



# **BUSINESS HUNTER**

**NSW Pre-Budget Submission 2024-25**

## A note from our Chief Executive

**Business Hunter** values the opportunity to provide input into consideration of priorities for the 2024-25 State Budget.

As the peak business group for Australia's largest regional economy, **Business Hunter** has more than 4,400 member and affiliate businesses and industries spanning all sectors and sizes, from start-ups through to some of the Australia's most prolific organisations.

We are connected to the business community statewide through affiliations with Business NSW, and contributed to and support their submission. The priorities at the top of the state agenda, including tax reform, rising business costs, cost of insurance, housing, energy, and access to skills and labour cast their shadow on the Hunter also.

In framing our submission for the May 2024 Budget, Business Hunter is seeking to highlight and address issues that impact businesses not only at a state level but also those matters critical to success at a regional level. As a consequence, our submission will mirror and support the Business NSW submission and also identify and discuss items particular to the Hunter Region.

Within the context for the Hunter Region, we also note that over the remaining term of the current government there are two levels of tasks that will have a significant influence on the ability of NSW to continue to be an attractive place for business.

Firstly, the re-establishment and recovery of the business and community base, post pandemic. In many respects, we have a way to go to restore 'business as usual'.

The Hunter's industry and business base is very diverse. Our economic and social pillars span the sectors of health, education, energy, research, defence, international trade, resources, manufacturing, agriculture, equine, tourism, construction industries and many more. The opportunity for this to be reinforced and grow is clearly at the region's doorstep and aligns with the strategy, policy and project framework articulated by government.

Across this picture of diversity, the region will be demanding more of its workforce, the skills we have available, and the training and research support we have at our disposal to improve and make things happen. Provision of housing will facilitate inter and intra-regional flows. It's a constraint presently. Targeted investment in infrastructure must also feature and the region has in recent times, a good track record for progress in this respect.

Secondly, the recognition and resourcing of the capacity and capability for the Hunter (and other NSW regional economies) to contribute to and realise the growth and development ambitions expressed and set by the government. New jobs, new industries, and new investment.

The Hunter region has big ambitions. The future is bright. Yet the reality is we're not going to realise those ambitions or experience the bright future unless we effectively and successfully cooperate and collaborate with a range of stakeholders regionally, and more broadly. Key to the collaboration is the private and public sector relationships.

The level of interest and knowledge of the regions capacity and capability has grown significantly in recent times. We commend the collective of state parliamentary representatives who consistently demonstrate a common knowledge and champion the prospects and ambitions of the region. Government, business, unions and the community are broadly on the same page in respect to the vision for our region and the challenges and opportunities we face.

Our overarching objective remains to make NSW a better place to do business. Listening to our members through regular surveys, group and individual meetings and policy committees allows us to track business confidence and identify the issues that really matter for businesses.

With this background in context, we submit our 2024 pre-budget submission for consideration.



**Bob Hawes, CEO Business Hunter**



## **RECOMMENDATIONS - THE NSW BUDGET 2023-24**

Advocacy to Government and Regulatory Authorities cover an extensive range of topics and issues, with a specific focus across five key pillars:

1. Containing the cost of doing business
2. Workforce and skills development and attraction
3. Industry development – A future made in the Hunter
4. Housing availability and affordability
5. Delivering the infrastructure business depends on

## **BUSINESS COMMITMENTS MADE BY THE NSW GOVERNMENT DURING THE 2023 ELECTION**

In conjunction with Business NSW, Business Hunter congratulates the NSW Government for the work that has already been undertaken in addressing its election commitments in its first year of Government, and we continue to look forward to working with them over the coming three years.

They include the commitments to:

- No new taxes on business in this term of government
- Boosting small business access to government procurement
- A Small Business Charter and NSW Business Bureau to improve the government interface with business
- Reducing administrative red tape for payroll tax – 52,000 businesses to have the option of bypassing Revenue NSW and using the ATO “single-touch” payroll system
- Delivery of three Manufacturing Centres of Excellence in Illawarra, Western Sydney and the Hunter
- Commitment to conduct an audit of manufacturing in NSW
- \$315 energy rebates for 320,000 eligible small businesses
- Acceleration of the energy transition via NSW Energy Security Corporation
- \$93.7 million to hire 1,000 apprentices and trainees across the NSW Government by 2026
- Commitment to 30% affordable housing on government-owned land
- Reform of the NSW workers’ compensation scheme to fix the broken claims management system.

