategy include:

- actively pursuing strategies and policies to encourage decentralisation - steady and strategic growth in regions;
- ensuring the services people need to make regional living attractive and viable are available and of high quality;
- giving increased local decision-making and participation to regional communities;
- managing NSW's predicted population growth with a careful balance between green-fields, urban infill and regional housing growth;
- providing infrastructure to increase the productivity and build the capacity of regional economies to grow;
- identifying more public sector job opportunities for relocation to regional areas; and
- working with local government authorities, including regional councils and shires, to deliver the right priorities and the best value for local areas from the NSW roads budget.

### Infrastructure delivery

A key element of the *Decade of Decentralisation* policy is to deliver regional infrastructure which builds regional capacity and provides more opportunities for regional economies to link to international markets through enhanced transport networks. The Government is meeting its commitment to allocate 30 per cent of funding from the State's infrastructure fund, *Restart NSW*, to regional communities. This will deliver critical upgrades to key highways, bridges, water and sewerage works in regional towns as well as a range of social infrastructure projects. Allocations from the fund include:

- \$403 million for the Pacific Highway upgrade;
- \$170 million for the Princes Highway upgrade;
- \$135 million for the *Bridges for the Bush* initiative;
- \$100 million for infrastructure provision in the Illawarra region;
- \$56 million for the Country Towns Water Supply and Sewerage program;
- \$10 million for ongoing motorway planning for the F3 to M2 connection; and
- \$120 million for *Resources for Regions* funding approvals.

Additionally, the Government has also reserved:

- \$40 million for water supply and drought priority projects;
- \$28 million for the Bells Line of Road improvement program;
- \$7 million for regional projects under the Regional Development Australia Fund, and;
- \$400 million for the F3 to M2 connection.

Major reforms underway in the planning legislative framework and in strategic planning for the delivery of infrastructure will complement this funding commitment.

## Resources for Regions

The Government has committed up to \$160 million over four years to this program. The commitment to support the particular infrastructure needs of mining affected regional communities through the *Resources for Regions* program is being maintained. This year, eight regional communities have qualified for funding under the program, and the allocation for the year has been increased to \$120 million, a significant increase on the 2012-13 allocation of \$10 million for projects in two communities.

Projects supported by the program will be clearly identified as part of the *NSW NOW* initiative which promotes investment opportunities and economic development in NSW. The Government proposes to evaluate this program with a view to making it more responsive to the infrastructure needs of mining affected communities in the longer term.

## Relocation grants and incentives

A major initiative in this Government response is the redesign of the *Regional Relocation Grant* to make the program accessible to people who are long-term renters in metropolitan Sydney, Newcastle and Wollongong. The aim is to assist people to move to regional NSW and buy property, while also helping to ease the rental market in high density areas. Additionally, a new *Skilled Regional Relocation Incentive* of \$10,000 will be established to encourage people to move from Sydney, Newcastle and Wollongong, to work in regional NSW. Both grants will be subject to a new minimum relocation distance requirement of 100 kilometres to mitigate any potential misuse of the schemes in areas that border metropolitan and regional boundary lines.

Together these measures are designed to support population shifts from metropolitan Sydney to regional NSW. They will also help to build the regional skills base.

Targeted marketing will be carried out for these initiatives, and marketing collateral will be made available to regional centres, local governments and other co-ordinated campaigns by local communities to attract people to relocate to regional NSW.

## Jobs Action Plan

The commitment to support regional job generation will be enhanced through changes to the *Payroll Tax Rebate Scheme - Jobs Action Plan*. The scheme is designed to give businesses an incentive to increase their workforce by offering a rebate to those that employ additional staff for a period of two years. In the 2013-14 NSW Budget the scheme was extended to 30 June 2015 and the 100,000 jobs cap was removed. Additionally, the value of the rebate to businesses paying payroll tax was increased to \$5,000 per employee over two years. Online and telephone support is now provided by the Office of State Revenue to assist businesses with applications.

## Local decision-making

The *Decade of Decentralisation* is not only about supporting regional economic growth but also about ensuring that regional communities have an increased role in decision-making on government policy, services and projects. The commitment to decentralise Government is one of the goals under *NSW 2021*. It is being implemented across government as part of a wide-ranging reform agenda that includes implementing new models of service delivery, governance structures and funding mechanisms.

## Complementary strategies to support regional needs

Decentralisation not only provides a framework to facilitate local decision-making, but is also designed to support communities to deal with the challenges of predicted population growth and changing demographics in NSW. Current projections predict population growth in Sydney to be significantly higher than that of regional NSW over the next two decades. To this end, decentralisation measures are aimed at relieving congestion pressures in Sydney while invigorating regional economies by ensuring they have the necessary infrastructure and services to support growth.

The Government's decentralisation initiatives provide regional economies with the capacity to grow and pursue economic opportunities in both national and international markets. Measures also include incentives for people who wish to relocate from metropolitan areas to regional NSW.

### Government agency relocations

Relocating government agencies has the dual objectives of bringing government decision-making to local communities and stimulating growth and long-term job generation in regional NSW. The NSW Government already contributes significantly to regional employment. However, the Government believes there are further opportunities to relocate public sector jobs and government business units to regional NSW.

The Government has therefore set a target of 1,500 public sector jobs for relocation from metropolitan Sydney to regional NSW by 2021. Individual agencies are already working towards achieving this overall target and are in the process of developing relocation proposals for consideration by Government.

In summary, this response to the Decentralisation Taskforce reiterates the NSW Government's ongoing commitment to decentralisation. A number of significant reforms are being implemented which will support and build capacity in regional communities. Additionally, measures which are designed to enhance and refine decentralisation efforts are being announced in this response.

NSW has a clear forward agenda for the *Decade of Decentralisation*.

INITIATIVE	ACTIONS TO DATE	FORWARD AGENDA
NSW Decentralisation Taskforce	The Taskforce was established November 2012 to review Government decentralisation initiatives and make recommendations to further strengthen this policy. The Taskforce consulted with a range of stakeholders across regional NSW and submitted its report with 19 recommendations to Government in April 2013.	This <i>Government response to the NSW Decentralisation Taskforce Report</i> articulates the NSW Government's commitment to the <i>Decade of Decentralisation</i> .
<i>Restart NSW</i> and the <i>State Infrastructure Strategy</i> :	<p><i>Restart NSW</i> is the State's flagship infrastructure fund, of which 30% is reserved for regional areas. Funding is raised through the issuing of Waratah Bonds, asset sales, and one-off Budget allocations.</p> <p>To date, \$4.7 billion has been deposited in the fund to deliver on the priorities established in the 20 year <i>NSW State Infrastructure Strategy</i> adopted in 2012 including public transport, roads, local infrastructure in regional areas affected by mining.</p> <p>Of the \$3 billion committed from <i>Restart NSW</i> to date, 30% has been allocated to regional projects.</p>	Continue to deliver priority infrastructure to regional NSW in line with the <i>State Infrastructure Strategy</i> through a 30% allocation of <i>Restart NSW</i> funding.

NSW Roads	<p>The Government has delivered historic levels of roads funding to rural and regional roads, with \$3.7 billion allocated in 2011-12 and \$3.8 billion allocated in 2012-13.</p> <p>In the 2013-14 NSW Budget, major road infrastructure priorities supporting regional NSW being funded through <i>Restart NSW</i> include:</p> <ul style="list-style-type: none"> <li>• \$403 million for the Pacific Highway upgrade;</li> <li>• \$170 million for the Princes Highway upgrade;</li> <li>• \$28 million for the Bells Line of Road improvement; and</li> <li>• \$400 million for the F3 to M2 connection.</li> </ul>	Continued implementation of the road infrastructure program funded through <i>Restart NSW</i> .
<i>Bridges for the Bush</i>	<p>Bridges across NSW will be replaced and upgraded where mass limit restrictions are imposed preventing vehicles using the road network.</p> <p>The program is supported with \$135 million in 2013-14 from <i>Restart NSW</i>.</p>	Continued implementation of the <i>Bridges for the Bush</i> initiative.
<i>Resources for Regions</i>	<p>The Government committed up to \$160 million over four years to the <i>Resources for Regions</i> program funded from <i>Restart NSW</i>. The program supports the delivery of infrastructure in mining-affected communities.</p> <p>The Government has already allocated a total of \$130 million to the program, with \$120 million committed for this financial year (2013-14).</p>	Round two of 2013-14 funding under the <i>Resources for Regions</i> program is currently open for applications.
Local Decision-Making	<p>The Government's <i>NSW 2021</i> plan includes a commitment (Goal 23) to increase the involvement of local communities in decision-making. This commitment is being implemented across government in a wide range of programs and functions.</p> <p>Examples include the <i>Local Schools, Local Decisions</i> Program, the devolution of NSW Health decision-making and management of hospitals through the re-introduction of a board governance structure for Local Health Districts, with board membership drawn from local clinicians and the local community.</p>	Ongoing implementation of initiatives to support local decision making.

Office of Regional Development (ORD)	ORD was established in NSW Trade & Investment in 2012 to assist regions and work with regional stakeholders to strengthen local industry capabilities and realise emerging opportunities.	ORD will provide ongoing support to regions through facilitation services and funding program support across regional investment attraction, business retention and growth, and local economic development.
Cross-Border Commissioner	Mr Steve Toms was appointed as Cross-Border Commissioner in March 2012 to focus on building communication networks and to provide advocacy for businesses, organisations and residents in border communities.	Implementation of the Cross-Border Commissioner's 2013-14 Business Plan.
Regional Action Plans	<p>During 2012 the NSW Government consulted with local government and communities across NSW to develop 19 Regional Action Plans.</p> <p>The Regional Action Plans are two-year strategies that reflect key community priorities and represent a key element of the <i>NSW 2021</i> approach to integrated planning and implementation.</p>	Ongoing implementation of the Regional Action Plans.
Local Government Reform	<p>The Government has launched the Destination 2036 action plan to provide a process and forum for its work with local government.</p> <p>The Government also appointed the Independent Local Government Review Panel in March 2012.</p>	Ongoing implementation of the local government reform agenda.
Support of Regional Development Australia (RDA) Committees	<p>The Government works with the NSW network of RDAs which are supported by both the Commonwealth and State Governments.</p> <p>The key priority areas for the Committees, agreed with the Commonwealth, are regional planning, employment generation and social inclusion.</p> <p>The RDAs also have a role to encourage and endorse proposals for funding, including from Commonwealth Regional Development Australia Fund (RDAF).</p> <p>In 2012, the RDA Committees had their original three-year funding contracts with both the NSW and Commonwealth Governments extended for 12 months until 30 June 2013.</p> <p>The NSW Government has provided \$2.2m annually to the NSW RDA Committee network.</p>	<p>In June 2013 the RDA Committees had their 2009 NSW Government funding contracts extended for an additional six months until the 31 December 2013 to enable time to negotiate contracts more aligned with NSW priorities.</p> <p>The contract extension provides \$75,000 in funding per RDA Committee, a total of \$1.1m overall for the six month period.</p> <p>The Commonwealth Government has provided the RDA Committees with a new three year contract effective from 1 July 2013.</p>

<p>Planning System Review</p>	<p>The Government released the <i>White Paper – A New Planning System for NSW</i> and draft planning legislation on 16 April 2013, both of which were on public exhibition until 28 June 2013.</p> <p>Consultations on the <i>White Paper</i> closed on 28 June 2013 and submissions are currently being considered.</p> <p>The NSW Government has allocated \$20.9 million to implement the State's new planning system in 2013-14.</p>	<p>The new planning system will include a focus on community participation whereby upfront community participation will become a legal right and will be backed up by a Community Participation Charter enshrined in law, which is an Australian first.</p>
<p>Government agency decentralisation</p>	<p>The Government is implementing initiatives to decentralise and relocate agencies to regional NSW.</p> <p>This initiative will occur in two phases:</p> <ul style="list-style-type: none"> <li>• The first phase is currently underway and involves decentralising from the Sydney CBD to other parts of metropolitan Sydney; and</li> <li>• The second phase has also commenced and targets the relocation of the 1,500 public sector jobs from metropolitan Sydney to regional NSW by 2021</li> </ul>	<p>Continued implementation of the agency relocation initiatives, including identifying government business units suitable for relocation to regional NSW and locations that could host these relocations sustainably.</p> <p>Government Property NSW and NSW Treasury are developing a procurement, funding and management framework to support agency decentralisation.</p>
<p><i>Regional Industries Investment Fund (RIIF)</i></p>	<p>The RIIF program was created in 2011 through the amalgamation of previous investment schemes to drive economic growth in regional NSW through funding support and facilitations services.</p> <p>In 2012-13, RIIF delivered a total of \$4.8 million to 51 projects which helped generating \$358 million in new investment and 1,042 new jobs.</p> <p>An internal review of the RIIF was completed in 2013 to ensure best practice in program delivery to meet NSW Government policy priorities.</p>	<p>The RIIF review recommendations will continue to be implemented in 2013 and ongoing assistance provided to regions.</p>

<p><i>Regional Relocation Grant</i>(RRG)</p>	<p>The RRG was introduced in 2011 to encourage and support people to move from the high growth metropolitan areas of Sydney, Newcastle and Wollongong. It provides applicants with a one-off payment of \$7,000 to assist them with the cost of relocating from their metropolitan home to a regional home.</p> <p>As at 30 June 2013, a total of 2,303 grants had been awarded.</p>	<p>In line with the recommendations of the Taskforce, eligibility for the RRG will be extended to long-term renters in metropolitan Sydney, Newcastle and Wollongong.</p> <p>A new <i>Skilled Regional Relocation Incentive</i> of \$10,000 will also be introduced to target people to relocate to regional NSW for work.</p> <p>Amendments to the <i>Regional Relocation (Home Buyers) Grant Act 2011</i> will be introduced to enable changes to take effect from January 2014.</p> <p>Grants will be available on a first-come first-served basis until the annual budget allocation for the program is exhausted.</p>
<p><i>Jobs Action Plan</i> (regional component)</p>	<p>The <i>Jobs Action Plan</i> is an initiative designed to boost job generation by offering payroll tax rebates for new jobs created by companies that pay payroll tax.</p> <p>The scheme offers a rebate for employing additional staff for a period of two years and targets the creation of 100,000 new jobs over four years, with 40% in regional NSW.</p> <p>As at 30 June 2013, a total of 21,256 new jobs were registered under the scheme, of which 20% were in regional NSW.</p>	<p>The 2013-14 NSW Budget extended the scheme to 30 June 2015.</p> <p>The payroll tax rebate was also increased from \$4,000 to \$5,000 per full-time job created.</p>

## PART ONE: INTRODUCTION

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The *Decade of Decentralisation* policy is the Government's commitment to regional economic development, management of the State's predicted population growth and ensuring increased opportunities for local decision-making for rural and regional communities.

