



2020-21 NSW Budget

Office of the NSW Treasurer

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Introduction

The Hunter Business Chamber (the Chamber) appreciates this opportunity to provide input into consideration of priorities for the 2020-21 NSW Budget.

The Chamber is the Hunter Region's peak business and industry group, representing more than 2,000 member businesses across all sectors, ranging from SMEs to large corporations and organisations. We are connected to the business community statewide and nationally through affiliations with Business NSW and the Australian Chamber of Commerce and Industry. We believe it is important for the Hunter's business community to succeed, because prosperity creates new jobs, social wealth and a better community in which to live.

The Hunter Region in NSW is Australia's largest regional economy, with a Gross Regional Product of more than \$55 billion per year.¹ The region encompasses 10 local government areas (LGAs) with a total population of nearly 700,000 and a workforce of 280,000¹. Prior to COVID, the region had an estimated 322,000 jobs, projected to increase to 384,000 by 2036.²

COVID-19 impacts

COVID-19 has had a significant impact on business in the Hunter Region, with some of the key indicators as follows:

- A peak in job losses of about 40,000³;
- Nearly 18,500 businesses on JobKeeper⁴, which is supporting an estimated 66,500 workers;
- Peak unemployment rates of over 11 per cent (Newcastle and Lake Macquarie) and 8 per cent (Hunter Valley);
- Youth unemployment among the highest in the state, with figures in the Newcastle and Lake Macquarie statistical area peaking at above 25 per cent in the monthly ABS Labour Force surveys;
- Substantial business downturn across retail, tourism and hospitality sectors, with education and training also significantly affected.⁵

¹ Remplan, City of Newcastle and Hunter Economy Profile <https://www.economyprofile.com.au/newcastle/industries/gross-regional-product>

² Hunter Regional Plan, p17 <https://www.planning.nsw.gov.au/Plans-for-your-area/Regional-Plans/Hunter/Hunter-regional-plan/The-leading-regional-economy-in-Australia>

³ Australian Bureau of Statistics, Labour Force Australia, Detailed, June 2020: <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jun-2020>

⁴ Treasury, JobKeeper postcode data, June 2020: <https://treasury.gov.au/coronavirus/jobkeeper/data>

⁵ Remplan, COVI-19 impacts, City of Newcastle and Hunter Economy Profile (hosted on City of Newcastle website): <https://app.remplan.com.au/newcastle/economy/covid-19/impact-on-employment?state=V1QmcW!vw5YU8DKEi45x5lFzNzBvinu5f71PiVfZfBfyRcAHMHmHDDvKUjpb>

The pandemic exacerbated weaknesses in the economy that already existed due to the impacts of natural disaster, with the Business NSW March *Business Conditions Survey* showing parts of the region were the hardest hit in the state by the cumulative effects of drought, bushfires and COVID-19 during the first quarter of 2020.⁶

Statewide Budget Priorities

The Hunter Business Chamber supports the COVID-19 business recovery initiatives put forward in the Business NSW [Back on Track](#)⁷ report and the [Supplementary Submission](#) to the 2020-21 NSW Budget.⁸

In particular, we reinforce the call for an automatic payroll tax rebate based on taxable payrolls recorded during the COVID-19 period to be included in the forthcoming NSW Budget to stimulate business hiring and boost jobs growth. The Federal Budget rightly supported a business-led jobs recovery but it is inconsistent for the Federal Government to provide incentives for businesses to hire staff while the NSW Government taxes those newly created jobs. We believe that if businesses are contributing to the state's economic recovery by employing more staff, extending workers' hours or increasing pay rates, they should not be penalised by having to pay more payroll tax.

Regional Budget Priorities

At a regional level we continue to advocate for the acceleration and completion of key infrastructure projects that the Chamber regards as important economic enablers in our region. The Chamber has a strong focus on advocating for infrastructure that will enhance business and industry growth and attract investment to the Hunter region.

The Chamber endorses Infrastructure Australia's call in the 2019 Australian Infrastructure Audit for more investment in satellite cities including Newcastle to ensure that key regions such as the Hunter have capacity to support national growth. We believe investment in priority infrastructure projects such as those detailed in this submission will better position the Hunter to alleviate Sydney's housing and congestion pressures and realise significant contributions to the regional and state economies.