## Pillar 1

### Containing the cost of doing business

The region's business confidence index is improving but remains firmly in negative territory as indicated in our latest Business Conditions Survey (BCS) conducted in February 2024.

Amid a high-inflation environment, the rising cost of doing business has been a major challenge to business owners in the region. The latest BCS data found the top three cost categories for Hunter businesses are insurance, taxes, and energy costs.

#### Taxes

The NSW Government, under the leadership of Treasurer Mookhey, is to be commended for taking a leadership role in pursuit of tax reform. We acknowledge tax reform requires an active Federal Government in partnership with the states and territories to achieve meaningful outcomes and we recommend that the Government continues to pursue this.

As NSW and Australia set a renewed path towards growth, businesses face a tax system riddled with complexity and inequity not just from the differing regimes applied to labour, real property and capital but also the vast ecosystem of exemptions, concessions, deductions and deferrals and an internationally high tax rate for SMEs. Payroll tax reform also remains a priority for businesses.

Tax system reform is essential if we are to realise the full potential of business in the next phase of economic recovery. It may also support and enable our growth ambitions, particularly in advancing clean energy.

As a major stakeholder in Australia's energy transition, there is mounting justification in our region for tax reforms to help stimulate investment and capital formation, and enhance competitiveness in the new energy economy. The Biden Administration's US\$624 billion Inflation Reduction Act (IRA) is yet further impetus for measures to help regions like ours compete on the global stage for investment and minimise supply chain risks.

#### **In alignment with Business NSW we recommend a suite of measures for the benefit of businesses across our region and the state:**

- Lower the payroll tax rate from 5.45% to below 5 % and increase the threshold to at least \$1.3million - easing the tax burden of businesses
- Continue to reduce the red tape burden on business by streamlining payroll tax administration
- Investigate a regional payroll tax rate in line with Victoria (1.21%) to ensure regional businesses are competitive with other states.
- In the medium to long-term explore other revenues that can replace this burdensome tax.

The Commonwealth and State Governments must come together through the Council of Federal Financial Relations (CFFR) to commence a standing agenda of tax reform. This should include Payroll Tax, GST, personal and corporate income taxes.

The CFFR should consider:

- The breadth of options available to ultimately abolish payroll tax
- Reducing dependency upon stamp duties and supporting initiatives to transition to broad based land tax
- A pathway to aligning the rate and base of the GST to more sustainably reduce income taxes, especially for low and middle-income earners
- Commence a phased reduction of Australia's corporate tax rate to 25% by extending the 25% small business corporate tax rate to cover SMEs with an aggregate turnover less than \$250 million.

## **Energy**

The issue of energy cost and availability remains tense in our region and beyond.

BCS data\* across the state shows that rising energy prices have prompted one in two businesses to explore ways to reduce energy use or improve energy efficiency. More than 40% of businesses had to absorb higher energy prices by reducing their profit margin, and more than 20% had to reduce staff headcount or staff hours.

In the Hunter, one in three businesses have cut investment in energy efficiency upgrades in the last year in response to heightened financial pressures.

We acknowledge the government has taken significant steps toward advancing renewables. The declaration of the REZ's, and initiatives such as the Waratah Super battery and the Hunter Transmission Project are welcome investments that will benefit our region. Change to new forms of renewable energy at scale and at a cost affordable to the majority of businesses needs to occur without delay. The rapid cost increases and volatility in the energy market are putting certainty at risk and we are already aware there are businesses that face tough choices about their future if the current circumstances do not moderate.

### **In alignment with Business NSW we recommend:**

- In partnership with the Commonwealth and other states, NSW government should take additional steps to cover the cost of the transmission infrastructure build out to support Renewable Energy Zones, removing those costs from user bills.
- Planning and environmental approvals for major energy infrastructure should be streamlined in line with recommendations of the NSW Electricity Supply and Reliability Check Up.
- Establish a new energy advice and support program targeting the SME sector.
- Establish a program to support medium-sized gas using businesses in converting from gas to electricity consumption in their processes.
- Expand the Peak Demand Reduction Scheme to support gas to electricity conversions.

- Review Peak Demand Reduction Scheme and Energy Savings Scheme rebates for business hot water system upgrades, with a view to providing greater support for businesses looking to switch from gas to electric hot water.

**We also recommend:**

- Develop and implement new government programs to support small and medium enterprise (SME) energy efficiency and conversion to technologies to support renewable energy inputs and advise businesses on how to achieve net zero.