In November 2012 the NSW Government established the NSW Decentralisation Taskforce to review the progress of the decentralisation policy focussing on *Regional Relocation Grants*, the regional components of the *Jobs Action Plan* and *Restart NSW, Resources for the Regions* and Government agency relocations. The Taskforce presented its report to Government in April 2013.

This Government response to the Taskforce report presents an update on the progress of the wide range of Government decentralisation initiatives being implemented.

The response addresses the Taskforce's recommendations and outlines future actions to be undertaken to advance the *Decade of Decentralisation* policy. The response has been developed within the context of the State's 10-year strategic plan, *NSW 2021 - A Plan to Make NSW Number One*, and recent economic development policies, including the *NSW Economic Development Framework*.

Under *NSW 2021*, the NSW Government's broad priority goals are to:

- Rebuild the economy;
- Return quality services;
- Renovate infrastructure;
- Strengthen our local environment and communities; and
- Restore accountability to Government.

*NSW 2021* also commits to employment and population growth in regional NSW. It includes priority actions to deliver on the goal to drive economic growth in regional NSW (Goal 3) and the goal to involve the community in decision making on government policy, services and projects (Goal 32).

### 1.1. DECADE OF DECENTRALISATION POLICY

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The Government is committed to whole-of-state growth and decentralisation is key to this objective. The priorities of the *Decade of Decentralisation* policy are to:

- Actively pursue strategies and policies to encourage decentralisation through steady and strategic growth in our regions;
- Identify more public sector job opportunities to locate in regional areas;
- Ensure the services people need to make regional living attractive and viable are available and of high quality;
- Give back to local communities at all levels as much local decision-making and participation as possible, along with appropriate accountability and responsibility;
- Invite local communities to help identify more ways to shift decision-making to regions, cities, towns, neighbourhoods, schools and local health services;

- Manage NSW predicted population growth with a careful balance between greenfields, urban land infill and regional housing growth;
- Deploy Infrastructure NSW to assist in planning for the provision of major regional infrastructure; and
- Work with local councils and shires to deliver the right priorities and the best value for local areas.

*Regional Kick Start* and *Making Sydney Liveable Again* are the complementary foundation policies of the *Decade of Decentralisation*. *Regional Kick Start* has three objectives: building infrastructure; creating jobs; and supporting population growth.

The *Decade of Decentralisation* also recognises the impacts of urban congestion and increased population growth centred in the Sydney metropolitan area, such as land and housing price escalation and increasing travel times to places of work. Research by the Grattan Institute shows, for example, that only 23 per cent of Sydney's workforce can get to their CBD place of employment in 45 minutes by car and only 11 per cent of jobs can be accessed by public transport.<sup>1</sup> This suggests that regional development policy should also be relevant to relieving the pressures within the Sydney Metropolitan area. In this context, *Making Sydney Liveable Again* complements the *Decade of Decentralisation* policy as its objective is to encourage people to move from Sydney to regional NSW as a means of achieving whole-of-state growth.

The Government is implementing a range of initiatives to support its commitment to decentralisation, including the *Regional Industries Investment Fund* (RIIF), the regional allocation of 30% of *Restart NSW*, the *Regional Relocation Grant*, the relocation of Government agencies and the *Local Schools Local Decisions* initiative.

## 1.2 IMPLEMENTING THE DECADE OF DECENTRALISATION

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Leading the Government delivery of the decentralisation commitments is the Cabinet Standing Committee on Rural and Regional NSW which comprises seven Ministers. A number of ministerial portfolios also have a strong regional dimension, and there are six Ministers responsible for specific regional portfolios:

- Minister for Regional Infrastructure & Services;
- Minister for the Central Coast;
- Minister for Western NSW;
- Minister for the North Coast; and
- Minister for the Hunter
- Minister for the Illawarra.

Taken together, this leadership brings a strong voice for regional interests at the highest level of government in NSW.

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<sup>1</sup> Grattan Institute, *Productive Cities: Opportunity in a Changing Economy*, May 2013.

The development of *NSW 2021* was the start of the Government's action to deliver change. Initiatives being implemented under *NSW 2021* which have advanced the *Decade of Decentralisation* agenda to date include:

- Regional Action Plans - a key element in advancing *NSW 2021* was the development and implementation of 19 Regional Action Plans. The Government worked closely with local communities to reflect locally identified priorities in the two year plans;
- The *Regional Relocation Grant* - a \$7,000 grant to encourage metropolitan home owners to sell and relocate to regional NSW in order to stimulate population and economic growth in the regions;
- *Jobs Action Plan* - the regional component of the payroll tax rebate scheme which aims to encourage new jobs in regional NSW;
- *Restart NSW* - the fund established in 2011 to deliver high priority infrastructure projects across NSW, with 30 per cent of funds allocated to support infrastructure in regional and rural areas;
- *Resources for Regions* - up to \$160 million of *Restart NSW* funding prioritised to deliver vital local infrastructure to mining affected communities;
- Government agency decentralisation - a commitment to decentralise Government jobs and functions; and
- Decentralisation of decision-making - the commitment to increase the involvement of regional communities in Government.

Decentralising Government is designed not only to increase employment opportunities in regional NSW but also to increase the involvement of regional communities in Government (Goal 23, *NSW 2021*). The *Decade of Decentralisation* is as much about supporting regional economic growth as it is about ensuring that regional communities have an increased role in decision-making on government policy, services and projects.

This commitment is being implemented across government through a range of initiatives, for example:

- *The Local Schools, Local Decisions* reform program gives greater flexibility to schools to make decisions that tailor staffing, recruitment and budgets to meet their locally identified needs. Each school has the opportunity to design and deliver actions to realise their community vision for making a positive difference to their students. The adaptability, responsiveness and success of the program has attracted partnership interest from the Commonwealth Government. The *Empowering Local Schools, National Partnerships* initiative is a national initiative which has been expanded to benefit 229 schools in NSW, with funding from the Australian Government to assist with its implementation. Participating schools were identified in a selection process involving regional and state office endorsement. The schools participating in the first phase of *Empowering Local Schools* will help advance key elements of the NSW Government's *Local Schools, Local Decisions* reforms.
- NSW Health is highly decentralised and committed to strengthening local decision-making, with over 42,000 full time equivalent staff or 41 per cent of the workforce working in rural and regional areas across NSW. Eight large Area Health Services have been devolved into 15 more locally focussed Local Health Districts.
- Re-introducing a board governance structure for Local Health Districts, with board membership drawn from local clinicians and the local community, has increased the opportunities for local communities to participate in decision-making about their health services.

- Revising policies to guide the delegation of decision-making for Local Health Districts is also targeted at making decisions as close as possible to the frontline.
- Establishing cooperative working relationships between the NSW Police Force and local communities is an effective way of reducing crime and improving community safety. Key activities include: a new *Neighbourhood Watch* program across NSW to better involve the community in crime prevention; and a trial project called 'eyewatch' which gives local residents the opportunity to participate in active crime prevention using the social network site Facebook.
- The Department of Family and Community Services is finalising a Localisation Strategy which will devolve resources, decision-making and accountability to local management structures, along with a strong program of engagement with the community and other stakeholders. Over time this will mean that more resources are shifted from head office and CBD locations to regional NSW.
- A new model of land management, *Local Land Services*, will be operational across NSW from January 2014. Under this system 11 regions will be managed by Local Boards (in all but one region) that include locally elected and Ministerially-appointed Board members. Local Boards will work closely with farmers, land managers and local communities to ensure that regional service delivery meets local needs.
- A *NSW Visitor Economy Industry Action Plan* is being implemented which introduces a new destination management planning system for NSW that is focussed on local knowledge, entrepreneurship, innovation and industry leadership. Regional NSW destinations will particularly benefit from this new approach which supports synergies between government and industry, and the needs of visitors, communities and the economy.

## 1.3 THE NSW DECENTRALISATION TASKFORCE

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The NSW Decentralisation Taskforce was appointed by the NSW Government in November 2012 to undertake a review of the *Decade of Decentralisation* policy and implementation of associated programs and policies to date.

The Taskforce was comprised of the following regional and rural based members:

- The Hon. Richard Torbay MP, Member for Northern Tablelands and Decentralisation Taskforce Chair;
- Greg Aplin MP, Member for Albury;
- Craig Baumann MP, Member for Port Stephens and Parliamentary Secretary for Regional Planning;
- The Hon. Thomas George MP, Member for Lismore and Deputy Speaker; and
- Paul Toole MP, Member for Bathurst and Parliamentary Secretary to the Deputy Premier and Asia-Pacific Trade.

Following the resignation of Mr Torbay in March 2013, Mr George was appointed as Taskforce Chair.

The NSW Government asked the Taskforce (**Appendix 1**) to look specifically at the following programs and policies:

- the *Jobs Action Plan* (regional component);
- *Regional Relocation Grant* (regional component);
- *Restart NSW* (regional component);
- *Resources for Regions*; and
- Government agency relocations.

On 18 January 2013 the Deputy Premier and Taskforce Chair called for submissions to be made on the NSW Government's *Have Your Say* website. At the close of consultation, 67 submissions had been lodged. A wide range of contributors submitted their views to the Taskforce, including peak industry bodies, local government peak bodies, local councils, specific interest groups as well as individuals.

The Taskforce also held a series of targeted consultation sessions during February and March 2013 in Sydney, Tamworth and Albury. Over 30 regional stakeholders met face-to-face with the Taskforce to discuss their experiences and views on the programs and policies under review.

In April 2013 the Taskforce submitted its report to Government, outlining 19 recommendations for consideration. A number of issues raised via submissions were outside the Terms of Reference of the Taskforce and were forwarded to relevant agencies for consideration and appropriate action.

The NSW Government acknowledges the Taskforce's extensive work and thanks them for their contribution to the economic development of regional NSW.

The NSW Government response to the Taskforce's recommendations is provided in four parts:

- Regional Economic Development policies and initiatives - as articulated within the *NSW Economic Development Framework*. This section provides a broad context for the *Decade of Decentralisation* and details a range of policies and initiatives that support this strategy.
- Specific responses to the Taskforce recommendations;
- Review and performance; and
- Conclusion.

## PART TWO: REGIONAL ECONOMIC DEVELOPMENT

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This Government response has been informed by the *NSW Economic Development Framework* which provides a structured approach to the Government's efforts to drive growth and productivity in priority sectors of the economy.

The Framework places great importance on Government partnership with industry and is based on five key principles:

- Demonstrating leadership;
- Making it easier to do business;
- Collaborating to drive innovation and competitiveness;
- Investing in critical infrastructure; and
- Raising the global profile of Sydney and NSW.

The following section of this report provides detail on the wide range of initiatives being implemented by the NSW Government to support regional economic development, including decentralisation. All five elements of the *Economic Development Framework* are being addressed as part of this broad endeavour to build the economy of regional NSW.

## 2.1 DEMONSTRATING LEADERSHIP

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The NSW Government plays a leadership role at a number of levels to achieve economic development outcomes for regional NSW.

### Intergovernmental Level

NSW works closely with the Commonwealth and other States and Territories through the COAG Regional Australia Standing Council to support regional economic development across the State.

The Regional Australia Standing Council comprises the regional development ministers of all Australian jurisdictions and New Zealand, as well as the CEO of the Australian Local Government Association. Key priorities of the Council include:

- A framework for economic development to build strong and sustainable regional communities;
- A strategy to address productivity improvements and competitiveness of Australia's regions, with a particular focus on key determinants of growth;
- Effective and better aligned regional governance structures; and
- An integrated investment strategy for identification, prioritisation and funding of regional infrastructure, including mechanisms to support enhanced local input to decision-making, innovative financing models and indicators to evaluate impacts of investment.

### Regional Development Australia

NSW jointly funds with the Commonwealth a network of 14 Regional Development Australia (RDA) committees across NSW. These bodies are tasked with providing input to government about regional issues that impact on economic development, especially jobs, environmental solutions and social inclusion strategies.

Committee members are jointly appointed by the NSW and Australian Governments. The Chairs of the 14 NSW RDAs are also members of the NSW Regional Development Advisory Council which is the peak regional economic advisory body for NSW. The Council is consulted on key policies impacting on regional economic growth and has the opportunity to bring investment opportunities and associated regional issues to Government.

