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Regional Development Act Submissions
Department of Regional NSW
1 Monaro Street,
QUEANBEYAN, NSW, 2620

By email: regionaldevelopmentroadmap@regional.nsw.gov.au

To whom it may concern,

SUBMISSION TO THE REVIEW OF THE REGIONAL DEVELOPMENT ACT, 2004

I write with respect to the recent opportunity offered by the NSW Government to participate in a review of the Regional Development Act 2004. On behalf of Lithgow City Council, I thank Government for its commitment to review the Act, and afford the NSW community a chance to comment.

Whilst Lithgow City Council (Council) is not a member of the Association of Mining and Energy Related Councils (the Association), it has had the benefit of reading the Association's submission to the above review. The Association's submission closely aligns with Council's recent advocacy priorities, particularly recommendations: 4, 5, 6, 7, 8, 9, 10, 12 and 13. Council also repeats the responses provided by the Association to the specific questions contained in the Review Issues Paper.

More specific to Lithgow's local context though, 43% of the Lithgow economy by value-added production is likely to disappear over the next ten-to-fifteen-years as the NSW Government and others engage with the difficult task of decoupling economic progress from the extraction and use of hydrocarbons. Lithgow will be one of the first communities in New South Wales to experience the full impact of those global shifts because, unlike other coal regions in New South Wales which can mitigate some of the impact of coal power plant closures by switching to coal export, Lithgow's coal industry is substantially tied to domestic power generation with very little capacity for export.

For this reason, Lithgow Council overtly supports the following recommendations of the Association's paper.

Recommendation 4:

A review of DRNSW's internal processes should accompany the statutory reforms. An evidence-based consideration and identification of the optimal regional catchment for all strategic interventions should occur early in the framing and administration of policy.

Lithgow stands grouped with the Mid-Western Regional Council for the purposes of administering the Royalties for Rejuvenation program. In a practical sense however, Lithgow has a very confined local catchment with the coal mining industry inextricably linked to

power generation (hence representing 43% of the local economy by value-add, as described above).

This is a core issue faced by Lithgow that is not mirrored by its peers at Mid-Western. For this reason, interventions levied in one region may not be particularly effective in the other. Hence, greater agility and flexibility is required to ensure that regional catchments are formed based on a sound evidentiary basis that aligns with the extent and nature of impact.

Recommendation 5:

The NSW Government should refresh its policy settings for New South Wales regions – particularly with reference to specialisation, productivity, and specialist regional TAFE campuses supported by affordable accommodation and transport.

Recommendation 6:

The NSW Government should set firm and defensible targets for all aspects of its policy settings, initiatives and delivery in New South Wales regions – including for productivity, adaptive capacity, and VET.

Recommendation 7:

The NSW Government should pilot 'tech schools' in two regions using the Victorian Government's model of delivery. These should be aligned with a regional university actor and draw, where possible, on existing regional facilities.

The Australian Productivity Commission report on *Transitioning Regional Economies* (2017) indicates that regional adaptive capacity directly relates to educational achievement, employment rates, skill levels, personal incomes, and community cohesion. However, it is considered that there is an imbalance of focus between investment in jobs and investment (demand) and the health of the regional workforce to satisfy these needs (supply).

The *Lithgow Emerging Economy Transition Plan* details that the city has demonstrable strengths in the industry sectors of renewables, manufacturing, tourism, health and public administration (2023, p.20). However, a policy focus on economic diversification at the expense of specialisation, particularly in the delivery of vocational education and training, has resulted in the diminishing of such services to the extent they now represent general-access campuses that do not speak to that region's needs.

Evidence points to the fact that these 'interconnected learning centres' are ill-equipped to provide the specific skills and educational opportunities needed to drive employment rates in New South Wales regions. In response, Lithgow Council supports the review of government policy in this space to commence the migration of specialist and appropriately funded VET and related education facilities throughout NSW regions, aligning educational opportunities with those regions evidence-based specialisations. This will ensure that scarce resources are most appropriately allocated to drive economic resilience and productivity.

