BUSINESS NSW

NSW PRE-BUDGET SUBMISSION
2026-27

December 2025

Business NSW acknowledges the Traditional Owners and Custodians of this land, and show our respect for Elders past, present and emerging.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

FOREWORD

Business NSW welcomes the opportunity to provide a pre-Budget submission ahead of the 2026-27 NSW Budget. As NSW's peak business organisation, Business NSW represents almost 50,000 businesses across NSW. We work with businesses spanning all industry sectors including small, medium, and large enterprises. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state, and federal level.

Business NSW acknowledges the NSW Government's continued focus on housing supply, business conditions, energy transition, and workforce development as the state navigates gradual economic recovery. While business confidence is rising and workforce participation remains strong, there is an opportunity to drive sustainable growth through targeted investment in enabling infrastructure, particularly to support housing, innovation, and economic diversification.

As Business NSW nears its 200-year anniversary in 2026, our experience working with industry and government through times of change and disruption underscores the need for policies that deliver lasting outcomes. With the 2027 election approaching, this Budget is a key opportunity to take a long-term view of our state's economic settings.

Many businesses plan to grow headcount and expand operations in 2026, but ongoing cost pressures continue to weigh on productivity. Payroll tax, insurance, regulatory burdens, energy costs, limited industrial land, and skills shortages – particularly in regional NSW – are constraining business capacity and service delivery. With the Western Sydney International Airport (WSI) set to open next year, the NSW Government has an opportunity to support regional economies by ensuring WSI serves as a true gateway to regional NSW.

Energy affordability and reliability remain central to business resilience and long-term economic stability. Business NSW's recent report, *Running on Empty 2.0 – The Evolving Role of Gas in NSW*, outlines the ongoing importance of gas for gas-reliant businesses and the need for supply certainty, with major shortfalls forecast from 2028. Clear policy settings and timely investment will be essential to managing costs and maintaining industrial capacity through the energy transition and beyond the 2027 state election.

The transformative power of AI must also be harnessed if our state is to reach its potential. For NSW businesses, adequate and well-connected data centre capacity is critical to adopting AI and other advanced digital technologies. AI adoption can transform business processes, improve decision-making and unlock productivity gains. However, these benefits depend on reliable access to high-performance computing and data services that only scalable data centre infrastructure can provide. Without coordinated planning, affordable energy and water access, and timely approvals, NSW risks losing investment to other jurisdictions.

Building a resilient and competitive economy requires tackling today's cost pressures, boosting productivity, and creating the right conditions for business growth. The 2026–27 Budget presents an opportunity to address immediate challenges while supporting long-term growth. Business NSW looks forward to working with Government on policies that deliver lasting benefits for businesses and the wider community.

Dan Hunter

Dan Hunter CEO
Business NSW

Contents

SUMMARY OF RECOMMENDATIONS

Policy Area		Recommendation
EASIER BUSINESS IN NSW		
Red Tape	01	Make regulatory and government administration reduction a key focus of small business strategy at both state and federal levels
	02	Commit to a NSW government review of regulatory burden to identify areas where small business administration can be removed, including at LGA level
	03	Establish a permanent online portal for businesses to report red tape and regulatory challenges, complemented by twice-yearly government-business meetings to address key concerns
	04	Introduce a preliminary (AI) assessment system where businesses can submit a simplified form to determine whether a full DA is necessary for their proposed change of use
	05	Implement a more straightforward, transparent process with clear guidelines to facilitate easier compliance with development requirements, such as implementing an AI Planning Portal
	06	Introduce fast-track approval pathways for change-of-use applications, especially those with minimal environmental impact or minimal change of use
	07	Establish clear, enforceable assessment timeframes across all LGAs, supported by transparent public reporting
	08	Standardise DA requirements and documentation across all LGAs
	09	Consider opportunities to amalgamate some of the 33 local councils in Sydney, with the explicit aim of avoiding duplication and streamlining processes for businesses and residents
Tax reform	10	Lower the payroll tax rate from 5.45% to below 5% to align with more competitive rates in Victoria and Queensland
	11	Introduce a permanent 1.2% concessional payroll tax rate for regional businesses
	12	Increase the payroll tax threshold to $1.5m to account for inflation, and index the threshold to the Wage Price Index for future years

	13	Continue to reduce the red tape burden on business by streamlining payroll tax administration
	14	In the medium to long-term explore other revenues that can replace payroll tax, such as working together with Commonwealth and State governments to replace payroll tax with an increase in consumption tax (GST)
	15	The Commonwealth and State Governments must come together through the Council of Federal Financial Relations (CFFR) to commence a standing agenda of tax reform, with a focus on capping the overall tax burden that SMEs face as a percentage of their revenue. The NSW Government should: • Commit to modernising the Australian tax system to make it simple, efficient, and fair. • Commit to comprehensive tax reform, including reform of Federal-State arrangements, with an aim of reducing or eliminating unproductive taxes on business such as stamp duties, insurance taxes, and payroll taxes. • Reduce the company tax rate to 25 per cent for all businesses to enhance the competitiveness of Australian businesses versus international competitors. With the corporate tax rate at 30 per cent, Australian businesses have become less and less competitive with counterparts in other OECD countries. • Advocate for NSW to receive a fairer share of GST revenue, including through the Australian Government Productivity Commission's *GST Distribution Reforms* process.
Insurance	16	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
	17	Audit procurement policy across agencies to confirm that insurance required by businesses is aligned and fit for purpose
	18	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.
	19	Run an insurance innovation market competition, where the 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).

	20	Fund a study into coverage gaps in the NSW business market to ensure that the state's business environment remains 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.
Workers' compensation reform	21	Pass the *Workers Compensation Legislation Amendment (Reform and Modernisation) Bill 2025* as a top priority in early 2026.
	22	Continue to consult with business and community groups on workers' compensation reform, including on future measures of psychological impairment
	23	Implement annual reviews of the workers' compensation system to ensure it remains fit for purpose and financially sustainable
Business support programs	24	Restore funding to the Business Connect program and explore opportunities to deliver a more ambitious 'Business Connect 2.0' program featuring support and advice in new priority areas. Double the program's budget to $20 million per year to enable greater impact.
Government procurement	25	Continue to grow the proportion of government procurement to SMEs to over $12 billion per annum
	26	Strengthen awareness and take-up of resources and guidance to support more SMEs to access Government procurement opportunities, such as support offered through buy.nsw, the Small Business Commissioner and chambers of commerce

SMARTER BUSINESS IN NSW

VET quality and relevance	27	Ensure TAFE NSW serves as the gold standard for VET, ensuring quality, consistency, and industry relevance, in line with recommendations 1, 2 and 3 of the NSW VET Review
	28	Ensure strategic investment in TAFE facilities, particularly in regional communities, in line with recommendation 21 of the NSW VET Review
	29	Ensure substantial ongoing investment in an enhanced and streamlined *Smart and Skilled* program
Strengthening regional skills ecosystems	30	Ensure local and relevant training opportunities are available across the state through implementing the *Student Access and Training Commitment* as part of the TAFE NSW Charter

	31	Expand the range of benefits and incentives for teachers in regional and remote areas, in line with the *Rural and Remote Education Implementation Plan* as part of the *Rural and Remote Education Strategy*
Industry engagement	32	Incentivise innovation, collaboration and the development of local solutions that are fit for purpose through implementing the *Regional Skills Fund* recommended in the NSW VET Review
	33	Establish industry-specific and place-based Compacts with the aim of helping employers across NSW meet their skills needs, in line with recommendation 8 of the NSW VET Review
	34	Develop centralised, publicly available data assets in partnership with industry in line with recommendation 7 of the NSW VET Review to ensure a comprehensive 4-year skills and jobs look-ahead
Apprentices and trainees	35	Ensure State Government support for apprentices and trainees builds on findings from *The Strategic Review of the Australian Apprenticeship Incentive System*
	36	Strengthen the role of Group Training Organisations within NSW's skills ecosystem, recognising their role in supporting SME participation and enhancing apprenticeship and traineeship outcomes
Pathways	37	Invest in childcare funding to make more places available to help parents re-enter the workforce, with retention strategies and learning pathways to build and retain the skilled workforce needed to support families and children in their early years
	38	Ensure ongoing support for the *Educational Pathways Program,* recognising its role in supporting school-to-work transitions, increasing uptake of vocational pathways and strengthening early workforce participation
	39	Ensure the *Regional Industry Education Partnerships Program* continues to support and promote education and training opportunities in regional NSW

POWERING BUSINESS IN NSW

Energy infrastructure	40	NSW Electricity Roadmap costs should be recovered over the regulated asset life through the Regulatory Asset Base consistent with AER cost-recovery principles
	41	Government to cover the cost of any further cost modification on the transmission network to remove this extra cost from bills and expedite delivery

	42	Streamline planning and environmental approvals for major energy infrastructure in line with recommendations of the NSW Electricity Supply and Reliability Check Up, in addition to the recommendations below: • Prioritise rapid accreditation of its planning and environmental assessment processes under the reformed *Environment Protection and Biodiversity Conservation Act*, to enable a single, integrated approvals pathway for major energy, transmission and Renewable Energy Zone infrastructure • All REZ generation projects should be considered for Critical State Significance Infrastructure (CSSI). • Adopt a strategic biodiversity landscape-scale assessment approach under the relevant legislation. Government to ensure draft regulations under the BC Act 2016 and LLS Act 2013 are thoroughly consulted with industry before finalisation and provide a simpler and most cost-effective offsetting approach.
Unlocking gas for business	43	Implement the recommendations of the *Running on Empty 2.0 report*, including to: 1. Accelerate new gas supply: Fast-track Narrabri, streamline approvals, and expand LNG import capacity. 2. Treat gas infrastructure as strategic: Secure pipelines, storage, and networks for both natural gas and renewable alternatives. 3. Build a renewable gas market: Back biomethane and hydrogen to support emissions cuts in hard-to-electrify sectors. 4. Support energy transition stability: Implement a state-based capacity mechanism to keep the grid reliable. 5. Support the Federal Government to establish an east coast gas reservation to help to keep more gas onshore for local users, stabilising prices and improving supply certainty.
Support during transition	44	Provide funding to businesses to help with upfront capital costs needed for electrification.
	45	Support businesses to adopt smart meters: • Fund the roll out of smart meters for all small businesses and review time-of-use tariffs for business to ensure options for saving energy costs • Protect small businesses from bill shock through strong consent and comparison requirements • Ensure simple, free access to interval data and practical advisory support • Link smart meters to small business energy productivity programs • Minimise installation disruption through clear service standards.
	46	Establish a Business Energy Connect service for small and medium enterprises to provide a single point of access to trusted, independent energy advice, helping businesses manage and reduce energy costs and navigate energy transition options where appropriate.

		The service should: • Expand access to sector-specific advice from trained engineers and industry peak bodies. • Support businesses to assess financial, environmental and community impacts of energy decisions. • Provide practical guidance on the energy transition and energy transition pathways, including electrification where viable. • Be tailored to the operating realities of SMEs, including capital constraints, reliability needs and sector differences. The service could be a standalone entity or could be incorporated into a reinstated 'Business Connect 2.0' service as part of a one-stop shop for business advice.
	47	Embed regional economic participation as a core objective of REZ governance and delivery
	48	Invest in enabling infrastructure and serviced industrial land in REZ regions
	49	Establish REZ Business and Transition Hubs to support local business engagement and capability
	50	Strengthen regional procurement and local content settings for REZ projects
	51	Align REZ delivery with regional planning, housing and workforce strategies

BUILDING BUSINESS IN NSW

Major projects	52	Continue working with the Commonwealth to deliver the Federation Funding Agreement Schedule Land Transport Infrastructure Projects (2024–2029)
	53	Deliver the rail infrastructure urgently needed to support economic and population growth around Western Sydney International Airport and south west Sydney. This should include the 6km Leppington to Bradfield rail extension and the Bradfield to Campbelltown Metro extension.
Enabling infrastructure	54	Support councils to address the growing infrastructure backlog to maintain and/or upgrade existing infrastructure such as roads, water and sewage.
	55	Investigate innovative financing and funding models to unlock new investment in enabling infrastructure across the state, such as Tax Increment Financing (TIF) and Business Rates Retention models
	56	Establish a dedicated funding pool and grants process to support local government to develop better business cases for infrastructure projects

	57	Provide dedicated, multi-year capital funding in the NSW Budget for regional airport infrastructure, co-invested with the Commonwealth and councils, to address safety, compliance and asset renewal backlogs
	58	Recognise regional airports as essential economic infrastructure in budget and infrastructure planning, with funding models that reflect their role in supporting business productivity, workforce mobility, health services and emergency response
	59	Align airport investment with regional growth priorities, including Renewable Energy Zones and major infrastructure programs, to support workforce access, project delivery and regional supply chains
Transport	60	Accelerate the delivery of current critical transport projects that support freight including Inland Rail, Western Sydney Airport and its surrounding roads and rail networks, the Port Botany Gateway project and associated road and rail upgrades, and the upgrading of Newcastle Airport to handle widebody jets
	61	Leverage freight capacity across all three major NSW ports (Port of Newcastle, Port Botany and Port Kembla) to support planned upgrades for freight transport to guarantee cost effective and timely import and export for NSW businesses
	62	Provide a platform on the Service NSW app that includes all electric vehicle charging stations across the state, assisting with EV uptake
	63	Support initiatives such as kerbside and pole-mounted charging trials to address infrastructure gaps
Industrial lands	64	Create a State Industrial Land Delivery Authority, being a dedicated entity to plan, acquire, service, and release strategic industrial sites (similar to Economic Development Queensland). This Authority should have the ability to co-invest in enabling infrastructure to unlock priority sites.
	65	Appoint an Industrial Lands Commissioner to coordinate industrial lands across LGAs, monitoring supply, reduce red tape, publishing annual progress reports, and championing long-term planning.
	66	Engage with industry on an updated definition of ‘serviced land’ in Government planning policy to establish a definition which more closely meets businesses’ expectations of what counts as ‘serviced’ land
	67	Set growth targets and enhance transparency via commitment to releasing 2,000 hectares of serviced industrial land over five years, as well as a quarterly publication of a publicly accessible “Industrial Land Pipeline Dashboard”
	68	Integrate land strategy with infrastructure delivery by aligning industrial precinct planning with freight corridors and major transport upgrades, and

		include industrial land servicing as a core benefit in infrastructure business cases.
	69	Raise the land tax threshold to $1.5m and return to indexing the threshold for future years.
Housing supply	70	Continue to engage with the Housing Now! Alliance and implement the 2025 manifesto recommendations
	71	Review existing State and Commonwealth funding programs for enabling infrastructure to identify the funding gaps constraining housing supply, and increase and better coordinate funding to accelerate the delivery of enabling infrastructure, particularly in regional NSW. Coverage gaps across existing programs may justify the NSW Government establishing a Housing Enabling Infrastructure Fund to provide grant funding for infrastructure upgrades that support new homes at scale. The Fund could be coordinated by the Housing Delivery Authority.
	72	Increase local access to relevant training and employment pathways that directly address the skills shortages in construction and housing delivery in regional NSW
	73	Update the Housing Pattern Book to include regionally appropriate design guidance to match the needs of regional communities
Digital connectivity and data centres	74	Increase funding for programs including the Regional Digital Connectivity Program and the Mobile Black Spot Program, targeting the most significant digital infrastructure gaps across regional NSW
	75	Implement a campaign to increase business awareness of their eligibility for free upgrades to their NBN provision
	76	Develop a coordinated data centre strategy that aligns planning, energy, water and transmission infrastructure to support scalable data centre development

FUTURE BUSINESS IN NSW

Innovation-led economy	77	Implement the NSW Government Strategic Investment Fund proposed in the NSW Innovation Blueprint 2035. The fund should focus on sectors of high strategic importance and potential for future economic impact. It should also give consideration to supporting innovative activity in regional areas of NSW.
	78	Utilise existing R&D tax incentives more effectively through loan facilities and other financial mechanisms

	79	Enhance government procurement policies to provide early-stage startups with critical contracts and revenue
	80	Streamline regulatory processes in sectors like medical technology to reduce approval times and encourage investment
	81	Reform superannuation fund regulations to make VC investment more attractive
Growing future-focused industries in more places	82	Explore the potential to establish a limited series of Growth Zones across NSW with powers to support industry-led, place-based economic development. The NSW Government should begin with a review of international comparators, including the recently implemented Investment Zone policy in the United Kingdom.
	83	Implement a clear strategy to strengthen innovation districts across NSW. This should build on the progress made to embed local partner-led governance for Tech Central.
	84	Consider and implement the recommendations of *The Role of Government in Innovation Districts* report published by the Innovation Districts Alliance
Attracting trade and investment	85	Increase 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 NSW.
	86	Review the investment attraction process that NSW undertakes compared to other states to assess efficacy and make improvements where possible
	87	Ensure a plan is in place to maximise the trade and investment opportunities of the Western Sydney International Airport
Supporting SMEs to adopt AI	88	Establish a bigger, better Business Connect-style service for small and medium enterprises to provide a single point of access to trusted, independent advice, helping businesses adopt and implement AI. The service should: • Assist businesses in the implementation, compliance and risk management of AI. • Support businesses to assess financial, operational and compliance impacts of AI decisions. • Provide practical guidance on AI implementation. • Be tailored to the operating realities of SMEs, including capital constraints and different use cases across industries. • Have at least double the amount of funding that the now defunct Business Connect program had (i.e. $20 million per year ongoing).