## Office of Regional Development

Within NSW Trade & Investment, the Office of Regional Development (ORD) has responsibility for proactively assisting regions and working with stakeholders to strengthen local industry capabilities and realise emerging economic development opportunities. ORD gives practical assistance to international and local businesses planning to relocate or expand in regional NSW. The Office also assists communities respond to particular economic development issues including the effects of economic restructuring.

ORD has a network of regional offices and frontline staff that provide information and advice to business and communities on:

- strategic issues that are relevant to business such as State, Commonwealth or local government policies, trends in markets, technology and industry regulation;
- site selection for businesses in regional NSW;
- co-ordinating Commonwealth, State and local government agency services (for example, assistance could be provided to lodge a development application with a local council);
- regional service-providers, training institutions, property agents, and legal, management and financial services firms in regional locations; and
- available grants for assistance from Commonwealth and State government agencies.

A key role for ORD is to provide facilitation services across regional investment attraction, business retention and growth, and local economic development, with the Regional Industries Investment Fund being a key tool to augment this work and bring significant projects to fruition.

## Regional Industries Investment Fund

The Regional Industries Investment Fund (RIIF) is a key element of the NSW Government's commitment to driving economic growth in regional NSW. The Fund provides financial assistance to projects that drive business growth and job creation in regional NSW. The objectives of assistance provided through the RIIF are to:

- promote economic and employment growth in regions;
- assist regional communities to capitalise on their regional strengths, to broaden and reposition the industry base of their regions and to develop new products and new markets;
- develop regional or local solutions for regional or local business development problems; and
- invest in projects that help support the regional economy and include regional (economic) infrastructure and local/regional capacity building projects.

## 2.2 MAKING IT EASIER TO DO BUSINESS

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Significant initiatives are being implemented by the NSW Government which are designed to make it easier to do business in regional NSW.

### The NSW Planning Review

The Government has embarked on a comprehensive review of the State's planning system.

On 16 April 2013, the Government released the *White Paper – A New Planning System for NSW*, together with draft legislation comprising an *Exposure Draft Planning Bill 2013* and *Planning Administrative Bill 2013*. The proposed reforms to the planning system are the most comprehensive since the introduction of the *Environmental Planning and Assessment Act 1979*.

The new planning system will allow for coordinated planning, funding and delivery of development and infrastructure that supports growth across the State. These changes will be supported by a positive change in the culture of planning to improve the efficiency of the planning and approval process.

NSW Planning Policies are expected to cover areas such as housing, employment and infrastructure. More specifically, Regional Growth Plans will apply to the State and provide a 20-year framework for the planning of housing and jobs which will be integrated with social and economic infrastructure. Regional Growth Plans will also consider existing infrastructure and plans for new national and State infrastructure and build on other Government plans and strategies such as the *NSW State Infrastructure Strategy*.

### Procurement Reforms

Simplified requirements and streamlined processes in the Government procurement system will have a strong positive influence on the economic and competitive environment in NSW. Government recognises there is an opportunity for greater participation in the procurement process by regional businesses. Achieving this will create important regional community benefits, improved service delivery and increased regional investment and employment.

The NSW Procurement Board has developed a Strategic Directions Statement to outline the major actions to be implemented under its reform program over the next 12 to 18 months. In the *Strategic Directions Statement for 2013-2104*, the Government recognises the need to take a more strategic approach to communication around procurement, as well as the importance of leveraging procurement for stronger industry engagement and innovation outcomes. The Strategy aims to increase access to government business for regional businesses – especially small and medium-sized enterprises (SMEs).

As part of its procurement reforms, the Government will be trialling communication forums across the State, including in regional areas, later in 2013. As well as highlighting upcoming procurement opportunities, these forums will provide a platform for suppliers to understand how to interact with Government.

Broad-based procurement reforms already underway include a new SME Policy Framework. This aims to recognise local industry capability and enhance industry competitiveness while giving SMEs greater opportunities to access government goods and services procurement. Additionally, the framework enables SMEs to compete on a value for money basis while making doing business with government simpler, easier and more attractive.

In July 2013, a new *Statement on Value for Money* has been adopted which provides guidance on how decision-makers can determine value for money, thus making informed and supportable decisions.

## Small business support

In NSW there are 680,000 small businesses providing employment for around 50 per cent of the NSW workforce. In addition to contributing to the economy directly, the small business sector is a crucial platform which underpins the efficient operation of many medium-sized and large businesses. In regional communities these businesses play a vital role not only for local economies but also in contributing to the vitality of regions.

The Government has a commitment to assisting small and medium enterprises grow and expand. All agencies within the Government's Trade & Investment cluster work to support SMEs in regional NSW.

The Government appointed the State's first independent Small Business Commissioner in mid-2011 as the principal advocate for NSW's small businesses. The Commissioner plays a key role in addressing unnecessary and burdensome regulation for small businesses. Regional SMEs have access to a range of assistance through the Office of the Small Business Commissioner. This comprises a number of direct services, including dispute resolution services and quality business advice through a business support program called Small Biz Connect. The program also links with other business support services such as the Commonwealth Government's Enterprise Connect program, as well as initiatives of local government and private enterprise.

The Office of the Small Business Commissioner also has an advocacy role, and speaks up for small business within government, for example by contributing to State and Federal reviews of government policy and regulations.

## Regulatory reform

Regional businesses can face a variety of challenges presented by regulatory regimes. The Government recognises that an attractive business climate is critical for regional economic development, and is committed to reducing the regulatory burden on businesses. The Government has set a red tape reduction target of \$750 million in savings across Government for business and community partners by June 2015, and has enacted a 'one on, two off' policy for new regulations<sup>2</sup>. In order to achieve its red tape target, the Government has asked the Independent Pricing and Regulatory Tribunal (IPART) to conduct a number of targeted reviews into specific regulatory areas or industries where reducing red tape will benefit the State's economy.

The first reviews include:

- Local government compliance and enforcement (including regulatory powers delegated under NSW legislation). IPART is expected to provide recommendations that will reduce unnecessary regulatory burdens for business and the community.
- Licence rationale and design (to identify where reform would produce the greatest reduction in regulatory burden for business and the community).

In December 2012, through the *Quality Regulatory Services Initiative*, the Government announced a move by NSW Government regulators to a more efficient licence processing structure which includes electronic transactions, timelines for processing, appeal mechanisms, and a risk-based and outcomes focussed approach to regulation.

## Establishment of Service NSW

Service NSW was established in July 2013 to make it easier for NSW residents and businesses to connect with government by providing services that are available at a time and in a way that suits customers.

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<sup>2</sup> <http://www.betterregulation.nsw.gov.au/reporting>.

The Government has also appointed a Customer Service Commissioner. The Government is re-thinking service delivery from the view of the customer, including from a business perspective.

Service NSW has launched a new customer-focused website and open a 24/7 telephone service. The first of 18 initial service centres was opened in Kiama. More Service NSW centres will open regionally to build Service NSW into a complete one-stop government service delivery model. Additional regional service centres due to be completed later in 2013 are: Tweed Heads, Orange, Dubbo, Tamworth, Gosford, Lismore, Newcastle, Port Macquarie, Wagga Wagga, Wollongong, and Queanbeyan.

## 2.3 COLLABORATING TO DRIVE INNOVATION AND COMPETITIVENESS

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### Industry Action Plans

In late 2011, the Government established industry-led Taskforces to develop 10-year Industry Action Plans to position key sectors of the State's economy for growth, resilience, improved innovation and productivity, global competitiveness and new investment opportunities.

Industry Action Plans for the following priority sectors have been completed:

- The digital economy;
- International education and research;
- Manufacturing;
- Professional services;
- The visitor economy; and
- Creative industries.

The Government has also established a Taskforce to develop an Agricultural Industry Action Plan to identify drivers for, and barriers to growth, innovation and productivity in the NSW agricultural sector. The Plan will set out actions for Government and the State's agriculture industry to build growth over the next decade.

The NSW Government response to the Industry Action Plans identifies the commitments that are being taken forward by Government and industry, and through joint partnership.

The Industry Action Plans have already delivered a number of initiatives which have particular focus and benefits for regional communities. These include:

- funding of \$21.6 million over three years through the *Regional Visitor Economy Fund*;
- introducing Destination Management Planning to focus on local knowledge, entrepreneurship, innovation and industry leadership;
- improving regional internet access through the *Revitalising Regional Libraries* program, which disbursed \$500,000 to regional libraries to develop internet infrastructure; and
- developing an economic profile to map the spread and concentration of NSW creative industries.

Other regional initiatives being planned include:

- developing a regional conferencing strategy for NSW;
- facilitating small-scale innovation hubs in major regional centres; and
- continuing the roll out of better access to reliable high speed broadband.

A Business Leadership Forum will take place in September 2013, and will have representation from regional business leaders who will be able to hear about how the Government is progressing the Industry Action Plans to drive structural change in the NSW economy. The Forum will also provide an opportunity for industry leaders to share their views on increasing NSW's global profile and creating an environment for entrepreneurialism, innovation and collaboration across the State.

## 2.4 INVESTING IN CRITICAL INFRASTRUCTURE

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### NSW State Infrastructure Strategy

Renewing the State's infrastructure is a major priority of the Government outlined in *NSW 2021*.

The Government established Infrastructure NSW in July 2011 to assist in identifying and prioritising the delivery of critical public infrastructure for NSW. A major task for Infrastructure NSW was the preparation of a 20 year infrastructure strategy for NSW.

The Government formally adopted a *State Infrastructure Strategy* in December 2012. This Strategy outlines the Government's commitment to the State's infrastructure delivery and reform priorities over the next five years. Planning and construction is already underway for many new projects identified as priorities in the Strategy, and funding for the implementation of the Strategy is integrated into the NSW Government budget process.

The Strategy includes the following infrastructure priorities for regional NSW:

- improving access to employment and to connect people and communities;
- improving local transport networks;
- efficient access to markets, particularly mining and agriculture products to domestic and international markets, and
- improving water quality and security.

*Restart NSW* was established in 2011 as the NSW Government's infrastructure fund. When it was established, the Government committed 30% of the Fund for the delivery of infrastructure in regional NSW. This commitment is being delivered.

## 2.5 RAISING THE GLOBAL PROFILE OF SYDNEY AND NSW

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The Government is committed to supporting Sydney and NSW's global profile and positioning, and recognises that strong branding of Sydney and NSW as a destination for tourism, events, education and business is critical to the State's economic growth.

A strong global profile promotes Sydney and NSW as key destinations for investment. It also supports business initiatives to gain global sales by providing exposure and a platform from which to promote their capabilities.

The Government continues to build on NSW and Sydney's global position by promoting NSW's internationally competitive companies, research and education institutions, capabilities and regulations in global markets. International trade missions and exhibitions offer export-ready NSW companies an effective way to identify new international business opportunities and to acquire the knowledge and connections critical to export success.

Recent initiatives include:

- facilitating the participation of NSW companies in whole-of-Australia trade missions. For example, local companies were supported at InnoTrans, an international platform for buyers and sellers of passenger and freight transport technology in Berlin, in September 2012;
- assisting regionally-based companies to become more competitive in international markets. For instance, Maverick Biosciences, a Dubbo-based business producing animal derived biological products for human and veterinary pharmaceuticals, diagnostics, medical devices and cosmetics, has been assisted to implement a Central Records Management system which can manage export orders and product supply. 90% of the company's product is now exported; and
- helping to promote local companies to demonstrate their capabilities at onshore trade events or exhibitions. For example, several Wollongong-based companies were supported to showcase themselves on the national and international stage at CeBIT 2013, Australia's largest IT industry event with over 30,000 visitors. The companies included Pactera, Relativity, Internetrix and Selera.

NSW Trade & Investment also provides ongoing assistance to support the growth of regional NSW businesses. Facilitation is provided in key areas such as access to skilled labour, access and connection to infrastructure, site selection, issues resolution with regards to approvals processes and exporting. Additionally, targeted assistance to businesses is provided through programs such as the *Jobs Action Plan* and through introductions to relevant Commonwealth business programs such as the *R&D Tax Incentive*, which is delivered by AusIndustry.

In response to the opportunities and challenges of an increasingly globalised economy, the Government has released an *International Engagement Strategy* to position the State to attract more international investment, facilitate exports, create jobs and grow the economy. Business activities undertaken as part of the Strategy are delivered across the State to both metropolitan and regional businesses. NSW Trade & Investment works with communities across the State to capitalise on their strengths and attract investment. This includes working directly with regional businesses to build capability and encourage participation in export markets, thereby broadening and strengthening regional economies and driving economic growth in regional NSW.

## PART THREE: RESPONSE TO TASKFORCE RECOMMENDATIONS

### 3.1 REGIONAL GROWTH AND DEVELOPMENT

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The contribution of regional NSW to the prosperity of the State is vital. Moreover, there is potential for regional economies to grow, diversify and become even more productive. Recognition of this potential underpins the Government's *Decade of Decentralisation* agenda. Unlocking the potential of regions for additional growth will require Government and communities to work together to address the challenges and opportunities that this presents.

Decentralisation is also aimed at benefiting Sydney. As articulated in the Government's *Making Sydney Liveable Again* platform, high population growth in Sydney can have negative impacts in terms of higher land, labour and housing costs, and inefficiencies that arise from congestion and a range of related social stress.

While it is important to recognise the significance of the greater metropolitan Sydney and its industries, it is also important to understand that NSW's prosperity is also closely linked with that of its regional economies, and to recognise the interdependencies between regional and metropolitan NSW.

