



Inquiry into Regional Australia

Select Committee on Regional Australia

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Introduction

The Hunter Business Chamber (The Chamber) is the largest regional business chamber in Australia, established in 1886. The Chamber independently represents about 2,000 member organisations to all levels of government and is the peak business and industry association in the region, reflecting the interests of all sectors.

The Chamber is an integral part of the NSW Business Chamber network. We advocate to government local, state and federal level for business-positive policies that promote investment and growth to deliver flow-on benefits to all in our community.

The Hunter Region in NSW is Australia's largest regional economy. It is an economically diverse region encompassing strong foundations in resources, manufacturing and agriculture, with a fast-growing health, education and service sector and increasing focus on innovation and intellectual resources, including world-class education, health and medical research facilities.

The region supports a wide spectrum of complementary and emerging industries, including renewable energy technologies, defence and aerospace, tourism and the digital economy. It is situated on Australia's main east coast transport corridor with sophisticated infrastructure and two major international gateways in its airport and deepwater sea port.

Mining, manufacturing and construction are the key industries by output, while health care and social assistance is the highest employing sector, followed by education and training and retail. The Port of Newcastle is the world's leading coal export port, with mining accounting for 38 per cent of the region's exports by value¹.

Economic diversification is arguably the key issue for the Hunter to ensure the region's prosperity and liveability are maintained into the future. 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 regional focus on diversifying the economic base to ensure its future strength and resilience. Coal is a finite resource and likely to face increasing competition from renewable energy sources, so there is an imperative to identify new opportunities for investment, business attraction and employment. Government-led planning to transition the regional economy over the longer term is needed to begin imminently if the Hunter is to develop a more diverse and resilient economic base that will support the growth of the region into the next century.

The Hunter Business Chamber appreciates the opportunity to contribute to this inquiry and offers the following comment in line with selected terms of reference.

¹ Remplan, City of Newcastle and Hunter Economy Profile (as above)

Examining the contribution and role of regional Australia to our national identity, economy and environment

The Hunter Region in NSW is Australia's leading regional economy, with a Gross Regional Product of more than \$50 billion per year, driving more than one quarter of the total economic output of NSW. To put it in national context, the economy of the Hunter is larger than the economies of Tasmania, ACT and NT.

The region encompasses 10 local government areas (LGAs) with a total population of nearly 700,000 and a workforce of 280,000². It includes the Greater Newcastle Metropolitan Area, the seventh largest urban area in Australia, which incorporates the LGAs of Newcastle, Lake Macquarie, Port Stephens, Maitland and Cessnock. The region has an estimated 322,000 jobs, projected to increase to 384,000 by 2036.³

Once renowned as a steelmaking region, the Hunter is now characterised at a national level as a stronghold in resources, power generation and manufacturing. It is also widely recognised as a wine-growing and horse-breeding region, a Defence aerospace hub and increasingly as a centre of research excellence, particularly in the fields of health and medicine, and in emerging energy technologies.

While there is an increasing focus on attracting new industries to the Hunter, particularly in the knowledge sector, to future-proof the region against a downturn in coal, some of the best opportunities for employment growth lie in ongoing development of existing sectors.

A number of studies have been completed to identify regional priorities for business investment and attraction. Regional Development Australia's [Smart Specialisation Strategy for the Hunter Region](#) (2016) identifies seven priority areas based on the region's current strengths and competitive advantages:

- Advanced Manufacturing;
- Defence;
- Food and Agribusiness;
- Creative Industries;
- Medical Technologies and Pharmaceuticals;
- Mining Equipment, Technology and Services;
- Oil, Gas and Energy Resources.

The resources and energy sectors continue to make a significant contribution to the Hunter region economy through employment, direct and indirect economic benefits, payments to local councils and philanthropic contributions to community organisations.