		The service could be a standalone entity or could be incorporated into a reinstated ‘Business Connect 2.0’ service as a one-stop shop for business advice.
Visitor economy	89	Expand the Western Sydney International Take-Off Fund by securing a five-year guaranteed funding agreement to accelerate the growth of Western Sydney International Airport and its surrounds, and ensure it functions as the gateway to regional NSW
	90	Establish a targeted funding program to invest in the enabling infrastructure and placemaking that underpins regional tourism and growth. Examples include high streets, parks, beachfronts, sportsgrounds, event centres and other anchor assets which draw visitors to regional places.
	91	Appoint a regional representative to the Destination NSW Board to increase regional perspectives in visitor economy policy. This should be paired with stronger alignment between state marketing and local placemaking to improve visibility of regional destinations.
	92	Extend funding for Destination Networks in regional NSW beyond this current budget, when it is due to end
Resilient businesses and communities	93	Elevate water security as a strategic economic priority for NSW in key Government strategies and plans. This includes developing and implementing the Regional Water Strategies outlined in the NSW Water Strategy.
	94	Expand the delivery of business resilience and recovery programs such as the ‘Business Beyond Disasters’ training program active in the Northern Rivers, with program content tailored to local contexts
	95	Develop local plans to strengthen regional resilience to natural disasters. This includes investing in local disaster planning, fuel-load management and community-led recovery programs.
	96	Implement a Government-wide program of regular scenario planning and stress-testing for different types of shocks, translating learnings into preventative investments in resilience. Scenario planning should involve engaging with industry to identify potential gaps in shared procedures.
	97	Pilot place-based growth and resilience compacts in priority regions, starting with the Northern Rivers, to align multi-agency investment in infrastructure and services


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CURRENT BUSINESS CONDITIONS

The analysis in this section draws on recent findings from Business NSW's Business Conditions Survey. The Business Conditions Survey is conducted on a quarterly basis to gauge business confidence, identify challenges facing the business community and seek business feedback on topical matters. On average, each survey receives about 800 responses from businesses across all key industries and regions in NSW. Each survey also includes a mix of small, medium, and large enterprises.

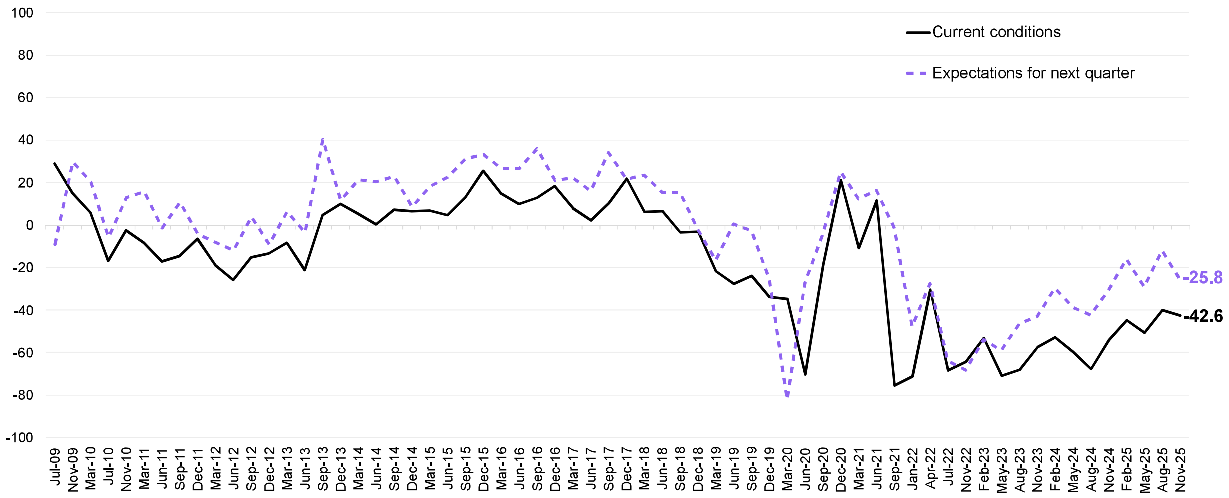
Business confidence remains soft

Businesses remain highly cautious regarding NSW's economic conditions. Our Business Conditions Survey features our long-running Business Confidence Index, which is a measure of business sentiment.

The Index has been in negative territory since 2018, barring brief spikes during Covid. This embedded negativity points to the structural challenges our businesses face and highlights the need for more ambitious action to strengthen NSW's economy.

A gradual rise in business confidence over the past three years points to the resilience of our businesses during tough conditions and shows progress is possible. Survey respondents report increasingly optimistic expectations for the future.

Figure 1: Business confidence index[1]

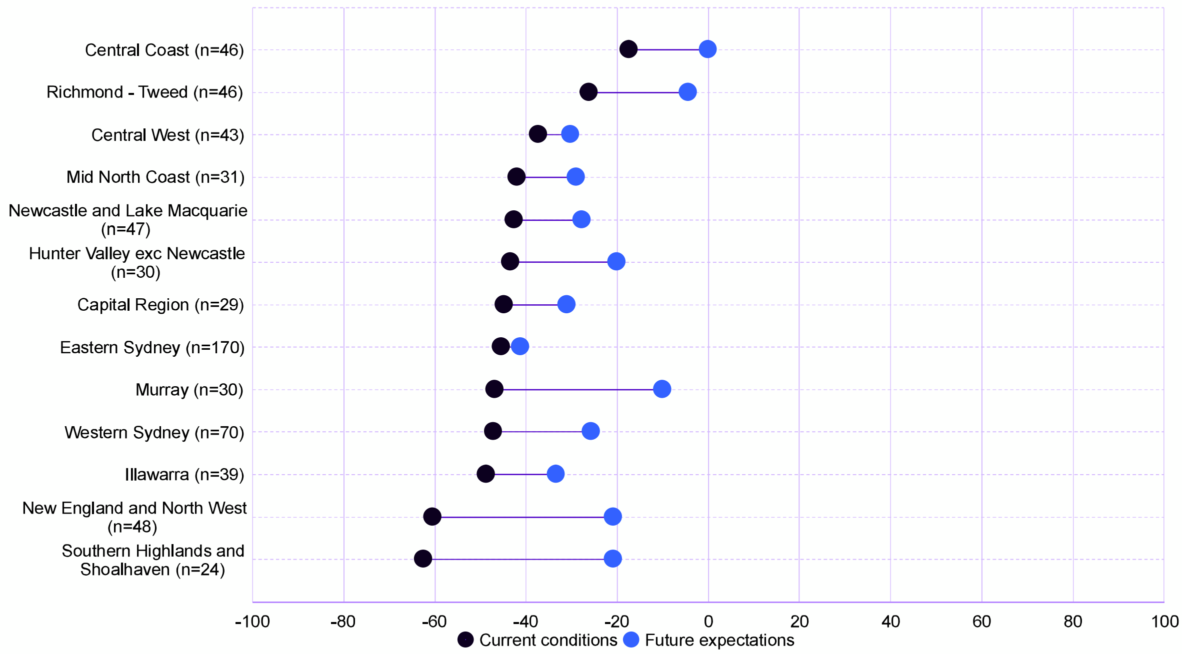


	Current conditions	Expectations for next quarter
2025 Q4 (n=699)	-42.6	-25.8

[1] Business Conditions Survey (December 2025), Business NSW

Further analysis of the Business Confidence Index shows varying levels of business confidence across NSW's regions. A consistent theme of the recommendations in our submission is to fully consider the varying needs of places across NSW.

Figure 2: Business confidence index by region, November 2025[2]



Note: Regions with less than 20 respondents have been excluded.

"Overall demand for services has been depressed for a while. We see some cause for optimism since the new FY commenced, but it is very soft and this is impacting us severely."

Information Media and Telecommunications, Eastern Sydney
Source: Business Conditions Survey (September 2025), Business NSW

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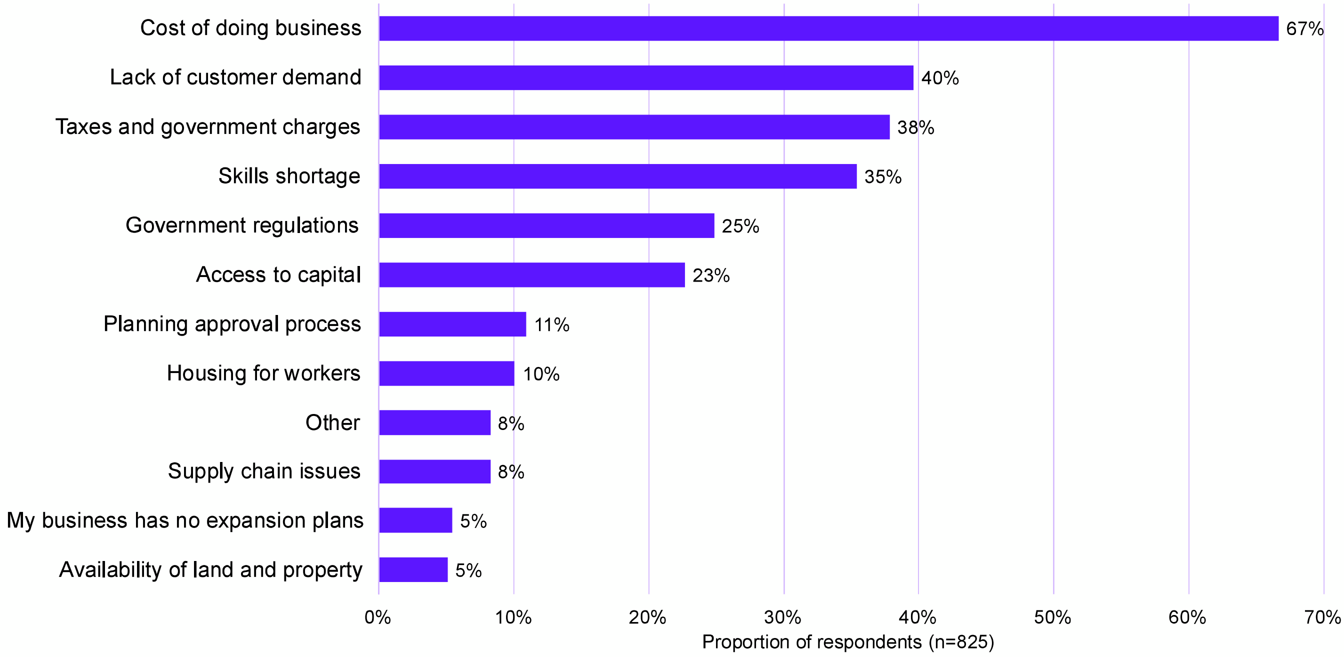
2 Business Conditions Survey (December 2025), Business NSW

The cost of doing business

NSW's businesses operate in a high-cost environment. High costs make it harder to compete, grow and succeed.

Rising business costs remain a key barrier to expansion, with businesses citing them as the top challenge to improving productivity.

Figure 3: Barriers to business expansion[3]



Note: Results sum to more than 100% as respondents were able to select multiple options.

"In FY25-26, our main challenges will involve navigating increased operational costs, labour shortages, and the need to upskill our workforce in line with new markets that we want to explore."

Manufacturing, Richmond – Tweed
Source: Business Conditions Survey (September 2025), Business NSW

[3] Business Conditions Survey (*August 2024*), Business NSW

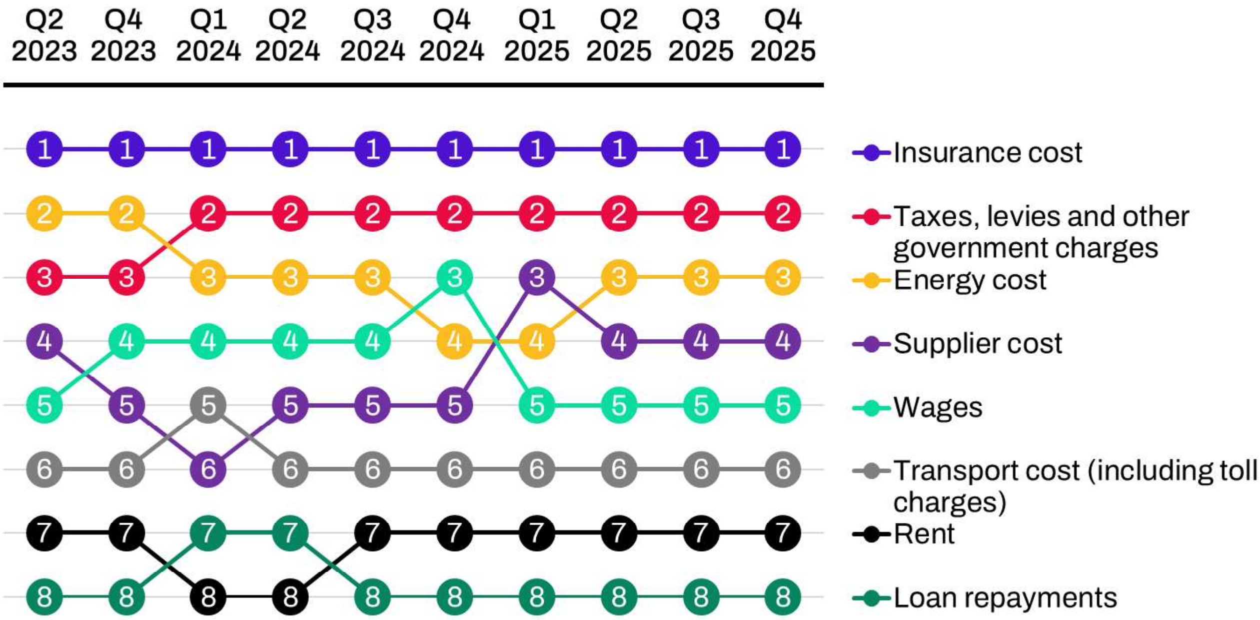
Cost pressures

Businesses are usually able to manage high costs. Volatile costs are much harder to manage.

Our Business Conditions Survey asks businesses to rank their cost concerns. Businesses tell us they are more concerned about costs which seem unpredictable and uncontrollable (such as insurance) than they are about costs which are large but generally stable (such as rent).

Businesses consistently rank insurance as their top cost concern. Since the start of 2024, this has been followed by taxes, levies and other government charges. Energy costs have returned to businesses' top three concerns throughout 2025, overtaking supplier costs despite ongoing international trade uncertainty impacting supply chains.

Figure 4: Business cost concerns over time[4]



"The increasing costs of running a business - everything from fuel, insurances, software expenses and taxes - are increasingly impacting profitability of business. If business profits are reduced, it leads to less employment, opportunities and efficiencies in business."