Population growth in Greater Sydney currently outstrips that of regional NSW, and on current projections this trend is expected to continue. The economic modelling carried out by Deloitte Access Economics to support the *State Infrastructure Strategy* suggests that average annual population growth to 2031-32 will be 1.3% in Greater Sydney compared to 0.7% in regional NSW. If these projected growth rates are realised, then Greater Sydney's population will have increased by 33% in that time, compared to an increase in regional NSW of 17%.<sup>3</sup>

Key factors which contribute to improving regional economic growth include: infrastructure, human capital, labour market, innovation, agglomeration, connectivity and productivity.<sup>4</sup> Within regional NSW, current demographic trends present particular challenges for economic growth. Capacity constraints are being felt in regions where employment growth outstrips the rate of growth of the working population. Additionally, even in regions where population growth is robust<sup>5</sup>, capacity constraints can arise when the skills mix within a region does not adequately support the needs of industry. These pressures are being felt in a number of coastal regions. Indeed, many of the Regional Development Australia committees cite skills shortages as one of the key issues impacting upon their regions' growth prospects.<sup>6</sup>

The possible benefits of the decentralisation policy are especially relevant in regional areas where there is untapped economic, social and environmental potential and market signals are not able to adequately respond to this supply without government intervention.

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<sup>3</sup> NSW State Infrastructure Strategy, 2012.

<sup>4</sup> OECD, *Promoting growth in all regions*, 2012.

<sup>5</sup> For example, the Hunter, Northern, Far West and North West and Central West. NSW Trade & Investment analysis of ABS data and data released by the Commonwealth Department of Education, Employment and Workplace Relations.

<sup>6</sup> See NSW Regional Development Australia regional plans.

The Government's decentralisation initiatives are designed to meet these challenges through providing incentives to people to move from metropolitan Sydney and to move for work in regional NSW. These measures complement a range of other initiatives designed to build capacity in regional NSW through delivery of infrastructure, attracting investment and working with regional businesses to improve their productivity and competitiveness.

In responding to the Taskforce report, the Government seeks to refine and better target its *Decade of Decentralisation* policies in order to achieve sustainable economic development outcomes for regional NSW and for the State as a whole.

### Regional Relocation Grant

The objective of the *Regional Relocation Grant* is to encourage population and economic growth in regional NSW. It also aims to support balanced population growth across the State by providing \$7,000 to metropolitan home owners to sell and relocate to regional NSW. The Government proposes to redesign the *Regional Relocation Grant* to open it to renters in metropolitan Sydney, Newcastle and Wollongong to incentivise relocation to regional NSW and the purchase of property. People who relocate to regions will bring additional expenditure and contribute more broadly to regional communities. Additionally, a new *Skilled Regional Relocation Incentive* will be introduced to encourage people to relocate for jobs unfilled by the local workforce, thereby boosting regional development.

These measures will result in more people relocating to regional NSW, and in particular, will assist regions to attract skills, more experience, and those who are in the working demographic. This could help fill any current gaps, as well as build the regional human capital base and capacity for growth. Each grant represents one new home bought, built or long-term lease entered into in regional NSW, and a home sold in Sydney, Wollongong or Newcastle or a long-term lease vacated. Each *Skilled Regional Relocation Incentive* also represents a new employee contributing to a regional economy.

### Current Eligibility Criteria of the Regional Relocation Grant and Outcomes

The *Regional Relocation Grant* is the only broad-based relocation scheme in Australia that is tied to residential property ownership and designed to encourage population shifts from high growth metropolitan areas to regional areas.

Applicants for the Grant must be a natural person (not a company or trust) and an Australian citizen or permanent resident, and the newly purchased home must be their principle residence for at least 12 months. Applicants can purchase off the plan houses. However, the grant is not restricted to newly constructed homes.

To qualify for the grant, the value of purchased properties must not exceed \$600,000 or \$450,000 for vacant land. Applicants need to have owned their metropolitan home and lived there for at least 12 months prior to selling, and need to dispose of the property within 12 months after the purchase of their home in regional NSW. Only one grant per household is allowed, based on the metropolitan home sold. Local Councils in regional NSW have the choice of opting out of the scheme if concerned about local population pressures. For example, the Byron Shire Council Local Government Area opted out of the scheme.<sup>7</sup> The maximum number of grants over the life of the scheme was legislated at 40,000 until 30 June 2015.

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<sup>7</sup> Regional Relocation (Home Buyers Grant) Regulation 2012.

In October 2012, the government amended the enabling legislation to extend eligibility to people entering into a long term lease arrangement. This enabled retirees who sold their metropolitan homes eligible for the grant when entering into a retirement village contract or lease.<sup>8</sup>

From its inception on 1 July 2011 to 30 June 2013, a total of 2,303 households benefited from the grant. Noting that many households would have more than one person, the total number of people benefiting from the grants is greater than this.<sup>9</sup> Key characteristics of grant recipients to date are as follows:

- 1,907 grants were for the purchase of existing homes;
- 219 grants were for purchasing vacant land with a commitment to build a home within 12 months;
- only 12 grants were for purchasing off the plan properties;
- only 67 grants were made to people that entered into long term lease arrangements, such as a retirement village contract.

In terms of the age demographics of grant recipients:

- 837 grants were made to people 20 to 50 years of age;
- 1,081 grants were made to people aged 51 to 70 years of age (the age group that received the highest number of grants); and
- 286 grant recipients were aged above 70 years.

This profile suggests that empty nesters were the segment that had the highest take up rate of the grant to date.

The average distance for a relocation was 199 kilometres. The longest distance moved was 1,001 kilometres from Leura (Blue Mountains City Council) to Broken Hill (Broken Hill City Council), and the shortest distance moved was 1 kilometre from Kotara (Newcastle City Council) to Lambton Heights (Lake Macquarie City Council).

When the program was designed, it was expected that a maximum of 40,000 maximum grants would be issued by 30 June 2015. Based on the current take-up rate, this will not be reached and, as pointed out by the Taskforce, this is an opportunity to improve the design of the grant to better achieve the Government's objectives.

### **Taskforce Recommendations**

1. *The value of the Regional Relocation Grant needs to be increased so that it constitutes a more meaningful incentive for regional relocation. A notional value of \$10,000 per grant is suggested for consideration.*
2. *The criteria for the Regional Relocation Grant should target people with skills in demand in regional NSW and be tied to secured employment.*

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<sup>8</sup> Section 12 of the Act was also repealed at the same time, removing the need for a home to be ready for occupation on completion of purchase.

<sup>9</sup> One grant is allowed per property sold or household.

3. *The Government should revisit the Regional Relocation Grant criteria to minimise minor moves from 'metropolitan' cities to neighbouring 'regional' suburbs or post code areas (sometimes closer to Sydney) by tying the grant to secured employment.*

The Government supports the principle of improving the design and better targeting the *Regional Relocation Grant*. This Government's response, which proposes the introduction of a second more targeted scheme as well as amendments to the current scheme, provides a robust approach. Recommendations 2 and 3 have been encapsulated in the proposal for a new targeted incentive of \$10,000 linked to secured employment, and the initial grant targeted at prospective regional home owners remains, however proposed changes are aimed at broadening the scope of this scheme. The recommendation to tighten criteria to 'minimise minor moves' has also been addressed through new compliance criteria.

A redesign of the grant proposes the introduction of the following legislative changes to the *Regional Relocation Grant*:

- A minimum distance requirement of 100 kilometres will be placed on relocations to mitigate any potential misuse of the scheme in areas that border metropolitan and regional boundary lines; and
- Extended availability of the grant to people in metropolitan Sydney, Newcastle and Wollongong with two consecutive years of rental history. This will broaden the scope and demographic targeting of the grant, and can attract those priced out of metropolitan home owner markets to relocate and buy their own homes in regional areas.

The *Regional Relocation Grant* is designed to provide a cash support to facilitate meeting the costs of relocation. It recognises that people moving to regional NSW from metropolitan Sydney, Newcastle or Wollongong can make a significant contribution to the economic and social life of regional communities, and the Government believes broadening the scope of this support can help attract more people to regional NSW.

Opening up eligibility of the grant to people in metropolitan Sydney with a rental history will potentially assist those who are finding it difficult to enter the Sydney house purchase market but who wish to own a home. This segment is likely to include young families, young single people and recent immigrants, all of whom could bring skills and contribute to the vitality of regional communities. Further, by facilitating relocation, the Government will assist in easing the tight rental markets of metropolitan Sydney. Rental vacancy rates have consistently been below 3% in Sydney since 2005, placing upward pressure on rents and impacting upon rental affordability.<sup>10</sup>

While it is proposed to retain the other existing grant conditions, including the value of the *Regional Relocation Grant* at \$7,000, the Government also proposes to bring forward legislation to introduce a new *Skilled Regional Relocation Incentive*. This new scheme is tied to secured employment and thus targets people in metropolitan Sydney, Newcastle and Wollongong who will be bringing skills to regional local economies. The Government is of the view that this new scheme should not be restricted to homeowners. The value of the new employment-targeted incentive will be \$10,000. Key requirements will include:

- Proof of at least 2 years residence in metropolitan Sydney, Newcastle and Wollongong;
- Proof of offer of employment in a region at least 100km from that prior residence;
- Proof of bona fides of the job; and

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<sup>10</sup> Real Estate Institute of Australia, Commonwealth Government Pre Budget Submission 2012/2013.

- Proof of relocation such as a residential lease, contract for purchase of house/land in the regional location or a signed statutory declaration.

Applicants for the *Skilled Regional Relocation Incentive* will need to be employed in a regional area for a minimum of two years to receive the full value of grant. The Incentive will be paid in two instalments.

Like the original *Regional Relocation Grant*, only one grant per household is allowed, and only one grant can be claimed by each recipient.

The new *Skilled Regional Relocation Incentive* and the existing *Regional Relocation Grant* will still target people living in metropolitan Sydney, Newcastle and Wollongong. Local Councils in regional NSW would have the choice of opting out of the new scheme, as with the existing grant scheme.

The new *Skilled Regional Relocation Incentive* will not, however, be linked to the purchase of property, as this would act as a disincentive to some people, and this scheme is targeting people who want to relocate for work. (The older scheme already targets prospective home owners.)

Businesses in regional NSW who have difficulty in filling vacancies could use this new grant as another measure to encourage eligible job seekers from metropolitan areas to apply for jobs. Similarly, companies setting up operations in regional locations could use this scheme if labour is difficult to source locally.

Early consultations with RDA committees and other stakeholders suggest that the new scheme will be a useful tool to encourage the relocation of younger skilled and experienced people to the regions.

### **Taskforce Recommendations**

4. *The Government should reduce the budget allocation for the refocused Regional Relocation Grant to \$20 million or 2,000 relocations per year.*
5. *The Government should consider re-allocating \$20 million of the existing Regional Relocation Grant budget allocation to the Regional Industries Investment Fund, which has a clear objective to attract investment and support regional economic development outcomes.*

The 2013-14 NSW Budget allocated \$10.4 million to the *Regional Relocation Grant*. Future budget allocations for the *Regional Relocation Grant* will be subject to the budget process based on take-up of the revised *Regional Relocation Grant* and new *Skilled Regional Relocation Incentive*.

Availability of the *Regional Relocation Grant* and the new *Skilled Regional Relocation Incentive* will be capped within the budget allocation each year. Applications will be dealt with on a first-come first-served basis until the budget allocation is exhausted.

The Government shares the Taskforce's view that enhancements of the *Regional Industries Investment Fund* would have regional economic benefits. This will need to be considered in the context of the budget process and the overall position of the NSW Budget. It is noted that the 2013-14 NSW Budget increased the allocation to the *Regional Industries Investment Fund* to \$23.9 million. This funding will support investment attraction and economic development projects that demonstrate clear benefit for regional communities.

### **Jobs Action Plan**

The *Jobs Action Plan* is a payroll tax rebate scheme designed to give businesses an incentive to increase their workforce by offering a rebate to those that employ additional staff for a period of two years.

The scheme commenced on 1 July 2011 and is open to all businesses that are registered for payroll tax in NSW and have wages above the tax-free threshold.

As at 30 June 2013, there were 21,256 new positions registered with the Office of State Revenue (OSR) under the *Jobs Action Plan*. 4,062 of these jobs were located in regional areas. Of the total number of jobs supported by the *Jobs Action Plan*, 6,686 rebates had been paid as new employees had reached their first-year milestone.

In the 2013-14 Budget it was also announced that the *Jobs Action Plan* payroll tax rebate will be extended to 30 June 2015. The 100,000 jobs cap has also been removed.

As originally implemented, the amount of the rebate available was paid in two equal parts after the new employee's first and second anniversary of employment. From 1 July 2013, the amount of the second year payment increased to \$3,000, bringing the total amount of the rebate to \$5,000 across the two years.

The increase in the second year rebate is designed to encourage employers to retain their new staff. Further, through the 2013-14 Budget, businesses will also no longer need to repay the first year's rebate if the new staff member is not employed on the second anniversary.

In addition, as part of the Government's support for tax relief to business, in 2013-14 the payroll tax threshold for businesses has been raised from \$689,000 to \$750,000. On average, businesses will save \$3,325 in 2013-14.

### **Taskforce recommendation**

6. *There is a need to streamline the process for business to access the Jobs Action Plan. The current system is cumbersome and there are opportunities to significantly reduce the red tape for business access to the payroll tax rebate under this program.*

The Government agrees that the process should be more accessible and user-friendly, and the Office of State Revenue is open to suggestions for any further improvements.