**Insurance**

A landmark BNSW report, [\*Insurance at the Speed of Business\*](#), published late 2023, revealed businesses are being forced to close because of crippling public liability and public indemnity insurance. The sectors experiencing the sharpest, possibly fatal insurance rate increases were construction, engineering, tourism, and hospitality. These are large and important sectors in the Hunter that will play an increasingly important diversification role into the future.

The report identified insurance premiums in some classes are escalating by 30 per cent per year, with intensifying cost pressure on regional businesses operating in bushfire and flood-prone areas. The impacts of natural disasters in our regions has been well documented. The consequences of these events on regional communities are relatively greater than their city counterparts.

**In alignment with Business NSW we recommend:**

- NSW Government should fulfil its promise to remove the Emergency Services Levy (ESL) and stamp duty tax from insurance premiums to make insurance more affordable for business and reduce risk to the business economy from operating without cover
- NSW Government to audit procurement policy across agencies to confirm that insurance required by businesses is aligned and fit for purpose. As an example, \$20 million PI and PL is currently required by all NSW vendors but may be excessive for some contracts.
- The NSW Government and Federal Government to co-fund a support and training program for business to uplift the level of education around risk management. Such a program would be similar to the currently funded energy education and engagement support tools such as Energy Made Easy.
- Create market segment specific workshops to determine customer and supplier interest/support for alternative products in the following three categories:
  1. Professional indemnification for specialised construction services
  2. Public liability for NSW tourism activity-based businesses
  3. Geographic solutions for bushfire/flood prone locations that cannot get traditional cover.
- NSW Government to run an insurance innovation market testing procurement, where Government will fund up to three proposed innovative product offerings that will achieve at least two of the following objectives:

1. Reduce the government liability as insurer of last resort
  2. Demonstrably reduce premiums
  3. Offer alternative coverage where no coverage is offered (or is unaffordable to most of the market).
- NSW Government to fund a study into coverage gaps in the NSW business market to ensure that the state's business economy is competitive. This would include a comparison to other markets and an assessment of the hurdles to overcome in NSW. Insurances such as product liability, transport, business continuity, workers compensation, public liability and professional indemnification could be included in the study. An example would be comparing the NZ PL market for activity-based businesses.



## Pillar 2

### Workforce and skills development and attraction

Skills shortages remain a persistent challenge for businesses in the region, with cost of living and housing supply major barriers to talent attraction\*.

The region has worked hard to maintain a skilled and adaptable workforce, encompassing a wide range of industries, from traditional sectors encompassing health, hospitality, education, manufacturing, and the METS sector, to emerging fields in technology and renewable energy. Our workforce is characterised both by its strong base in traditional sectors, and its ability to evolve with changing demands and priorities.

Despite our strengths, we face certain challenges that require strategic interventions.

Skills gaps persist in specific industries, hindering productivity and growth. To address this, targeted training programs and education initiatives are essential. Simultaneously, opportunities abound in sectors aligned with the state's emerging priorities, presenting a chance for the government to foster growth through targeted investments.

Through strategic investments in education, training, and technology, we believe the Hunter region can continue its role as one of the major engine rooms for the state.

Recent efforts on the part of State and Federal governments reflect a broad consensus in helping businesses meet their skilled workforce needs. We welcome the state government's proactive steps towards this priority through the delivery of three regional Manufacturing Centres of Excellence, including one located in the Hunter. These types of initiatives are pivotal in shaping a resilient and sustainable future for the region and the state.

At their most fundamental level, these educational offerings require a strong future student pipeline. A Workforce Skills Survey administered by Business NSW in 2022 found only 7 per cent of businesses considered the careers advice currently available in schools to be sufficient.

As our region navigates transition, there is genuine concern among our members that young people are unaware and lack appreciation of traditional career pathways, such as engineering and electrical apprenticeships – both in decline in our region, that will set them up for success in the new energy economy.

There is also a growing concern that young people and their families associate careers in the METS sector with images that are out of touch with how the industry actually works and its future role in achieving global net zero ambitions.

Unless pipeline issues are resolved at both primary and high school levels, the region may struggle to maintain current levels of productivity or worse, fall short of growth and diversification ambitions.

### **Recommendations:**

- The NSW Government should ensure ongoing support for Careers NSW - a service launched in 2021 to provide personalised career services and resources across New South Wales. This program supports in-person guidance from careers planners and industry experts along with self-service career support information.
- Allocate funding for the commitment to deliver a Manufacturing Centre of Excellence for the Hunter region, to create a thriving hub for innovation, technology, and workforce development.