In addition, economic diversification is a key issue for the Hunter given the variable outlook for the existing resource and energy sectors. While demand forecasts indicate mining and the export of coal will play an important role in the Hunter economy for decades to come,

⁶ Business NSW, NSW Business Conditions, COVID-19 special Edition, March 2020:
[https://www.businessnsw.com/content/dam/nswbc/businessnsw/bcs-reports/BCS%20Report%20-%20March%202020%20-%20COVID19%20Special%20Edition%20\(V2\)%20.pdf](https://www.businessnsw.com/content/dam/nswbc/businessnsw/bcs-reports/BCS%20Report%20-%20March%202020%20-%20COVID19%20Special%20Edition%20(V2)%20.pdf)

⁷ Business NSW, Back on Track:
<https://www.businessnsw.com/content/dam/nswbc/businessnsw/pdf/Back%20on%20track%20-%20July%202020.pdf>

⁸ Business NSW, Supplementary submission NSW Budget:
<https://www.businessnsw.com/content/dam/nswbc/businessnsw/submissions/20201012%20PERROTTE%20-%20NSW%20Budget%20Submission.pdf>

there is a strong focus on positioning and diversifying the regional economy to ensure its future strength and resilience. There is an imperative to identify new opportunities for investment and employment and the infrastructure priorities championed by the Chamber are those that will support the development a more diverse and resilient economic base.

Hunter Defence

The Hunter Defence Task Force is a collaborative industry group initiative instigated by HunterNet, the Hunter Business Chamber and industry partners in the region. Its purpose is to promote Hunter and Central Coast defence industry expertise and capability to drive manufacturing, supply and sustainment opportunities to the region. It also has a strong focus on building regional and state capability by upskilling SMEs to become 'Defence Ready'.

Since its establishment 18 months ago, Hunter Defence has rapidly developed a nationally recognised brand and forceful reputation as an advocacy and action group, forging strong relationships within Defence, relevant state and federal ministerial offices and Primes. It has delivered a nationally recognised conference, instigated an SME Defence Readiness training program with potential to be delivered across other areas of the state, conducted forums to connect SMEs with Primes and helped secure tens of millions of dollars in regional defence investment through collaboration and capability harnessing.

This work is spearheaded by the Hunter Defence Industry Advisor, a position financially supported by the funding partners of Hunter Defence, including the Hunter Business Chamber. During the COVID period, the Advisor has been included in weekly teleconferences with the Defence Industry Minister Melissa Price and key industry stakeholder groups from across Australia, demonstrating the importance and profile of this unique regional role.

Hunter Defence is seeking NSW Government support of \$200,000 per annum over a three-year period to scale up its capacity to build regional and state capability and increase the share of Defence industry investment coming into NSW. This funding would support the continuation of the Defence Industry Advisor position that was seed-funded and will continue to be supported on a dollar-for-dollar basis by the funding partners in Hunter Defence.

ACTION: Provide \$200,000 pa over three years in matched funding for the position of Defence Industry Advisor and an administrative support resource for Hunter Defence.

Infrastructure

- **John Hunter Health and Innovation Precinct**

Redevelopment of the John Hunter campus will deliver increased and improved clinical capacity and facilitate an enhanced health, education and research precinct servicing the region and Northern NSW. It will meet increasing demand for a broad range of health

services and contribute significantly to the development of the region's knowledge sector, driving employment growth and economic diversification.

ACTION: Provide funding from the \$780 million committed in 2019 to ensure construction of Stage 1 of the redevelopment (hospital precinct) can begin during the current term of government. Commit to Stage 2 of the precinct development to leverage the opportunities provided by the Federal Government's commitment to funding and progressing the final stage of the Newcastle Inner City Bypass.

- **Hunter Park (Broadmeadow Precinct)**

The Honeysuckle precinct and city revitalisation projects in Newcastle demonstrated the significant economic and community benefits that can flow as a consequence of considered and strategic investment by the State Government. They trigger and facilitate substantial and sustained investment from the private sector. The Hunter Park precinct development has strong potential to realise similar outcomes.

The redevelopment in the Hunter Park precinct involves a regionally significant, state-owned asset. The precinct will continue the urban regeneration of Newcastle and provide the region with a new community hub incorporating sporting, entertainment, retail commercial and residential facilities. The current circumstances of COVID-19, whereby regions are coming under a more intense focus as places to live and work, amplifies the wider relevance and importance of this project.

ACTION: Actively engage in initiating governance to oversee development in this precinct and underwrite the funding for the first stage of feasibility assessment and development within this term of government.