The web-based application system has been specifically designed to ensure it is as user-friendly and efficient as possible. Businesses are only required to input the information necessary to assess their eligibility for the rebate. The online system pre-populates as much information as possible for businesses registering multiple applications to speed up the process for second and subsequent applications.

Additionally, any business experiencing difficulty or wishing to register multiple applications has the option of contacting the Office of State Revenue to provide the required information via telephone, allowing the Office to complete the application on their behalf.

The Office of State Revenue has not received any complaints from businesses or their representatives that the process is cumbersome or difficult to navigate. However, the Office of State Revenue is open to suggestions as to how the process can be further improved, and would welcome direct input from business.

### **Marketing of the Regional Relocation Grant**

As noted in several submissions to the Taskforce, to date there has been limited marketing of the *Regional Relocation Grant*. Many people who are relocating are often unaware that this assistance is available. The Government proposes to address this.

### **Taskforce Recommendation**

7. *The Regional Relocation Grant needs to be marketed more assertively and this marketing is likely to be more effective if integrated into the broader marketing of regional economic development opportunities and programs.*

This recommendation to market the grants more assertively and effectively is supported.

A targeted, evidence-based marketing campaign will be developed to ensure that the *Regional Relocation Grant* and new *Skilled Regional Relocation Incentive* reach target audiences which include:

- young professionals who are looking to expand their professional experience;
- young professionals and recent graduates who are from regional NSW and had moved away to work or study in metropolitan Sydney;
- young families who are considering a regional lifestyle;
- renters in metropolitan Sydney, Newcastle or Wollongong who wish to buy a home in regional NSW; and
- empty nesters who are considering the lifestyle advantages afforded by regional NSW.

Further, it is proposed that marketing collateral and online information will be provided by the Government to regional cities, local governments and regional co-ordinated campaigns such as Evocities, which will be able to use the *Regional Relocation Grant* and the new *Skilled Regional Relocation Incentive* as tools to attract people to regional NSW. This will give local communities opportunities to tailor messaging around these schemes so that it reflects their communities.

Marketing of the *Skilled Regional Relocation Incentive* will be targeted at influential organisations in regional centres that could play a role in attracting young skilled people back to their communities after they have completed their tertiary education or gained professional experience. Information will also be made available to professional bodies and at key transactional points for people who are considering relocating (e.g. employment services, banks, accounting services, regional visitor centres, and Service NSW centres).

### **Taskforce Recommendation**

8. *NSW Trade & Investment should have lead responsibility for the policy development, administration and marketing of the Regional Relocation Grant and all other regional development programs. This will achieve better alignment of programs with portfolio responsibilities, and is likely to lead to improved regional development outcomes.*

This recommendation is supported.

The Government supports the idea that policy development and marketing for the *Regional Relocation Grant* needs to be integrated more fully into regional economic development policy, and the business and investment facilitation carried out by NSW Trade & Investment. The administration of individual grants will, however, remain with the Office of State Revenue, which is appropriately positioned to deliver these transactions.

### **Taskforce Recommendation**

- 9 It is recommended that \$6.5 million of the current funding allocation for the Regional Relocation Grant be re-allocated for a comprehensive regional NSW promotional marketing strategy to promote regional NSW to Sydneysiders and international markets.

This recommendation has not been adopted at the present time as the Government proposes to utilise targeted marketing methods to promote the *Regional Relocation Grant*, the new *Skilled Regional Relocation Incentive*, and the *Jobs Action Plan*.

## **3.2 INFRASTRUCTURE**

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The capacity and efficiency of infrastructure is a key element in shaping regional economic development. Delivering better regional infrastructure which builds regional capacity and provides more opportunities for regional economies to link to international markets is a key element of the *Decade of Decentralisation* agenda.

The *State Infrastructure Strategy*, which was released by the Government in December 2012, established the priorities for funding allocations which are now being implemented through the first Five-year Infrastructure Plan, outlined in the 2013-14 Budget. Infrastructure supported by this fund includes economic and social infrastructure.

Although this response focuses on the specific programs referred to in the Taskforce's Terms of Reference, these programs are only components of the wider infrastructure funding committed to regional NSW within the State's infrastructure funding priorities. In addition, there are a number of other stand-alone funds or programs that address regional infrastructure challenges that are not detailed here. For example, the *Hunter Infrastructure and Investment Fund* (HIIF) was established in 2011 and allocated \$350 million over four years, commencing in 2011-12. Another program that has funded local infrastructure provision by regional councils is the *Local Infrastructure Renewal Scheme*.

### **Restart NSW**

In June 2011 the NSW Government established *Restart NSW* to fund a range of high priority infrastructure projects in NSW. The objective of *Restart NSW* is to improve the economic growth and productivity of the State by funding essential infrastructure, including:

- public transport roads;
- infrastructure that may improve the competitiveness of the State;
- local infrastructure in regional areas that are affected by mining operations;
- health facilities; and
- workplaces for frontline government staff.

The *Restart NSW Fund Act* commits the Government to allocating 30 percent of the funding for *Restart NSW* to regional programs. As outlined in the 2013-14 NSW Budget, this commitment is being met.

*Restart NSW* has multiple funding sources, including one-off allocations in Budget forecasts, proceeds from asset transactions and the issue of Waratah Bonds. These sources, together with the recent successful long-term lease of Port Kembla and Port Botany, have contributed to the \$4.7 billion that has been deposited into the fund thus far. Of the \$3 billion committed by the Government from *Restart NSW* so far, 30 per cent has been allocated to regional projects.

Consistent with the Government's *State Infrastructure Strategy*, priorities for funding for *Restart NSW* commitments that will start in 2013-14 are:

- \$403 million for the Pacific Highway upgrade;
- \$170 million for the Princes Highway upgrade;
- \$135 million for the *Bridges for the Bush* initiative;
- \$100 million for infrastructure provision in the Illawarra region;
- \$56 million for the Country Towns Water Supply and Sewerage program;
- \$10 million for ongoing motorway planning for the F3 to M2 connection; and
- \$120 million for *Resources for Regions* funding approvals.

Additionally, the Government has also reserved:

- \$40 million for water supply and drought priority projects;
- \$28 million for the Bells Line of Road improvement program;
- \$7 million for regional projects under the Regional Development Australia Fund; and
- \$400 million for the F3 to M2 connection.

In the 2013-14 Budget, \$1.8 billion has also been allocated towards the cost of delivering the WestConnex scheme. This, along with other major Sydney infrastructure projects, will have direct and flow-on benefits for regional NSW by supporting better networked supply chains.

The road network is most heavily relied upon to provide connections for regional communities and support regional economies by facilitating access to employment and freight markets. As well as funding for the major highways, programs such as *Bridges for the Bush* address other needs of the regional road network. Many local roads and bridges cannot cope with freight vehicles as they do not have sufficient strength. The gaps in the road freight network create localised pinch points that reduce the overall efficiency of regional road freight movements. Currently, road freight vehicles have to make long detours to make the journey or use multiple vehicles to carry the same freight – both are inefficient and expensive. The *Bridges for the Bush* initiative, which has received \$135 million of *Restart NSW* funding and \$30 million of Commonwealth Government funding, will replace and upgrade bridges across NSW where mass limit restrictions are imposed which prevent some vehicles from using parts of the road network.

### Freight Networks and Supply Chains

People and businesses in rural and regional NSW often travel long distances between destinations and transport links and rely on well-serviced road networks and other infrastructure. Rail is also a significant form of transport for passenger travel and freight, whilst air travel is a vital yet limited support.

The nature of employment in regional and rural areas, coupled with low population densities and other factors influence demands on transport, resulting in differing requirements to those in metropolitan areas.

The following measures have been identified as strategic priorities for the State's regional and interstate transport infrastructure:

- undertaking major investment on the road network linking the regions with Sydney and interstate destinations;
- supporting improvements on the major freight rail routes;
- upgrading regional road and rail networks;
- recognising the needs of mining affected communities; and
- reserving regional transport corridors and investigating future investment requirements.

Regional economic growth is to a significant extent dependent on the capacity and efficiency of the freight system. Improving freight access, both by rail and road has huge economic benefits. Over the next five years, the NSW Government has allocated \$277 million toward maintaining and upgrading grain rail lines. This investment will assist in easing pressure on rural and regional roads; however the road network will still be required to transfer freight for some or all of a journey. This requires sections of the road to be capable of carrying higher mass limit or high productivity vehicles.

### ***Taskforce Recommendation***

*10 The Government should consider allocating a proportion of Restart NSW funds to an economic and social infrastructure scheme, similar to Resources for Regions, for communities impacted by the supply chain demands of industries that do not generate royalties but make a significant contribution to the State.*

This recommendation is supported in principle.

The Government recognises the infrastructure needs for communities impacted by supply chain demands and is delivering this through an existing path in *Restart NSW*. As there is already a funding path, the Government does not support establishing a new scheme.

Additionally, building on the *State Infrastructure Strategy*, Transport for NSW has commenced an analysis of freight networks for significant supply chains. In particular, this will look at identifying key freight routes and the connectivity needed so that freight shippers and receivers can access these routes. For example, a grain harvest management scheme is underway in consultation with grain producers, transporters and local government. This addresses transport productivity by planning and delivering improved access to rail terminals and more direct routes to ports.

The analysis of freight network supply chains will inform future funding priorities for infrastructure provision and related community support. This work will seek to highlight and acknowledge the specific needs of communities impacted by supply chain demands.

### ***Taskforce Recommendation***

*11 It is suggested that the NSW Government consider introducing a Voluntary Planning Agreement model to secure a funding stream for communities impacted by supply chain demands of industries that do not generate royalties but make a significant contribution to the NSW economy.*

The Government supports the objective of addressing the infrastructure needs of communities that host industries that bring significant benefits to NSW (but do not generate royalties), and is not opposed in principle to partnership-based funding streams. However, it notes that an extensive new planning system is being developed for NSW including a new approach to strategic planning. This is discussed in more detail below. These reforms also include a move to transparent and standardised infrastructure contributions and it is expected that there will be a reduced need for Voluntary Planning Agreements.

### A New Planning System for NSW

The *White Paper – A New Planning System for NSW* and associated *Exposure Bills* were launched on 16 April 2013 for consultation until 28 June 2013. The proposed reforms to the planning system are the most comprehensive since the introduction of the *Environmental Planning and Assessment Act 1979*. The transformative features to the planning system include a new approach to strategic planning.

### Strategic Planning

It is proposed to introduce a new hierarchy of strategic plans comprising NSW Planning Policies, Regional Growth Plans, Subregional Delivery Plans and Local Plans. The purpose of the new strategic planning is to provide upfront, evidence-based, whole-of-government strategic planning underpinned strong community and stakeholder engagement. New tools will also be developed to support strategic planning so that fundamental planning decisions are underpinned by, for example, feasibility assessments and cost-benefit analysis as well as simple visual tools for the community and stakeholders to better contribute to these decisions.

NSW Planning Policies will set the Government's fundamental planning policy priorities that are to transcend all strategic plans. They are likely to cover areas such as housing, employment and infrastructure.

Regional Growth Plans will apply to the State and provide a 20-year framework for the planning for housing and jobs that is integrated with social and economic infrastructure. This means that these plans will have regard to existing infrastructure and plans for new national and State infrastructure and build on Government plans and strategies such as the *State Infrastructure Strategy*.

Subregional Delivery Plans provide the delivery framework for Regional Growth Plans that integrate growth social and economic infrastructure to support priority growth areas and provide a framework for rezoning areas of significance. The integration of infrastructure in the Subregional Delivery Plans will be supported by Growth Infrastructure Plans. They build on existing infrastructure and agency plans for infrastructure (such as the *State Infrastructure Strategy*) and, importantly, include growth infrastructure essential to support priority growth areas.

Growth Infrastructure Plans are proposed to provide a 10-year plan for growth infrastructure and they will indicate funding sources, including infrastructure contributions. In practical terms these two plans will be integrated and form a single document. It should be noted that not all areas of the State will have a need for Subregional Delivery Plans, but the planning system is designed to be flexible so that we can apply aspects of subregional and growth infrastructure planning to the development of Regional Growth Plans to support areas that will benefit from this planning.

Local Plans are the principal legal document that delivers the strategic vision for a local government area through zoning, development guides and plans for local infrastructure and infrastructure contributions.

Together, these arrangements mean that the Government will be undertaking more upfront quality land use planning that is integrated with infrastructure. New legal powers will enable this to be achieved and to ensure there is a line of sight between NSW Planning Policies through to Local Plans.

Therefore, in terms of the demand for infrastructure into the future, the new approach will identify where new development requires essential infrastructure to support that development. Because of the spatial scale offered by the proposed new strategic planning, it will also be possible to consider the implications of development upon infrastructure corridors. To this end, a new approach for infrastructure corridors is also proposed where proposed future corridors will be identified in strategic plans. This includes a framework for rezoning should this be required where funding for corridor acquisition is available.

### Infrastructure Contributions during the Planning Approval Process

Included in the proposed reforms are changes to infrastructure contributions. It is intended that the new planning system will provide a transparent and standardised contributions framework for essential infrastructure necessary to support development. This will build on the changes to upfront strategic planning integrated with infrastructure because the setting of local and regional infrastructure contributions are to be based on local infrastructure plans and growth infrastructure plans (respectively). It is important to note that regional infrastructure contributions are new and are proposed to apply to essential economic and social infrastructure for greenfield and infill areas where a growth infrastructure plan is prepared.

The proposed setting of the contribution will be in these plans and subject to community consultation. All contributions are proposed to be found in a schedule in local plans providing a single location on contributions, thereby moving away from multiple contribution plans.