### **Apprenticeships and traineeships**

The apprenticeship and traineeship system is a key incubator of the future workforce. While the current model has delivered positive results, feedback from industry and the continued decline in participation indicates further reform is needed.

In our region, 34% of businesses\* expressed that TAFE was not matching business needs, which directly limited their ability to attract and retain skilled workers. This compared with 28% of businesses state-wide.

The Federal Government has recently announced a fresh review of Australian apprenticeships and apprenticeship incentives. The review is expected to address financial support for apprenticeships and evidence-based improvements to apprenticeships system, with a view to supporting individual wellbeing, productivity and successful outcomes for both apprentices and employers.

### **In alignment with Business NSW we recommend:**

- Ensure State Government contributions to reviews of apprenticeships and apprenticeship incentives are informed by a strategic view regarding strategic investment in apprenticeships in NSW.

## Pillar 3

### Industry development – A future made in the Hunter

The Hunter region is already the largest regional economy in Australia. Relative to other regional economies, the Hunter region boasts a strong and diversified economy supported by significant public and private sector institutions and activity.

Our diverse economy has been the backbone of our success. When BHP operations closed in 1999, it was thought to be Australia's largest de-industrialisation event. Nearly 4,000 employees and contractors lost their jobs. Widespread fears that closure would imperil the Newcastle economy, fracture social cohesion, and devastate workers and their families did not come to pass. Analysts and thought leaders who worked directly on the closure have credited diversification for this outcome.

As our region again braces for major industrial change, diversification is an important insurance policy. By reducing our dependence on any single sector we ensure our economy is more adaptable to changes and less vulnerable to downturns. We know that diversification will spread risk, better absorb displaced workers by offering employment in other sectors, and ultimately retain valuable skills within the community.

Key considerations are outline below.

#### Driving our knowledge economy

The Hunter is a research-rich region, underpinned by:

- The **University of Newcastle** (Number one University in Australia for industry collaboration)
- **The CSIRO Energy Centre**
- Hunter Medical Research Institute (**HMRI**) - A partnership between Hunter New England Health and the University of Newcastle enabling the translation of world-class medical research into clinical practice
- Newcastle Institute for Energy and Resources (**NIER**) – Housed within the University of Newcastle, stimulating innovation by supporting industry/research collaborations and providing access to large-scale specialised research facilities to pilot and scale research
- John Hunter Health and Innovation Precinct (**JHHIP**)
- Through lasting partnerships with industry, business and government, the proven and potential contribution of these institutions to the region and the nation's knowledge economy is extraordinary.

We must ensure great ideas that emerge across our wealth of research institutions and start-up ecosystem can stay in our region, by encouraging and fostering innovation and creating a culture of entrepreneurialism.

Such an adjustment is only achievable if it is underpinned by an easily navigable regulatory environment that:

- encourages collaboration,
- drives research and development,
- attracts investment, thus enabling start-ups to weather the ‘valley of death’, and
- encourages businesses to remain based in Australia.

**In alignment with BNSW we recommend:**

- Make NSW the start-up state by establishing a \$1.3 billion government-backed venture capital fund.

**We also recommend:**

- Ensure great ideas that emerge across the wealth of research institutions in our region can stay in our region, by providing incentives for regional manufacturing.

**Manufacturing**

In order to buttress existing business and grow for the future, we must be ready to grasp the opportunities that will come with the next wave of technological and industrial change. This wave is truly upon us.

NSW can do better in providing “preferred supplier status” to its businesses, particularly those directly related to state government procurement. Procurement guidelines must be broadened to account for the full supply chain multiplier outcomes and not focus principally on price.

**Recommendations:**

- Provide support and ‘preferred supplier status’ to local industry in relation to government procurement and supply chains.
- Provide the same priority and support for business and industry wishing to establish or diversify into the manufacture of materials required in renewable energy production such as solar panels and wind farms.

**John Hunter Health and Innovation Precinct (JHHIP) Stage 2**

As our region’s largest employer, the health sector plays a vital role in the local economy, as well as our community's well-being.

Servicing the Hunter region and Northern NSW, the JHHIP will meet increasing demand for a broad range of health services and contribute significantly to the development of the region’s knowledge sector.

The NSW Government's initial \$835M investment in Stage 1 of the John Hunter Health and Innovation Precinct, the John Hunter Acute Services Building, will bring modern, cutting-edge medical facilities to the Hunter and New England Region. While this significant investment has set the foundations for the Precinct, a whole of government response and further investment, advocacy, and support will help to realise the Precinct's true potential as a key driver of improved health outcomes for regional populations and a state-significant economic asset for regional NSW.