- **Newcastle Airport runway and terminal upgrade**

The NSW Government has been a partner in funding upgrades to the civil aviation and terminal facilities at Newcastle Airport in recent times. Prior to COVID, this contributed to extraordinary growth in passenger numbers using the Newcastle Airport as a regional gateway accessing areas and markets across Australia and internationally. The Government has also recently announced a Special Activation Precinct encompassing land within and surrounding the airport precinct, which will no doubt encourage significant investment by the private sector.

A runway upgrade and further terminal expansion at Newcastle Airport will open new opportunities for trade, tourism, employment and economic investment at this key global gateway as well as boosting the recovery of the sectors hardest hit by the pandemic and supporting the region's economic diversification.

ACTION: Provide support for Airport's bid to establish a funding partnership to upgrade the runway to code E standard, recognising the opportunity for upgrade works to coincide with and leverage imminent runway resurfacing to be undertaken by Defence.

- **Faster rail connection with Sydney**

The Chamber has been fully supportive of and a willing participant in efforts to improve the rail service connection between Sydney and Newcastle. A fast-rail link to Sydney will have a transformational impact on the economy and liveability of the Hunter, bridging the geographical divide between our region and Australia's biggest city and financial centre. Creating a more efficient and effective commuter connection between Sydney and Newcastle will encourage investment and reduce congestion on the M1, making both road and rail transport faster, safer and more convenient.

ACTION: Commit funding to expedite the completion of the feasibility and business case for faster rail between Newcastle and Sydney.

- **Newcastle Freight Rail Bypass**

The concept of separating passenger and freight rail through the Hunter region has long been championed by the Chamber. The State Government has in past budgets allocated funds to investigate options and commence a process of community consultation in relation to a potential freight rail link from the vicinity of Fassifern through to Hexham. The Chamber applauded the initiative however despite the allocations, the project has not progressed. Through time, residential development has intensified and moved westward, which will complicate the process and cost of identifying and reserving a rail corridor. The Chamber also notes some of the land in the vicinity is currently owned by government which could further complicate the land acquisition process if these agencies determine to sell those holdings.

The Government needs to prioritise this investigation and realise the budget intentions to improve the rail freight task across and beyond the region. The Chamber is mindful that projects like the Inland Rail, the diversification plans of the Port of Newcastle and the increase in demand for rail freight generally could alter specific area plans. If this is the case, there needs to be a transparent process to identify and action elements of a revised strategy.

ACTION: Acquit existing budget allocations and commence the consultation and planning for the Newcastle Freight Rail Bypass.

- **Newcastle Inner City Bypass**

When complete, the Newcastle Inner City Bypass will vastly improve connectivity between Newcastle and Lake Macquarie and enhance access to the growing John Hunter Hospital

precinct. Completion of the bypass will relieve cross-city traffic congestion and facilitate the expansion of the John Hunter Health and Innovation Precinct. The 2020-21 Federal Budget committed \$360 million to completing this project.

ACTION: Provide funding support to Transport NSW ensure prompt delivery of the final stage, to not only realise the long-term benefits of the project but also provide construction jobs to assist the region as it recovers from the economic impacts of COVID-19.

- **Singleton Bypass**

Conditional funding of \$560 million for the long-mooted Singleton Bypass was announced in the 2020-21 Federal Budget. The State Government has committed \$95 million but another \$45 million is required to meet the \$700 million project cost and to ensure the commitment from the Federal government does not lapse. The bypass will redirect 26,000 vehicles, including more than 3,700 heavy vehicles, away from the centre of Singleton daily, relieving significant congestion, enhancing safety and amenity for residents and improving its productivity as a freight route. The Chamber believes construction of the bypass should be prioritised by the State Government subject to resolution of concerns over the proposed design.

ACTION: Commit the remaining \$45 million in State funds required to fully fund the project and ensure the Federal commitment does not lapse.

- **Muswellbrook by-pass.**

In the lead-up to the 2019 NSW election, the Government made commitments to progress and fund the planning and construction of the proposed Muswellbrook Bypass. This project is vitally important considering the upgrades committed elsewhere on the New England Highway. The timing is now ideal to confirm the commitment and substantially commence this project within the current term of the government.

ACTION: Bring forward planning and funding commitments to expedite the Muswellbrook Bypass project.