Professional, Scientific and Technical Services, Western Sydney
Source: Business Conditions Survey (June 2025), Business NSW

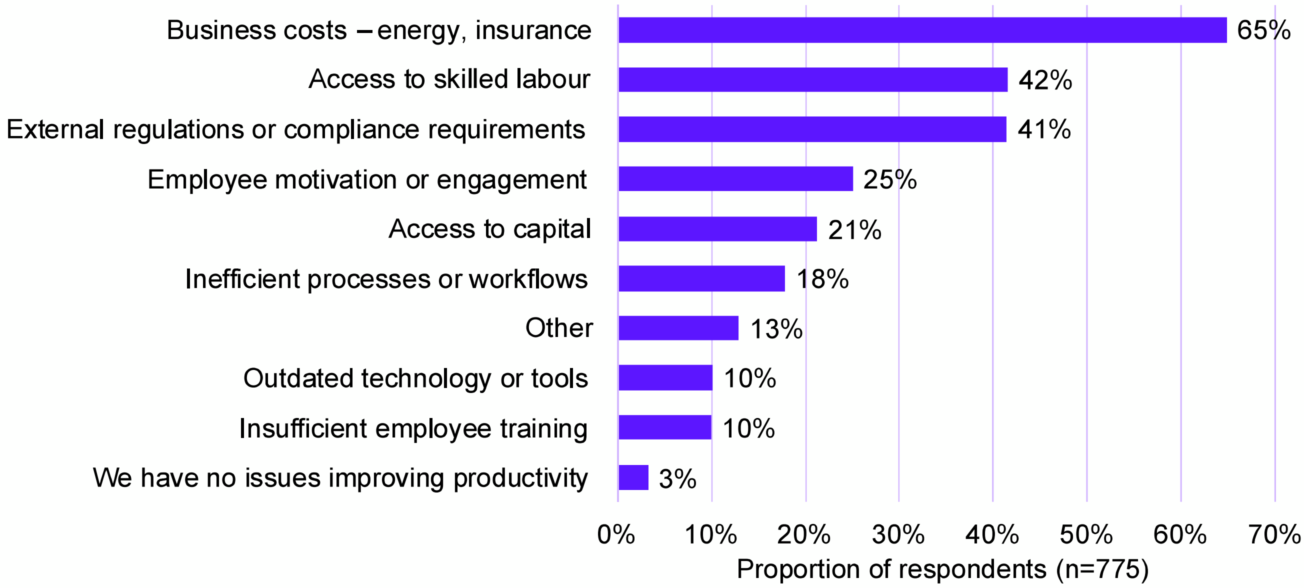
[4] NSW Business Conditions (December 2025), Business NSW

Productivity

Improving business productivity is vital to ensuring a competitive business environment that promotes continued and sustainable economic growth.

In September 2025, **97% of NSW businesses identified challenges improving productivity**. The top three barriers were business costs (65%), access to skilled labour (42%) and external regulations or compliance requirements (41%).

Figure 5: Challenges to improving productivity[5]



Note: Results do not sum to 100% as respondents were able to select multiple responses

"The main challenges we foresee are maintaining consistent demand throughout the week and addressing ongoing skilled labour shortages. We are focused on creative marketing, continuous staff development, and strengthening community ties to address these hurdles."

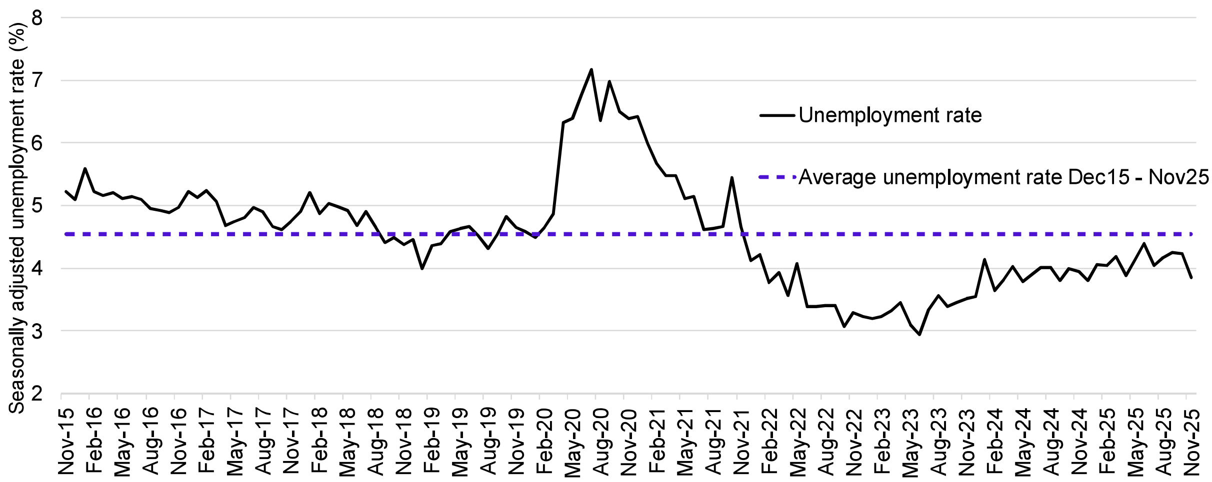
Accommodation and food service – Central Coast
Source: Business Conditions Survey (December 2025), Business NSW

[5] Business Conditions Survey (September 2025), Business NSW

Labour market conditions

NSW's unemployment rate remained at 3.9% in November 2025, whilst it has risen since 2023 it remains below the 10-year average of 4.5%.

Figure 6: NSW unemployment rate[6]

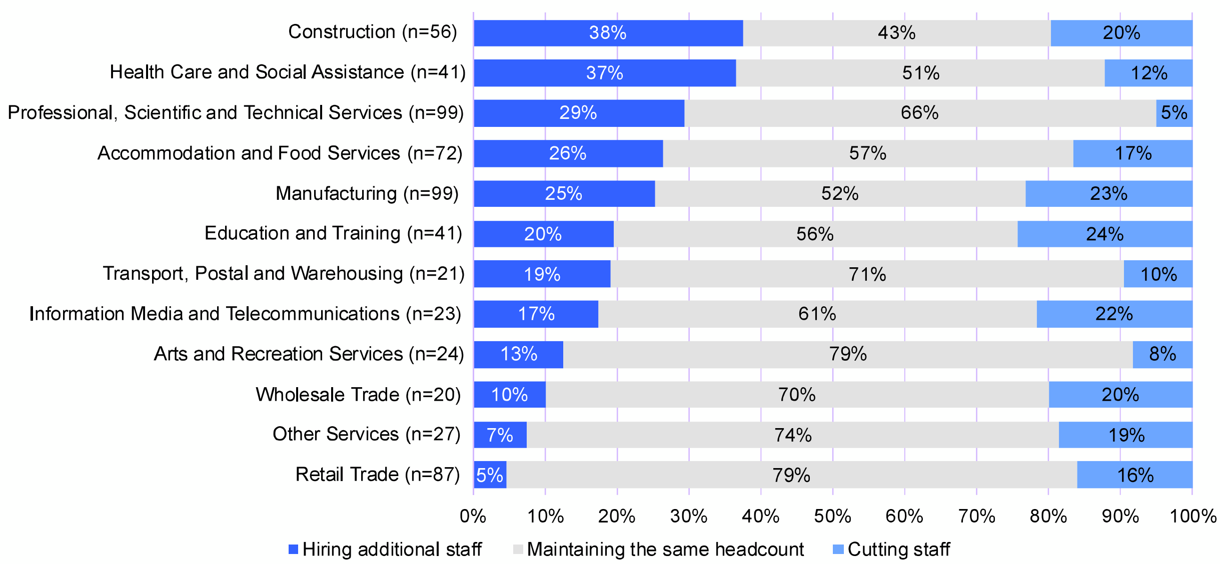


Our most recent Business Conditions Survey indicates a fairly stable outlook for hiring intentions early into 2026. Hiring intentions appear strongest in construction, health care and professional, scientific and technical services.

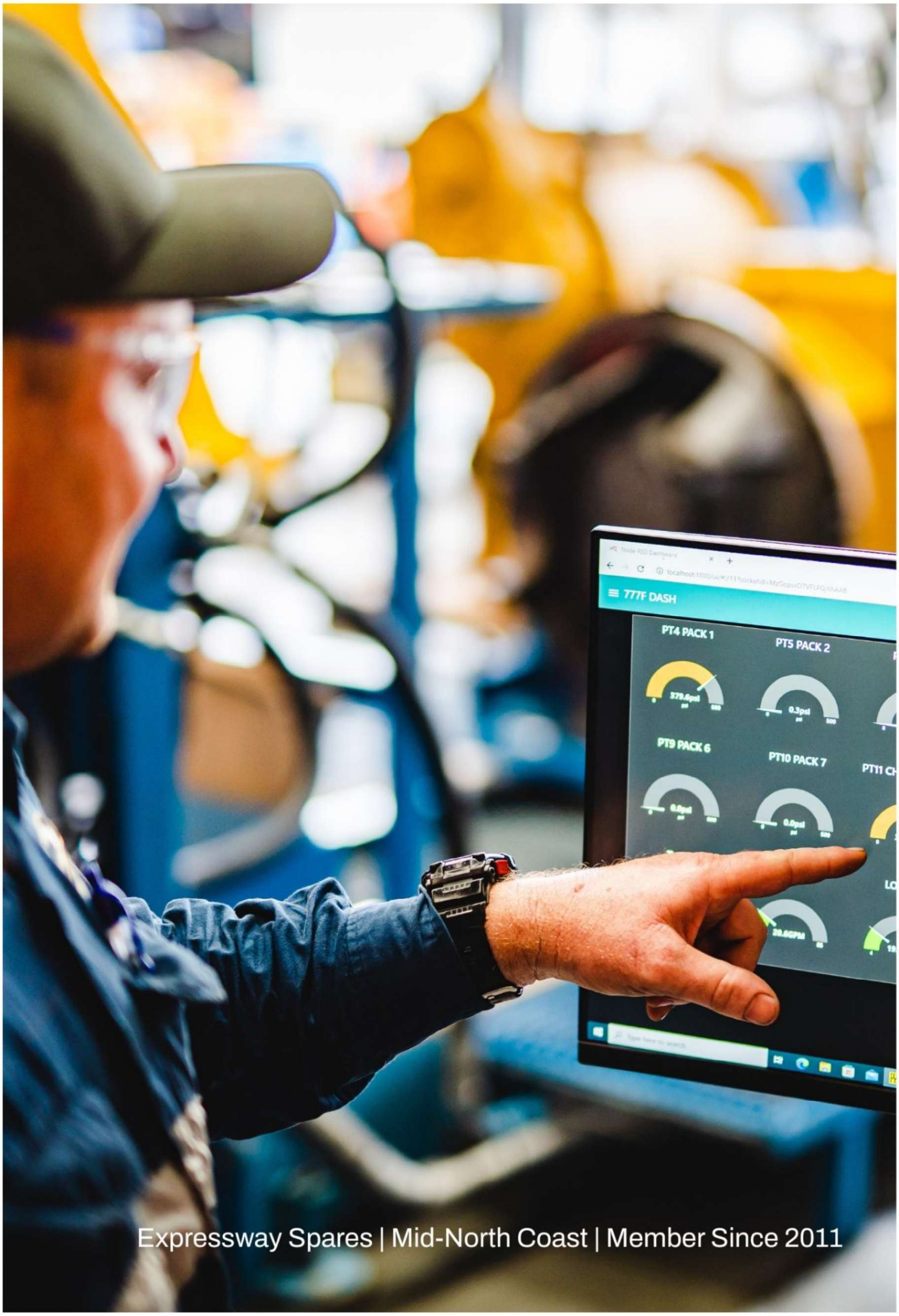
Figure 7: Business change in staff headcount[7]

	Hiring in the past three months	Hiring plans in next three months
Hired additional staff	19%	22%
No change	56%	62%
Cut staff	25%	16%

Figure 8: Plans for staff headcount for the next three months by industry



[6] ABS, Labour Force, Australia, November 2025, Catalogue No. 6202.0
[7] Business Conditions Survey (December 2025), Business NSW



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RECOMMENDATIONS FOR NSW BUDGET 2026-27

We have organised our recommendations under five thematic areas which represent the collective ambitions of businesses across the state of NSW:

1. Easier business in NSW	Reducing the cost and complexity of doing business
2. Smarter business in NSW	Securing a pipeline of skilled workers for modern business
3. Powering business in NSW	Ensuring energy is reliable and affordable as NSW continues its net zero transition
4. Building business in NSW	Delivering infrastructure, building homes and strengthening places
5. Future business in NSW	Readying NSW's economy for future opportunities and challenges

The remainder of our submission is organised under these themes.

PILLAR 1: EASIER BUSINESS IN NSW

NSW's businesses are held back by high tax burdens, high input costs, complex workplace laws and pointless red tape. We need to cultivate an open and dynamic business environment which allows our businesses – especially small businesses – to prosper.

Red Tape

Business NSW, as the leading advocate for business in the state, has long recognised the importance of cutting red tape to create a more dynamic and competitive environment. Government red tape, as defined by Business NSW, refers to the unnecessary administrative and regulatory burdens imposed on businesses due to poorly designed and implemented government regulations and rules. Examples of red tape include duplication across different levels of government, regulations which are either overly prescriptive or lacking in clarity, excessive record keeping and reporting requirements and unnecessary compliance activities.

Government red tape remains a pressing challenge for businesses in NSW. Excessive regulation and administrative burdens stifle growth, discourage innovation, and increase operational costs, particularly for small and medium size enterprises. Business NSW analysis found that 27.6% of businesses reported facing excessive regulation, with red tape costing NSW businesses $11 million a week.

This burden falls disproportionately on small and medium-sized enterprises. Despite ongoing efforts to streamline regulations, the overall regulatory load continues to grow, placing significant pressure on SMEs. Rising operational costs driven by expanding regulatory demands are constraining business capacity and competitiveness, with flow-on effects felt across multiple sectors.

Despite the NSW Government's efforts to streamline regulations, the overall regulatory burden continues to grow, disproportionately impacting SMEs. Results of our surveys show that:

- In February 2025, 39% of small businesses said they were considering selling or closing their business due to regulatory and compliance requirements, compared to 36% and 23% of medium and large businesses.
- Taxes, levies and other government charges have remained the second highest business cost concern under insurance costs for eight quarters since the start of 2024.
- Across three years the average score businesses gave the current level of regulatory requirements rose from 6.2 in 2023 to 6.7 in 2024 and again to 7.1 in 2025; with 0 being "too relaxed" and 10 being "excessive".
- In February 2025, 72% of businesses deemed the level of regulation they faced to be over burdensome (ranked 6-10), up from 64% in May 2024 and 53% in August 2023.
- In August 2024, one in five small businesses (22%) reported that regulations were keeping them from expanding.

As global competition intensifies and businesses strive to remain competitive, it is essential for NSW to eliminate excessive red tape. This will unlock the potential for economic growth, foster innovation, and enable businesses to thrive in a less restrictive environment.

Business NSW advocates for reforms that simplify regulatory processes, reduce duplication, and ensure that rules are clear and fair. This approach allows businesses to focus on their growth and contribute to the state's prosperity. By addressing these issues, NSW has an opportunity to set a new standard for regulatory reform, creating a more dynamic and competitive business environment that supports long-term economic success.

Simpler, faster Development Application (DA) approvals

The planning system has been in sharp focus over the past few years, being cited for many of NSW's housing problems. Business NSW welcomes the NSW Government's efforts to reform the planning system throughout 2025 to reduce barriers to new housing supply. Our recommendations for how to further accelerate housing delivery are set out in Pillar Four: Building business in NSW. However, the system continues to let down small businesses. The current DA process imposes substantial regulatory burdens that hinder business growth and innovation.

Small business owners often lack the knowledge and resources to effectively navigate the regulatory framework governing DAs in NSW, leading to confusion and mistakes in DAs.

Key issues identified are not new, however they are important to address:

- Variations in requirements between different local councils add another layer of complexity.
- There is insufficient support for small businesses to determine whether a proposed change of use can bypass a DA, and during the DA process itself.
- Approval times for simple change of use DAs are excessively long, frequently exceeding six months.
- The cost of preparing and submitting a simple change of use DA can be prohibitive.

The cumbersome DA process discourages small businesses from pursuing new opportunities or expanding their operations. The risk and uncertainty associated with lengthy and costly applications deter entrepreneurs from innovating or investing in new ventures.

Delays and added costs not only affect individual businesses but also have broader economic implications. Slowed business growth contributes to reduced employment opportunities and decreased economic activity within local communities.

	Recommendation
01	Make regulatory and government administration reduction a key focus of small business strategy at both state and federal levels
02	Commit to a NSW government review of regulatory burden to identify areas where small business administration can be removed, including at LGA level
03	Establish a permanent online portal for businesses to report red tape and regulatory challenges, complemented by twice-yearly government-business meetings to address key concerns
04	Introduce a preliminary (AI) assessment system where businesses can submit a simplified form to determine whether a full DA is necessary for their proposed change of use
05	Implement a more straightforward, transparent process with clear guidelines to facilitate easier compliance with development requirements, such as implementing an AI Planning Portal
06	Introduce fast-track approval pathways for change-of-use applications, especially those with minimal environmental impact or minimal change of use
07	Establish clear, enforceable assessment timeframes across all LGAs, supported by transparent public reporting

08	Standardise DA requirements and documentation across all LGAs
09	Consider opportunities to amalgamate some of the 33 local councils in Sydney, with the explicit aim of avoiding duplication and streamlining processes for businesses and residents

Tax reform

Reforming NSW's inefficient tax system

Tax reform is no longer optional. It is essential for NSW to remain competitive, attract investment, and foster productivity in an economy undergoing structural change. Business NSW acknowledges that meaningful change requires collaboration between federal, state and local governments, recognising the political complexities involved.