The importance of this project for health, medical research, and the associated innovation ecosystem cannot be understated. The project will provide enhanced education and research facilities by harnessing the expertise of the University of Newcastle and its esteemed medical research facility – the Hunter Medical Research Institute (HMRI), driving employment growth and economic diversification.

### **Recommendation:**

- Commit to funding Stage 2 of the John Hunter Hospital redevelopment, enabling 10,000m<sup>2</sup> of embedded space within the existing hospital to be refit for complementary services, R&D, education and industry partnership activity.
- Investigate incentives for knowledge economy industry to invest in the Region. This will be a critical enabler of efforts to identify and attract Australian and Global business to the Hunter New England region as it seeks to transition to a knowledge-based economy, leveraging its rich capabilities in high-tech translational manufacturing, digital solutions, green technology and supply chain and logistics.

### **Global gateways**

Newcastle Airport and the Port of Newcastle currently operate below capacity. Both global gateways have strong ambitions to diversify their offering and are actively progressing export trade opportunities. Both are also undertaking ambitious expansion plans with the benefit of both public and private sector investment. To capitalise fully on the value of the respective investments, more work needs to be done and some responsibility will rest with government to ensure outcomes are achieved.

With their proximity to businesses operating in obvious export markets, including hydrogen, wine, primary production, and advanced manufacturing, there is considerable untapped potential in the region.

### ***Port of Newcastle***

To help equip the region and the state for new growth, aside from developing businesses that are already in place, we must be alert to the opportunity for new industry and business to locate here. The state frequently misses out to opportunities that land in other states.



A catalyst project, the Port of Newcastle's Clean Energy Precinct will stimulate a variety of opportunities in this arena for the benefit of the state.

A 220-hectare dedicated space for large-scale production, storage, transport and export of clean energy across multiple vectors, including hydrogen, ammonia, methanol and sustainable aviation fuel (SAF), the Clean Energy Precinct will also facilitate the import of wind turbine componentry needed to deliver NSW's renewable energy zones.

**Recommendation:**

- Provide matched funding committed by the Federal Government for the establishment of a clean energy precinct at the Port of Newcastle that will create space for the large-scale production, storage, transport and export of multiple sources of clean energy.

***Newcastle Airport***

With new international aviation routes being established when Newcastle Airport (jointly owned by City of Newcastle and Port Stephens Council) upgrades, there are opportunities for the NSW government to further promote links for business travel, tourism, and below the wing freight and realise investments already made by state and federal governments.

Air route development is highly competitive, with Australian state governments and other countries actively contributing to the attraction of new air services to their regions.

Partnerships are essential to developing new routes, and NSW is the only state not to offer funding to attract airlines at present. With airlines subject to restricted fleet numbers, this lack of funding places the Hunter Region and NSW at a competitive disadvantage when compared to interstate destinations.

With Newcastle Airport serving as the origin and termination point for flights, frequencies and scheduling options are vastly increased, enabling game-changing connectivity between the Hunter and new inter/intrastate destinations for both passengers and freight.

As below the wing freight export opportunities come online, the Newcastle Airport Air Cargo Terminal is the missing link in the Hunter's air-based supply chain, and capital funding for this project is key to unlocking the region's economic potential in industries including equine, med tech, and high value perishable food products.

Streamlined road connections facilitate efficient transit for both passengers and freight, while improved public transport links will enable passengers to complete end-to-end multi-modal journeys and boost tourism in the region. Although Newcastle Airport is fighting to win a bigger share of passengers within its catchment, insufficient public transport links are contributing to leakage of passengers to nearby Sydney.

**In alignment with BNSW we recommend:**

- Maintain funding for Investment NSW operations and programs including international representatives and offices working in concert with the Australian Government. Business NSW encourages the NSW Government to expand efforts sponsoring and supporting enterprise, trade, and international investment in the state of New South Wales

**We also recommend:**

- Immediate implementation of a rapid bus network to improve access to Newcastle Airport for Hunter residents.
- Immediate extension of the Aviation Attraction Fund.
- Contribute \$15 million over three years toward aviation attraction, with matched funding from Newcastle Airport.
- Contribute \$6 million toward an airline base establishment fund, with matched funding from Newcastle Airport.
- Contribute \$27 million to establish a regional international air cargo terminal.

**Agribusiness**

The Upper Hunter region is one of the State's most fertile and productive areas for agriculture (equine, poultry, grains, dairy, beef cattle and viticulture) and resources. With land in finite supply, conflict has sometimes arisen between these industries over perceived land use competition.