- **M1 Extension to Raymond Terrace**

The 'missing link' in the national highway route between Sydney and Brisbane, the M1 extension from Black Hill to Raymond Terrace will vastly improve connectivity on one of the most heavily used corridors for freight in NSW, reduce travel times and improve safety for all road users. It is one of the few projects in the Hunter region identified as a near-term priority within the Infrastructure Australia priority list. Disappointingly, the project did not attract special treatment from the Federal government in the 2020-21 budget. This suggests the planning and approvals processes have stalled or are not being given appropriate priority.

The project has been in planning since 2004 and the Chamber is keen to see it progress quickly. We note that the required funding allocations are subject to juggling in the forward

estimates but reinforce the importance of a timely release of funds to facilitate this important project. The lack of certainty and progress puts considerable pressure on the regional economy. It is important that this project receives priority in planning, funding and resourcing to ensure it is completed.

ACTION: Provide priority funding and resourcing to Transport for NSW to ensure the project can move quickly from the consultation and design stages to construction.

- **Road upgrades to support trade, tourism and communities**

There are a range of road projects across the region that blend priorities of local and state government to coordinate agreement on planning, funding and construction. Upgrades are required to ease the significant local impacts that not only affect activity and safety of the community but add considerable cost to business as a consequence of congestion and delays.

Improved access to Newcastle Airport and the Port of Newcastle is imperative to realising Greater Newcastle's potential as a global gateway city. Upgrading of link roads to these assets will support their growth, boost tourism opportunities and improve connectivity and safety for local communities. The Chamber is advocating for funding commitments to progress the following projects:

- Dual carriageway from the M1 at Hexham to Williamstown
- Dual carriageway from Stockton to Williamstown.
- Plan, fund and construct the 'missing link' upgrades to Hillsborough Road (Cardiff South) and Pacific Highway/City Road (Merewether).

Energy Industry – adaptation and growth

In the Hunter we have a vast range of energy-intensive industries that rely on cost-effective and reliable energy supply. This is well documented in the regular *Business Conditions Surveys* undertaken by Business NSW.

The Chamber supports an increased use of renewable energy sources and growth in the renewable energy industry as the state and nation transition to a lower-carbon economy. The Chamber believes the Hunter region faces significant challenges in terms of industry adoption of renewable energy but is also uniquely placed to realise the new opportunities that will arise from growth of the renewable energy sector.

Rapid adaptation to renewable energy sources is currently a challenge for many of our industries which, based on the industrial technology in place, require firm, dispatchable power generally supplied from thermal sources. It is often not feasible for businesses to make existing plant and equipment redundant in order to re-tool to adapt to renewable energy sources, owing to the capital costs involved – notwithstanding potential savings in energy costs.

To engage energy-intensive industries in overcoming these challenges and ensure they are well-positioned to adapt to change, the Chamber believes the Government should consider a range of proactive and collaborative responses.

ACTIONS:

1. Scope and undertake a targeted equipment and energy audit of impacted business and industry across NSW to fully understand the task of equipment and transmission conversion from non-renewable to renewable sources of energy.
2. With industry, conduct a full assessment of the conversion costs and optimal timing for industry to tap into and adapt to new technology and new forms of power supply.
3. Augment the existing industry assistance programs and devise new programs that will incentivise and assist business to undertake investment and conversion and allow them to continue to contribute to the economy.
4. Support and provide funding assistance to grow and develop the region's renewable energy industry in solar, wind, hydrogen, bio-fuel and other technologies.

- **Regional Water Supply and Security**

The recent drought again demonstrated the fragility of water security in and across the Hunter region. The Chamber is aware work is being done by the multiple authorities that have a stake in water supply across the region to fully understand and improve water security. However, it is clear this task could and should be expedited. Given the growth ambitions of the region, the task to increase certainty and reliability while containing costs for the supply of water is understandably complex but must be addressed. A range of land users and industries rely on water supply which, if tested at critical times, still proves to be inadequate despite the enormous effort that has gone into water conservation and efficiency in recent times.

ACTION: Prioritise and bring forward funding for investigation and capital works to improve water supply and security across the region.

Conclusion

Political leaders have emphasised the importance of getting people back into work to minimise the human-level impacts of COVID-19. Recovery in the Hunter region will be best supported by regulatory and policy support for business and industry and adequate funding to ensure important enabling infrastructure can progress at speed, delivering much-needed jobs in the short term and facilitating investment and growth in the longer term.

The Chamber appreciates the opportunity to make this submission on the 2020-21 NSW Budget and welcomes further engagement on these matters.

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