Overall, these reforms to transparent and standardised infrastructure contributions underpinned by strategic planning means that it is expected that there will be a reduced need for Voluntary Planning Agreements into the future, so they are likely to become the exception and not the rule.

With regard to the earlier recommendation of the Taskforce to consider Voluntary Planning Agreements, the Government is satisfied that the planning concerns of these communities will be accommodated through upfront strategic planning and the introduction of new models for upgrading infrastructure. This should then flow through to the setting of infrastructure contributions where new developments cause a demand for essential infrastructure to support that development.

### Resources for Regions

The *Resources for Regions* is a \$160 million program established by the Government in recognition of the particular pressures placed on local communities by the impact of mining. The program acknowledges that mining activity generates considerable revenues for the State through royalties, and eligibility for funding is therefore assessed, in part, against these revenues *per capita*.

In 2011 the Government committed up to \$160 million of *Restart NSW* funding to this program over four years. Since funding commenced in 2012-13, \$130 million has already been released for allocation in the first two rounds of funding.

The *Resources for Regions* program supports innovative approaches to the delivery of infrastructure that presents common user and community benefits. The program is underpinned by an annual economic assessment of communities affected by mining activity. This assessment compares State revenue raised from communities affected by mining with the corresponding government expenditure on local infrastructure and services.

The assessment is independently audited, and the analysis is used as the basis for meeting the Government's commitment to funding the program.

In 2012 another Assessment was conducted. That Assessment identified Local Government Areas (LGAs) directly impacted by mining activity based on royalties paid, and those indirectly impacted based on responses to a State-wide survey conducted through the local Government and Shires Association (now Local Government NSW) and modelling of mining-related truck movements, which was carried out by the Bureau of Freight Statistics.

In 2013-14, eight LGAs have been identified for inclusion in the program, up from the initial two eligible LGAs in 2012-13. This year, the program has also been made accessible to a wider range of applicants, including local government, businesses, non-government organisations and community groups. The Government is also promoting innovative ways of delivering local infrastructure in mining affected communities. This year, applications from partnerships are being encouraged, which may involve financial or other forms of commitment. The funding allocation of \$120 million in the second round has also been significantly increased compared to the initial round of \$10 million.

The recent completion of the long-term lease of Port Botany and Port Kembla has enabled the Government to extend funding available in the second round of the program, which is being progressed in two phases. \$40 million will be allocated to successful applications made in the initial phase. Additionally, around \$80 million will be available for successful applications received in the supplementary phase. The additional funding will provide a further opportunity for the eight eligible communities under this year's *Resources for Regions* program to apply for support for regional infrastructure projects.

### **Taskforce Recommendations**

- 12 *There is scope for further consideration of widening the 'Resources for Regions' eligibility criteria for 2014-15 so that more mining affected communities benefit from the program.*
- 13 *The NSW Government should consider renaming the 'Resources for Regions' program to more clearly reflect that only communities affected by royalty generating resources industries are eligible – e.g. 'Resources for Mining Affected Regions'.*

The Government welcomes suggestions to further enhance the program. The consideration of the criteria for 2014-15 will be undertaken within the existing assessment framework for the program.

The Government will give further considerations to the issue of eligibility at the time of the next economic assessment of mining affected communities, which will inform the program for 2014-15. However, a decision on funding eligibility will need to achieve a balance between access and the funding required to ensure projects of reasonable significance are supported in qualifying LGAs.

In the longer-term, the Government supports an evaluation of the program to ensure it is responsive to the needs of communities affected by mining, including funding mechanisms.

The Government does not support re-naming the program at this time, given that it will initially address the identification of projects through *Restart NSW* and *NSW NOW* branding. (For more detail, see the response to Recommendation 14).

- 14 *The NSW Government should badge or brand Resources for Regions projects so that its funding contributions are more clearly articulated at the local level.*

This recommendation is supported. It is recognised that there is a need for improved identification of projects being supported by Government. From 1 July 2013 the Government has implemented a new communications strategy for all *Restart NSW* funded projects. This includes *Resources for Regions* projects which will now be clearly identified with *Restart NSW* and *NSW NOW* branding. *NSW NOW* is a Government-wide initiative that brings together activities that drive economic growth and development, including government infrastructure projects and all programs that promote confidence in investing in NSW.

### 3.3 GOVERNMENT AGENCY DECENTRALISATION

Government agency decentralisation is a key commitment of the Government and forms part of its *Decade of Decentralisation* strategy. In this context, the NSW Government has set a target of relocating 1,500 public sector jobs from metropolitan Sydney to regional NSW by 2021.

The primary objective of the strategy is to stimulate growth and long-term job generation. Some estimates suggest that for every dollar spent on agency/business unit relocations, there is a potential multiplier effect of between 2.5 and 3 in regional areas. In terms of job generation, it is estimated that each public sector job creates two jobs in the private sector within the region.<sup>11</sup>

Relocating public sector jobs and functions can also play an important role in bringing government decision-making to local communities, a goal under *NSW 2021*.

To achieve maximum value for regional growth and government administration, the decentralisation of the public sector should not be an end in itself, but rather as a mechanism to improve service delivery, more efficiently manage resources and support economic development goals.<sup>12</sup>

While the Government’s focus is on the private sector leading economic and job growth, the Government acknowledges that it is already a significant employer in regional communities, and also notes the multiplier effect in private sector job creation associated with public sector agency business. Most regions have a higher proportion of State Government jobs than metropolitan Sydney (see **Table 1**).

To ensure the equitable delivery of services across the State and to keep pace with population demand, many medical professionals, teachers, police, fire fighters, road and rail workers are already located in regional areas.

About 60 per cent of the NSW public sector is employed in health and education, and almost 87 per cent are involved in front line service delivery.<sup>13</sup> This creates a limit on the scale of future relocation opportunities for business units in some agencies.

**Table 1 - State Government Employees as a percentage of regional employment**

Region	State Gov.	Total	State Government as % of Total
Murray	3,873	43,956	8.8%
Northern Inland	7,375	66,787	11.0%
Northern Rivers	10,086	90,818	11.1%

<sup>11</sup> NSW Auditor General, *Relocating agencies to regional areas*, December 2005; and Urban Development Institute of Australia, Queensland, *The decentralisation of core government services*, 2007.

<sup>12</sup> See the World Bank, <http://www1.worldbank.org/publicsector/decentralization/admin.htm>, 2001.

<sup>13</sup> NSW Public Sector Commissioner, *How it is – State of the NSW public sector*, 2012.

Region	State Gov.	Total	State Government as % of Total
Central West	8,410	65,758	12.8%
South Coast	5,247	51,173	10.3%
Mid North Coast	8,492	79,393	10.7%
Riverina	6,100	58,002	10.5%
Orana	5,960	44,287	13.5%
Southern Inland	6,594	62,976	10.5%
Far West	1,164	7,777	15.0%
Hunter	25,741	242,174	10.6%
Illawarra	11,056	91,328	12.1%
Central Coast	10,820	90,096	12.0%
Metropolitan Sydney excluding Central Coast	173,684	1,784,015	9.7%
POW No Fixed Address (NSW)	2,979	112,461	
POW State/Territory undefined (NSW)	7,862	142,525	
<b>Total NSW</b>	<b>295,443</b>	<b>3,033,526</b>	<b>9.7%</b>

Source: ABS National Regional Profile 2007-2011 <sup>14</sup>

However, the NSW Government believes there are further opportunities to increase the presence of public sector jobs and functions in regional NSW, and is committed to its decentralisation policy initiative as a way to support regional communities.

### **Taskforce Recommendations**

- 14 *The NSW Government should plan and implement a clear strategy to relocate appropriate public sector functions and jobs to regional NSW to stimulate regional economic development and support regional involvement in decision-making.*
- 15 *The NSW Government should underpin the relocation of government business units and functions with strong business cases that match community needs and prospects for growth with regional servicing capacity and government functions. This will improve the prospects and sustainability of these relocations.*
- 16 *The NSW Government should consider not only whole agency relocations but partial agency and co-location of services and discrete core business functions that demonstrate a natural fit with the communities in regional locations.*

These recommendations are supported.

<sup>14</sup> <http://www.ausstats.abs.gov.au/ausstats/nrpmmaps.nsf/NEW+GmapPages/national+regional+profile?opendocument>.

The agency decentralisation initiative is being implemented in two phases:

- agency decentralisation from the Sydney CBD to other parts of metropolitan Sydney; and
- agency decentralisation from metropolitan Sydney to regional NSW.

The first phase of implementation is now underway and targets the strategic release of government property holdings in the CBD. This is likely to bring long-term savings to Government. It will also free up space in Sydney, the global hub of the NSW economy, for increased investment by business, particularly those in high growth sectors which rely on proximity to the centre of the city.

The Government has set targets for the reduction of space used by principal departments in the CBD in order to achieve an overall reduction of Government holdings of at least 100,000m<sup>2</sup> by 2021.

These targets were developed in consultation with agencies following their preliminary assessment of the potential to relocate business units or functions out of the CBD. Principal departments must prepare relocation business cases which include an assessment of proposed locations to meet these targets.

The second phase of implementation has also commenced targeting the relocation of a further 1,500 public sector jobs from metropolitan Sydney to regional NSW by 2021. Principal departments are currently either in implementation or further assessing their opportunities to decentralise to regional NSW, and will be required to submit relocation proposals to the Government which go towards meeting the target.

The process of assessing the suitability of public sector business units for decentralisation needs to be systematic. In general, it should be guided by three principles:

- business units chosen for relocation should be relatively independent or specialised, so that the transfer does not adversely affect their interaction with partner agencies;
- business units that have continual interaction with political officials or develop public policy on a daily basis should not be located outside the capital city; and
- special attention should be paid to the demographic and professional characteristics of employees asked to relocate.<sup>15</sup>

As noted in several reviews of agency relocations, business cases are essential for underpinning relocation proposals and decision-making.<sup>16</sup> The current process for relocating Business cases need to factor in the potential costs associated with loss of staff not willing or able to make the move. It should be noted this is an existing component of the Government's processes for relocations.

Just on 61% of the NSW public sector workforce is women, and the median age of employees is 45.<sup>17</sup> These two factors may reduce workforce acceptance of relocation and therefore increase the costs of redundancies and loss of corporate knowledge. Studies suggest that young, educated single men are generally most willing to relocate.

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<sup>15</sup> Le Goff, P., *Moving public servants to the regions*, Parliament of Canada, Ottawa, 2005, in *APS Human Capital Matters*, Decentralisation, Issue 2, march 2012.

<sup>16</sup> See NSW Auditor General, *Relocating agencies to regional areas*, December 2005; and Urban Development Institute of Australia, Queensland, *The decentralisation of core government services*, 2007.

<sup>17</sup> NSW Public Sector Commissioner, *How it is – State of the NSW public sector*, 2012.

Employees who are over 40 may be responsible for caring for children and also ageing parents, making them less able to relocate. With an ageing population, this cohort of the workforce with family care responsibilities is increasing.<sup>18</sup> On the other hand, employees over 50 may be seeking lifestyle changes as they approach retirement, and therefore relocation may prove attractive to them. However, their choices may need to be balanced against any caring responsibilities they may retain for ageing parents.

The Government is developing a procurement, funding and management framework to support agency decentralisation. The objective of this framework will be to determine a financing/funding model for relocations which has least net impact on budget, is simple to administer, and delivers maximum private sector leverage. As part of this work, a financial appraisal template is being developed to assist agencies in assessing their respective business case relocation costs, and to ensure consistency in financial analyses across agencies. A high level economic appraisal is also being prepared which assesses the potential costs of implementing the first phase of the decentralisation initiative.

Studies of the costs and benefits of public sector decentralisation show that while there can be important benefits from relocation in terms of regional growth and devolution, strong risk management and leadership is needed to maintain these benefits. Moreover, relocations can also include high short-term human resources and material costs, and can sometimes result in the disruption of community structure in host communities.<sup>19</sup>

Work is being carried out to support agencies implementing the second phase of the decentralisation strategy. This work is looking at the profiles of government business units which have relocated in the past, profiles of areas which have hosted relocated entities, and capturing lessons learned from previous relocation initiatives. As pointed out by the Taskforce, in order for relocations to be sustainable, there needs to be a good 'fit' between the government business unit and its host community. Relocations also have to be managed in a way that does not increase net long-term cost to government, while the suitability of locations also needs to be assessed in terms of available skills, infrastructure and services.

An outcome of this work will be to provide agencies with a toolkit for assessing:

- government business units suitable for relocating to regional locations; and
- regions/locations that could host relocated business units sustainably.

The current process for relocating government property assets already includes requirements for business cases, and appropriate mechanisms are in place for the effective management of this process. The proposed toolkit would sit beside that process to help agencies deal with issues that may arise when relocating.

Previous cases of public sector business unit relocations in NSW are also being examined. The learning from this work will be shared with government agencies and their leadership teams who will be managing future relocations.

## State Owned Corporations

In NSW there are 16 State Owned Corporations that are administered under the *State Owned Corporations Act 1989*<sup>20</sup>:

- Essential Energy;
- Delta Electricity;
- Ausgrid;

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<sup>18</sup> Commonwealth Government, Intergenerational Report, 2007 and 2010.

<sup>19</sup> Experian, *The impact of relocation*, London, 2004.

<sup>20</sup> Schedule 5 – Statutory State Owned Corporations.

- Eraring Energy;
- Hunter Water Corporation;
- Endeavour Energy;
- Landcom;
- Macquarie Generation;
- Newcastle Port Corporation;
- Port Kembla Port Corporation;
- State Water Corporation;
- Superannuation Administration Corporation (trading as Pillar);
- Sydney Ports Corporation;
- Sydney Water Corporation;
- TransGrid; and
- Forestry Corporation.

