

An aerial photograph of a coastal city and harbor. In the foreground, a sandy beach with some greenery and a small building on a cliff is visible. A long pier or breakwater extends into the water. In the middle ground, a large cruise ship is docked at a pier, and several smaller boats are in the harbor. The background shows a dense urban area with various buildings and a hillside.

BUSINESS HUNTER

2025-26
COMMONWEALTH
PRE-BUDGET
SUBMISSION

INTRODUCTION

Business Hunter values the opportunity to provide input into consideration of priorities for the 2025-26 Federal Budget and Federal Election.

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

Our connection to the national business community is strengthened through our affiliation with Business NSW and the Australian Chamber of Commerce and Industry (ACCI). We have contributed insights to their submissions, which address broader national economic priorities, while this submission focuses specifically on opportunities and challenges unique to the Hunter.

The Hunter region stands at a defining moment.

The strong attention it has received, including multiple visits from the Prime Minister and senior federal leaders, reflects the Commonwealth's recognition of our region's strategic importance to Australia's economic future. We welcome this focus and the opportunities it presents, particularly as it aligns with nation shaping policies such as ***A Future Made in Australia***.

The Hunter has the ambition, capability, and industry expertise to deliver on these national objectives, but to fully realise this potential, continued investment and partnership from the Commonwealth will be essential.

This submission is not just a call for support, it is a blueprint for collaboration. We are seeking targeted commitments that align with national priorities, leverage existing regional strengths, attract private investment, and deliver the greatest economic and social return for both the Hunter and Australia.

The challenges dominating the national business agenda, rising costs, tax reform, escalating insurance premiums, housing supply, workforce shortages, and energy security, are keenly felt in our region. The Hunter's economic landscape is mixed. While some businesses are thriving, others are facing significant headwinds.

The Hunter is well positioned to deliver.

Our region has an unparalleled concentration of energy, manufacturing, defence, and advanced industry assets. We are already a major driver of the national economy and a critical player in Australia's net zero transition.

Importantly, there is strong cohesion and alignment across the Hunter's peak bodies, industry leaders, and advocacy organisations on the key priorities for our region. This shared vision ensures a clear and united case for investment, one that reflects both immediate needs and long term opportunities.

To secure a thriving, resilient regional economy that underpins national prosperity, we have identified seven key priority areas requiring Commonwealth action:

1. Business Conditions (page 3)
2. Social infrastructure (page 5)
3. Workforce and skills development (page 7)
4. Supporting regional transformation (page 10)
5. Economic infrastructure (page 14)
6. Industry development (page 19)
7. Housing availability and affordability (page 21)

Our top five

In addition to addressing the breadth of challenges and opportunities outlined in this submission, we have identified five priority projects that represent transformational opportunities for the Hunter region. These initiatives were chosen for their potential to drive substantial economic and social infrastructure benefits, not just for the Hunter, but for the country:

1. John Hunter Health and Innovation Precinct master planning (page 5)
2. Workforce supply and demand study (page 7)
3. Hunter SME transformation appraisal (page 10)
4. Hunter Growth Infrastructure Fund (page 21)
5. Freight rail bypass (page 15)

A full list of all **37 recommendations** can be found on page 23 of this document.

Section 1: Current Business Conditions

Just as households struggle with a once in a generation cost of living crisis, businesses face a cost of doing business crisis.

Insurance, energy, wages, payroll tax, stamp duty and uncompetitive company tax rates risk strangling the most productive sectors of our economy. Since the pandemic, the number of business insolvencies have increased sharply, according to Business NSW analysis of ASIC data.

The **Business Conditions Survey**, Business NSW's flagship research product, is conducted quarterly to measure business confidence, identify challenges, and gather feedback on relevant issues. This survey includes a mix of small, medium, and large enterprises and allows for the extraction of region specific insights, including the Hunter region.

Although business confidence is improving, it remains firmly in negative territory. Measured on a scale of -100 to +100, the latest business confidence results indicate that businesses in the Hunter region are more pessimistic than the state average, currently -54. In the Hunter Valley, confidence is at -56, while Newcastle and Lake Macquarie are more severely impacted at -61.

Across both regions, financial management, regulation and compliance are the top challenges faced by businesses. In Newcastle and Lake Macquarie, over 50% of businesses have reported reduced sales demand, with lower purchase frequency and reduced quantities per order.

The Hunter Valley is similarly impacted, with over 60% of businesses experiencing the same challenges. Furthermore, in Newcastle and Lake Macquarie, over 40% of businesses have observed increased payment times, which is another strain on business operations.

In short, for most businesses, conditions are tough, and have been tough for some time.

To stay globally competitive and economically resilient, we must empower businesses to survive, and for those with the potential, to scale. In a region such as ours, medium and large enterprises will help drive the output and job creation that a strong, advanced economy depends on.

In strong alignment with Business NSW, we support a range of policy measures aimed at alleviating business cost pressures, improving business confidence, and fostering long term economic resilience.

Addressing the rising costs of doing business, whether through tax reform, energy affordability, or reducing regulatory complexity, is essential to ensuring businesses in the Hunter and beyond can survive, scale, invest, and drive employment growth.

The following recommendations outline key areas where targeted policy action can provide much needed relief.