Recommendation 8:

The New South Wales Government should fund, as a priority, a pilot regional mining impact assessment and the development of a regional mining affectation guideline.

Recommendation 9:

The regional affectation guideline should be developed collaboratively by all mining impacted councils in a region and in close consultation with industry, the Mining and Energy Union and others. The guideline should be developed with reliance on objective, robust and defensible levels of service and metrics.

Recommendation 10:

The Resources for Regions Program (or equivalent) should be re-introduced and closely aligned to the recommendations of a region's mining impact assessment.

The Mining and Energy Council's submission suggests that "...the scale of (mining and energy production industries) is enormous compared to the relatively small scale and capacity of host communities. This has given rise, and will continue to give rise, to an array of complex economic, social, and environmental issues" (p. 14). This statement exemplifies Lithgow's own situation where 43% of the value added to the local economy is directly contributed by coal and related industries.

While proud of its contribution made, Lithgow's community has suffered from the same impacts of poor air quality, an underinvestment in road infrastructure, and poor relative social advantage, amongst other impacts, found in other mining-affected regions.

For Lithgow, understanding the extent to which the city's economy is to be impacted in the near future, alongside the entrenched social disadvantage it experiences today, it is critical that the NSW Government's regional policy framework recognise the reliance on Resources for Regions in resolving policy and funding gaps from proposed mining activity. A consistent and equitable approach to assessing the impact of mining, alongside a reinstatement of a program to appropriately distribute mining royalties to impacted regions, is an immediate requirement if the city is to adequately respond to these challenges.

Aligned with the point above, these programs have factored into the long-term financial planning of regional Councils, with efforts made to raise own source revenues (generally by special rate variation) predicated upon the assumption that these programs will continue. Hence, their removal, alongside the limited capacity of councils to regularly review and raise their own revenues, will undoubtedly result in increased applications for special rate variations in these communities.

This community hosts mining on behalf of the state, and alongside the benefits (which are time-limited) it brings very material impacts – now and beyond mining. There is an overwhelming case for the community to be compensated for this. A small portion of royalties needs to be recycled to offset impacts but the opposite has occurred with royalties increased, but returns to affected LGAs through Resources for Regions withdrawn. There are numerous such precedents i.e., the direction of billions of dollars from the sale of WestConnex (a public asset like the minerals from which royalties are generated) to a small group of LGAs in Western Sydney (including an adjacent LGA to Lithgow) for their allocation to delivering local infrastructure.

The renewable energy policies being shaped by the NSW Government cater for payments from those activities to local communities and councils for local infrastructure. The Resources for Regions program funded wonderful, locally significant projects. But because of

the abandonment of that program, this community has had an average of more than \$5m annually withdrawn by the NSW Government.

It is critical that the Resources for Regions Program (or equivalent) be re-introduced and closely aligned to the recommendations of a region's mining impact assessment, alongside opportunities for the co-design of these programs at a local level. Please see Appendix A for a list of those valuable community projects which have been previously funded by Lithgow's allocation of the Resources for Regions program.

Recommendation 12:

The New South Wales Government should expedite the establishment of its proposed jobs and investment authorities noting that successive governments have failed to deliver any meaningful investment in transitions management to date despite global leading practice and apparent bi-partisan support for such interventions. Each of the coal mining regions have advanced place-based plans developed collaboratively between communities, councils, business, workforce unions, and knowledge providers. The missing actor has long been the New South Wales State Government.

Recommendation 13:

The quantum of funding for Royalties for Rejuvenation (or equivalent) should be substantially increased noting the expert evidence and tasks recommended for immediate prioritisation.

Lithgow City Council continues to advocate for a rapid introduction of the NSW Government's jobs and investment authorities. It is anticipated that these authorities will mirror what is widely acknowledged to be best practice, focussing on the collaboration of multiple key actors, early intervention, and those most important interventions which will directly build regional adaptive capacity.