² Remplan, City of Newcastle and Hunter Economy Profile <https://www.economyprofile.com.au/newcastle/industries/gross-regional-product>

³ 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>

Research by the NSW Minerals Council compiled from information supplied by 28 industry employers shows more than 14,000 people are employed in the Hunter by mining companies, which inject about \$4 billion in direct expenditure into the regional economy and an estimated \$9 billion in total economic benefit.⁴

Power generation is another key industry in the Hunter, employing approximately 2,200 people⁵. Four of the five coal-fired generators that provide the majority of the electricity produced by NSW generators are located in the region: Liddell and Bayswater Power Stations located in the Upper Hunter; and Eraring and Vales Point Power Stations, which are both in Lake Macquarie.⁶ Production from the Liddell and Bayswater stations alone accounts for about 30 per cent of the electricity needs of NSW⁷.

The Hunter region is also a leader in research and development of renewable energy technologies, as home to two research organisations conducting national and international research in the field – the CSIRO Energy Centre and Newcastle Institute for Energy and Resources (NIER). The latter was established to bring together the University of Newcastle's leading researchers working in the areas of energy and resources and has the capacity to support 300 researchers in a purpose-built facility.

As a region with a mature energy generation industry and supporting infrastructure, it has not surprisingly attracted a diverse range of major renewable projects, both proposed and under way, that will contribute to the diversification of the state's energy mix. These include projects using solar, wind, pumped hydro, biofuels, hydrogen, battery storage, imported LNG and peaking gas-fired power. A number of these projects are part of the the NSW Generation Plan, a program of alternative energy initiatives that has been developed to replace the Liddell Power Station, a large coal-fired Hunter Valley plant due to be retired in April 2023.

The challenges involved in the shift to higher use of renewables for industry in the Hunter is discussed further in a later response.

Newcastle and the Hunter have been a hub for manufacturing and engineering for 150 years. Manufacturing employs more than 20,000 people, mostly in skilled occupations, and remains a key employer and sits just behind mining as the second highest contributor to the regional economy in terms of output⁸.

Defence is already a \$1billion industry within the Hunter Region but also has potential for significant growth, with the Williamstown RAAF Base to serve as the premier base for Australia's Joint Strike Fighter (JSF) fleet and the Asia-Pacific sustainment hub for the aircraft. The Hunter has strong expertise in advanced high-value, high-skills manufacturing

⁴ NSW Mining Industry Expenditure Impact Survey 2017/18, Lawrence Consulting
<http://www.nswmining.com.au/industry/industry-expenditure-impact-survey-2017-18>

⁵ Hunter Investment Prospectus <http://rdahunter.org.au/wp-content/uploads/2019/06/2019-Hunter-Investment-ProspectusOnline.pdf>

⁶ Australian Energy Regulator, AER electricity wholesale performance monitoring: NSW electricity market advice, December 2017, p 9.

⁷ AGL Macquarie Power Stations <https://www.agl.com.au/about-agl/how-we-source-energy/agl-macquarie>

⁸ Remplan Economy Profile <https://www.economyprofile.com.au/newcastle/industries/output>

and R&D, so there is great potential for locally based METS firms to diversify into defence or, for those who already established in the industry to increase their market share. The region has the second highest concentration of defence employment in NSW at 19 per cent and an available skilled workforce for aerospace, ship building, and naval and commercial vessel sustainment⁹.

The Hunter also plays a significant role in in the national freight task, boasting two international gateways with significant scope for expansion: Newcastle Airport and the Port of Newcastle. The organisations charged with responsibility to operate these facilities have both developed masterplans¹⁰¹¹ that outline growth ambitions which would significantly boost regional and national freight-handling capacity and potentially open new export markets.

Promoting the development of regional centres, cities, towns and districts including promoting master planning of regional communities

The major planning documents guiding development in the Hunter Region are the Hunter Regional Plan 2036¹² and the Greater Newcastle Metropolitan Plan¹³.