Top priorities for reform should be payroll tax and stamp duty (also known as transfer duty). Both are a handbrake on the economy and punish businesses for investment and entrepreneurialism.

Payroll tax is a tax on jobs. It discourages businesses from expanding and makes them choose between people or capital. NSW's businesses pay higher payroll tax rates than the rest of the eastern seaboard states at the second lowest threshold. Payroll tax can be such a disincentive that NSW is now losing businesses interstate, particularly in border regions.

As AI becomes more integrated into everyday business practices – potentially replacing many entry level jobs – the corrosive effect of payroll tax on employment will only worsen. That's why there needs to be a root and branch review of the detrimental economic impact of this tax, with a view to lowering the rate and increasing the threshold.

We acknowledge that state governments, including in NSW, rely heavily on payroll tax for revenue. Payroll tax now accounts for around a third of own-source funding for NSW. Reform must therefore be managed carefully. However, payroll tax is a large and growing burden that is increasingly preventing NSW's businesses from investing in themselves and their workforce. The long-run effect is smaller businesses, fewer jobs and a weaker economy.

In reviewing payroll tax, the Government should prioritise four reforms:

1. Streamlining payroll tax administration to reduce red tape burdens on businesses.
2. Lowering the rate from 5.45% to below 5% to align with more competitive rates in Victoria and Queensland.
3. Concessional payroll tax rates for regional businesses to incentivise growth and employment. In Victoria, regional businesses face a payroll tax rate of 1.2% compared to 4.85% for metropolitan businesses.
4. Increasing the payroll tax free threshold to address the significant impact of inflation.

The payroll tax threshold of $1.2m was last raised on 1st July 2020. If the threshold had been indexed to inflation since 2020, it would stand at $1.54m by 1st July 2026.[8] Thousands of NSW's small businesses have been drawn into paying payroll tax simply due to inflation.

Given cumulative inflation of approximately 25-30% over the past five years, linking the payroll tax threshold to inflationary trends would offer a fairer and more sustainable approach.

[8] Based on RBA June 2026 forecast of a 3.7% increase in CPI over FY2026-27

Stamp duty is a tax on the efficient allocation of commercial land and premises. It adds to the cost of establishing and expanding a business, which makes it a major hurdle for small businesses and startups. Stamp duty also discourages businesses from relocating to more suitable premises, resulting in the inefficient use of land and space. Business NSW has long advocated for a comprehensive review of tax settings for NSW, which could include phasing out stamp duty in favour of land tax.

Long-term tax reform

Business NSW acknowledges tax reform requires an active Federal Government in partnership with the states and territories to achieve meaningful outcomes. We also accept that, politically, the timing for this critical area of policy maintenance and reform will always be challenging. Business NSW welcomes renewed efforts throughout 2025 from the Australian Government and state governments, including the NSW Government, to focus on economic reform in the context of productivity.

Australia needs a public policy framework expressly designed to achieve stronger sustainable growth, higher productivity, thriving businesses, more jobs and rising living standards.

Tax reform remains unavoidably central to this task.

Business NSW has a long history of working collaboratively with the NSW Government, peak industry bodies, the community services sector and other key stakeholders towards reform of the tax system. The current tax reform work of our federal and state chamber colleagues is strongly aligned in the interests of locking in Australia's long-term success.

As NSW and Australia chart a renewed path toward sustainable growth, businesses continue to grapple with a tax system riddled with complexity and structural inequity. This stems not only from fragmented regimes applied to labour, real property and capital but also the vast ecosystem of exemptions, concessions, deductions and deferrals that affect decision making.

Despite the considerable reform of the late 1990s, Australia still relies disproportionally upon taxing income. Australia ranks third on the OECD's rankings for dependence upon personal income tax (40.1%) as a proportion of total tax revenue.[9]

Our corporate tax rate is tied for second-highest in the OECD at 30%.[10] This high rate undermines competitiveness and disproportionately impacts SMEs striving to invest, innovate and expand. These matters need to be addressed through a staged approach commencing with a realignment of the of the 25% corporate tax rate for SMEs with an aggregate turnover less than $250 million.

While these are Commonwealth matters, NSW Government leadership is critical in placing these issues before the Board of Treasurers and Council of Federal Financial Relations (CFFR).

The state of NSW is also a significant net contributor to the Commonwealth. Value generated here is distributed across Australia through GST, meaning NSW's businesses must work harder. It is vital for the NSW Government to engage vigorously in the Productivity Commission's GST Distribution Reforms process in 2026 to ensure that NSW receives a fairer share of GST distribution.

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[9] OECD; Tax revenue as a percentage of total taxation; https://stats.oecd.org/Index.aspx?QueryId=78166. Australia trails only Denmark and Iceland on this measure.
[10] OECD; Statutory corporate income tax rate; *ibid*. Australia trails only Colombia on this measure.

	Recommendation
10	Lower the payroll tax rate from 5.45% to below 5% to align with more competitive rates in Victoria and Queensland
11	Introduce a permanent 1.2% concessional payroll tax rate for regional businesses
12	Increase the payroll tax threshold to $1.5m to account for inflation, and index the threshold to the Wage Price Index for future years
13	Continue to reduce the red tape burden on business by streamlining payroll tax administration
14	In the medium to long-term explore other revenues that can replace payroll tax, such as working together with Commonwealth and State governments to replace payroll tax with an increase in consumption tax (GST)
15	The Commonwealth and State Governments must come together through the Council of Federal Financial Relations (CFFR) to commence a standing agenda of tax reform, with a focus on capping the overall tax burden that SMEs face as a percentage of their revenue. The NSW Government should: • Commit to modernising the Australian tax system to make it simple, efficient, and fair. • Commit to comprehensive tax reform, including reform of Federal-State arrangements, with an aim of reducing or eliminating unproductive taxes on business such as stamp duties, insurance taxes, and payroll taxes. • Reduce the company tax rate to 25 per cent for all businesses to enhance the competitiveness of Australian businesses versus international competitors. With the corporate tax rate at 30 per cent, Australian businesses have become less competitive with counterparts in other OECD countries. • Advocate for NSW to receive a fairer share of GST revenue, including through the Australian Government Productivity Commission's *GST Distribution Reforms* process.

Insurance

In Business NSW's Business Conditions Survey, businesses have ranked 'insurance' as their most significant cost concern since 2023. Businesses in NSW consider insurance to be a more severe driver of cost pressure than energy, tax, rent and wages. The cost rises are often unpredictable and a compulsory part of doing business.

Our report *Insurance at the Speed of the Business*[11] highlighted the issues and provided recommendations towards reform of the system that would make the system more workable for our members. Throughout 2025 we have highlighted stories of our member experiences with insurance, with some experiencing a year-on-year doubling of premiums.

[11] See also Business NSW; *Insurance at the Speed of Business*, 2023; https://www.businessnsw.com/content/dam/nswbc/businessnsw/pdf/Insurance%20at%20the%20Speed%20of%20Business.pdf

While insurance premiums are rising across the board, for a subset of businesses undertaking specific types of activity or located in flood and bushfire-prone locations, insurance is either not commercially available, or only available at such prohibitively high prices that the business is in effect uninsurable. These businesses –which range from critical activities underpinning economically vital sectors such as construction, to those which typify Australiana such as camping and caravanning sites and outdoor recreation centres –face choices about whether to continue operating. For example, in a June 2025 snap survey we asked businesses who had identified they were underinsured (Insured below their desired level or otherwise have gone without non-mandatory insurance) if their business viability was at risk as a result. Of 205 respondents, 67% said yes, 33% said no.

Many businesses are experiencing escalating insurance premiums and diminishing product availability. Competition in insurance is deteriorating. This is especially evident in the foundational business insurance classes of professional indemnity (PI), public liability (PL) and asset insurance. Premiums in some classes are escalating by about 30% per year, and that is where businesses can still access insurance at all.

Standard insurance products are not capable of operating 'at the speed of business'. Current models with slow decision-making and rigid payout structures are failing to meet contemporary small business needs. Businesses receiving insurance payouts are often obliged to build back as before the insured incident occurred, in some cases exposing them to the same vulnerabilities that left them susceptible to floods or bushfires in the first place. Businesses need insurance products that deliver the speed and flexibility to enable them to operate in the way that meets their circumstances.

Government – and ultimately taxpayers – are bearing increased exposure to the gaps left by commercial coverage. Trends in the commercial insurance market, combined with increased incidence of natural disasters, are likely to impose ever-greater risk on the NSW Treasury as the effective 'insurer of last resort' as more parts of the economy become uninsurable.

For years Business NSW has been calling for the removal of the Emergency Services Levy (ESL) and stamp duty tax from insurance premiums through numerous submissions and public appearances. Removing these costs will make insurance more affordable for business and reduce the chances of business operating without cover. BNSW is encouraged by the ambition set out by the NSW Government to seek to undertake reforms of the ESL in this parliamentary term, creating a state-wide contribution for funding emergency services in NSW. 2026 will be crucial to achieving this ambition. BNSW will work with the NSW Government and members to ensure that the reformed system is designed equitably.

	Recommendation
16	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
17	Audit procurement policy across agencies to confirm that insurance required by businesses is aligned and fit for purpose
18	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.
19	Run an insurance innovation market competition, where the 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).
20	Fund a study into coverage gaps in the NSW business market to ensure that the state's business environment remains 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.

Workers' compensation reform

Businesses across NSW were relieved to hear in December 2025 that the major NSW political parties had clinched a commonsense agreement to deliver workers' compensation premium relief and ensure injured workers are looked after. Without this intervention, premiums were set to increase by 36% over the next three years.

In our December 2025 Business Conditions Survey, nearly half of businesses (48%) said that a 36% increase in workers' compensation insurance premiums over three years would lead to staff cuts. One in five (21%) reported their business would no longer be viable.

The agreement will freeze average premiums at their current rates for 18 months while systemic reform is completed.

Key features of the proposal include (subject to legislation and accompanying regulations being implemented):

- An increase in the Whole Person Impairment (WPI) threshold to 25% (from July 2026)
- An 18-month legislated cap on iCare premiums. Premium adjustments will then be determined subject to an updated impairment model based on a report from the NSW Chief Psychiatrist
- Additional benefits and an intensive return to work program for some workers above the 20% WPI
- Reforms to the reasonable management action defence for businesses to ensure they are not unfairly subject to illegitimate claims.

Business NSW and the wider business community welcome the landmark agreement reached between the Government and Opposition as a sign of real progress. Business across NSW look forward to the bi-partisan passage of legislation during the first parliamentary session of 2026. Our businesses and the millions of people who rely upon them for their livelihoods and wellbeing need confidence that reform is genuine and that there will be downward pressure applied to workers' compensation premiums for years to come.

We urge the NSW Government and Opposition to pass this legislation, as agreed, at the earliest opportunity in 2026.

Even with this legislation the job to reform workers' compensation is not done. More work will occur throughout 2026 and it is vital that business is closely consulted, including on the new measure of psychological impairment to be determined by the Chief Psychiatrist. The experience of the last 30 years shows workers' compensation reform is best dealt with on a recurrent (annual) basis with regular reviews and "tune-ups" of the system rather than major crisis points every 10-20 years.

The modern workplace continues to evolve rapidly and workers compensation schemes need to keep up. The government and opposition are to be commended for ending 2025 with a commonsense agreement delivered in the spirit of genuine reform and protection for workers and business.

	Recommendation
21	Pass the *Workers Compensation Legislation Amendment (Reform and Modernisation) Bill 2025* as a top priority in early 2026.
22	Continue to consult with business and community groups on workers' compensation reform, including on future measures of psychological impairment
23	Implement annual reviews of the workers' compensation system to ensure it remains fit for purpose and financially sustainable

Business support programs

Business Connect 2.0

Following the scrapping of the Business Connect program, Business NSW strongly calls for the program to be reinstated, and with more ambition. The funding envelope should be doubled to $20 million, with a redesign to deliver improved services in new fields.

Business Connect was the only free, tailored advisory service available to small businesses in NSW. Since 2017 Business Connect has assisted more than 60,000 small businesses and helped create more than 40,000 new jobs. The program was highly regarded by businesses and was delivering good value for public money. It must come back bigger and better than ever – a bigger better Business Connect, building on the best of the old program while acknowledging the need for improvement.

Opportunities to design the program to deliver improved services and value for money include:

- Tailored support for non-farm businesses in rural and remote areas to diversify their operations, invest in resilience and prepare for future droughts
- Specialised advice on energy use, decarbonisation and electrification for SMEs
- Specialised advice on AI integration and risk management for SMEs.

	Recommendation
24	Restore funding to the Business Connect program and explore opportunities to deliver a more ambitious 'Business Connect 2.0' program featuring support and advice in new priority areas. Double the program's budget to $20 million per year to enable greater impact

Government procurement

The NSW Government spends around $42 billion annually on goods, services and construction. Access to 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.

Business NSW is an active and engaged member of the NSW **Procurement Reform Working Group**. We acknowledge the tri-partite approach of the NSW Government and the sensible role of the Parliament's review of procurement practices of government agencies in 2024. Business NSW supports initiatives launched by the Minister for Finance in 2024 to increase the share of government procurement going to SMEs, including raising the small business procurement threshold to $250,000 and reducing the insurance requirements during the tendering process. Government spent $10.1 billion with SMEs in 2023-24, up from $8.7 billion in 2021-22.

These initiatives have gone a long way towards giving NSW 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.

There is an opportunity to help NSW SMEs and start-ups to not only survive through the current economic headwinds, but to help them thrive. That is why Business NSW supports building on this success with even more engagement and growing the proportion of government procurement to SMEs to over $12 billion each year. NSW has led the country on government procurement for SMEs – we need to keep it that way.

	Recommendation
25	Continue to grow the proportion of government procurement to SMEs to over $12 billion per annum
26	Strengthen awareness and take-up of resources and guidance to support more SMEs to access Government procurement opportunities, such as support offered through Buy NSW, the Small Business Commissioner and chambers of commerce

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PILLAR 2: SMARTER BUSINESS IN NSW

Meeting workforce skills needs requires action across two interrelated dimensions: the availability of labour market capabilities, and the alignment of those capabilities with current and emerging workforce needs. Both dimensions require strategic and sustained investment by government. Without this, skills shortages risk becoming a structural feature of the economy, acting as an ongoing handbrake on productivity and limiting the capacity of businesses to respond to changing economic conditions. To ensure NSW does not fall behind, we need to invest in a skilled and capable workforce. We need to build flexibility and resilience into our education and training system. We need to ensure our priorities for education and training align with the state's current and future skills needs.

Meeting skills needs across NSW

Skills shortages remain a feature of the NSW economy. The Business NSW Workforce Skills Survey found that many NSW employers continue to experience a skills shortage, with 77% of survey respondents in 2024 reporting they had considerable difficulty in recruiting, or were unable to recruit the people they need. This figure was 81% for employers of five or more staff. Shortages were particularly acute in sectors such as healthcare, manufacturing, hospitality, and across the skilled trades.

Regionally, more than 80% of employers in the Hunter, Western NSW, Western Sydney and Riverina Murray regions continue to experience significant difficulty in meeting their skills needs. The incidence of employers facing a skills shortage in the Mid North Coast, Riverina Murray, New England and North-Western NSW was 10% higher for firms with five or more employees.

Our research points to the emergence of a 'multi-speed economy', with smaller businesses coping with shrinking margins amid tightening economic conditions. While labour market conditions appear to be easing in some sectors, many businesses continue to experience persistent and uneven skills shortages. For employers, these shortages remain a material constraint on productivity, growth and service delivery, particularly for small and medium-sized enterprises and in regional NSW.

NSW employers face significant location-based challenges that impact their ability to meet skills needs. Geographical location itself posed a challenge for 27% of NSW employers (29% of those facing a skills shortage), with many struggling to attract workers to regional locations. Difficulty accessing relevant local training opportunities also remained a challenge for 17% of employers. These challenges are accompanied by a range of follow-on impacts for regional communities. Employers also found it difficult to attract workers to remote locations, putting even greater pressure on existing staff challenged with maintaining service standards across regional NSW.

Findings from the Business NSW Workforce Skills Survey reflect the broader challenges facing NSW's economy, including ongoing skills shortages, especially in regional areas, and the need for more responsive and flexible training programs. The NSW VET Review affirmed the value of evidence-based decision-making at both the state and local level. Recent efforts on the part of State and Federal governments reflect a broad consensus in helping businesses meet their skilled workforce needs. While these initiatives are certainly welcome, the NSW Government needs to ensure the findings and recommendations from various reviews and inquiries are matched by sustainable funding commitments in the medium and longer term.