Wine and spirits manufacturing is a key regional specialisation, contributing almost \$260 million gross value added (GVA) in 2020. Cost of living pressures have strongly impacted this sector, with wine sales and wine tourism both in worrying decline. In Cessnock, Tourism is the second largest employer after mining.

As substantial mines in the Upper Hunter such as BHP Mt Arthur prepare for closure, it will be important to strike the right balance between agriculture, tourism and resource development on post-mining and buffer lands to ensure diverse employment opportunities are retained and developed across the region.

The current planning system concerning mined land rehabilitation is split across mining and planning related agencies. It does not adequately recognise infrastructure in place or development potential of mine, former mine and buffer land. That infrastructure, including rail connections, electricity supply, large industrial buildings and water supply teamed with

transport routes, will be extremely valuable assets for diversifying to new industries and creating employment in the Hunter's future, particularly close to existing urban centres.

A broad range of business and community perspectives in post-mining land use planning, will ensure new developments will benefit Hunter communities for the long-term.

### **Recommendation:**

- Complete the process to harmonize requirements between mining and planning related agencies for post mining land use planning and development.

### **Supporting SME's via government procurement**

The NSW Government spends almost \$40 billion annually on goods, services and construction. Access to these government contracts is critical as it provides certainty of work and support for business growth and investment, while also being a signal to other potential customers of the quality of the supplier.

NSW Government procurement data showed almost \$8 billion was spent on NSW SMEs over the 2020/21 financial year. That's over 49,000 small and medium businesses engaged with NSW Government through one of their toughest years on record. This has been critical for small and medium businesses operating in regional NSW, including the Hunter Region.

These initiatives have gone a long way towards giving small and medium businesses a level playing field to compete with multinationals and their subsidiaries for local and regional procurement opportunities at a scale they can handle. It also provides the best possible outcome for taxpayers through competition, quality and accountability at the local level.

Without the NSW government actively identifying local SME suppliers and making it easier for them to engage with government procurement we put at risk the ability of local firms to provide critical services and local jobs. Since the election the new government has indicated intent to expand opportunities for enhanced local procurement, particularly in the manufacturing sector. We encourage government to ensure that SMEs are able to participate in those procurements, and that barriers to participation are eased.

There is an opportunity to help SMEs and start-ups to not only survive through the current economic headwinds, but to help them thrive.

### **In alignment with Business NSW we recommend:**

- Grow the proportion of government procurement to SMEs to over \$10 billion per annum.
- Strengthen awareness and take-up of the NSW Government Tender Support program.

- Boost Business Connect to offer independent business advice and build their capability to supply to government.

## **Pillar 4**

### **Housing availability and affordability**

*Ensure our community can grow and thrive by housing key workers close to where they work.*

Our local communities and businesses cannot survive or prosper without key workers.

Rental vacancy rates in the Hunter are some of the lowest in the state. The lack of available housing has been consistently identified by our members as a major barrier to business growth and sustainability.

Since election in March, the Government has taken steps to acknowledge the serious housing crisis affecting NSW and we recognise that several solutions are progressing to implementation, particularly in metro locations. In the regions, housing challenges are hugely varied, making a one-sized fits all approach impractical. As demand for 'life in the regions' continues, we require nuanced, place-based policies and programs.

There is no shortage of plans and strategies developed to guide the future of the Hunter region, with a new Regional Plan adopted in late 2022 and a Transport Strategy on its way. Along with the host of Community, Precinct and Area plans generated by local government, the task to identify priority economic and social infrastructure that will attract and facilitate private sector investment is not difficult, but requires coordination and collaboration the state government can provide. Putting certainty in this realm is vital to trigger investment and development driven by the private sector.

The concept of the Hunter Growth Infrastructure Fund is simple. In return for funding connecting infrastructure to identified development areas, the state collects back the funds as developments are sold down. This could operate as an extension or hybrid of the Housing Acceleration Fund and will help relieve housing supply constraints in the short term.

The current approach to assessing and securing biodiversity outcomes is a significant constraint on the flow of development projects. Practitioners in the industry are calling for the need to embed a strategic approach to biodiversity conservation that enables housing and employment land supply by bringing more certainty for proponents on zoned land, including by funding and beginning the biodiversity certification exercise for priority precincts. Government must commit to a process that may lead to the enacting of changes to the Biodiversity Conservation Act in an effort to ensure it balances improvements for environmental, social and economic outcomes under the principles of Ecologically Sustainable Development.