Investment in regional infrastructure will be essential to unlocking the economic potential of the Hunter and continuing to build a diverse and resilient regional economy for the long term. The Hunter Business Chamber welcomes Infrastructure Australia's recent call for more investment in in satellite cities including Newcastle to ensure that key regions such as the Hunter have capacity to support national growth.

The [2019 Australian Infrastructure Audit](#) says a new wave of investment and reform is needed to ensure Australia's quality of life and economic productivity over the next 15 years. It highlights the potential of smaller cities and satellite regions to alleviate the pressure on congested capital cities. The Audit recognises infrastructure in our four largest cities is failing to keep pace with population growth and notes the substantial capacity that satellite cities like Newcastle have to grow through the use of legacy infrastructure and targeted upgrades. It suggests governments can get value for money by investing in regional areas, where there is opportunity to support growth at a scale of additional investment significantly less than in the capital cities.

The Chamber has identified a number of strategic infrastructure priorities of national significance that would support regional economic diversification, increase job opportunities in the region and provide solutions to metropolitan congestion and overcrowding. These include the following:

⁹ NSW Government Regional NSW website <https://www.investregional.nsw.gov.au/regions/hunter/#79>

¹⁰ Port of Newcastle Master Plan 2040 <https://www.portofnewcastle.com.au/master-plan-2040-2/>

¹¹ 2036 Newcastle Airport Vision <https://www.portofnewcastle.com.au/master-plan-2040-2/>

¹² Hunter Regional Plan, NSW Government <https://www.planning.nsw.gov.au/~media/Files/DPE/Plans-and-policies/hunter-regional-plan-2036-2016-10-18.ashx>

¹³ Greater Newcastle Metropolitan Plan, NSW Government <https://www.planning.nsw.gov.au/~media/Files/DPE/Plans-and-policies/greater-newcastle-metropolitan-plan-2036/greater-newcastle-metropolitan-plan-2036-implementation-plan-2018-2020-2018-09-17.pdf>

- **Fast rail connection with Sydney**

A fast-rail link to Sydney will have a transformational impact on the economy and liveability of the Hunter by bridging the geographical divide between our region and Australia's biggest city and financial centre, providing a viable commuter link for workers travelling in both directions.

- **Newcastle Airport upgrade**

A terminal upgrade and runway expansion at Newcastle Airport will open new opportunities for trade, tourism, employment and economic investment at this key global gateway. Acting now to strengthen and widen the runway to 'Code E' standard, combined with scheduled Defence maintenance and resurfacing work, will position the airport to accommodate larger, longer-range aircraft, increasing its viability as a destination for airline partners.

- **M1 extension to Raymond Terrace**

A missing link in the national highway route between Sydney and Brisbane, the M1 extension will vastly improve connectivity on one of the most heavily used corridors for freight in NSW. The 2019-20 federal budget allocated \$1.6 billion to the project.

- **Hunter Freight Rail Bypass**

A freight rail bypass of Newcastle between Fassifern and Hexham has long been mooted and was previously listed by Infrastructure Australia (July 2017) in its 15-year pipeline of priority infrastructure projects. The bypass would improve productivity of freight transport between Sydney and Newcastle, support future growth plans and separate passenger trains from freight trains. Funds have been allocated by the State Government to investigate and preserve the preferred corridor for the rail line.

- **Port of Newcastle diversification**

The Port of Newcastle plays a central role in the region's prosperity and its contribution to the regional, state and national economies has grown exponentially over the past decade. Newcastle is the world's leading coal export port and a major driver of the Hunter regional and NSW economy, contributing \$1.8 billion to Gross State Product per annum and generating over 10,000 jobs statewide. It also plays a major role in the NSW freight task.

Diversification will be critical to its continued role as a state and regional economic driver and its effectiveness as a global gateway for trade and tourism, as acknowledged in the Greater Newcastle Metropolitan Plan. The development of a container terminal is a key component of the Port Master Plan 2040, which outlines a range of strategic development opportunities for the next two decades. The Port of Newcastle maintains that its potential for growth and diversification is constrained by a contractual obligation to pay a financial penalty to the NSW Government for container movements that exceed a specified cap, as set out in the Port Commitment Deeds. This matter is currently the subject of a Federal Court action brought by the [Australian Competition and Consumer Commission](#).