VET quality and relevance

The Vocational Education and Training (VET) sector serves a critical role in the NSW economy. It provides pathways to education and work, and helps ensure that businesses have access to the skills they need. There are significant reforms occurring at both the state and federal level that promise to substantially improve the quality, availability and relevance of vocational education and training. However, these reforms will need to be matched by ongoing funding commitments if they are to be sustainable.

The NSW education and training system is instrumental to productivity and prosperity. TAFE NSW has an obvious role to play in this. TAFE should serve as the gold standard for vocational education and training in NSW. The NSW Government should ensure TAFE NSW serves as a leading example for VET, ensuring quality, consistency, and industry relevance. Strategic investment in facilities will also be essential in ensuring TAFE remains at the heart of regional communities.

Employers in regional NSW are facing particular challenges in meeting their skills needs. There remains a need for stable, adequate funding to ensure the provision of high-quality training, especially in rural and remote areas and in courses with higher delivery costs. Investment in TAFE will be essential in ensuring adequate training standards, industry-relevant courses, and equitable access to learning opportunities across the state. The NSW Government should ensure vocational education and training opportunities are available state-wide. This must be done via recommendation 9 of the NSW VET Review, implementing a new *Student Access and Training Commitment* to improve access to training that is both local and relevant (as part of the TAFE NSW Charter). These efforts should be supported through implementation of the new *Regional Skills Fund* incentivising innovation, collaboration and the development of local solutions that are fit for purpose.

There remains scope for ensuring the courses funded through the *Smart and Skilled* program are able to keep pace with current and future labour market demands. Providers need certainty if they are going to be able to ensure the quality and relevance of their programs. They need confidence in NSW's education and training system in order to innovate. The volatility and uncertainty associated with the *Smart and Skilled* program in its current form remains an impediment to quality, innovation and scale in our education and training system.

Other opportunities for improving *Smart and Skilled* include simplifying the system for learners and employers, aligning training subsidies with industry needs, and enhancing the quality, availability and relevance of vocational education and training (VET) across NSW. They include making eligibility rules clearer for both students and employers. They also include improving incentives for training that caters to working learners, regional students, and students with carer and other responsibilities.

Other opportunities for improvement include simpler fee structures, clearer eligibility criteria, and more transparent information so students can more easily navigate the options available to them. Empowering students in making informed decisions in their preferred destinations for education and work has a wide range of benefits including improving workplace outcomes, widening participation and improving program completion rates.

	Recommendation
27	Ensure TAFE NSW serves as the gold standard for VET, ensuring quality, consistency, and industry relevance, in line with recommendations 1, 2 and 3 of the NSW VET Review
28	Ensure strategic investment in TAFE facilities, particularly in regional communities, in line with recommendation 21 of the NSW VET Review
29	Ensure substantial ongoing investment in an enhanced and streamlined *Smart and Skilled* program

Strengthening regional skills ecosystems

The 2023-24 review of NSW's VET system found substantial scope for improvement in helping employers meet their skills needs. The Review emphasised the value of place-based training initiatives in ensuring regional communities have access to the education and resources they need. The *NSW Skills Plan* aims to establish a new regional skills planning model that embeds stronger community-based decisions and supports collaboration, connection and innovation within local communities. The Review recommended the establishment of industry compacts as part of the skills plan. These compacts would see local employers, training providers, and community organisations working together on collaborative programs and initiatives in meeting skills needs. The Review also recommended the establishment of a *Regional Skills Fund* for incentivising innovation, collaboration and the development of local solutions.

Teacher housing is vital to attract and retain teachers at our rural schools. Teachers, counsellors and other support staff play a vital role in sustaining learning and wellbeing in regional and remote areas. The NSW Government owns and manages approximately 1,400 teacher housing properties across the state. There remain opportunities to expand the current range of benefits and incentives for teachers in regional and remote areas, in line with the *Rural and Remote Education Implementation Plan* as part of the *Rural and Remote Education Strategy*.

	Recommendation
30	Ensure local and relevant training opportunities are available across the state through implementing the *Student Access and Training Commitment* as part of the TAFE NSW Charter
31	Expand the range of benefits and incentives for teachers in regional and remote areas, in line with the *Rural and Remote Education Implementation Plan* as part of the *Rural and Remote Education Strategy*

Industry engagement

Industry engagement is vital in ensuring the quality and relevance of vocational education and training. There remains substantial scope for employers to play a greater role in informing the strategic direction of education and training across the state. This includes informing both current and future skills needs over a two-to-five-year horizon. Opportunities for leveraging industry engagement include in the development and use of shared data assets, and through collaborative initiatives for bringing sector stakeholders together. This was recently demonstrated through the

NSW Digital Skills and Workforce Compact, which Business NSW is proud to support as a signatory.

Industry-engaged collaborative training models provide an innovative means for building capacity in the state's education and training system. They support the development of industry-relevant skills. They also facilitate mobility between vocational and higher education. Innovations of this kind are of particular interest in regional NSW, where substantial infrastructure investment and renewable energy initiatives are projected to lead to huge demand for skilled workers in regional areas. The NSW Government has an opportunity to play a leading role in this context through the continued development of training institutes, centres of excellence, skills hubs and other collaborative models for engagement, education and training.

	Recommendation
32	Incentivise innovation, collaboration and the development of local solutions that are fit for purpose through implementing the *Regional Skills Fund* recommended in the NSW VET Review
33	Establish industry-specific and place-based Compacts with the aim of helping employers across NSW meet their skills needs, in line with recommendation 8 of the NSW VET Review
34	Develop centralised, publicly available data assets in partnership with industry in line with recommendation 7 of the NSW VET Review to ensure a comprehensive 4-year skills and jobs look-ahead

Supporting NSW apprentices and trainees

NSW's 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. The NSW Government needs to ensure that NSW Government support for apprentices and trainees builds on findings from the recent *Strategic Review of the Australian Apprenticeship Incentive System*, making the most of strategic investment opportunities in apprenticeships and traineeships in NSW.

Group Training Organisations (GTOs) play a valuable role in supporting school-to-work transitions through supporting participation in apprenticeships and traineeships. They also serve a vital role in supporting the engagement of small and medium businesses in supporting industry-relevant training pathways. They support pre-apprenticeship and pre-traineeship programs providing foundational skills, work readiness and structured pathways into employment, while also reducing the administrative burden faced by host employers. They perform a valuable function in both aggregating employer demand while at the same time sharing the benefits of participating in the state's skills and training ecosystem. This is particularly valuable in regional NSW, where there remains un-tapped potential in leveraging collaborative engagement with local employers.

There is scope for the State Government to leverage the un-tapped potential of GTOs as part of a more integrated skills ecosystem for NSW. A more deliberate approach to program-based incentives could boost apprenticeship and traineeship commencements, improve completion rates, expand access for young people who may not transition directly into employment and expand training opportunities that align with the needs of local employers.

	Recommendation
35	Ensure State Government support for apprentices and trainees builds on findings from *The Strategic Review of the Australian Apprenticeship Incentive System*
36	Strengthen the role of Group Training Organisations within NSW's skills ecosystem, recognising their role in supporting SME participation and enhancing apprenticeship and traineeship outcomes

Supporting pathways to success

The NSW labour market continues to have significant untapped participation potential, particularly among parents of young children. Programs such as *Start Strong* and related early childhood education initiatives play a critical role in enabling workforce participation by improving access to affordable, high-quality preschool and long day care services. However, the effectiveness of these investments is increasingly constrained by workforce shortages and service viability challenges within the early learning sector. In many parts of NSW, particularly in regional and outer-metropolitan areas, the availability of childcare places is limited by workforce and service capacity constraints.

Strategic investment in early childhood education must therefore be accompanied by a coordinated approach to building and sustaining both quality and availability in early learning. This includes supporting viable career pathways, improving staff and learner retention, and ensuring the long-term viability of quality providers. Strengthening the early learning workforce is essential in widening participation and supporting broader economic productivity across the NSW economy.

The *Educational Pathways Program* (EPP) is an innovative initiative designed to improve education and career outcomes for high school students. This program complements existing career education activities by providing tailored mentorship opportunities, and introduces students to a variety of vocational training and employment pathways, including School-Based Apprenticeship and Traineeships (SBATs). The program has a particular focus on supporting students who face barriers to education and work. Launched as a pilot across 24 schools in 2020, the program has since expanded to include 183 government high schools in 11 regions across NSW.

The EPP now plays an important role in supporting early engagement with vocational pathways and supporting informed decisions on education and employment opportunities. Initiatives of this kind serve an important role in aligning secondary education with workforce needs, and supporting young people in realising their full potential. Ensuring the program's ongoing funding certainty, clarity of purpose and alignment with local employer demand will be critical to maximising its contribution to workforce participation, skills supply and productivity outcomes.

The *Regional Industry Education Partnerships* (RIEP) program supports valuable partnerships between many of our member businesses and NSW secondary schools. This program facilitates the integration of education and industry to enhance career development opportunities for students. Business NSW frequently receives positive feedback from members, schools, industry and other stakeholders about this program. The RIEP program offers programs that support work experience and practical training opportunities in a variety of fields. The *Trade Readiness Program*, for example, introduces students to work in the building and construction trades, offering hands-on training in areas like plumbing, bricklaying, carpentry, and electrical work. The *Junior Construction Program* provides opportunities for high school students to receive accredited training in the construction industry. Other initiatives involve industry partnerships in the tourism, hospitality and not-for-profit sectors. The RIEP program plays an invaluable role in supporting the engagement of a variety of stakeholders in supporting work-relevant training opportunities in regional NSW.

	Recommendation
37	Invest in childcare funding to make more places available to help parents re-enter the workforce, with retention strategies and learning pathways to build and retain the skilled workforce needed to support families and children in their early years
38	The NSW Government should ensure ongoing support for the *Educational Pathways Program* recognising its role in supporting school-to-work transitions, increasing uptake of vocational pathways and strengthening early workforce participation
39	Ensure the *Regional Industry Education Partnerships Program* continues to support and promote education and training opportunities in regional NSW

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PILLAR 3: POWERING BUSINESS IN NSW

Energy is a core input cost for NSW businesses and a critical determinant of investment, productivity and competitiveness. As the energy system transitions, businesses are operating in an environment of elevated prices, growing demand and increased exposure to delivery and sequencing risk. Ensuring the transition remains reliable, affordable and timely is therefore essential to NSW's economic performance.

Energy market outlook

The energy transition is accelerating for Australia's National Energy Market, with growing investment in renewable generation and storage supporting rising demand as coal-fired power stations retire. AEMO's 2025 *Electricity Statement of Opportunities* (ESOO)[12] shows forecast reliability has improved, underpinned by more than 10 GW of additional committed and anticipated projects, including large-scale storage, solar and wind. In NSW, reliability gaps previously identified following the advised retirement of Eraring Power Station in 2027–28 are no longer forecast.

However, AEMO stresses that this improved outlook is highly contingent on timely delivery of renewable infrastructure. While sufficient capacity is expected to meet the reliability standard, system security and operability challenges remain, including minimum system strength and outage coordination. Electricity consumption is forecast to rise by approximately 28 per cent over the next decade driven by electrification, data centres and industrial growth. Therefore, on-time delivery of generation, storage, transmission and coordinated consumer energy resources are critical to maintaining reliability and containing costs for businesses.

Wholesale prices remain elevated despite improving supply outlook

Despite improvements in medium-term reliability, energy affordability remains a significant challenge for NSW businesses. AEMO's *Quarterly Energy Dynamics* reports average wholesale electricity prices across the NEM of around $140/MWh in Q3 2025, reflecting ongoing volatility, tight supply during peak demand periods and persistent transition risks. While NSW forward prices softened modestly in late 2025, medium-term price expectations remain above long-run marginal costs due to uncertainty around coal retirements, transmission delivery and the availability of firming capacity. AEMO does not forecast sustained wholesale price relief over the ESOO horizon, with risk premiums persisting until new capacity is fully delivered and integrated.

These pressures are flowing through to business electricity bills. The AER's 2025–26 Default Market Offer increased from 1 July 2025, with small businesses facing bill increases of up to 8.2 per cent driven by higher wholesale and network costs. Further increases remain likely, as most of the NSW Electricity Infrastructure Roadmap (the Roadmap) costs have yet to be recovered through bills. For many NSW businesses, persistently high energy costs are constraining competitiveness, reducing margins and delaying investment in productivity-enhancing upgrades. While Business NSW supports the state's net zero targets and renewable expansion, the transition must be managed in a way that protects business affordability and competitiveness.

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[12] Australian Energy Market Operator, 2025 Electricity Statement of Opportunities, 2025

Energy infrastructure

Reducing energy infrastructure cost pressures on business

Delays in major energy infrastructure delivery are an increasing cost pressure for NSW businesses, extending exposure to elevated prices, uncertainty and transition risk despite existing policy and investment frameworks. As such, the NSW Government must overcome a range of barriers such as supply chain and labour market shortages, community consent and NSW's sluggish planning system, which are all slowing new infrastructure builds. Unless those constraints can be overcome, high energy costs and regular blackouts could become the norm.

The NSW Government's 2023 *Electricity Supply and Reliability Check Up*[13] identified these delivery challenges, with the 2024 response committing to a clear reform pathway. As at August 2025, 40 of 52 recommendations have been implemented and a further 10 are progressing. While initiatives such as the Capacity Investment Scheme and Rewiring the Nation address financing constraints, their effectiveness in overcoming planning, approvals, skills and supply-chain bottlenecks remains unproven.

Although early outcomes from generation auctions under the Roadmap have been positive, delays and cost blowouts of transmission projects are already costing businesses. In response, the NSW Government in 2025 undertook a seven-month NSW Transmission Planning Review that identified 15 recommendations to reduce complexity of transmission planning, speed up delivery of transmission projects and ensure meaningful engagement is always undertaken. The scale and sequencing of network investment required to unlock Renewable Energy Zones (REZ) means costs are incurred well before businesses realise the benefits. Consistent with the AER's 2025 network determinations, most Roadmap related transmission costs have yet to flow through tariffs, meaning significant bill impacts are still to come from 2027–28 onwards.

Given the long asset lives and statewide benefits of renewable and transmission infrastructure, Business NSW considers Roadmap costs should be recovered over the regulated asset life through the Regulatory Asset Base consistent with AER cost-recovery principles rather than being front-loaded onto current electricity consumers. This would ease near-term pressure on business energy bills. This infrastructure should receive the same multi-generational cost-recovery treatment applied to other mega infrastructure projects such as the Sydney Harbour Bridge, which was financed and repaid over more than a century.

Speeding up planning approvals

Planning and environmental approvals have become a major bottleneck delaying the delivery of critical energy infrastructure in NSW, increasing project risk, costs and uncertainty. If NSW is to meet its energy security and decarbonisation objectives, the recommendations identified in the Government's *Check Up* must be prioritised.

The Renewable Energy Planning Framework[14] is a positive step toward faster approvals in Renewable Energy Zones (REZs), but misaligned assessment pathways continue to cause delays. Transmission is assessed as Critical State Significant Infrastructure (CSSI), while most generation and storage projects follow the slower State Significant Development (SSD) pathway. This risks generation lagging transmission and increases overall system costs.

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[13] Marsden Jacob Associates, NSW Electricity Supply and Reliability Check Up, 2023
[14] Department of Planning, Housing and Infrastructure, Renewable Energy Planning Framework, 2024

Environmental approvals remain a further constraint, particularly in REZs where multiple projects are proposed across the same landscape. A strategic, landscape-scale biodiversity assessment approach would help streamline approvals, similar to the Cumberland Plain Conservation Plan, which provided upfront biodiversity approvals and accelerated housing development while delivering conservation outcomes in Western Sydney.

Additionally, uncertainty around the operation of the *Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Bill 2024*, and its interaction with the Commonwealth's proposed EPBC Act reforms, is compounding approval risk for energy projects. Without effective accreditation and alignment between NSW and Commonwealth processes, there is a risk that EPBC reforms increase complexity rather than deliver genuine streamlining.

The full set of regulations under the *Biodiversity Conservation Amendment (Biodiversity Offsets Scheme) Bill 2024* are also yet to be released, causing uncertainty in how the legislation will impact development. The current biodiversity framework remains complex and can impose disproportionately high offset costs on clean energy and transmission projects compared with other land uses, further undermining timely infrastructure delivery.