Recommendations:

To **address payroll tax** the Commonwealth and State governments should:

- Work together through the Council of Federal Financial Relations (CFFR) to establish a standing agenda of tax reform. A Tax and Federation Commission should also be formed to advise on reform options and support a comprehensive tax reform process.
- Incrementally reduce the company tax rate to 25 per cent for all small to medium-sized businesses, while increasing the base turnover threshold to \$250 million.
- Lead efforts, working with State and Territory governments to reduce the payroll tax burden.

To **reduce red tape**, the Australian Government should:

- Establish a baseline and implement measures to monitor and publicly report on progress
- Make red tape reduction a key focus of the small business strategy
- Increase efforts to harmonise regulations across jurisdictions to reduce compliance burden on businesses operating across various jurisdictions in Australia
- Streamline compliance reporting to ensure businesses do not need to submit the same information multiple times
- Ensure fund distribution is proportionate to economic impact, allocating more to initiatives that deliver significant results and less to those that don't.

To encourage **business investment and growth**, the Commonwealth Government should:

- Ensure the instant asset write-off continues permanently past 30 June 2026 for businesses.
- Increase the instant asset write-off threshold to \$50,000 for eligible assets and introduce a 20% investment allowance for large-scale assets over \$100,000 to support substantial, long-term business investments.
- Provide advice on how key investments will impact a business's productivity in the short, medium and long-term.

To improve **cyber security** in the SME sector, which also protects the broader community, the Commonwealth Government should:

- Offer a 20% tax deduction bonus on all cyber security-related expenditure to help businesses invest in cyber security.
- Partner with the NSW Government to review the uptake and effectiveness of small business cyber security initiatives.
- Collaborate with the NSW Government, industry leaders and membership organisations to support SMEs in securing their operations

It should also continue and bolster the National Cabinet process to address the recommendations of the Thodey Review.

Section 2: Social Infrastructure

The John Hunter Hospital Innovation, Business, Learning and Living Precinct Master Planning

Business Hunter has long recognised the regional and national significance of the John Hunter Hospital Precinct and has consistently advocated for its future development. This project is critical to health, medical research, innovation, and economic diversification in the Hunter and beyond.

As the region enters a period of extraordinary growth, demand will increase not only on health and medical services but also on support industries such as housing, retail, hospitality, and specialist services.

The NSW Government's \$835m investment in Stage 1 of the John Hunter Hospital Redevelopment, the John Hunter Acute Services Building, will modernise critical care for the Hunter and New England region. John Hunter Hospital is one of Australia's busiest acute care hospitals. Business Hunter is also seeking support from the State government to fund stage 2 of the redevelopment to ensure the full potential of the overall project is realised.

However, the true potential of the 88ha landholding surrounding the hospital lies in its ability to become a fully integrated health, research, and innovation precinct. To realise this opportunity, comprehensive master planning is essential to avoid piecemeal development and ensure a strategic, high value future for the precinct.

This initiative was the subject of a submission to the Federal government's Regional Precincts and Partnerships Program – Stream One: Precinct development and planning in late 2024 and should be determined and announced as part of the 2025 budget.

A well-executed master plan will:

- Leverage government investment in the hospital and the world-renowned Hunter Medical Research Institute (HMRI) to attract private sector investment.
- Ensure long term economic and social impact, making the precinct a driver of regional innovation and job creation.
- Prevent suboptimal development by aligning land use with the precinct's core strengths in health, research, and advanced industries.
- Facilitate delivery of affordable, worker housing which is in acute shortage across the region.

This precinct represents a once-in-a-generation opportunity to build a globally competitive health and innovation hub.

Recommendation :

Progress the Regional Precincts and Partnership funding request to enable the development of a comprehensive master plan to transform the John Hunter Hospital Precinct into a globally competitive health, research, innovation and economic and community hub.

Newcastle CBD Cultural Precinct

The University of Newcastle's proposed cultural precinct is a transformational project that will strengthen the city's identity as a centre for education, innovation, and the arts.

Aligning with the Greater Newcastle Metropolitan Plan 2036, the precinct will reinforce the revitalisation of Newcastle's city centre, expand innovation clusters, and support the visitor economy. It builds on the significant public and private investment that has reshaped Newcastle over the past decade.

Beyond its educational value, the project will enhance Newcastle's connectivity, both physically and culturally, by linking the city with the harbour. This integration will improve north-south movement across the CBD, create a seamless visitor experience, and enrich the liveability of the region. Drawing on successful global models, particularly in Europe and the UK, the precinct will emulate the best attributes of university cities where education and culture intertwine, fostering dynamic precincts that drive innovation and tourism.

Government support will be critical in delivering this vision, ensuring that gaps not addressed by the private sector are filled and that the benefits extend beyond the university to the broader community. By enabling collaboration between the University, local government, and the private sector, this investment will not only elevate Newcastle's cultural and educational standing but also catalyse long term economic and social benefits for the Hunter region.

Recommendation:

Support the \$10 million University of Newcastle's City Campus and Arts and Cultural Precinct, driving economic activation, tourism, and innovation through improved connectivity, city enhancements, and cultural infrastructure.

Section 3: Workforce and skills development

Labour force and skills shortages remain a critical issue for businesses in the region, compounded by a lack of affordable housing and poor intra-regional transport links. According to Business NSW [State of Skills Report](#), the Hunter region ranks third highest in NSW for businesses experiencing workforce shortages, with 81% of local businesses impacted.