As outlined by Business NSW, Advanced modular housing designs will enable not only high volume at short notice, but will lower risks and allow leased lands to be released for infill development, where existing transport, infrastructure and amenity already exist.



The components of a Modular construction industry are already evident in the Hunter, with a collective of component manufacturers and exciting market innovation (research led by the University of Newcastle) coming together under the coordination of a regional Modular Housing Taskforce. Applications of modular housing, such as in tourism and essential worker accommodation, are already in place, positioning the Hunter as a leader in modular housing manufacturing for the state.

The opportunity also extends beyond manufacturing, with site opportunities where the Government could pilot schemes for application across the state, aimed at developing rapid or short-term solutions to help resolve the housing crisis that exists today.

### **Recommendations:**

- Deliver on planning actions and fund economic and social infrastructure consistent with the strategic plan objectives and priorities to facilitate the opportunity for diversity in the housing supply pipeline.
- Create a Hunter Growth Infrastructure Fund and commit \$500m to the delivery of Hunter enabling infrastructure to unlock the existing pipeline for the region's housing and jobs.
- Increase funding and resources for the work of the DPHI Hunter-Central Coast Regional team, including for the work of the Urban Development Programs (UDP), to successfully plan for and manage a strong pipeline of development-ready housing supply to meet demand.
- Double the existing \$106.7m investment in the Biodiversity Credits Supply Fund and Taskforce to build on its success of improving biodiversity outcomes by working with private landholders to conserve their land and generate biodiversity credits to support housing delivery, jobs and infrastructure in strategic growth areas.
- Reinstate the (previous Newcastle) Mines Grouting Fund. This could be accomplished as a perpetual entity topped up annually with funds held by SA NSW. Prior to its removal in the last budget, the Fund was an unequivocal success in providing confidence to invest in the revitalisation of the Newcastle CBD, and its removal jeopardises desperately needed housing supply and community infrastructure that could be delivered by the private market.

## **Pillar 5 - Delivering the infrastructure business depends on**

### **Transport**

With an extensive infrastructure pipeline stretching delivery capacity, Business Hunter has been broadly supportive of the recent review and rationalisation of critical infrastructure at both the Commonwealth and State level.

We accept that some changes to funding commitments and programs have had to be made to ensure the near-term priority is on completing projects already in the infrastructure pipeline, funded and ready to build or already underway. It will also be important to consider and budget for the medium to longer-term needs of the state, and projects that will grow in significance as we unlock new levels of capability and capacity.

We understand Minister Aitchison is leading a Strategic Regional Integrated Transport Plan, with the Hunter already underway. We welcome this effort, and any opportunity to consult on this important plan. After a year spent getting existing infrastructure commitments in order, this year potentially presents the opportunity for the Government to set out its vision for infrastructure priorities in the medium and longer term.

#### **Recommendation:**

- In anticipation of the Hunter Region component of the Strategic Regional Integrated Transport Plan finalised by the end of 2024, reserve project or planning funding to allow projects to be initiated.

### **Narrabri Northern Inland Port (N2IP)**

We acknowledge that federal funding for this project was withdrawn as part of Minister Catherine King's infrastructure review, a disappointing outcome given the opportunities it could unlock for the state.

This project will deliver connectivity to the proposed Inland Rail network and additional accessibility to most major ports across Australia, including its closest port, the Port of Newcastle, which has well-documented ambitions to increase its container trade.

The Northern NSW Inland Port (N2IP) offers strong opportunities to leverage existing specialties in agriculture and resource industries, as well as encouraging the growth of new businesses that will help to diversify traditional energy intensive regions.

N2IP presents major investment opportunities for transport and logistics operators, manufacturers, agri-businesses and service providers, and offers a competitive advantage to businesses seeking to establish national and global distribution through nearby global

gateways, the Port of Newcastle, which is directly linked to the inland rail, and Newcastle Airport. The flow on multiplier effects in jobs and income from investment into these gateways is well documented.

**Recommendation:**

- In conjunction with the Federal government, reinstate the funding to complete the rail link to connect the extension of the Hunter line to Narrabri and the Inland Rail.

**Newcastle Freight Rail Corridor**

Following many years of planning and community consultation, the reserve for the Newcastle Rail Freight Corridor has been identified. With current and projected population growth it is increasingly important to separate the freight rail traffic from passenger services.