	Recommendation
40	NSW Electricity Roadmap costs should be recovered over the regulated asset life through the Regulatory Asset Base consistent with AER cost-recovery principles
41	Government to cover the cost of any further cost modification on the transmission network to remove this extra cost from bills and expedite delivery.
42	Streamline planning and environmental approvals for major energy infrastructure in line with recommendations of the NSW Electricity Supply and Reliability Check Up, in addition to the recommendations below: • Prioritise rapid accreditation of its planning and environmental assessment processes under the reformed *Environment Protection and Biodiversity Conservation Act*, to enable a single, integrated approvals pathway for major energy, transmission and Renewable Energy Zone infrastructure • All REZ generation projects should be considered for Critical State Significance Infrastructure (CSSI). • Adopt a strategic biodiversity landscape-scale assessment approach under the relevant legislation. Government to ensure draft regulations under the BC Act 2016 and LLS Act 2013 are thoroughly consulted with industry before finalisation and provide a simpler and most cost-effective offsetting approach.

Unlocking gas for business

Gas has become a defining issue for NSW's economic competitiveness and decarbonisation transition. As the state accelerates toward its legislated net zero targets, the affordability and reliability of gas will directly affect business costs and viability, industrial output and regional employment.

In December 2025, Business NSW released *Running on Empty 2.0 – the evolving role of gas in NSW*, a comprehensive assessment of the NSW gas market today, future supply and reliability forecasts and the impacts to NSW businesses. The report updates Business NSW's original 2019 report and reflects a profoundly changed energy policy and market environment, shaped by legislated net zero targets, accelerated renewable electricity deployment and increased global energy volatility.

Running on Empty 2.0 reaches a clear conclusion: securing affordable and reliable gas is essential to NSW's economic resilience and energy transition, and that failing to act will drive higher costs, lost industrial capacity and regional job losses.

Gas is a core input to the NSW economy

Gas remains a central input to the NSW economy. It supplies around 27 per cent of Australia's primary energy, with 70 per cent of domestic gas consumed directly by industry. In NSW, more than 1.5 million households and 50,000 small businesses are connected to gas networks, and Business NSW's 2024 Business Conditions Survey shows 18 per cent of businesses, and 64 per cent of accommodation and food services, remain wholly reliant on gas. For many businesses, electrification is not technically or commercially feasible, making gas fundamental to operations, investment decisions and regional competitiveness.

Supply shortfalls and an evolving gas market

Gas reliant NSW businesses are directly impacted by changes in gas market conditions. In its most recent Gas Statement of Opportunities[15], AEMO forecasts emerging seasonal gas shortfalls from 2028 and structural supply gaps from 2029 unless additional supply, storage and enabling infrastructure are delivered. AEMO has been explicit that delayed action materially increases both system risk and long-term costs, with supply shortfalls likely to manifest as higher wholesale prices, increased price volatility and greater reliance on emergency market interventions.

In response to tightening domestic gas supply, rising exposure to global price volatility and growing difficulty for domestic and industrial users to secure reliable, affordable gas, the Commonwealth Government opened the Gas Market Review in June 2025. The Gas Market review will also help deliver on the Future Gas Strategy, which spells out the role gas will play alongside renewables, batteries and pumped hydro in securing Australia's energy future.

Renewable gases

Gas, renewable gases and renewable electricity are complementary elements of a least-cost energy transition. AEMO's Integrated System Plan confirms that firming capacity, including gas-fired generation, is essential to support a renewable-dominated grid.

Business NSW welcomes the NSW Renewable Fuel Strategy[16] in late 2025, which aligns with *Running on Empty 2.0* by recognising that gas remains essential for many businesses during the transition and that emissions reductions must not compromise reliability or affordability. The strategy provides a pathway to decarbonise hard-to-abate sectors by scaling up renewable gases such as biomethane and low-emissions hydrogen, supported by supply development, infrastructure readiness and market integration.

Industries including clean metals, fertilisers, advanced manufacturing and food processing rely on firm, dispatchable energy and molecular fuels. While renewable gases offer a credible decarbonisation pathway that preserves industrial assets, regional jobs and supply chains, scaling

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[15] Australian Energy Market Operator, Gas Statement of Opportunities, 2025
[16] NSW Department of Climate Change, Energy, the Environment and Water, NSW Renewable Fuel Strategy, 2025

these fuels will take time and require targeted investment. Gas will therefore remain essential to protecting business competitiveness as NSW progresses toward net zero.

	Recommendation
43	Implement the recommendations of the *Running on Empty 2.0 report*, including to: 1. Accelerate new gas supply: Fast-track Narrabri, streamline approvals, and expand LNG import capacity. 2. Treat gas infrastructure as strategic: Secure pipelines, storage, and networks for both natural gas and renewable alternatives. 3. Build a renewable gas market: Back biomethane and hydrogen to support emissions cuts in hard-to-electrify sectors. 4. Support energy transition stability: Implement a state-based capacity mechanism to keep the grid reliable. 5. Support the Federal Government to establish an east coast gas reservation to help to keep more gas onshore for local users, stabilising prices and improving supply certainty.

Supporting businesses and communities through the transition

In December 2025, the Commonwealth Government announced that the energy bill relief measures which were included in the 2023 Commonwealth Budget would not be extended in 2026. Although these payments did not address the structural causes of recent rises in energy costs, it nevertheless provided some welcome relief for NSW’s small businesses.

Addressing the structural causes of high energy costs to businesses, however, will require considerably more than a one-off payment. Businesses need sustained, practical support now and throughout the energy transition to manage costs and remain competitive. Improving energy efficiency and having access to free and trusted advice to help navigate energy decisions would help businesses manage cost pressures, strengthen competitiveness, support growth and investment, and contribute to easing broader inflationary pressures.

Electrification: Opportunity, Barriers and Business Readiness

The NSW and Commonwealth governments are strongly encouraging businesses to electrify as part of the transition to a net zero economy. Electrification can offer a practical decarbonisation pathway, reducing emissions and access to lower-cost renewable electricity where viable. However, many NSW businesses face significant barriers. Feedback from Business NSW members found upfront capital costs remain the most significant barrier, with 46 per cent of businesses reporting that the cost of equipment and technology is prohibitive. A further 28 per cent indicate that the electric technologies required for their operations are not yet commercially available, while 41 per cent are unconvinced that expected returns would justify the investment. Almost one in four businesses report difficulty accessing independent, trusted advice on how to electrify their operations, an issue which is exacerbated by the cessation of the Business Energy Advice Program.

The NSW Government has established a range of programs to support electrification, but they lack the direct, business focused support now offered in other states such as Victoria, Queensland, and South Australia. Together, these factors are slowing electrification uptake and increasing transition risk for NSW businesses.

	Recommendation
44	Provide funding to businesses to help with upfront capital costs needed for electrification

Smart meters: Protecting small businesses while unlocking energy productivity

Smart meters can help some small businesses better manage energy costs, particularly those in leased premises that cannot install on-site generation such as solar. By enabling time-of-use pricing, smart meters allow businesses to shift electricity use away from peak periods, improving network efficiency and, in some cases, reducing bills.

Under national market reforms led by the Australian Energy Market Commission, smart meter deployment is set to accelerate, with most small businesses expected to have a smart meter by 2030 and rollout intensifying from late 2025. In NSW, installation costs typically range from $600–$800, depending on site conditions. For many small businesses, this upfront cost is prohibitive, limiting their ability to access potential benefits.

Additionally, while smart meters can improve billing accuracy and provide valuable usage data, Business NSW members are concerned that without appropriate safeguards, the rollout could expose small businesses to bill shock, particularly where time-of-use or demand tariffs are introduced without clear consent or meaningful comparison. Many small businesses also lack the time or expertise to use interval data effectively, and poorly coordinated installations can disrupt operations and increase the risk of billing disputes. To ensure smart meters improve productivity rather than add costs the NSW Government needs to address key risks.

	Recommendation
45	Support businesses to adopt smart meters: • Fund the roll out of smart meters for all small businesses and review time-of-use tariffs for business to ensure options for saving energy costs • Protect small businesses from bill shock through strong consent and comparison requirements • Ensure simple, free access to interval data and practical advisory support • Link smart meters to small business energy productivity programs • Minimise installation disruption through clear service standards.

Business energy advice and support

Funding, incentives and technological advances alone are insufficient for businesses to manage their energy usage and costs without accessible advice that enables businesses to make informed, context-specific energy decisions.

The cessation of the Commonwealth-funded Business Energy Advice Program in August 2022 has left a clear gap in the provision of free, independent and trusted energy advice for small and medium businesses. That program demonstrated the value of sector-specific advice delivered by trained engineers and industry peak bodies, reaching approximately 7 per cent of eligible SMEs nationally over three years. Since its conclusion, there has been no equivalent, coordinated support mechanism to help businesses lower energy costs, improve energy productivity or assess electrification and transition options.

Business NSW's engagement with members consistently indicates that SMEs are struggling to navigate complex energy markets, rising network charges and a growing range of technologies and policy settings. While the release of the National Energy Performance Strategy is a positive step, its impact will be limited without complementary, on-the-ground advisory support for businesses. A NSW-based service would address this gap by providing practical, sector-specific guidance aligned with state priorities, regional conditions and network constraints.

In the absence of renewed Commonwealth support, NSW intervention is justified to ensure that small and medium businesses are not left behind in the energy transition. Establishing a dedicated energy advice and support service would improve energy productivity, reduce cost pressures, support informed investment decisions and help ensure that transition policies deliver economic as well as environmental outcomes for NSW.

	Recommendation
46	Establish a Business Energy Connect service for small and medium enterprises to provide a single point of access to trusted, independent energy advice, helping businesses manage and reduce energy costs and navigate energy transition options where appropriate. The service should: • Expand access to sector-specific advice from trained engineers and industry peak bodies. • Support businesses to assess financial, environmental and community impacts of energy decisions. • Provide practical guidance on the energy transition and energy transition pathways, including electrification where viable. • Be tailored to the operating realities of SMEs, including capital constraints, reliability needs and sector differences. The service could be a standalone entity or could be incorporated into a reinstated 'Business Connect 2.0' service as part of a one-stop shop for business advice.

Renewable Energy Zones must deliver benefits for communities

Business NSW supports the development of Renewable Energy Zones (REZs) as a critical pillar of NSW's energy transition. However, evidence to the NSW Parliamentary Inquiry into the impacts on rural and regional communities highlights that, without deliberate policy and budget intervention, REZs risk functioning primarily as generation and transmission corridors rather than as engines of regional economic growth.

The transition to renewable energy is reshaping supply chains, cost structures and investment decisions across the economy. For many businesses, this is creating operational disruption, exposure to price volatility and heightened supply risk. At the same time, the development of the REZs presents significant opportunities for regional economies if they are designed to leverage local strengths. Building on each region's natural assets, existing industrial base, skilled workforce, and agricultural and mining capability, renewable energy development can underpin new and diversified industries across regional NSW.

Regional businesses want to participate in the opportunities created by REZs, not simply host infrastructure. Businesses have identified potential across construction, operations and maintenance, transport and logistics, equipment servicing and refurbishment, recycling and decommissioning of renewable assets. Without coordinated investment in enabling infrastructure, land use planning, workforce development and procurement frameworks, much of this economic activity will occur outside the regions hosting REZs.

To deliver lasting regional benefits and maintain social licence, REZs must be integrated with broader regional economic development strategies. This requires targeted investment in serviced industrial land, utilities, transport and digital infrastructure, housing and skills, alongside procurement settings that actively support participation by regional and NSW-based businesses across the full lifecycle of REZ development

	Recommendation
47	Embed regional economic participation as a core objective of REZ governance and delivery
48	Invest in enabling infrastructure and serviced industrial land in REZ regions
49	Establish REZ Business and Transition Hubs to support local business engagement and capability
50	Strengthen regional procurement and local content settings for REZ projects
51	Align REZ delivery with regional planning, housing and workforce strategies

NSW has made tangible progress toward a cleaner, more reliable and resilient energy system. However, the next phase of the transition must be shaped by policy settings that ensure it is not only technically achievable but economically enabling. Energy reform must support business investment, productivity growth, job creation, export competitiveness and the long-term development of regional industries.

For NSW businesses, the energy transition must deliver more than emissions reduction. It must be affordable, practical and investable, with clear pathways that allow businesses to plan, manage risk and commit capital with confidence.

If NSW delivers an energy transition that businesses can participate in and invest alongside, the state can meet its net zero objectives while strengthening economic resilience. Done well, this will position NSW as the most competitive and investment-ready business economy in Australia

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PILLAR 4: BUILDING BUSINESS IN NSW

Infrastructure underpins the growth of the NSW economy. It supports business productivity, enables housing delivery, and underwrites the liveability of communities across metropolitan and regional areas. The effective planning and delivery of infrastructure is therefore critical to supporting businesses as NSW navigates record levels of investment in major transport projects, accelerating renewable energy development through Renewable Energy Zones, and growing demand for social and enabling infrastructure.

Major projects

Over the past year, NSW has continued delivery of several nationally significant, productivity-enhancing projects, including the Sydney Metro network, alongside continued progress on major projects such as Western Sydney International Airport. These achievements are particularly notable given the difficult decisions taken in 2023, when both the Commonwealth and NSW Governments were forced to defer, rescope or cancel major infrastructure projects in response to acute workforce shortages, construction cost escalation and supply-chain constraints.

Delivery accelerated through 2025 and now the focus must shift to sustaining a healthy and credible pipeline of major infrastructure, particularly high-capacity public transport. Ongoing investment in additional metro projects is critical to lifting productivity, supporting housing delivery and enabling workforce mobility, especially in growth areas such as South West Sydney. The South West Sydney Alliance has highlighted the importance of coordinated, long-term planning to ensure transport infrastructure keeps pace with population and employment growth.

Sustaining delivery in a constrained market will require disciplined project selection, robust upfront business cases and realistic sequencing aligned with industry capacity. Without this, infrastructure ambition risks outstripping delivery capability, driving higher costs, delays and poor value for money. The scale of future city-shaping projects also demands new and innovative funding and financing models, such as value capture and greater use of private capital, to complement traditional public funding.

Strengthening business-case rigour, developing innovative funding mechanisms, continuing procurement reform, building construction workforce capability and modernising funding approaches will help place infrastructure delivery on a more sustainable footing and support business investment across NSW.

	Recommendation
52	Continue working with the Commonwealth to deliver the Federation Funding Agreement Schedule Land Transport Infrastructure Projects (2024–2029)
53	Deliver the rail infrastructure urgently needed to support economic and population growth around Western Sydney International Airport and South West Sydney. This should include the 6km Leppington to Bradfield rail extension and the Bradfield to Campbelltown Metro extension.

Enabling infrastructure

The NSW Government's Regional Plans provide a 20-year strategic framework to guide land use, housing, industry and population growth across key regional cities in the Riverina Murray, North Coast, Central West and Orana, Hunter, Central Coast, New England North West and Illawarra Shoalhaven regions. These regional cities are critical engines of economic diversification, employment and liveability for their communities and the broader NSW economy.

However, the ability of these regional cities to support planned growth is increasingly constrained by enabling infrastructure backlogs, particularly in local roads, water and sewerage systems, which are essential for housing delivery, business investment and community wellbeing.

Local councils are responsible for planning and delivering this infrastructure but face a significant and growing backlog of assets that are aging, overcapacity or unable to meet current and future demand. Councils across NSW reported a combined infrastructure backlog of approximately $6.5 billion in 2022–23, up from $5.6 billion the previous year, with 82 councils exceeding the benchmark backlog ratio of 2 per cent of total asset value. Regional towns and cities carry the largest backlogs.

Local roads also exhibit significant backlog pressures in 2025. The NRMA reported an estimated a statewide roads backlog of $3.4 billion, with regional councils carrying most of this burden. While this figure is higher than water and sewerage, it underscores the systemic nature of local enabling infrastructure challenges.

Certain councils have publicly warned that outdated water and sewerage systems are strained by population growth and housing demand, with some developments at risk of stalling without state support. The NSW Government's recent $23.9 million investment to support council water, sewer and local road works acknowledges the challenge but further action is needed to address the scale of the problem.

Without proactive investment in enabling infrastructure, the strategic vision of the Regional Plans will be jeopardised. Growth cannot occur at scale if the basic network services required for households, businesses and industry are unavailable or unreliable.

	Recommendation
54	Support councils to address the growing infrastructure backlog to maintain and/or upgrade existing infrastructure such as roads, water and sewage
55	Investigate innovative financing and funding models to unlock new investment in enabling infrastructure across the state, such as Tax Increment Financing (TIF) and Business Rates Retention models
56	Establish a dedicated funding pool and grants process to support local government to develop better business cases for infrastructure projects

Regional airports

Regional airports are essential, productivity-enabling infrastructure for NSW's regional economies. They support business connectivity, workforce mobility, freight and supply chains, tourism, health services and emergency response. For many regional centres, reliable air access is a core enabler of economic participation rather than a discretionary transport option.