State Owned Corporations must meet stringent legal requirements and perform competitively in the market to produce a net benefit to the State. However, there is also direct reference in the legislation on the obligation of State Owned Corporations “to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates”.<sup>21</sup>

As at November 2012, State Owned Corporations employed an estimated 6,938 full time equivalent (FTE) jobs in Sydney. At that time State Owned Corporations also had approximately 7,265 FTE jobs at locations across the rest of NSW.

### ***Taskforce Recommendation***

18. *State Owned Corporations, functions and jobs are also potential candidates for relocation to regional NSW and the Government should include these entities in its broader policy consideration on decentralisation.*

This recommendation is supported in principle, subject to further consideration on a case-by-case basis.

State Owned Corporations are not subject to the Government’s relocation target. However, it is clear that a significant number of State Owned Corporations already have a presence across NSW and are performing in accordance with the spirit of the governing legislation to support regional development and decentralisation.

The Government acknowledges that a number of State Owned Corporations are either located only in regional NSW or have a majority of staff located in the regions due to the nature of their business.

For those that are concentrated in Sydney, there are likely to be limited opportunities for further decentralisation for similar reasons. However, the Government proposes to assess future opportunities on a case-by-case basis, within the context of the broader strategy to decentralise government functions.

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<sup>21</sup> As detailed in Section 20E, subsection 1 (d) of the State Owned Corporations Act 1989.

## 3.4 OTHER ISSUES

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### Cross Border Competitiveness

The NSW Government has implemented significant changes to improve the competitive position of NSW businesses.

For example, in May 2013 the Premier announced that 167,000 employers would benefit from an average reduction to WorkCover premiums of 7.5 per cent, saving them more than \$200 million a year<sup>22</sup>. Additionally, as announced in the 2013-14 Budget, as at 1 July 2013 the payroll tax threshold has been increased from \$689,000 to \$750,000. This will ease the tax burden especially on SMEs.

#### **Taskforce Recommendation**

*19 (1) Potentially reduce cross border competitive disadvantage by reducing government charges such as licence fees and Workers Compensation premiums, and introducing a differential payroll tax threshold in areas where NSW business is at a demonstrable disadvantage compared to business in Victoria and Queensland.*

The objective of cross border competitiveness is supported.

In 2012, the NSW Legislative Assembly Committee on Economic Development conducted an inquiry into establishing special economic zones to provide State tax and financial incentives to promote economic growth, employment and investment in regional and rural NSW.

While recognising that businesses in border regions can experience competitive disadvantage, the Committee considered that special economic zones were not the appropriate solution to this issue, and that establishing special economic zones in NSW would simply shift the border to a neighbouring region and would not remove the underlying disadvantage.

The harmonisation of regulations across all jurisdictions in Australia was widely recognised as the preferred long-term solution to cross border issues. There is also an opportunity for neighbouring States to work collaboratively to provide solutions which may either pre-empt national harmonisation or which address issues that only arise between neighbouring States.

The Government is committed to pursuing opportunities for greater harmonisation of regulation and licensing through the COAG process as well as through the negotiation of bilateral agreements with neighbouring States and Territories to level the playing field across all jurisdictions.

The Government has also appointed a Cross-Border Commissioner to advocate on behalf of border communities.

### Electricity Supply Costs

Prices across Australia vary because they reflect the range of costs to supply electricity to different areas. Electricity prices charged to customers include network costs (the poles and wires), the wholesale cost of electricity purchased from the generators and retail costs for administration and business operation. All of these costs differ across NSW.

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<sup>22</sup> <http://www.nsw.gov.au/news/workcover-reform>.

Electricity prices in NSW are generally cost reflective, not cross-subsidised. Prices in regional NSW are higher than those in suburban locations, primarily as a result of the network costs associated with transporting energy to regional NSW. Network costs make up approximately half of a total power bill.

The distribution network, Essential Energy, services regional NSW. Unlike the other networks, Essential Energy's power network spans a large proportion of the State, but the costs are spread over a smaller customer base.

To put this into perspective, Essential Energy has around 200,000 kilometres of power lines covering 95 per cent of NSW's land mass, which services around 800,000 customers that the costs of the network are recovered from. This is in comparison with the two city-based networks, which together operate around 80,000 kilometres of power lines. Endeavour Energy has around 850,000 customers and Ausgrid around 1.3 million customers.

### **Taskforce Recommendation**

*19 (2) The Taskforce further identified the need to examine the options for making electricity supply costs in regional NSW comparable to the cost of supply in Sydney and other well serviced metropolitan areas.*

This recommendation is supported in principle.

The NSW Government is continuing with its reform program of the State-owned electricity distribution businesses, including capping rising network prices at, or below, the Consumer Price Index (CPI) from 1 July 2013 over the next six years.

As a result of these reforms, the Government has identified more than \$2.5 billion in unnecessary future capital expenditure and operating costs by the network businesses that will no longer need to be passed onto customers.

The Government has also taken a number of other steps with regards to network costs which will deliver better outcomes for energy consumers including:

- taking action to revise NSW electricity network reliability standards so that a secure and reliable electricity supply is achieved more cost effectively;
- requesting NSW electricity network and transmission companies to revise capital expenditure plans in light of decreased demand forecasts; and
- capping electricity company dividends at forecast levels.

The Independent Pricing and Regulatory Tribunal (IPART), which sets regulated electricity and gas prices, has recently released its 2013-14 draft pricing determination. This proposes average electricity price increases of just three per cent, which is largely in line with inflation. This is compared to an average price increase of 18 per cent last year.<sup>23</sup>

For regional customers, power prices have levelled with a proposed average price increase of 0.5% for customers in the Essential Energy network, compared to a 19.7% increase last year. Customers can expect to see a drop in prices in future years, with IPART predicting prices in the Essential Energy network area to increase by 1% next year and decrease by 5.3% in 2015-16.

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<sup>23</sup> More information can be found at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

## Coordinator General

### **Taskforce Recommendation**

19 (3) *The NSW Government establish a Coordinator General role to expedite the planning and approvals processes for the development of major projects in regional NSW*

The outcome to expedite planning and approvals processes is supported, however it is not supported to establish a new role for this as alternate mechanisms to achieve this are currently in place. Further, the *White Paper – A New Planning System for NSW* is proposing improved processes which includes reducing the complexities of concurrent approvals for major projects.

Under the *Infrastructure NSW Act 2011*, the Chief Executive Officer has a legislated role as Coordinator General. This position, and Infrastructure NSW more broadly, has wide-ranging powers to work with agencies as well as independently to ensure that infrastructure priorities are identified in strategies and plans, and delivered on time. The coordination functions include the preparation of plans, project implementation plans, evaluation of projects, overseeing and monitoring projects, and in some cases, delivery of projects.

For instance, the Coordinator General was required to coordinate the Port Botany - Sydney Airport Precinct strategy Statement in accordance with Part 4, clause 24 of the *Infrastructure NSW Act 2011*. Infrastructure NSW delivered the strategy to the NSW Government in January 2012. Freight and transport issues in the area have a major impact on NSW productivity and economic growth. The solutions involved coordinating three levels of Government and the private sector to evaluate the most effective options and prioritise infrastructure investments. Infrastructure NSW established a high level steering committee capable of coordinating input and analysis by the Commonwealth and State Government agencies, Corporations, local government and freight and air travel industry and users to produce a comprehensive strategy.

The Department of Premier and Cabinet also plays a key role in facilitating major public and private sector projects which are not led by Infrastructure NSW, and works with other government agencies to ensure the delivery of services on time, within budget and to the community's expectations. This includes facilitating place-based projects, especially those with a commercial aspect. The agency's work also encompasses the Commission of Audit and specifically addresses systemic barriers to the delivery of reform outcomes across rural and regional NSW.

More broadly, within the context of NSW's proposed new planning system, decisions on major infrastructure and development proposals in regional and sub-regional areas of the State will be considered in a more streamlined manner. The new planning system aims to address the systemic issues in planning and approvals processes by minimising delays and reducing complexity.

## Online Education

### **Taskforce Recommendation**

19 (4) *Examine opportunities for maximizing online education in secondary, vocational and tertiary education in regional NSW*

This recommendation is supported.

The NSW Government is committed to providing rural and regional communities with increasing opportunities for online education in order to enhance the opportunity to develop skills and grow the competitiveness of regional economies.

Across regional NSW, almost 70% of households now have an internet connection. Just under 60% of regional households have broadband connections (see **Table 2**). This presents significant opportunities for regional communities, particularly in the fields of education and training and skills formation.

The Australian Bureau of Statistics (ABS) notes that most of these connections in regional NSW achieve download speeds of between 8 Mbps and 24 Mbps.<sup>24</sup> These download speeds are prime speeds to achieve good quality outcomes for most interactivity required for online learning.

However, effective access may also be influenced by prime time internet usage, poor quality routers in the home, old or slow computers or having several household members online at one time<sup>25</sup>.

**Table 2** - Percentage of regional dwellings with internet access

Region	Percentage of occupied dwellings with connection			
	Broadband	Dial-up	Other	Total
Murray	59.0%	3.2%	3.7%	66%
Central West	58.4%	3.5%	3.7%	66%
Coffs Harbour	61.8%	3.5%	3.4%	69%
Orana Far West	53.5%	3.1%	4.0%	61%
Hunter	64.0%	3.2%	3.5%	71%
Illawarra	65.0%	3.3%	3.4%	72%
Richmond Tweed	61.9%	3.6%	3.6%	69%
Riverina	58.9%	3.2%	4.1%	66%
New England	56.3%	3.3%	3.9%	64%
Mid North Coast	58.3%	3.5%	3.1%	65%
<b>TOTAL</b>	<b>59.7%</b>	<b>3.3%</b>	<b>3.6%</b>	<b>67%</b>

Source: ABS Internet subscribers by type of access connection <sup>26</sup>

In NSW, online education at secondary, vocational and tertiary levels is administered in a multi-modal approach. Secondary schools use a variety of different platforms, from open-source 'moodle' based approaches to formalised e-learning centres that support the whole of the community.

Some examples of the e-learning programs used in rural and remote areas of NSW and funded by the NSW Government include:

- E2: An e-learning platform that is run out of the Orange area and shares curriculum between local secondary schools in the area.
- Denison College Moodle: an open source platform whose administrator is located in Bathurst, which allows remote schools to connect to its Learning Management System to access e-learning materials.

<sup>24</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/Products/8153.0~December+2012~Chapter~Advertised+download+speed?OpenDocument>.

<sup>25</sup> <http://www.fcc.gov/guides/broadband-service-home-consumers-guide>.

<sup>26</sup> <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8153.0December%202012?OpenDocument>.

- iXtend: Similar model to eGATS (online learning experience for Gifted and Talented Students) where gifted and talented year 5 to 8 students are connects using eLearning in Western NSW (based in Bathurst).
- The New England Centre of Learning (NECOL): based at Hillvue Public School where teachers facilitate remote sessions with primary students to support remedial literacy.
- Royal Far West School: this school is based in Sydney and runs an outreach service using collaborative technologies to engage and support literacy in rural and remote schools across NSW.

Centres such as the e-learning centre at Cooma have accessed external funding such as Commonwealth communications grants or private company sponsorship – in this case sponsorship by Snowy Hydro - to allow community residents access to an eLearning environment to engage with education at both secondary and tertiary level. These grants assist in building community based e-learning centres that support the whole community.

In the Vocational Education and Training sector, TAFE NSW is an integral part of the NSW economic infrastructure with a State-wide footprint and offering over 1,300 work related qualifications. The TAFE NSW network of 10 institutes extends to many remote and rural centres where TAFE NSW is the only provider of post-school training. In 2012, a total of 570,000 students were enrolled in TAFE NSW, of which more than 235,000 were students from regional and remote areas.

In 2012, more than 20 per cent of TAFE NSW delivery was through online and blended modes. TAFE NSW students can study online programs through all Institutes. For example, in 2012,

- TAFE NSW – Western Institute delivered over 3,200 student enrolments through Western Connect, a virtual college taking training to rural and remote communities by harnessing mobile teaching and simulator units
- TAFE NSW - Sydney Institute completed construction of the AutoCel, a purpose-built transport technology centre. AutoCel contained State of the art online simulation training equipment, allowing students to study onsite or remotely
- TAFE NSW – South Western Sydney Institute implemented 37 courses enhanced by Moodle, video-conferencing and social media. These covered a range of courses including online courses in fitness and shop-fitting.
- TAFE NSW – Western Sydney Institute’s reach extends beyond the Western Sydney Region through the Institute’s distance education centre, the Open Training and Education Network (OTEN). OTEN provides distance and online education and training services to students in NSW, across Australia and overseas. It is the largest non-classroom based education provider in Australia with over 80,000 students enrolled in over 250 courses. Eliminating geographical restrictions, OTEN enables the Institute to reach regional NSW students using a wide range of integrated e-learning technologies including Moodle, Equella and Adobe Connect.

*Smart and Skilled* is the NSW Government’s framework for reform of the Vocational Education and Training (VET) system in NSW. The framework is designed to facilitate increased workforce participation and productivity by giving more people access to government-subsidised vocational education and training. The *Smart and Skilled* reforms are expected to be introduced from July 2014 and will include a range of improvements to the VET system, including greater support for regions and equity groups. *Smart and Skilled* will have specific benefits for regional NSW:

- it will help regional students access quality training;
- the skills list of subsidised courses will be based on regional job prospects and industry needs;

- communities will have access to published information on training organisations, training opportunities and labour market trends in their regions; and
- training organisations will receive additional funding for training in regional locations.