Australian Bureau of Statistics (ABS) labour market data supports this insight, revealing that unemployment in the Hunter has consistently tracked below state and national averages in recent times. This has not been the case historically.

Meanwhile, the number of monthly job ads across the Hunter region as measured by the Jobs and Skills Australia Internet Vacancy Index (IVI) has remained steady (outside of seasonal variations) demonstrating the ongoing business need to attract new employees.

For businesses, workforce shortages manifest in a range of issues. Our most recent **Business Conditions Survey** reveals that nearly 60% of businesses in the Hunter reported operating below full capacity due to challenges in accessing workers with the necessary skills, and the ongoing need to upskill their existing staff. This is a concerning statistic that highlights the talent gap in our region.

These shortages are not just immediate operational challenges, they pose a significant barrier to the Hunter's anticipated ability to diversify into emerging industries including renewable energy, med tech, and advanced manufacturing – key priorities under the **Future Made in Australia Act 2024**.

Further, the region's workforce participation rate is lagging behind the state and national average, indicating we have un-tapped potential. If the participation rate recovered to pre pandemic levels or the current national average, the region's workforce would boast an additional 23,000 people.

Reasons for the current sag are attributed to frustration on the part of job seekers unable to land roles, continuing impacts of the 'great resignation' and hidden unemployment by virtue of certain sections of the youth market that do not qualify for support owing to their parent's income circumstances.

The data and statistics also reveal concerning disconnects within the region's workforce ecosystem. For example, recent analysis showed 30% (approximately 1,650) of the Jobs and Skills Australia Internet Vacancy Index advertised jobs in the Hunter region require degree-level qualifications, yet only 7.1% (approximately 1,300) of the pool of Jobs and Skills Australia active job seekers possess this level of education.

Despite the available support for upskilling and further education, earning graduate qualifications takes time and requires targeted action from both employers and potential employees. A more immediate solution, and there are plenty of examples of this across the region, is for employers to relax their selection criteria for candidates

with the right characteristics or transferrable skills, who are willing to upskill on the job.

Anecdotally, we understand there are a range of other mismatches, including public transport missing links that create invisible valleys between employers and suitable and available workers. Transport constraints, including the lack of public transport, are reported by employment providers as the single biggest reason why job seekers are unable to accept or sustain employment locally.

These challenges, if not addressed, will hinder the region's economic growth and limit its ability to diversify into emerging opportunities in key sectors. In the context of aiding transformation, we understand the Net Zero Economy Authority is focused on driving investment to create jobs to replace those forecast to decline in coming years, particularly jobs of a 'high skilled, high paid' nature that provide continued direct and indirect economic benefits in our region.

If these growth impulses are to be realised, these efforts will need to take into consideration the mismatches and disconnects that exist within our region and the need to form a tailored response.

The generic approach is demonstrably already failing us in a 'business as usual' scenario. These issues are likely to magnify under the lens of change as demands for new and expanded industry materialise. We believe this issue warrants further exploration and would benefit from the facilitation of a pilot study across the region, which could potentially be led by the Net Zero Economy Authority.

This would involve a deep dive to fully analyse the pool of unemployed, their skills, employer requirements, and details and context of other barriers in the employment market and how they might be mitigated or addressed.

The Hunter region, with its diverse industries and demographic characteristics and diverse training and educational offerings is ideally positioned to serve as a testing ground for such a study. With significant future demand, low unemployment rates below both state and national averages, the region presents a unique opportunity for targeted intervention and innovative solutions.

Recommendation:

Facilitate and fund a pilot study to identify and address the employment market shortcomings including workforce and skills mismatches in the Hunter region. Based on results, this could be extrapolated for the benefit of other regions Australia-wide.

Australian Public Service Academy

The Australian Public Service Academy Pilot Program has been operating successfully at the University of Newcastle since its establishment in 2023. Beginning with 18 students, it has grown to 34 students in 2024, in two streams, digital and data, with many more highly qualified applicants. Students are studying and working on projects for 13 agencies. Students have a 100% retention rate, and an extremely high satisfaction rate.

Employment and agency uptake has grown considerably, growing the number of high quality public jobs in the region, bringing more regional perspectives to policy making and analysis, and growing trust in government and democratic processes.

Newcastle and the Hunter Region have strong connections and employment base in the Australian public service, including through the presence of the Australian Taxation Office, Department of Defence, including the RAAF Base and JSF sustainment at Williamstown, Singleton Military Area and Chauvel Training Depot at Muswellbrook, and the National Disability Insurance Agency, as well as being the location for multi department employees with flexible working arrangements, particularly the Department of Infrastructure.

Building on its resounding success, the program now aims to expand its reach, offering 100 regional students per year the opportunity to develop careers in the Australian Public Service.

Recommendation:

Support the expansion of the Australian Public Service Academy to increase access to high quality, paid APS cadetships for Hunter students, strengthening regional career pathways and embedding diverse perspectives in public policy.

Section 4: Supporting regional transformation

In response to the challenges of economic and social transformation in impacted communities, the Government established the Net Zero Economy Authority (NEZA), which has been complemented by the NSW state government Future Jobs and Investment Authority (FJIA).