Following the densification opportunities identified around seven Newcastle and Lake Macquarie train stations announced late last year, there is an even greater impetus to separate freight and passenger rail lines. As Government looks to ease the housing crisis through transport-oriented development, the impacts from rail congestion will become more crucial. The opportunity to separate freight rail from passenger rail on this spine through Lake Macquarie and Newcastle has taken on considerably more importance.

Business Hunter is supportive of respective levels of government moving quickly to progress planning, funding and development of the Newcastle Freight Rail corridor to enable the separation of freight and rail traffic in the short to medium term.

**Recommendation:**

- Provide funding to complete the corridor planning and property acquisition of the Newcastle Freight Rail Bypass with a view to constructing the bypass in the next term of government.

**High Speed Rail**

Business Hunter was supportive of the combined State and Commonwealth government effort to develop faster rail from Newcastle to Sydney. The Commonwealth withdrew its funding support for the initiative to improve the existing intercity connection in late 2023 and the Commonwealth emphasis has now shifted to High Speed Rail (HSR). Businesses in the region have voiced concern that efforts to improve the existing service in the short term have been abandoned.

Business Hunter is a strong supporter in principle of a HSR connection between Sydney and Newcastle. Whilst the potential benefits of HSR in delivering a fast, low-emissions mass transit option and economic opportunities for our regions is well documented, this will be an expensive and logistically challenging project, which may not stack up.

Abandoning faster and improved rail connection to Sydney on the assumption that High Speed Rail will proceed is a risky strategy. If the assumption is incorrect, and High Speed Rail does not proceed, we've lost significant time and abandoned a project which in practice was relatively inexpensive and could demonstrate benefits to travellers and freight in the short to medium term.

**Recommendation:**

- Reconsider and implement plans to upgrade and improve the existing Newcastle to Sydney rail corridor in the event that the High Speed Rail does not come to fruition.

**Broadmeadow Precinct and Hunter Park**

We understand that public consultation on the precinct strategy for the Broadmeadow precinct, including Hunter Park, is currently underway.

Hunter Park arguably represents the most significant urban redevelopment opportunity so close to a regional city anywhere on the east coast of Australia. The Honeysuckle project in Newcastle is a showcase of opportunity and renewal and Hunter Park should be next. The community of the region has worked hard with government to get the strategy and plans to the current state.

We understand the precinct plan is required before work can progress on any singular component, but stress the importance of the elements detailed within Hunter Park and encourage the government to budget for and progress this component of the precinct as soon as possible. Once government has defined its intentions and leads with investment, the private sector will follow, which was demonstrably the case with the revitalisation of the city of Newcastle.

**Recommendation:**

- Commit to the Hunter Park precinct, addressing the following funding and project elements as priorities:
  - the construction of a new entertainment centre
  - procurement of the associated public domain infrastructure
  - extension of the light rail to service the precinct to coincide with completion of the new entertainment centre.

**Major roads upgrades**

The region is also benefitting from progress on joint Commonwealth and State funded, large-scale road projects including the Newcastle Inner City Bypass, Singleton Bypass, and the M1 link Black Hill to Heatherbrae. In the recent national infrastructure project review, funding for the Muswellbrook Bypass was reserved, subject to further planning. This project is vital to the

Hunter's progress, cutting congestion and improving safety for the 10,000 motorists and truck drivers who use this route each day.

Boosting infrastructure connectivity across the Hunter region will not only boost investor confidence, but significantly grow supply chain efficiencies throughout Australia's most densely populated territories. Fully integrated, interconnected air, port, rail, and road infrastructure will service the Hunter and Central Coast, as well as the Mid and North Coast, New England and the North-West, through to South East Queensland. This will support:

- Supply chain and logistics enterprises
- Sovereign manufacturing, including advanced manufacturing, med-tech and clean energy
- Agribusiness
- Tourism and the visitor economy

By investing in infrastructure in the Hunter region the government achieves enormous 'bang for buck' and demonstrably assists neighbouring regions as a consequence of the connections and linkages, both economically and physically, that exist.

**Recommendations:**

- Progress the review of the Muswellbrook bypass within the current term of government and re-commit funding for construction subsequently.
- Confirm funding for a range of commenced and foreshadowed projects including upgrades to Hillsborough Road, regional roadworks under disaster relief funding and joint council funding programs.
- Improve connections to Newcastle Airport including upgrades to Nelson Bay Road, duplication of Cabbage Tree Road, and new slip roads linking M1 Pacific Motorway extension with Masonite Road.
- Progress, facilitate and provide the balance of funding of the upgrade of Mandalong Road and utilise committed federal funding for the project.