TAFE NSW Institutes will also have increased autonomy under these reforms. TAFE Institutes will be able to manage their businesses locally. This includes capital planning.

## PART FOUR: REVIEW AND PERFORMANCE

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A number of initiatives under the *Decade of Decentralisation* are already part of the *NSW 2021* reporting framework. Additionally, Regional Action Plans are reported within this framework. The Government therefore proposes to integrate any additional actions arising out of this response into this reporting framework.

Aggregated data on uptake of the *Regional Relocation Grant* and the new *Skilled Regional Relocation Incentive* will be provided to RDAs to enable them to understand the dynamics of skills supply in their regions. RDAs have a role in devising economic development plans for their regions and providing ongoing advice to both the Commonwealth and State Governments on opportunities, changing industry structure and future skills needs. RDA committees consist of senior local representatives from industry, local government and community organisations. These parties would have an interest in understanding the skills profile of their region and would also be able to influence local marketing effort designed to attract businesses, workers and visitors.

Actions on agency decentralisation will continue to be reported to Government through the Cabinet process and through the Cabinet Standing Committee on Rural and Regional NSW.

## PART FIVE - CONCLUSION

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There are three objectives of the *Decade of Decentralisation* strategy:

- supporting the development and sustainability of regional economies and communities;
- attracting population, skills and investment from metropolitan Sydney to regional NSW; and
- increasing the opportunities for communities in regional NSW to participate in Government decision-making.

These objectives are being met through a range of programs and initiatives which have been outlined in this response. Significant budget allocations have been made by the Government to deliver these, and an ongoing review will ensure that service delivery and outcomes are effectively assessed.

The Taskforce's review report indicates that regional stakeholders, business and the community were broadly supportive of the overall objectives of the strategy. The proposals outlined in this response are designed to further enhance implementation, thereby achieving improved outcomes for regional communities and NSW as a whole.

## APPENDICES

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### Appendix 1

#### Terms of Reference

##### NSW Decentralisation Taskforce

By March 2013, the NSW Decentralisation Taskforce will provide a report to the Deputy Premier and the NSW Government which will provide advice on the *Decade of Decentralisation* Strategy and associated policies and programs including:

1. *Regional Relocation Grant*
2. *Jobs Action Plan* (regional component)
3. *Restart NSW* (regional component)
4. Resources for the Regions
5. Government agency relocation.

In giving effect to the above, the Taskforce will:

1. Consult with stakeholders including, but not limited to, the Association of Mining Related Councils; Country Women's Association – NSW; Evocities; Foundation for Regional Development; NSW Business Chambers; NSW Farmers Association; NSW Local Government and Shires Associations.
2. Examine other relevant review processes which have been, or are being, undertaken at the local, State and Commonwealth levels in relation to these issues.
3. Examine how existing Government facilities in regions can be better leveraged to advantage regional communities and regional based businesses.

##### Taskforce Members

The membership of the Taskforce is as follows:

1. The Hon. Richard Torbay MP, Member for Northern Tablelands (Chair – resigned 20 March 2013)
2. Mr Greg Aplin MP, Member for Albury
3. Mr Craig Baumann MP, Member for Port Stephens
4. The Hon. Thomas George, MP, Member for Lismore (Chair)
5. Mr Paul Toole MP, Parliamentary Secretary to the Deputy Premier.

Taskforce Recommendations and Summary of Government Response

#	NSW Decentralisation Taskforce Recommendation	Government position	Response
1	The value of the <i>Regional Relocation Grant</i> (RRG) needs to be increased so that it constitutes a more meaningful incentive for regional relocation. A notional value of \$10,000 per grant is suggested for consideration.	Supported in principle	The present value of the grant, \$7,000, is considered suitable for the ongoing RRG component. The Government has improved the targeting of the RRG by making it accessible to long-term renters in metropolitan Sydney. The Government is also proposing to introduce a new <i>Skilled Regional Relocation Incentive</i> of \$10,000 targeted at regional employees. Applications under the new scheme will be administered on a 'first-come, first-served basis' and managed by the Office of State Revenue.
2	The criteria for the RRG should target people with skills in demand in regional NSW and be tied to secured employment.	Supported	The Government proposes to introduce a new <i>Skilled Regional Relocation Incentive</i> , with the aim to stimulate sustainable economic growth in regional NSW. The new scheme is targeted at residents of metropolitan Sydney who will relocate to regional NSW for work.
3	The Government should revisit the RRG criteria to minimise minor moves from 'metropolitan' cities to neighbouring 'regional' suburbs or post code areas (sometimes closer to Sydney) by tying the grant to secured employment.	Supported	A minimum distance requirement of 100 kilometres is to be introduced to prevent the misuse of the scheme in areas that border metropolitan and regional boundary lines.
4	The Government should reduce the budget allocation for the refocused RRG to \$20 million or 2,000 relocations per year.	Supported in principle	The principle of optimising the current budget for the RRG is supported. Availability of the <i>Regional Relocation Grant</i> and the new <i>Skilled Regional Relocation Incentive</i> will be on a first-come first-served basis within the budget allocation. Future budget allocations for the RRG will be subject to the budget process and will consider take-up of the revised RRG and the <i>Skilled Regional Relocation Incentive</i> .
5	The Government should consider re-allocating \$20 million of the existing RRG budget allocation to the <i>Regional Industries Investment Fund</i> , which has a clear objective to attract investment and support regional economic development outcomes.	Objective Supported	As noted in recommendation 4, funds are not available in the RRG budget to be assigned to the RIIF. Future budget allocations for the RIIF are supported and are subject to the budget process. Funding allocation for the RIIF has been increased in the 2013-14 NSW Budget.
6	There is a need to streamline the process for business to access the <i>Jobs Action Plan</i> . The current system is cumbersome and there are opportunities to significantly reduce the red tape for business access to the payroll tax rebate under this program.	Objective Supported	The Government concurs that the process should be more accessible and user friendly. The Office of State Revenue is open to suggestions for further improvements. The web-based application system has been specifically designed to ensure it is as user-friendly and efficient as possible, and telephone support is available.
7	The RRG needs to be marketed more assertively and this marketing is likely to be more effective if integrated into the broader marketing of regional economic development opportunities and programs.	Objective Supported	The recommendation to market the grants more assertively and effectively is supported. A targeted, evidence-based marketing campaign will be developed to ensure that the RRG and new <i>Skilled Regional Relocation Incentive</i> reach their target audiences.



#	NSW Decentralisation Taskforce Recommendation	Government position	Response
8	NSW T&I should have lead responsibility for the policy development, administration and marketing of the RRG and all other regional development programs. This will achieve better alignment of programs with portfolio responsibilities, and is likely to lead to improved regional development outcomes.	Supported	The Government supports NSW Trade & Investment taking lead responsibility for policy development and marketing to better integrate the RRG into regional economic development policy and business and investment facilitation. The administration of individual grants will remain with the Office of State Revenue, which is appropriately positioned to deliver these transactions.
9	It is recommended that \$6.5 million of the current funding allocation for the RRG be re-allocated for a comprehensive regional NSW promotional marketing strategy to promote regional NSW to Sydneysiders and international markets.	Not Adopted	As noted above, targeted marketing of the relocation incentives is preferred.
10	The Government should consider allocating a proportion of <i>Restart NSW</i> funds to an economic and social infrastructure support scheme, similar to <i>Resources for Regions</i> , for communities impacted by the supply chain demands of industries that do not generate royalties but make a significant contribution to the State.	Supported in Principle	The Government acknowledges the infrastructure needs of communities impacted by supply chain demands. This is already being delivered through an existing path in <i>Restart NSW</i> . The Government does not support establishing a duplicate scheme. Transport for NSW is also currently analysing freight network supply chains. This work will seek to highlight and acknowledge the specific needs of communities impacted by supply chain demands.
11	It is suggested that the NSW Government consider introducing a Voluntary Planning Agreement (VPA) model to secure a funding stream for communities impacted by supply chain demands of industries that do not generate royalties but make a significant contribution to the NSW economy.	Objective Supported	The new planning system reforms and processes will deliver improved outcomes identified by the Taskforce. These reforms also include a move to transparent and standardised infrastructure contributions and it is expected there will be a reduced need for Voluntary Planning Agreements.
12	There is scope for further consideration of widening the <i>Resources for Regions</i> eligibility criteria for 2014-15 so that more mining affected communities benefit from the program.	Supported	A review of the criteria for 2014-15 will take place within the existing assessment framework for the program. The Government will give further considerations to the issue of eligibility at the time of the next economic assessment of mining affected communities, which will inform the program for 2014-15.
13	The NSW Government should consider renaming the <i>Resources for Regions</i> program to more clearly reflect that only communities affected by royalty generating resources industries are eligible – e.g. <i>Resources for mining Affected Regions</i>	Objective Supported	The Government has considered renaming and has agreed to <i>NSW NOW</i> and <i>Restart NSW</i> branding.
14	The NSW Government should badge or brand <i>Resources for Regions</i> projects so that its funding contributions are more clearly articulated at the local level.	Supported	From 1 July 2013, projects funded by <i>Restart NSW</i> , including <i>Resources for Regions</i> projects, are to be clearly identified with <i>NSW NOW</i> branding as part of a new communications strategy.
15	The NSW Government should plan and implement a clear strategy to relocate appropriate public sector functions and jobs to regional NSW to stimulate regional economic development and support regional involvement in decision-making.	Supported	The NSW Government believes there is further scope to increase its regional presence through implementation of its <i>Decade of Decentralisation</i> policy initiative. The Government has targeted the relocation of a further 1,500 public sector jobs from metropolitan Sydney to regional NSW by 2021, and this initiative has already commenced.

#	NSW Decentralisation Taskforce Recommendation	Government position	Response
16	The NSW Government should underpin the relocation of government business units and functions with strong business cases that match community needs and prospects for growth with regional servicing capacity and government functions. This will improve the prospects and sustainability of these relocations.	Supported	<p>The current process for relocating government property assets already includes requirements for business cases, and appropriate mechanisms are in place for the effective management of this process.</p> <p>Principal departments are currently assessing their opportunities to decentralise to regional NSW, and are in the process of developing relocation proposals for consideration by the Government. The development of a toolkit is being proposed to assist agencies managing relocations. The proposed toolkit would sit beside existing relocation processes to help agencies deal with issues that may arise when relocating.</p> <p>The Government is also developing a procurement, funding and management framework to support agency decentralisation.</p>
17	The NSW Government should consider not only whole agency relocations but partial and co-location of services and discrete core business functions that demonstrate a natural fit with the communities in regional locations.	Supported	Further work is being carried out in the implementation of the second phase of the decentralisation strategy. The development of a toolkit is being proposed to assist agencies managing relocations. The proposed toolkit could include key considerations in assessing government business units suitable for relocating to regional locations, and regions that could host relocated business units sustainably.
18	State Owned Corporations, functions and jobs are also potential candidates for relocation to regional NSW and the Government should include these entities in its broader policy considerations on decentralisation.	Supported in Principle	Many State Owned Corporations already have a strong presence in regional NSW, with some located only in regional areas. For those concentrated in Sydney, the Government proposes to assess future opportunities on a case by case basis, within the context of the broader decentralisation strategy.
<i>Additional issues identified for further examination which are of relevance to the regional development objectives of the Decade of Decentralisation:</i>			
19a	Potentially reduce cross border competitive disadvantage by reducing government charges such as licence fees and Workers Compensation premiums, and introducing a differential payroll tax threshold in areas where NSW business is at a demonstrable disadvantage compared to business in Victoria and Queensland.	Objective Supported	<p>The NSW Government has implemented significant changes to improve the competitive position of NSW business. Whilst still recognising the competitive disadvantage of border regions, harmonisation of regulations across all jurisdictions in Australia is the preferred long term solution. However, in 2012, the NSW Legislative Assembly Committee on Economic Development conducted an inquiry into establishing special economic zones to ameliorate the competitiveness in boarder regions, but concluded that they are not an appropriate solution.</p> <p>The Government has appointed a Cross-Border Commissioner to advocate on behalf of border communities and to address issues of border disadvantage.</p>
19b	Examine the options for making electricity supply costs in regional NSW comparable to the cost of supply in Sydney and other well serviced metropolitan areas.	Supported in Principle	Electricity prices in NSW are price reflective, not cross-subsidised. Thus prices in regional NSW are higher than in suburban locations primarily due to the large difference in network costs. Despite this, the NSW Government is continuing its reform program of the State-owned distribution businesses.

#	NSW Decentralisation Taskforce Recommendation	Government position	Response
19c	The NSW Government establish a Coordinator General role to expedite the planning and approvals processes for the development of major projects in regional NSW.	Objective Supported	Currently, under the <i>Infrastructure NSW Act 2011</i> , the Chief Executive Officer already has a legislated role as Coordinator General. The Department of Premier and Cabinet also plays a key role in facilitating major public and private sector projects not led by Infrastructure NSW. In a broader sense, the new NSW planning system aims to address systemic issues in planning and approvals processes by minimising delays and reducing complexity.
19d	Examine the opportunities for maximising online education in secondary, vocational and tertiary education in regional NSW.	Supported	The NSW Government is committed to providing rural and regional communities with increasing opportunities for online education to enhance the opportunity to develop skills and increase the competitiveness of regional economies. The Government's <i>Smart and Skilled</i> reforms will also provide more opportunities tailored to the needs of regional communities.