Both organisations have within their remit the task of considering the approaching transformation and mitigating the potential negative impacts on communities, the workforce and business. A somewhat unique characteristic in the Hunter is that transformation is beyond just the forecast decline of the non-renewable energy and coal mining sector. As such, our response must extend beyond just those two sectors. Against the forecast decline of these two pillar industries – coal fired power generation and coal mining, is the growth of promising new industries in the renewable and net zero economy, as well as emerging and growing capabilities in Defence, advanced manufacturing, freight and logistics, MedTech, and health.

Some opportunities arising from the adaptive re-use of former mining and power station lands have been identified and are in the process of being investigated through the resources of a state government parliamentary inquiry.

There is a genuine prospect that if the outcomes of the inquiry prove positive and feasible to implement, the region will be the beneficiary of an additional resource to assist in delivering the strategy for ‘life after mining’.

Business Hunter holds the firm view that in the majority of growth and expansion scenarios, by working closely with the existing complement of business and industry, the best result will be achieved.

The key to making the most of this is having a clear view on the ‘DNA’ of the existing businesses and their capacity and capability to participate and function in the revised and future scenarios.

Hunter SME Transformation appraisal

We recognise much has been done to predict and assess what change might look like for the Hunter into the future. This has predominately had a community and individual employee or job stream focus. In some cases, investigations have included an intense local focus concerned with the closure of a particular coal fired power station or a single mine.

However, a significant gap remains in our collective understanding of the broader impact on businesses that rely directly and indirectly on these industries. These businesses, ranging from local suppliers and uniform providers to caterers and service companies, risk facing uncertainty as their customer base shrinks or shifts.

Yet we know little of their short, medium and long term intentions; their level of resilience, their level of interest on doing something else and how adaptable they are; their financial

capacity and ability to reinvest if needed; their skills needs, and challenges involved in achieving their own plans now let alone a pivot into the future.

As transformation progresses, upside opportunity may materialise and lead to change in the profile of business and industry. New industry and business may rely on different types of local business and industry support and the true ability for existing communities to provide this is relatively unknown.

The results of thorough investigations can provide valuable insights to pinpoint the need for targeted support mechanisms that address the unique challenges faced by these businesses and industries. It's not merely about workforce redeployment, it's about ensuring the businesses as key drivers of employment, are equipped to survive and thrive in a rapidly evolving economic landscape.

Until we accurately assess the full scope of the business ecosystem and the potential impact of impending change, it is difficult to ensure that businesses receive the support they need to safeguard local employment, maintain economic stability, and ensure that the region is well-positioned to benefit from the growth of the renewable energy sector.

Recommendation:

Hunter SME transformation appraisal - Commission a comprehensive pilot audit of the businesses ecosystem in the Hunter that rely on the coal mining and the non-renewable based energy sector to assess the full scope of transition impacts, preventing a secondary wave of fallout.

Energy certainty – Pricing and supply

Energy costs remain a top concern for businesses across NSW, with rising wholesale electricity prices and network costs continuing to place pressure on operations. The Hunter region, as a key industrial and trade hub, is particularly affected, with energy intensive industries requiring a stable, affordable power supply to remain competitive.

We strongly reiterate the concerns expressed by Business NSW that delays in clean energy infrastructure and uncertainty in energy policy are undermining business confidence and investment decisions. The transition to net zero must balance cost, reliability, and long-term economic stability, ensuring businesses have access to competitively priced energy while progressing toward sustainability targets.

To address these challenges, Business NSW recommends a range of measures aimed at:

- **Achieving net zero at the lowest cost** by prioritising market-based solutions that drive private sector investment and competition.
- **Adopting a fuel-source-neutral approach** to ensure emissions targets are met in the most efficient, cost-effective manner.
- **Accelerating regulatory reform** to streamline investment in new energy infrastructure and improve grid reliability.
- **Enhancing transparency** around energy transition planning to boost investor and business confidence.

- **Extending small business energy incentives** to support businesses in managing costs and adopting energy-efficient technologies.

A detailed list of these recommendations can be found [here](#).

For the Hunter, these priorities are particularly relevant as the region undergoes rapid transformation into a clean energy and advanced manufacturing hub. Business Hunter strongly supports measures that ensure a balanced energy transition, securing affordable power while unlocking new economic opportunities.

A key component of this transition in our region is the development of large-scale renewable energy projects, such as offshore wind.

New Energy Initiatives – Offshore Wind

We acknowledge that there is uncertainty and contention in relation to the Hunter Offshore Wind Zone that has come from the spreading of disinformation. We have joined hands with a number of worker and advocacy groups in a coordinated effort to promote a more balanced narrative, and ensure the project is given a fair hearing. The Australian Government's announcement of a preliminary feasibility licence for an offshore wind energy project adjacent to the Hunter region is an important milestone in progressing the clean energy transition. Business Hunter commends the government's commitment to unlocking the region's potential to support the entire offshore wind supply chain, from generation and transmission to manufacturing and operational services. However, the allocation of a single feasibility licence, covering just 30% of the designated offshore wind zone and representing 2GW of capacity, leaves 70% of the area unaccounted for, with 3.2GW of notional capacity yet to be allocated. Business Hunter urges the government to ensure this opportunity is fully utilised by expanding preliminary feasibility licences to additional proponents. Our position, outlined in correspondence to Minister Bowen in July last year, reflects the significant implications of limiting feasibility assessments in the Hunter:

- **Mitigating Project Risk:** A single feasibility licence does not guarantee development, given the complexity of consultation, environmental assessment, and commercial viability. Multiple licences, as seen in Gippsland's 12 feasibility applications, would provide insurance against project delays or cancellations. **Investor Confidence and**
- **Economic Signal:** All eight proponents who submitted applications invested considerable resources in preparing for the feasibility process. A more inclusive approach would bolster investor confidence and encourage future participation in other offshore wind zones. **Complementing Renewable Energy Planning:** Offshore wind
- was not factored into the designation of the Hunter and Central Coast Renewable Energy Zone (HCCREZ), yet it remains critical to meeting state and national renewable energy targets. The Federal Government's recognition of offshore wind underscores its importance in ensuring energy security, price stability, and economic resilience.

- **Supporting the Future Made in Australia Agenda:** Offshore wind will underpin new industrial opportunities, including advanced manufacturing and hydrogen production. A scaled-down offshore wind zone could undermine investor interest in supply chain development, limiting job creation and regional economic growth.

The Hunter region stands at a critical juncture in the clean energy transition, and the pace of renewable energy development must match the urgency of industrial transformation. Business Hunter strongly advocates for an expanded offshore wind feasibility process to secure the energy, employment, and economic opportunities that this sector promises. We remain committed to working alongside the government and industry to maximise the region's role in Australia's new energy future.

Recommendation:

Provide opportunity for additional licenses, offering insurance that another project may proceed in alternative circumstances.

Section 5: Economic Infrastructure

As Australia's largest regional economy, the Hunter's continued growth depends on well-planned infrastructure that enhances connectivity, improves freight efficiency, and supports economic diversification.

Strategic investments in road and rail between inland NSW and the Hunter's global gateways (Port of Newcastle and Newcastle Airport) will enable the region to capitalise on emerging opportunities in trade, advanced manufacturing, and energy transition.

The Hunter region's role as a critical trade gateway for the east coast is heavily reliant on efficient transport links from the north and the west of NSW. Improved rail and road infrastructure will enhance connectivity to the Port of Newcastle and Newcastle Airport, supporting economic growth and regional productivity.

Newcastle's port infrastructure offers a key advantage over alternative routes to Port Botany and Port Kembla, which face congestion and passenger rail prioritisation. Improved western NSW connections strengthen Newcastle's position as a preferred export hub for bulk commodities and emerging industries.

Newcastle Airport's growth as an international gateway also increases the need for reliable freight transport links from inland NSW.

Connecting inland rail to Global Gateways

The Inland Rail project presents a once-in-a-generation opportunity to transform regional freight logistics. To maximise its benefits, it is essential to ensure strong connectivity between regional NSW and the Port of Newcastle, particularly through missing links from Narromine to Narrabri and then onto Moree.

This investment will provide exporters with a competitive alternative to Port Botany and Brisbane, reduce freight transit times and costs for regional producers, and enhance efficiency and reliability by shifting more freight from road to rail.

Improving freight rail links will also unlock additional capacity for bulk commodities and containerised exports, helping regional businesses remain globally competitive. Key projects such as the Narrabri Shire Council-led Northern NSW Inland Port (N2IP) will provide further connectivity to the proposed Inland Rail network and additional accessibility to most major ports across Australia, including its closest port, the Port of Newcastle, which has well documented ambitions to diversify its trade mix, including an increase in its container trade.

These intermodal hubs offer strong opportunities to leverage the existing foundation agriculture and resource industries, as well as encouraging the growth of new businesses that will help to diversify traditional energy intensive regions.

The development of these regional intermodals presents major investment opportunities for transport and logistics operators, manufacturers, agri-businesses and service providers, and offers a competitive advantage to businesses seeking to establish national and global distribution through nearby global gateways, the Port of Newcastle, which is directly linked to the inland rail, and Newcastle Airport.

The flow on multiplier effects in jobs and income from investment into these gateways is well documented.

Recommendations:

- Ensure Inland Rail connectivity between regional NSW and the Port of Newcastle, particularly the Narramine-Narrabri-Moree sections.
- Prioritise the Narrabri Northern NSW Inland Port (N2IP)

Newcastle Freight Rail Corridor

Following many years of planning and community consultation, the reserve for the Newcastle Rail Freight Corridor has been identified. With current and projected population growth it is increasingly important to separate the freight rail traffic from passenger services. This could also assist the recently established High Speed Rail Authority in planning for high-speed rail into the future.

Establishing the rail freight corridor will also open an opportunity to densify residential development along the existing rail line. The removal of freight trains from this line facilitates this at a time when housing pressures demand we open up sites to accommodate an increase in the supply of housing.

Business Hunter is supportive of respective levels of government moving quickly to progress planning, funding and development of the Newcastle Freight Rail corridor.

Recommendation:

Provide funding support to complete the corridor planning, property acquisition and construction of the Newcastle Freight Rail Bypass.