Promoting private investment in regional centres and regional infrastructure

By taking a lead in investing in key economic social infrastructure, governments are able to stimulate investment by the private sector, as has been demonstrated by the Revitalising Newcastle¹⁴ program in recent years. The NSW Government made key decisions concerning transport infrastructure then committed \$650 million to projects that delivered on their CBD revitalisation strategy. This immediately created an atmosphere of certainty and confidence to which the private sector responded and over the subsequent period (2014-2019) more than \$2 billion in projects were approved, many of which have now been delivered.

This is not an isolated case but does demonstrate that where partnerships across government, business and the community are successfully brokered and have shared vision, relatively small investment by government in regional areas can generate significant levels of economic activity.

Examine the key drivers for unlocking decentralisation opportunities for both the private and public sectors

A fast-rail link to Sydney, as referenced earlier, would 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. Faster rail between Sydney and Newcastle would increase the flow of investment and commuter traffic in both directions, creating opportunities for decentralisation by putting Newcastle within reasonable commuting distance of areas on the outskirts of Sydney.

While high-speed rail is the best option for intercity travel in the longer term, faster rail' between Sydney and Newcastle offers a viable short-to-medium-term solution for improving connectivity between the cities. Fast rail options are currently being investigated by the NSW Government¹⁵, with an expert panel due to deliver advice by the end of 2019.

Promoting the competitive advantages of regional location for businesses

Factors of attraction often go beyond the mere availability of cheap available real estate and a good lifestyle. The actual influencing factors are idiosyncratic and must be examined on a region-by-region basis. The issue of a reliable supply of skilled and experienced labour is high on the minds of businesses across Australia currently, as demonstrated in successive business sentiment surveys conducted by the NSW Business Chamber. This is an area that would benefit from positive intervention by government.

¹⁴ Revitalising Newcastle, website <https://www.hccdc.nsw.gov.au/revitalising-newcastle>

¹⁵ A fast rail future for NSW, website <https://www.nsw.gov.au/improving-nsw/projects-and-initiatives/a-fast-rail-future-for-nsw/>

Newcastle and the Hunter have significant advantages over capital cities for businesses looking to establish or relocate. These include:

- **Scale:** With a diverse business and industry sector, there are very few gaps in manufacturing capability and professional service delivery, plus there are well-established professional networks through regional chapters/branches of state and national peak industry organisations.
- **Affordability:** Housing and office space is significantly cheaper than Sydney equivalents.
- **Lifestyle factors:** Cheaper housing, shorter travel times and proximity to natural assets such as beaches, waterways and green space, combined with the lifestyle attractions of a cosmopolitan city centre.
- **Office space:** Significant investment in construction of buildings that will provide new A-grade office space is under way in the Newcastle CBD, which has typically been the preferred 'head office' location for businesses established in the region.
- **Industry/development opportunities:** Serviced industrial and commercial land is plentiful across the region and there are substantial opportunities for greenfield development.
- **Transport links:** The region is linked directly to national road and rail routes (the M1 National Highway and Great Northern Rail Line), with sophisticated infrastructure for the movement of freight. It has a major regional airport and deepwater seaport with direct rail access.

Skills shortages are one of the impediments to business and industry investing in the region and the government needs to look closely at skills and training assistance to make it easier for businesses to again embrace 'on the job' training.

Investigate the development of capital city size regional centres in strategic locations and the benefits this offers regional cities, capital cities, the Australian economy and lifestyle

The Chamber has a strong focus on advocating for infrastructure that will enable business and industry growth and attract investment to the Hunter region. The Chamber welcomed 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 such as

those projects detailed in this submission will better position the Hunter to alleviate Sydney's housing and congestion pressures.

