



2021-22 NSW Budget

Office of the NSW Treasurer

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Suite 1, Level 1
165 Lambton Road
Broadmeadow, NSW 2292

Phone: 02 49699 600

info@hunterbusinesschamber.com.au
www.hunterbusinesschamber.com.au

Introduction

The Hunter Business Chamber (the Chamber) appreciates this opportunity to provide input into consideration of priorities for the 2021-22 NSW Budget.

The Chamber is the Hunter Region's peak business and industry group, representing more than 2,500 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. The region encompasses 10 local government areas (LGAs) with a total population of nearly 700,000 and a workforce of 280,000. Prior to COVID, the region had an estimated 322,000 jobs, projected to increase to 384,000 by 2036.¹

COVID-19 impacts

As with many other regions across the state, COVID-19 continues to have a significant impact on business in the Hunter Region, with some of the key indicators as follows:

- A peak in job losses of about 40,000²;
- About 29,000 workers remain on JobKeeper (Feb 2020) from a peak in 2020 of about 88,300³;
- Unemployment in the Hunter remains above the NSW average: 7.4 per cent in December 2020 compared with 6.2 per cent statewide.
- Youth unemployment in the Hunter region has remained consistently high throughout the COVID period and remained so in the December ABS survey at 17.4 per cent, compared with 11.9 per cent in NSW. The Hunter rate has doubled since February 2020 and is not recovering in the same way that the state figure has bounced back.⁴
- There has been substantial business downturn across retail, tourism, entertainment and hospitality sectors, with education and training also significantly affected.⁵

¹ 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>

² 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>

³ Newcastle Herald, February 2021 <https://www.newcastleherald.com.au/story/7127431/hunter-jobkeeper-numbers-plummet-as-labour-market-grows/>

⁴ Newcastle Herald, February 2021 <https://www.newcastleherald.com.au/story/7131613/youth-unemployment-rises-as-young-aussies-bear-brunt-of-pandemic/>

⁵ Remplan, COVID-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!vw5YU8DKEi45x5IFzNzBvinu5f71PiVfZfBfyRcAHMHmHDDvKUpe>

The Business NSW December 2020 *Business Conditions Survey* showed there are signs that some businesses are weathering the pandemic storm however, many still lag and will require ongoing support and assistance to avoid closure. There remains a high level of concern related to financial viability and 23 per cent of businesses believe they are at risk of failure when JobKeeper and other COVID business supports end.

Statewide Budget Priorities

The Hunter Business Chamber supports the pre-budget submission to the 2021-22 budget made by Business NSW (BNSW), which makes recommendations that set out a pathway to COVID economic recovery based on feedback from businesses to the December quarter Business Conditions Survey⁶, and other engagement.

In regard to ongoing support for businesses that have been heavily affected by COVID restrictions, we support the proposal by BNSW and the Australian Chamber of Commerce and Industry (ACCI) to introduce a new program of wage subsidy support targeting businesses heavily impacted by international and state border closures. Aimed at preserving future jobs and skills, the wage subsidy would:

- be set at \$450 per week per employee if business turnover is down over one-third or \$700 per week per employee if business turnover is down over two-thirds, relative to the same quarter in 2019;
- be tested quarterly to confirm eligibility;
- be available to those employed on or before 1 January 2021;
- retain the industrial relations flexibilities of the JobKeeper payment;

At time of writing JobKeeper is scheduled to end in late March 2021. If ongoing wage subsidy for heavily affected businesses is not provided at a federal level, the state government must consider how it can support these businesses

Regional Budget Priorities

As outlined in our 2020-21 State budget submission lodged in October, the Chamber continues at regional level to advocate for the acceleration and completion of key infrastructure projects we see 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.

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, 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

⁶ Business NSW, NSW Business Conditions, December 2020: <https://www.businessnsw.com/advocacy/surveys/business-surveys/nsw-business-conditions-report-december-2020>

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 the establishment of the Task Force about two years 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 initial COVID period, the Advisor was 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.

Leading up to the 2020-21 state budget, Hunter Defence sought 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 was supported in principle and 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. It is important for ongoing certainty that the government clarify and confirm the measure of support for 2021 and beyond so this important work can continue and drive economic growth for the region and the state.

ACTION: Confirm support of \$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.

We note this project was recently included as a Priority Initiative on the 2021 Infrastructure Australia Priority List.

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 (business case) 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. The experience of COVID, in particular the temporary restriction of movement in hotspot areas, has highlighted the benefits of having a second airport with international capacity in NSW, to serve as an alternative gateway into the state in the event that Sydney cannot be used.

This project was also named as a Priority Initiative on the 2021 Infrastructure Australia Priority List.

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. Provide funding support for associated terminal upgrade.

- **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 Bypass**

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

- **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 2021-22 NSW Budget and welcomes further engagement on these matters.

Contacts

Bob Hawes
CEO
02 9466 4665
Bob.hawes@businesshunter.com

Amy De Lore
Policy & Public Affairs Manager
02 9466 4665
Amy.delore@businesshunter.com