Orana and Golden Highway

The Orana to Newcastle Rail Corridor proposal seeks to complete the Maryvale-Gulgong rail link and upgrade the Gulgong-Ulan section to improve freight transit times and reliability. This would establish a more direct, high-capacity route for freight moving between western NSW and Newcastle, reducing congestion on existing networks. The Golden Highway Corridor is a critical freight route linking the Central West and Hunter regions. Planned upgrades, including bridge widening, overtaking lanes, and improved intersections, will improve safety, reduce travel times, and support efficient freight movement to Newcastle's port and airport.

Freight volumes along these corridors are projected to more than double by 2033, largely driven by the expansion of the mining and agriculture sectors. The ability to move this freight efficiently to Newcastle will be vital for export competitiveness. Diverting more freight from road to rail will reduce road congestion and improve road safety along major freight corridors. Increased rail use also delivers environmental benefits by cutting emissions and reducing heavy vehicle wear and tear on road networks. These infrastructure upgrades align with state and federal priorities for regional economic development, supply chain resilience, and sustainable transport.

Recommendations:

- Provide funding to complete the Orana to Newcastle Rail line.
- Provide funding support for upgrades to the Golden Highway Corridor.

High Speed Rail

Whilst the costings for the development of high speed are still unknown, the rail project presents a once-in-a-generation opportunity to reshape connectivity between Sydney and Newcastle while driving economic growth in the Hunter.

Business Hunter supports in principle a commitment to the first phase of the Sydney to Newcastle corridor will significantly improve passenger transport, reduce congestion, and enhance business productivity by providing faster, more reliable access to Sydney. Beyond transport benefits, high-speed rail also represents a major economic opportunity for the Hunter's advanced manufacturing sector, with the potential to establish local prefabrication and assembly facilities to support both the initial construction phase and future expansion of the network.

Recommendations:

- Subject to the confirmation of the business case meeting community expectations
Commit to the first phase of High Speed Rail, Sydney to Newcastle corridor, with stations at Broadmeadow and Morisset.
- Prioritise the establishment of advanced manufacturing facilities in the Hunter, including prefabrication and assembly hubs, to support the construction of the first phase of High Speed Rail and future network expansions.

Digital infrastructure

The Australian Government's \$3 billion investment to complete the NBN rollout represents a significant step toward improving digital connectivity, particularly for regional businesses. Reliable, high speed internet access is critical to ensuring the Hunter remains competitive,

enabling businesses to embrace digital transformation, support remote workforces, and drive productivity gains. This investment is expected to enhance service quality, expand fibre access, and bridge connectivity gaps for businesses and communities across the region.

A recent report into the future of [digital connectivity in the Hunter region](#), undertaken by the Destination Sydney and Surrounds North (DSSN) to support the tourism industry, has highlighted a much broader issue, the critical need for improved digital infrastructure across the entire business community.

While tourism operators rely on strong connectivity for bookings, payments, and visitor experiences, the report makes it clear that inadequate digital infrastructure is a major barrier to productivity, investment, and growth across all industries.

Addressing these challenges will be essential to ensuring that businesses in the Hunter can fully participate in an increasingly digital economy:

- **Persistent Coverage Gaps** – Seven out of ten LGAs in the region do not have sufficient wireless network capacity to meet future demand, particularly in areas with high business activity, tourism, and population growth. Up to 71% of dwellings require upgrades to Fibre to the Premises (FTTP) for reliable connectivity.
- **Scalability for Business Growth** – Businesses in advanced manufacturing, energy, mining, and agribusiness require high-capacity, scalable digital infrastructure to adopt automation, AI, and Internet of Things (IoT) solutions. Poor digital connectivity limits their ability to innovate and expand.
- **Support for Remote Work and Hybrid Models** – As more businesses embrace flexible work arrangements, inconsistent connectivity outside major centres limits participation in the remote workforce, reducing business productivity and talent attraction.
- **Investment in Regional Digital Infrastructure** – The lack of public-private partnerships and shared infrastructure investment is slowing digital connectivity improvements. Strategic investment in fibre and wireless solutions is needed to ensure business resilience and competitiveness.
- **Cybersecurity and Digital Resilience** – Many businesses lack access to reliable, high-speed internet, making them vulnerable to cyber threats and limiting their ability to implement secure cloud-based solutions.
- **Connectivity for Freight and Transport** – The Hunter's growing role as a trade and logistics hub requires better digital connectivity for real-time tracking, automation, and supply chain efficiency. Integration with energy and transport projects can help drive coordinated infrastructure rollouts.
- **Temporary and Peak Demand Solutions** – Large-scale events and seasonal tourism spikes overload existing networks, impacting local businesses that rely on digital transactions, bookings, and communication.

Recommendation:

Prioritise investment in high speed, scalable digital connectivity across the Hunter including:

- Expanding fibre and 5G coverage to eliminate persistent coverage gaps, particularly in high growth and industrial areas.

- Enhancing connectivity along key freight and transport corridors to support supply chain efficiency and business operations.
- Encouraging public-private partnerships to accelerate infrastructure upgrades and ensure regional businesses have access to reliable, future proof digital services.

Section 6: Industry development

The Hunter is poised for reinvention, one that will position it as a globally connected hub, driving economic growth and cultural vibrancy.

With the planned opening of a new airport terminal facility on 1 August 2025 and introduction of international flights from Newcastle Airport in late 2025, the region will gain new opportunities for travel and freight import and export, expanding access to international markets.