Despite their economic importance, regional airports across NSW are under increasing operational and financial pressure. Most are council-owned and face ageing infrastructure, rising safety, security and compliance costs with limited revenue bases. At the same time, regional aviation markets have become more fragile, with fewer carriers, constrained fleet availability and rising fuel and labour costs increasing the risk of flight delays, cancellations or service reductions or withdrawal. Where air services are lost or diminished, the impacts on business productivity, tourism and workforce attraction are immediate.

Targeted and sustained investment in regional airport infrastructure is therefore critical. Upgrades to runways, terminals and navigational systems improve safety and reliability, support more efficient aircraft operations and help maintain viable air services. As NSW progresses major regional growth priorities, including Renewable Energy Zones and large-scale infrastructure delivery, regional airports will play an increasingly important role in enabling workforce mobility, project delivery and supply chains.

Business NSW considers regional airports to be essential economic infrastructure requiring coordinated NSW and Commonwealth co-investment, stronger alignment with local government, and funding models that reflect the essential service role of regional aviation.

	Recommendation
57	Provide dedicated, multi-year capital funding in the NSW Budget for regional airport infrastructure, co-invested with the Commonwealth and councils, to address safety, compliance and asset renewal backlogs
58	Recognise regional airports as essential economic infrastructure in budget and infrastructure planning, with funding models that reflect their role in supporting business productivity, workforce mobility, health services and emergency response
59	Align airport investment with regional growth priorities, including Renewable Energy Zones and major infrastructure programs, to support workforce access, project delivery and regional supply chains.

Transport

Freight

Freight infrastructure is fundamental to NSW's productivity, supply-chain resilience and export competitiveness. The freight sector contributes more than $74 billion to the NSW economy and supports around 330,000 jobs, highlighting its strategic importance to business and regional growth.

Progress continued through 2025 on key rail freight projects, including Inland Rail, which is improving transit times and enabling higher-capacity, double-stacked freight services through NSW. Delivery remains underway across several sections, including upgrades between the NSW–Victoria border and Illabo, supporting improved freight performance across southern NSW.

In June 2025, the NSW Government endorsed and released Delivering Freight Policy Reform in NSW, the final report of an independent advisory panel. The report establishes a strategic roadmap of short, medium and long-term actions designed to future-proof freight networks in response to population growth, decarbonisation, technological change and shifting demand patterns. It is now the central policy framework guiding freight planning in NSW.

Planning for the Western Sydney Freight Line and Intermodal Terminal continues, aimed at creating a dedicated freight corridor linking Port Botany with Western Sydney Airport and industrial precincts. At Port Botany, continued investment in on-dock rail capacity, including the next stage of rail upgrades, is expected to lift throughput and support greater mode shift from road to rail. Recent duplication works on key corridors, including the Botany Rail Line and Cabramatta Loop, have also improved network reliability.

Despite this progress, delivery risk remains elevated due to infrastructure market constraints and the scale of the committed pipeline. Business NSW maintains that governments should prioritise completing existing, productivity-enhancing freight projects, particularly those that unlock port–rail connectivity and inland freight movements, rather than announcing additional long-dated initiatives unlikely to be delivered within the forward estimates.

	Recommendation
60	Accelerate the delivery of current critical transport projects that support freight including Inland Rail, Western Sydney Airport and its surrounding roads and rail networks, the Port Botany Gateway project and associated road and rail upgrades, and the upgrading of Newcastle Airport to handle widebody jets
61	Leverage freight capacity across all three major NSW ports (Port of Newcastle, Port Botany and Port Kembla) to support planned upgrades for freight transport to guarantee cost effective and timely import and export for NSW businesses

Electrification of road transport

Road transport remains a significant source of emissions for many NSW businesses, particularly those operating vehicle fleets. Electrifying road transport is therefore an important pathway for reducing emissions and managing long-term operating costs.

Policy momentum at both the Commonwealth and NSW levels has strengthened in 2025. The introduction of the National Vehicle Efficiency Standard (NVES) has improved the availability of lower-emissions vehicles in the Australian market, while NSW continues to progress its electric vehicle and charging infrastructure strategies. These developments are welcome and necessary. However, businesses seeking to transition their fleets continue to face material barriers.

High upfront vehicle costs, limited model availability for commercial and specialist fleets, and uneven access to reliable charging infrastructure remain key constraints particularly for small and medium enterprises and businesses operating in regional areas.

Charging access remains a key constraint. Inadequate charging access at depots, worksites or residential locations has resulted in fleet electrification remaining impractical for many operators. Initiatives such as kerbside and pole-mounted charging trials demonstrate how infrastructure gaps can be addressed where off-street parking is limited, but these solutions need to be scaled.

The fragmented user experience across public charging networks, including multiple apps and payment systems, also creates unnecessary complexity for businesses and drivers. The NSW Government should consider how this could be amalgamated through the Service NSW app to incentivise people and make it easier for older people to switch to driving EVs. We urge government to work with electricity providers to find and implement similar solutions to retrofitting poles with chargers to incentivise a rapid and efficient update of EV drivers.

	Recommendation
62	Provide a platform on the Service NSW app that includes all electric vehicle charging stations across the state, assisting with EV uptake

63	Support initiatives such as kerbside and pole-mounted charging trials to address infrastructure gaps

Industrial lands

NSW is facing a growing crisis in industrial land. Persistent low vacancy rates and rising rents for industrial premises are the result of high land costs, limited availability, and a fragmented planning system which cannot keep pace with demand. The shortage is critical in metropolitan Sydney, where vacancy rates are among the lowest globally and only 4% of zoned land is ready for development17.

NSW risks losing investment, jobs, and supply chain resilience to states like Queensland and Victoria, which are advancing bold, state-backed industrial land strategies.

The headline issue is there is not enough industrial land throughout NSW which is fit for purpose and ready for business occupation. This is more than a zoning issue – too much land zoned for industrial use is under-developed and under-serviced by infrastructure, meaning in practice it is unsuitable for its intended uses.

A related issue is that industrial land scarcity is driving up land prices, which in turn means more NSW businesses are being drawn into paying land tax. The general land tax threshold is set at $1,075,000 on the value of unimproved land for 2024-25. This threshold has now been frozen with no plans to increase it in line with escalating land values. The tax burden on our businesses is therefore set to increase further.

The undersupply of suitable industrial land in NSW is slowly throttling our economy. The impacts are not always immediate or obvious, but the cumulative effects add up in the form of foregone economic output, fewer jobs and businesses, lower productivity, and higher costs for businesses and consumers.

Making good use of our industrial land is essential to our economic future. Business NSW welcomes the NSW Government's focus on industrial lands through the Industrial Lands Action Plan and the Statewide Policy for Industrial Lands, both released in 2025.

We urge the Government to take a more active role in strategic planning and delivery of industrial land across the state, including a renewed focus on ensuring industrial land is suitably serviced and ready for business occupation.

	Recommendation
64	Create a State Industrial Land Delivery Authority, being a dedicated entity to plan, acquire, service, and release strategic industrial sites (similar to Economic Development Queensland). This Authority should have the ability to co-invest in enabling infrastructure to unlock priority sites.
65	Appoint an Industrial Lands Commissioner to coordinate industrial lands across LGAs, monitoring supply, publishing annual progress reports, and championing long-term planning

[17] CBRE, Sydney Industrial and Logistics Land Supply 2025, 2025

66	Engage with industry on an updated definition of 'serviced land' in Government planning policy to establish a definition which more closely meets businesses' expectations of what counts as 'serviced' land
67	Set growth targets and enhance transparency via commitment to releasing 2,000 hectares of serviced industrial land over five years, as well as a quarterly publication of a publicly accessible "Industrial Land Pipeline Dashboard"
68	Integrate land strategy with infrastructure delivery by aligning industrial precinct planning with freight corridors and major transport upgrades, and include industrial land servicing as a core benefit in infrastructure business cases
69	Raise the land tax threshold to $1.5m and return to indexing the threshold for future years

Housing supply

Housing supply impacts the entire community. We cannot hope to address future productivity, prosperity and business growth without adequate provision of housing. Sydney has long been one of the world's most expensive cities to buy a home, but this issue now impacts business and local communities right across the state. The rental market is also deeply impacted with flow on effects for essential workers, labour market availability and flexibility across every business sector. That is why Business NSW continues to drive the housing debate through the 'Housing Now! Alliance'.

More information on the asks and the alliance can be found at https://www.housingnow.com.au/.

Building on the Alliance's initial manifesto, the 2026 platform has expanded its policy agenda and now incorporates a refreshed set of priorities that outline the next stage of reform:

- Twelve Big Moves to unlock 377,000+ homes in priority locations
- Rezone places of worship to allow housing
- Fast-track student accommodation projects
- Subdivide dual occupancies, enabling homes like duplexes to be split and sold separately
- Create a statewide pathway for approvals to build high-quality modular and manufactured homes
- Allowing rural landowners to build second homes on farms
- Create a statewide rulebook to standardise affordable housing
- Essential worker housing embedded in planning rules and prioritise near key job hubs
- Cut red tape for seniors and build-to-rent
- Frontload payments to states via reforming federal housing payments

We commend the focus from both State and Federal Governments on housing reform and welcome the progress made so far. While some of the above recommendations have seen partial adoption and progress, further action is required to convert good intention and commitment to outcomes at scale.

Delivering new homes on their own is not enough. The enabling infrastructure must be in place to support housing developments to actually function as liveable places with access to services and jobs. Yet too often around the state we hear that underinvestment in enabling infrastructure is preventing new homes from being built and occupied. Access to funding and finance is a key barrier, especially in regional areas where the investment case for private development does not stack up as easily.

While funding for housing-enabling infrastructure is available, current arrangements remain fragmented across a mix of Commonwealth and State programs, each offering partial or narrowly targeted support. The Commonwealth has established several national initiatives, including:

- $1.5 billion Housing Support Program, specifically funding enabling infrastructure, amenities and planning capability across states and territories
- $1 billion National Housing Infrastructure Facility, and
- Approximately $600 million under the Growing Regions Program.

In NSW, the primary mechanisms for accelerating housing-enabling infrastructure include:

- $652 million Accelerated Infrastructure Fund
- $23.9 million Low Cost Loans Initiative to fast-track thousands of new homes in regional areas
- $12 million Regional Housing Strategic Planning Fund.

As housing pressures increasingly extend into regional NSW, the NSW Government's recent grant to local governments represents an important but modest contribution toward helping local governments prepare the frameworks needed to coordinate infrastructure delivery. Both governments play important and complementary roles in funding housing-enabling infrastructure. The state's housing crisis will drag on unless more funding can be unlocked to invest in enabling infrastructure and serviced land.

Regional homes

Although house prices are highest in Sydney, NSW's housing crisis extends beyond the capital and afflicts all regions of the state, driven by undersupply. Housing delivery outside metropolitan areas is restricted by skills shortages which are entrenched due to a lack of suitable regional training and employment pathways, relatively small labour markets to draw from, and a scarcity of local housing which makes it harder to attract workers from other places.

One simple move to increase regional housing supply is to include additional designs in the NSW Housing Pattern Book that are suited to regional climates and conditions. This would help to streamline design, approvals, and delivery for regional areas.

	Recommendation
70	Continue to engage with the Housing Now! Alliance and implement the 2025 manifesto recommendations
71	Review existing State and Commonwealth funding programs for enabling infrastructure to identify the funding gaps constraining housing supply, and increase and better coordinate funding to accelerate the delivery of enabling infrastructure, particularly in regional NSW. Coverage gaps across existing programs may justify the NSW Government establishing a Housing Enabling Infrastructure Fund to provide grant funding for infrastructure upgrades that support new homes at scale. The Fund could be coordinated by the Housing Delivery Authority.
72	Increase local access to relevant training and employment pathways that directly address the skills shortages in construction and housing delivery in regional NSW
73	Update the Housing Pattern Book to include regionally appropriate design guidance to match the needs of regional communities

Digital connectivity and data centres

Connectivity

Digital infrastructure investments are transforming regional connectivity through expanded and more reliable internet coverage, bringing services up to metropolitan standards. The rollout of 5G networks in regional centres is accelerating business capabilities and enabling new technologies. The closure of the 3G mobile network has highlighted telecommunications as critical enabling infrastructure for NSW businesses, with many particularly small and regional operators experiencing unexpected failures of essential systems such as EFTPOS, security alarms and monitoring equipment, forcing unplanned and costly upgrades. In areas with limited 4G or 5G coverage, the shutdown reduced service reliability and increased operational, safety and compliance risks, underscoring the need for better-coordinated network transitions and targeted support for businesses.

The establishment of regional digital hubs has further strengthened workforce flexibility by providing professional workspaces with reliable, high-speed connections, particularly in areas with limited commercial office infrastructure. Enhancements to cybersecurity capability are also critical as businesses increasingly operate online and rely on digital platforms.

However, material connectivity gaps and information barriers remain. A recent Business NSW survey found 69% of NSW businesses rely on fixed-line internet, and of those, 87% are already connected via the NBN network. Despite this, awareness of available network upgrades of high-speed internet infrastructure remains limited with 36% of businesses unaware of free Fibre to the Premises and Fixed Wireless upgrades, and 42% of businesses across NSW have never checked their eligibility for a free upgrade. This gap represents a missed opportunity for businesses to improve performance, reliability and competitiveness through better digital connectivity.

Addressing both infrastructure gaps and awareness barriers is essential if businesses, particularly small and regional businesses, are to fully participate in the digital economy and adopt emerging technologies.

	Recommendation
74	Increase funding for programs including the Regional Digital Connectivity Program and the Mobile Black Spot Program, targeting the most significant digital infrastructure gaps across regional NSW
75	Implement a campaign to increase business awareness of their eligibility for free upgrades to their NBN provision

Data centres: enabling AI adoption and productivity growth

Data centres are foundational infrastructure for the modern economy. They underpin cloud computing, artificial intelligence (AI), advanced analytics and automation across virtually all industries, enabling businesses to lift productivity, reduce costs and scale operations.

As the Mandala Partners Data Centres as Enabling Infrastructure report[18] highlights, the economy-wide productivity benefits of AI will only be realised if businesses have access to affordable, reliable and proximate data centre capacity. For NSW businesses, data centres are central to powering

[18] Mandala, Data Centres as Enabling Infrastructure, 2025

digital services that businesses rely on daily and are integral to supporting AI and high-performance computing workloads across manufacturing, logistics, professional services, health and agribusiness.

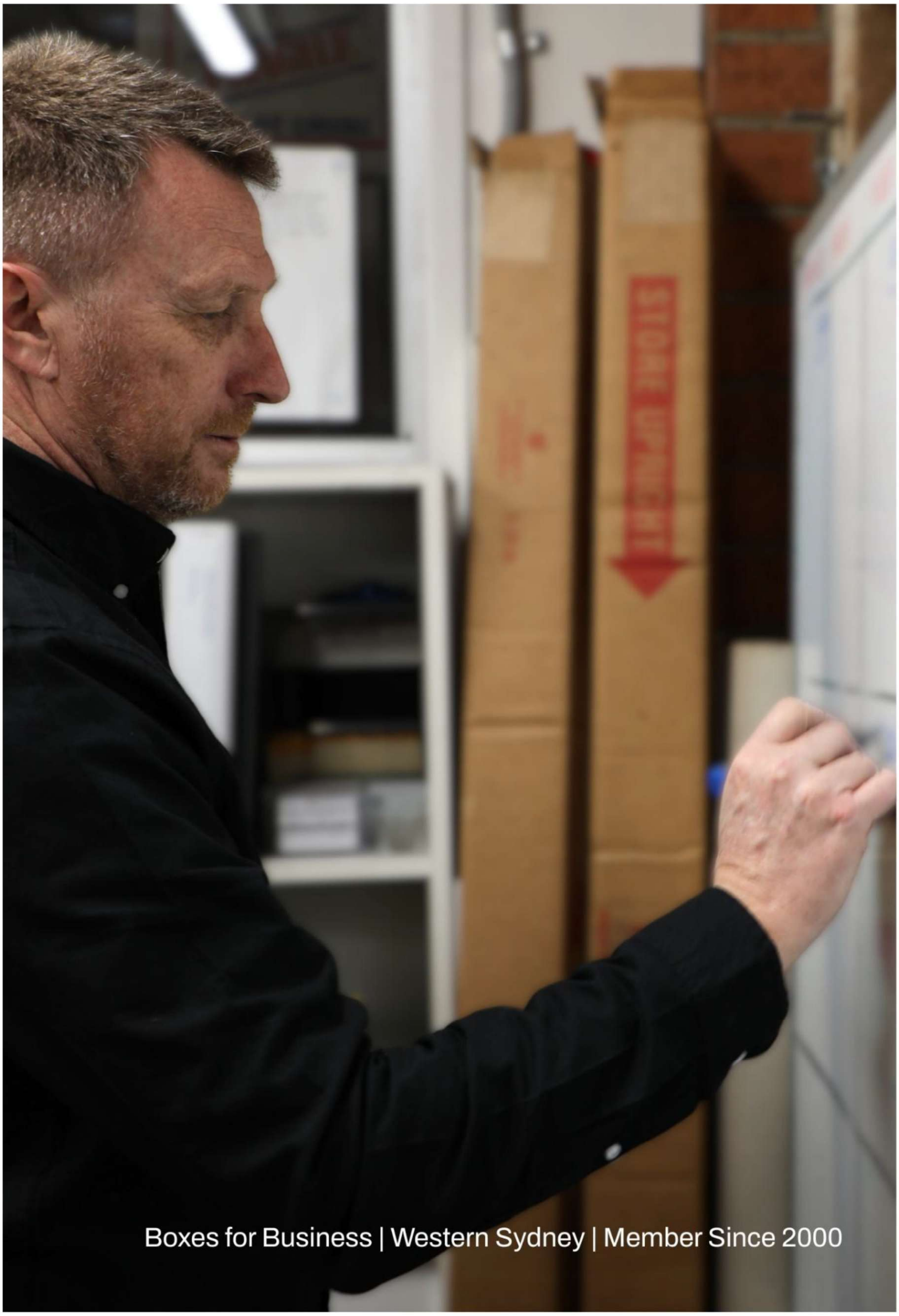
In 2025, Australian data centres consumed around 3.9 terawatt-hours (TWh) of electricity, representing about 2 per cent of national consumption which is comparable to the electricity use of retail shopping centres. They are forecast to grow to around 6 per cent by 2030 as cloud use and AI workloads expand. They also use 5.5 gigalitres (GL) of potable water nationally which is only 0.04 per cent of total water use and are continually adopting advanced cooling technologies to manage efficiency as they scale.