In lieu of the immediate implementation of this commitment, Lithgow Council is considering interim measures to meet these same principles, including the allocation of \$1.09 million of its recently approved special rate variation approval.

However, the NSW Government is the most important stakeholder in Lithgow's transition. While \$1.09 million is a considerable allocation of funds for a regional council, it represents just 5 – 10% of the financial resources required to influence a fundamental shift in the local economy.

Lithgow Council draws attention to the Grattan Institute Report (*The next industrial revolution: Transforming Australia to flourish in a net-zero world*, 2022, p. 4) which clearly illustrates that, "for as long as coal mining lasts, the NSW and Queensland governments should direct royalties from coal into supporting these regions to diversify." In 2019-20, \$1.5 billion in coal royalties were collected, with just \$25 million (~2%) allocated to the Royalties for Rejuvenation program. Of this, Council is led to believe that just \$5 million has been spent on internal administration.

Clear and affirmative action is required to ensure those communities which have supported Australia's past economic prosperity are not left behind.

In conclusion, whilst regional economic development is a State Government responsibility in our system of Federation, Council, Western Sydney University, workforce unions and industry have committed to be active partners in managing the enormous challenge our community now faces. Council, on behalf of its community, has allocated \$1.07M annually to the challenge. This amount represents, however, only around 5% of the funding that will be required annually for the transitions management task on the expert evidence publicly available.

As Minister Houssos noted recently in Budget Estimates (2 November 2023, Legislative Council, Portfolio Committee No. 1 at p. 41) :

There is no doubt that we have a lot of work to do in the Central West because, specifically in relation to their mines, you would be aware that they have no access to export ports, as we discussed before.

Council welcomes the State Government's commitment to a Central West Jobs and Investment Authority (the Authority). Leading practice confirms, however, that work should have already commenced (some of it finalised). With this understanding, it is now clear that every moment is a precious one. The decision to halt critical funding at this critical time together with the decision to delay transitions management work until establishing the Authority is, in truth, a decision to leave the people of Lithgow (and other coal regions in NSW) behind.

Council encourages the State Government to partner with Council, our local workforce unions, industry, and knowledge providers to get economic transitions management properly resourced and underway in Lithgow without further delay.

Yours sincerely



Jonathon Edgecombe
DIRECTOR INFRASTRUCTURE AND ECONOMY

APPENDIX A.

Resources for Regions - Round 9 - Total \$5,010,483.

ABCD Inc Community Hall - Completion to Lock Up Stage	\$ 411,961
Main Street Cupro Street Stormwater Drainage Improvements	\$ 1,426,147
Sewer Mains Relining Works	\$ 500,000
Portland Central Park Project	\$ 672,375
Regional Roads Safety Improvements	\$ 1,800,000
Replacement of Geordie Street Causeway with Bridge	\$ 200,000

Resources for Regions - Round 8 - Total \$2,968,393

Project ID	Project Title	Grant Amount
R4R8 - 075	Lithgow Library Parapet and Awning Replacement	\$430,000
R4R8 - 076	Hassans Walls Road and Genowlan Roads Tourism Infrastructure Reconstruction	\$494,809
R4R8 - 077	Main Street Footpath Reconstruction	\$1,500,000
R4R8 - 078	Hassans Walls - Environmental Investigations	\$180,000
R4R8 - 079	Kremer Park Grandstand	\$363,584

Resources for Regions - Round 7 - Total \$2,003,494

- Portland Foundations Trunk Infrastructure - \$1,500,000
- LINC Revitalisation - \$453,494
- Lithgow Community Power Project - \$50,000

Resources for Regions - 2015/16 - Cullen Bullen Sewer Scheme - \$4.8M

Resources for Regions - 2013/14 - \$13.55M

- \$3.5 million for the redevelopment of Black Bridge, Wallerawang
- \$10.05 million for a new Waste Water Treatment Plant at Portland