The Hunter region, known for its premium horse breeding products, vineyards and wine, and high-quality perishable food products including dairy, eggs, meat, and seafood, stands to benefit from faster, more reliable access to global markets with the introduction of international flights at Newcastle Airport.

These industries, along with others requiring time sensitive shipping, such as medical devices and pharmaceuticals, will gain significant advantages from enhanced freight services.

As the freight import and export opportunities come online, the Newcastle Airport Air Cargo Terminal is the missing link in the Hunter's air-based supply chain, and capital funding for this project is key to unlocking the region's economic potential.

Recommendation:

Contribute to the establishment of a regional international air cargo terminal for Newcastle Airport.

Defence Industry and Workforce Development

The Hunter region has successfully secured several major Defence projects, reinforcing its role as a critical hub for national security and industry capability. The challenge now is ensuring these projects are fully resourced and that local industry is positioned to grow and sustain Defence-related opportunities over the long term.

Workforce Generation

A key challenge for the region is workforce availability, particularly in high-tech and advanced manufacturing roles essential to Defence projects. Business Hunter is working with NSW TAFE, the University of Newcastle, and industry partners to transition skilled workers from transitioning sectors into Defence. However, workforce planning remains fragmented, and local efforts are often carried out in isolation.

To ensure the long term success of Defence projects in the Hunter, Federal and State Governments must take a more coordinated approach to workforce generation, including structured support for skills development and industry transition programs. A clear example of this gap is the de-funding of the Naval Shipbuilding College, which had previously provided structured workforce development for Defence industry needs.

Recommendation:

Federal and State Governments to work together to develop and implement a workforce generation plan for Defence. Regional strategies must be an included element to reflect the Defence sector and sovereign supply chain distribution.

Supporting and Growing Australian Industry

The Federal Government's Defence Industry Development Strategy (DIDS) sets out clear priorities for building sovereign industrial capability. However, there is growing concern that while these priorities are well articulated, they are not being fully realised in practice.

One of the key challenges is the classification of foreign-owned Defence primes with Australian subsidiaries (such as BAE, Lockheed Martin, Boeing Defence Australia, and Raytheon) as sovereign industry.

While these companies have a presence in Australia, their supply chains and decision making structures remain largely tied to their overseas parent companies. As a result, local Australian businesses struggle to compete for contracts, particularly in maintenance, where work often continues to flow offshore.

This imbalance is driving Australian companies out of the Defence sector and weakening the very sovereign capability that the government has identified as a national priority. If Australia is to build genuine Defence industry resilience, there must be stronger policy measures to ensure that local companies are meaningfully integrated into Defence supply chains and that the nation's industrial base can support security operations in an era of increasing global strategic competition.

Recommendations:

- Implement local industry participation targets for Defence procurement and sustainment projects to ensure meaningful engagement with Australian businesses.
- Prioritise Australian-owned SMEs in Defence supply chains to strengthen local capability and reduce reliance on foreign primes.
- Establish measurable wartime sovereign supply chain responsiveness benchmarks, informed by lessons from recent global conflicts. These benchmarks should account for predictable global supply chain disruptions and be used to assess true sovereign capability. Where gaps are identified, prioritise investment in Australian SMEs to strengthen resilience and long-term preparedness

Section 7: Housing availability and affordability

We recognise the government's commitment to housing and that several solutions are progressing to implementation, particularly in metro locations.

In the regions, housing challenges are hugely varied, making a one-sized fits all approach impractical. In the Hunter region, a significant barrier to housing development is the delivery of essential infrastructure, such as roads, utilities, and transport connections needed to support new builds.

The upfront costs associated with these infrastructure components, coupled with the risk involved, often deter developers from moving forward with these projects, despite a clear and growing demand for housing.

Establishing a Hunter Growth Infrastructure Fund offers a potential solution to this issue by providing upfront funding for the required infrastructure in identified growth areas. Under this model, the state would provide the funding to construct the infrastructure and recoup the investment from developers as the projects are sold down.

This approach has the potential to alleviate the difficulty developers encounter in funding up front infrastructure and relieve immediate housing supply constraints by enabling projects that are essentially ready to proceed but currently stalled. There are plenty of precedents for this approach, the most obvious being the use of HECS for tertiary education.

In 2015 the NSW Government set up the Newcastle Mines Grouting Fund (the Fund) to address the issue of mine subsidence and its impact on property development in the Newcastle CBD. Functioning like an insurance policy, the Fund stepped in to cover costs exceeding a certain threshold.

This mechanism reduced uncertainty and risk associated with building in the city centre mine subsidence zone and encouraged new multi-storey housing and commercial development.

Prior to its removal in the 2022-23 Budget, the Fund was an unequivocal success in providing confidence to invest in the development of desperately needed housing supply and community infrastructure that could be delivered by the private market.

With its framework already in place, the Fund could be swiftly reinstated as a critical tool to accelerate housing supply, reduce risk for developers, and support the continued revitalisation of the Newcastle CBD.

We also note recent initiatives have extended the operation of a similar fund into Lake Macquarie. Business Hunter is supportive of moves to investigate the feasibility and possibility of extending the Fund to other precincts impacted by mine subsidence with a view to providing bespoke solutions in the future. This is particularly critical given the housing situation in the region and the targeting of former mining land s for adaptive re-use in proximity to villages and towns in the region.