Data centres also generate disproportionately high economic value relative to their energy use. The technology sector, including data centres, produces approximately $12.6 billion in gross value added per TWh of energy consumed, outperforming mining and manufacturing. This reflects how digital infrastructure drives productivity across industries. Importantly, data centre operators are also investing directly in broader energy and water infrastructure.

For NSW businesses, adequate and well-connected data centre capacity is critical to adopting AI and other advanced digital technologies. AI adoption can transform business processes, improve decision-making and unlock productivity gains. However, these benefits depend on reliable access to high-performance computing and data services that only scalable data centre infrastructure can provide. Without coordinated planning, affordable energy and water access, and timely approvals, NSW risks losing investment to other jurisdictions with more aligned regulatory and infrastructure settings.

Business NSW supports a strategic, coordinated approach to data centre development and enabling infrastructure delivery. This should align planning, energy, water and transmission planning to ensure data centres can scale sustainably, support AI adoption, and drive productivity growth across the NSW economy.

	Recommendation
76	Develop a coordinated data centre strategy that aligns planning, energy, water and transmission infrastructure to support scalable data centre development



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PILLAR 5: FUTURE BUSINESS IN NSW

NSW must prepare for the future while dealing with the challenges of the present day. For NSW to enhance its economy and maintain its position as the nation's best state for business, we must empower more businesses in more places across the state to innovate, we must attract and distribute more investment and tourists, and we must build our resilience to future shocks.

An innovation-led economy

Innovation is an essential driver of economic progress in NSW. This is made clear in the NSW Innovation Blueprint 2035, which aims to make NSW '*the best place to innovate, creating economic and social opportunities for our people, and helping tackle the state's most important challenges*.'

NSW already possesses the leading innovation ecosystem in Australia, with strengths in digital services, quantum computing, life sciences, agritech and professional services. The state, especially Sydney, is poised to become a key global player in AI-enabled digital services due to major investment in data centre compute power. NSW has 17 companies with a $1bn+ valuation and a pipeline of 28 more.[19] However, more is to be done to fully harness the momentum of NSW's innovation ecosystem to ensure our prowess in R&D translates into genuine commercial outcomes.

NSW has a scaling problem. Too many of our startups never reach scaleup stage – they wither on the vine before their entrepreneurialism bears fruit. Of all Australian states, NSW has the second highest proportion of businesses reporting they faced barriers to innovation at 43.1 per cent, only behind South Australia.[20] Overcoming these barriers and helping more of our innovative startups to mature into scaleups will generate significant additional value for our economy.

The leading barrier to innovation, reported by one in five businesses in NSW, is lack of access to additional funding, particularly to support scaleup activities.[21] There is a significant gap in funding between early-stage investments and the point where companies become attractive to traditional lenders. This is especially pronounced for deep tech, biotech, and advanced manufacturing.

The NSW Innovation Blueprint recognises the funding gap impeding NSW's innovation ecosystem and recommends establishing a Strategic Investment Fund to invest in promising ventures in priority industries across NSW. Business NSW supports this initiative and suggests further consideration is given to how the fund could be used to increase innovation in regional economies.

In addition, Business NSW continues to advocate for stronger policies, support and incentives to enable small business to grow, as set out below.

	Recommendation
77	Implement the NSW Government Strategic Investment Fund proposed in the NSW Innovation Blueprint 2035. The fund should focus on sectors of high strategic importance and potential for future economic impact. It should also give consideration to supporting innovative activity in regional areas of NSW.
78	Utilise existing R&D tax incentives more effectively through loan facilities and other financial mechanisms.

[19] NSW Innovation System Assessment (The Pounder Review), 2025
[20] ABS, Innovation in Australian Businesses, 2022-23
[21] ABS, Innovation in Australian Businesses, 2022-23

79	Enhance government procurement policies to provide early-stage startups with critical contracts and revenue
80	Streamline regulatory processes in sectors like medical technology to reduce approval times and encourage investment
81	Reform superannuation fund regulations to make VC investment more attractive

Growing future-focused industries in more places

NSW's long-term prosperity is linked to diversifying our economy and increasing the complexity and value of the goods and services we produce. Our economy must continue to evolve. This means supporting the future-focused sectors NSW already excels in, such as professional services, creative industries, education, advanced manufacturing, life sciences and digital services. We should also seek to add more value locally to our resources before they are exported.

At the same time, we need to ensure that all regions across our state can succeed. NSW's cities and regions have many strengths to build on. Spreading investment and economic activity beyond central Sydney will raise productivity, relieve infrastructure bottlenecks, boost resilience, and increase economic opportunities for more communities across the state.

As part of a long-term strategy for supporting economic diversification and place-based economic development, the NSW Government should consider establishing a limited number of Growth Zones throughout NSW.

Growth Zones would aim to catalyse economic growth in specific places by building on local economic strengths. They would be a mechanism to develop and implement long-term, industry-led, place-specific strategies to strengthen industries and unlock opportunities.

Growth Zones would:

- Be **spatially defined** based on local industry strengths and competitive advantages. Examples could include around major infrastructure assets such as Western Sydney Airport, or larger functional economic areas based on a major industry, such as food processing in the Riverina.
- **Coordinate activity and stakeholders** around shared missions and goals through a dedicated strategy for local economic development
- Be **overseen by dedicated industry-led governance** which brings together local industry, government and community. State Government would play an enabling role.
- **Encourage new business activity** through planning, investment and incentives such as payroll tax holidays for new business startups in priority industries
- **Aim to deliver long-term change** by transforming local specialisms into competitive advantages, diversifying the economy and connecting more residents to high-quality job opportunities
- Include **guardrails to minimise displacement** of economic activity from outside the Growth Zone
- Feature innovative financing and funding models to **unlock investment in enabling infrastructure and fit-for-purpose industrial land**, such as Tax Increment Financing (TIF) or Business Rates Retention models.

This could build on the place-based approaches to economic development which already form part of Government policy, such as the Renewable Energy Zones and Special Activation Precincts.

Innovation districts

Business NSW recognises the fundamental importance of supporting R&D and innovative activity to occur in more places across NSW.

Last year, Business NSW through the Innovation District Alliance supported the release of the report "The Role of Government in Innovation Districts" alongside the Committee for Sydney and the Property Council of NSW. 2025 has seen some progress, including the place-focused recommendations of the NSW Innovation Blueprint 2035 and the publication of a dedicated Tech Central Economic Development Strategy.

More is to be done to strengthen the role of innovation districts in Sydney and across the state. The government is yet to implement a clear strategy, such as appointing a minister with a clear responsibility for innovation districts and to have a coherent funding structure or competitive bidding process for funding. We believe it is important at both a regional level as well as a state level.

	Recommendation
82	Explore the potential to establish a limited series of Growth Zones across NSW with powers to support industry-led, place-based economic development. The NSW Government should begin with a review of international comparators, including the recently implemented Investment Zone policy in the United Kingdom.
83	Implement a clear strategy to strengthen innovation districts across NSW. This should build on the progress made to embed local partner-led governance for Tech Central.
84	Consider and implement the recommendations of *The Role of Government in Innovation Districts* report published by the Innovation Districts Alliance

Attracting trade and investment

Businesses tell us of the positive impact Investment NSW is having in increasing access to international markets. We have heard from start-ups that have been able to pitch their MVP Granted product through the Asia offices of Investment NSW. Without the offices there, they would not have had the same credibility in pitching their start-ups. Public investment in trade and investment attraction can deliver significant value for money when administered effectively. Investment NSW should be supported to redouble its efforts on behalf of NSW businesses.

The NSW Trade and Investment Strategy 2035 is a landmark strategy for the state, but it only briefly mentions the step-change potential of Western Sydney International Airport as a gateway for trade and investment. Western Sydney's new airport is a once-in-a-generation investment in NSW. It is vital that Government is fully alert to the economic opportunity with clear plans to attract more international carriers, promote visitors and strengthen freight exports and supply chains associated with the airport.

	Recommendation
85	Increase 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 NSW.

86	Review the investment attraction process that NSW undertakes compared to other states to assess efficacy and make improvements where possible
87	Ensure a plan is in place to maximise the trade and investment opportunities of the Western Sydney International Airport

Supporting SMEs to adopt AI and modern digital practices

A digital technological revolution is underway and happening at warp speed. Rapid advances in AI mean new technologies and processes are sweeping through industries, with significant competitive advantages expected for those businesses which are able to integrate AI into their operations.

The pace and scale of change create substantial uncertainty for business owners seeking to navigate this new environment. This is especially the case for small businesses which simply lack the time and resources to invest in uncertain new technology.

Our small businesses risk being left behind, creating a two-track economy between those businesses which are able to reap the productivity benefits from AI and those which cannot.

Small business productivity is a persistent challenge holding back the state's economic development. AI is one highly promising avenue to raise productivity but it is not without risks. Businesses need to be supported to navigate the rapidly changing and complex AI environment, identify appropriate AI use-cases for their business, properly implement new technologies and processes, and then then safely manage risks once in operation.

	Recommendation
88	Establish a bigger, better Business Connect-style service for small and medium enterprises to provide a single point of access to trusted, independent advice, helping businesses adopt and implement AI. The service should: • Assist businesses in the implementation, compliance and risk management of AI. • Support businesses to assess financial, operational and compliance impacts of AI decisions. • Provide practical guidance on AI implementation. • Be tailored to the operating realities of SMEs, including capital constraints and different use cases across industries • Have at least double the amount of funding that the now defunct Business Connect program had (i.e. $20 million per year ongoing) The service could be a standalone entity or could be incorporated into a reinstated 'Business Connect 2.0' service as a one-stop shop for business advice.

Regional tourism and placemaking

The NSW Government's *NSW Visitor Economy Strategy 2035* sets an ambitious goal to grow the visitor economy to $91 billion by 2035 and recognising the importance of regional experiences to that growth. This direction is welcome and should be commended. While the Visitor Economy strategy acknowledges regional NSW, it falls short in addressing the practical foundations that enable regional visitation to scale, particularly in areas such as enabling infrastructure, ease of access, governance and coordinated delivery.

As the domestic market is recognised as the backbone of the visitor economy, projected to account for 74% of visitor expenditure by 2035, and the opportunities presented by the opening of Western Sydney International Airport (WSI) in 2026, more is needed to be done to encourage regional visitation and that WSI functions as the genuine gateway to regional NSW. Accelerating WSI's growth through guaranteed, five-year support via the expansion of the Western Sydney International Take-Off Fund - and clearer incentives for connecting regional flights - would help convert international arrivals into regional visitors, while also boosting intrastate and day-trip travel, which will continue to make up the bulk of journeys.

More broadly, regional visitation remains constrained by gaps in enabling infrastructure and delivery coordination. Reliable transport connections, fit-for-purpose roads, visitor-ready digital infrastructure, adequate and diverse accommodation, as well as well-planned public assets (including parks and green spaces, and sport and entertainment precincts or infrastructure such as stadiums and event venues) are all essential to the visitor experience. NSW's regions are in real need of investment in these things.

These challenges are further compounded by misaligned marketing and limited regional representation in decision making, which dilutes the visibility and understanding about regional destinations. Addressing these interconnected issues, through stronger regional governance, targeted investment in placemaking and infrastructure, would materially strengthen the State's ability to deliver sustained visitor growth across regional NSW.

	Recommendation
89	Expand the Western Sydney International Take-Off Fund by securing a five-year guaranteed funding agreement to accelerate the growth of Western Sydney International Airport and its surrounds, and ensure it functions as the gateway to regional NSW
90	Establish a targeted funding program to invest in the enabling infrastructure and placemaking that underpins regional tourism and growth. Examples include high streets, parks, beachfronts, sportsgrounds, event centres and other anchor assets which draw visitors to regional places.
91	Appoint a regional representative to the Destination NSW Board to increase regional perspectives in visitor economy policy. This should be paired with stronger alignment between state marketing and local placemaking to improve visibility of regional destinations
92	Extend funding for Destination Networks in regional NSW beyond this current budget, when it is due to end

Resilient businesses and communities

Resilience must be a key feature of NSW's future economy and communities. Resilience is the ability to absorb and bounce back from external shocks and unanticipated events, such as natural disasters, supply chain disruptions or global market meltdowns.

The key to resilience is preparation. It is typically too late to avoid the worst impacts of a shock once it has arrived.

Building resilience means strengthening the capacity of businesses and communities to anticipate, withstand and recover from adverse events. Business NSW has consistently highlighted the importance of a resilient operating environment - particularly in regional areas -to safeguard productivity and support sustainable growth.

We commend the NSW Government for the steps it has taken to improve the resilience of our economy and communities to adverse events. However, further action is needed. In many regional and remote communities, the impacts of infrastructure shortfalls, patchy digital and mobile coverage, water scarcity, disrupted supply chains and the sheer distance from critical services heighten vulnerability. Reducing council infrastructure backlogs and investing in strategic infrastructure such as Western NSW's rail network will be essential to maintaining NSW's long-term economic capacity and supporting population and industry growth.

Water security remains a critical underpinning of NSW's economic future, particularly as climate change intensifies. Communities in drought- and fire-prone regions continue to face profound challenges when water supplies are strained, impacting agriculture, manufacturing, population retention and local business continuity.

A coordinated, cross-agency approach is increasingly recognised as central to improving preparedness, response and recovery across all types of shocks. We urge the NSW Government and relevant agencies to frequently stress-test existing procedures, particularly focusing on inter-agency interfaces and collaboration during emergency response. This stress-testing should include detailed scenario planning for a range of possible adverse events in different regions of the state.

	Recommendation
93	Elevate water security as a strategic economic priority for NSW in key Government strategies and plans. This includes developing and implementing the Regional Water Strategies outlined in the NSW Water Strategy.
94	Expand the delivery of business resilience and recovery programs such as the 'Business Beyond Disasters' training program active in the Northern Rivers, with program content tailored to local contexts.
95	Develop local plans to strengthen regional resilience to natural disasters. This includes investing in local disaster planning, fuel-load management and community-led recovery programs.
96	Implement a Government-wide program of regular scenario planning and stress-testing for different types of shocks, translating learnings into preventative investments in resilience. Scenario planning should involve engaging with industry to identify potential gaps in shared procedures.
97	Pilot place-based growth and resilience compacts in priority regions, starting with the Northern Rivers, to align multi-agency investment in infrastructure and services

Resilience is a theme that Business NSW will be returning to throughout 2026. We look forward to collaborating with the NSW Government and partners to ensure our state is fit for the future.

NEXT STEPS

Over the coming months, we will continue to work on these asks, building out further economic analysis to articulate the need for change and what it would mean for both Metropolitan and Regional NSW. We look forward to continuing to work with the Government to help NSW be the best state for businesses, residents and communities.

If there are any policy specific questions please contact Nathan Wallwork, Head of Policy and Economics, Business NSW at Nathan.Wallwork@businessnsw.com.

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