Identifying the infrastructure requirements for reliable and affordable health, education, transport, telecommunications, clean energy, water and waste in a new settlement of reasonable size, located away from existing infrastructure;

In regard to clean energy, the Hunter Business Chamber acknowledges the opportunities in renewable energy for the region and our potential to be a leader in research and development given the diversity of projects planned or under way and the work being done within the Hunter by NIER and the CSIRO.

However, we have also cautioned that an affordable and reliable energy supply will be essential to the continued viability of our energy-intensive industries. Current projections for renewable generation after the planned retirement of two of the region's major thermal power stations fall short of what will be required.

While the renewable energy sector is expanding, fossil fuels still provide the vast amount of the country's energy. Coal-fired generation accounts for 60 per cent of national electricity use in 2018, compared with 19 per cent from renewables.¹⁶

Renewables have an important part to play in the future energy mix of the Hunter and Australia and further investment in supporting infrastructure such as that to be promoted through the Grid Reliability Fund is welcome, but Australia still lacks a national energy policy that addresses future requirement for baseload power, energy affordability and sustainability.

NSW should also address the issue of gas supply and pricing, as we are importing 98 per cent of our natural gas requirements while sitting on untapped reserves. Gas is an essential commodity for business and industry and can be a bridge to a cleaner-energy future.

Consider other measures to support the ongoing growth and sustainability of regional Australia.

The Chamber would like to make a comment about the category distinctions applied by different levels of government and different departments and agencies within them that sees parts of the region variously classified as metropolitan or regional for the purposes of determining eligibility for funding programs.

¹⁶ Australian Energy Update 2019

https://www.energy.gov.au/sites/default/files/australian_energy_statistics_2019_energy_update_report_september.pdf

This creates an anomaly we often see in the Hunter where one LGA is eligible for regional funding or incentive programs while a neighbouring LGA is not because it is classified as metropolitan.

Despite nuances of definitions which concern themselves with distinctions between metropolitan and regional areas, the Hunter is regarded itself as a regional economy and its strength and cohesiveness relies on the inclusion of all of its parts which span rural, metropolitan and regional city components.

Distinctions used by agencies that discern differences between metropolitan and regional areas that are then used to filter funding entitlements are not productive. These distinctions often split the regional centre or city from its hinterland and this demonstrates a lack of empathy and understanding as to how regional areas function. Economic rather than statistical definitions need to be considered and governments are currently failing to explain and convince the community about how and why they make these distinctions in various cases.

Conclusion

In the process of formulating the strategies and priorities that can shape and benefit regions the Chamber believes governments must be conscious of building on their respective strengths, further developing elements where there is a comparative advantage, and being mindful of the building blocks that are in place in order to achieve successful outcomes.

We also place importance on the partnership across government, business and the community in devising these strategies. To be successful, the vision must be shared and understood with a construct that reflects both 'top down' and 'bottom up' elements.

A significant proportion of business and employment growth in regions comes from businesses already based there by virtue of their own ambition or the strategic partnerships they have in place with other businesses. We shouldn't put all our eggs in the 'new industry' basket and we must be mindful of the benefits that can be gained from incremental investment and incentivisation of existing businesses, particularly where it aligns with the ambition and vision of where we want business and industry in the regions – and on a national level – to be.

The Chamber identifies the following areas of opportunity to support the economic diversification of the Hunter to ensure the ongoing growth of Australia's leading regional economy.

- Government support and funding to grow opportunities in both new areas and industries which the region has strength and advantage;

- Investment in infrastructure to facilitate better connectivity with Sydney, improve the movement of freight and create opportunities in the visitor economy;
- Policies that promote greater collaboration between business and industry and providers of vocational and higher education to ensure that teaching and skills training matches future workforce requirements.

The Hunter Business Chamber appreciates the opportunity to provide these comments and welcomes any further engagement on these matters.

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