Recommendations:

- Create a Hunter Growth Infrastructure Fund and commit \$500 million to the delivery of Hunter enabling infrastructure to unlock the existing pipeline for the region's housing and jobs.
- Reinstate the (previous Newcastle) Mines Grouting Fund and provide funding for broader investigations to potentially extend activity to other parts of the region.

Full list of Recommendations:

Business Conditions

To **address payroll tax** the Commonwealth and State governments should

- Work together through the Council of Federal Financial Relations (CFFR) to establish a standing agenda of tax reform. A Tax and Federation Commission should also be formed to advise on reform options and support a comprehensive tax reform process.
- Incrementally reduce the company tax rate to 25 per cent for all small to medium-sized businesses, while increasing the base turnover threshold to \$250 million.
- Lead efforts, working with State and Territory governments to reduce the payroll tax burden.

To **reduce red tape**, the Australian Government should:

- Establish a baseline and implement measures to monitor and publicly report on progress
- Make red tape reduction a key focus of the small business strategy
- Increase efforts to harmonise regulations across jurisdictions to reduce compliance burden on businesses operating across various jurisdictions in Australia
- Streamline compliance reporting to ensure businesses do not need to submit the same information multiple times
- Ensure fund distribution is proportionate to economic impact, allocating more to initiatives that deliver significant results and less to those that don't.

To encourage **business investment and growth**, the Commonwealth Government should:

- Ensure the instant asset write-off continues permanently past 30 June 2026 for businesses.
- Increase the instant asset write-off threshold to \$50,000 for eligible assets and introduce a 20% investment allowance for large-scale assets over \$100,000 to support substantial, long-term business investments.
- Provide advice on how key investments will impact a business's productivity in the short, medium and long-term.

To improve **cyber security** in the SME sector, which also protects the broader community, the Commonwealth Government should:

- Offer a 20% tax deduction bonus on all cyber security-related expenditure to help businesses invest in cyber security.
- Partner with the NSW Government to review the uptake and effectiveness of small business cyber security initiatives.
- Collaborate with the NSW Government, industry leaders and membership organisations to support SMEs in securing their operations

It should also continue and bolster the National Cabinet process to address the recommendations of the Thodey Review.

Social infrastructure

- Progress the Regional Precincts and Partnership funding request to enable the development of a comprehensive master plan to transform the John Hunter Hospital Precinct into a globally competitive health, research, innovation and economic and community hub.
- Support the \$10 million University of Newcastle's City Campus and Arts and Cultural Precinct, driving economic activation, tourism, and innovation through improved connectivity, city enhancements, and cultural infrastructure.

Workforce and skills development

- Facilitate and fund a pilot study to identify and address the employment market shortcomings including workforce and skills mismatches in the Hunter region. Based on results, this could be extrapolated for the benefit of other regions Australia wide.
- Support the expansion of the Australian Public Service Academy to increase access to high quality, paid APS cadetships for Hunter students, strengthening regional career pathways and embedding diverse perspectives in public policy.

Supporting regional transformation

- Hunter SME transformation appraisal - Commission a comprehensive pilot audit of the businesses ecosystem in the Hunter that rely on the coal mining and the non-renewable based energy sector to assess the full scope of transition impacts, preventing a secondary wave of fallout.
- Provide opportunity for additional licenses, offering insurance that another project may proceed in alternative circumstances.

Economic Infrastructure

- Ensure Inland Rail connectivity between regional NSW and the Port of Newcastle, particularly the Narramine-Narrabri-Moree sections.
- Prioritise the Narrabri Northern NSW Inland Port (N2IP)
- Provide funding support to complete the corridor planning, property acquisition and construction of the Newcastle Freight Rail Bypass.
- Provide funding to complete the Orana to Newcastle Rail line.
- Provide funding support for upgrades to the Golden Highway Corridor.
- Subject to the confirmation of the business case meeting community expectations Commit to the first phase of High Speed Rail, Sydney to Newcastle corridor, with stations at Broadmeadow and Morisset.
- Prioritise the establishment of advanced manufacturing facilities in the Hunter, including prefabrication and assembly hubs, to support the construction of the first phase of High Speed Rail and future network expansions.
- Prioritise investment in high speed, scalable digital connectivity across the Hunter including:
 - o Expanding fibre and 5G coverage to eliminate persistent coverage gaps, particularly in high growth and industrial areas.

- Enhancing connectivity along key freight and transport corridors to support supply chain efficiency and business operations.
- Encouraging public-private partnerships to accelerate infrastructure upgrades and ensure regional businesses have access to reliable, future proof digital services.

Industry development

- Contribute to the establishment of a regional international air cargo terminal for Newcastle Airport.
- Federal and State Governments to work together to develop and implement a workforce generation plan for Defence.
- Implement local industry participation targets for Defence procurement and sustainment projects to ensure meaningful engagement with Australian businesses.
- Prioritise Australian-owned SMEs in Defence supply chains to strengthen local capability and reduce reliance on foreign primes.

Housing Availability and Affordability

- Create a Hunter Growth Infrastructure Fund and commit \$500m to the delivery of Hunter enabling infrastructure to unlock the existing pipeline for the region's housing and jobs.
- Reinstate the (previous Newcastle) Mines Grouting Fund and provide funding for broader investigations to potentially extend activity to other parts of the region.