

BUSINESS HUNTER

2022-23 NSW Budget Submission

NSW Treasury

January 2022

Introduction

Business Hunter (formerly the Hunter Business Chamber) appreciates this opportunity to provide input into consideration of priorities for the 2022-23 NSW Budget.

Business Hunter is the Hunter Region's peak business policy and advocacy group, representing more than 3,700 member and affiliate businesses and industries across all sectors, from SMEs to large corporations and organisations. We are connected to the business community statewide and nationally through affiliations with Business NSW, Business Australia and the Australian Chamber of Commerce and Industry (ACCI). Furthermore, Business Hunter is networked and affiliated with 20 local Chambers of Commerce across the Hunter region further enhancing our reach, connectivity and engagement with the business sector.

We believe our role is important to help Hunter businesses to succeed. Through providing open access to business policy, thought leadership and strong advocacy we know we can assist in positioning this region for prosperity, to strengthen existing and generate new jobs, social wealth and a better community in which to live.

The Hunter Region in NSW is Australia's largest regional economy, with a Gross Regional Product of more than \$50 billion per year. The region encompasses 10 local government areas (LGAs) with a total population of nearly 700,000 and a workforce of over 330,000.

Over the last ten years, Business Hunter has advocated and supported a wide range of projects and programs that have or will on completion, benefit the community and business in the region. By working with the State government, the region has been able to prioritise and deliver on some key programs and projects including the following:

1. The lease of the Port of Newcastle.
2. The revitalisation of the region's capital, the Newcastle CBD including the installation of the light rail.
3. In conjunction with the Commonwealth, commitments to
 - a. progress the extension of the Hunter Expressway by virtue of the Singleton and Muswellbrook by passes;
 - b. fund and commence construction of the Newcastle inner city bypass;
 - c. finalize the planning, funding and progress of the approval process to construct the M1 link from Black Hill to Raymond Terrace and upgrade to Hexham straight.
4. Delivery of the new Maitland hospital.
5. Project and funding commitment for stage 1 of the John Hunter Hospital precinct redevelopment.
6. Through the former Hunter Infrastructure and Investment Fund, acquittal of funds to support regional, subregional and locally significant social and economic infrastructure projects across the region.

7. Program funding for Hunter Defence.

Business Hunter acknowledges these, and other initiatives have facilitated considerable commitment and spending on the part of the private sector which have added to the region developing a strong economically diverse base. The region is now attracting greater attention nationally and internationally and has ambition to further enhance its offering with a capacity and capability to considerably add to the economic output for the region, the state and the nation.

Business Hunter is of the strong view that with continued targeted and collaborative government support, the region will drive and support further growth and attract further investment from the private sector.

COVID-19 impacts

As with many other regions across the state, COVID-19 continues to have a significant impact on business in the Hunter Region.

There has been substantial and sustained business downturn across retail, tourism, entertainment and hospitality sectors, with education and training also significantly affected. This is being continually compounded by trade uncertainty and labour shortages in key industries.

The Business NSW December 2021 Business Conditions Survey showed there are signs that compared to 2020, fewer businesses had weathered the pandemic storm, and many continue to lag. While in the latter part of 2020 there was a sentiment that COVID-19 impacts were retreating for businesses, the recent Omicron wave has shown a different perspective. Even as restrictions eased and opportunity for recovery is socialized across the business community, in reality, business still need access to sharp and responsive support throughout this turbulent period of reopening to avoid closure all together.

Statewide Budget Priorities

Business Hunter supports the pre-budget submission to the 2022-23 budget made by Business NSW (BNSW), which makes recommendations that set out a pathway to COVID economic recovery based on feedback from businesses to the December quarter Business Conditions Survey, and other engagement.

Regional Budget Priorities

Business Hunter continues to advocate at regional level for the acceleration and completion of key infrastructure projects we see as important economic enablers in our region. Business Hunter has a strong focus on advocating for infrastructure that will enhance business and industry growth and attract investment to the Hunter region.

Economic diversification is a key issue for the Hunter given the variable outlook for the existing resource and energy sectors. While demand forecasts indicate mining and the export of coal will continue to play an important role in the Hunter economy for decades to

come, there is a strong focus on positioning and diversifying the regional economy to ensure its future strength and resilience. There is an imperative to identify new opportunities for investment and employment and the infrastructure priorities championed by Business Hunter are those that will support the development a more diverse and resilient economic base.

Energy and Resources

Business Hunter is actively engaged in promoting and facilitating growth in connectivity across the region's energy transition journey. We are embedded in the policy and advocacy supply chain to unlock the full regional potential to unlock the NSW Government's Energy Roadmap, develop and execute a national-leading Hydrogen Hub and REZ connected ecosystem fully enabled to supply the state and indeed global partners with viable alternative baseload power to fossil fuel to 2050 and beyond.

Business Hunter supports many projects being pioneered by the State Government and Local Government agencies in the region including transference of council services infrastructure to operate on renewable sources.

We support the continuation of the successful Hunter Hydrogen Technology Cluster (NewH2) and recommend that the NSW Government use the 2022-23 Budget to underpin national investment with key funding to allow this organisation to thrive and help NSW deliver on its energy investment and growth strategy.

About NewH2

NewH2 – Hunter Hydrogen Technology Cluster was seeded by NERA and the University of Newcastle (UON) in 2021 as forms part of the national hydrogen technology cluster network H2TCA.

Newcastle is an essential export and service gateway for NSW, and NewH2 leverages existing stakeholder networks to help grow hydrogen capabilities and drive industry collaboration in regional NSW through this gateway model.

NewH2 supports the regions hydrogen industry development efforts underpinned by the National and State hydrogen strategies and the Hunter Hydrogen Roadmap (Roadmap). NewH2 supports the Roadmap vision for the region to be Australia's leading hydrogen hub and technology cluster, demonstrated by excellence in research, innovation, technology and education, production, use, export and employment participation across hydrogen supply chains.

NewH2 is doing this by delivering industry cluster initiatives that facilitate connections and knowledge sharing and by bringing together the expertise, technologies, resources, capital and knowledge of businesses and organisations needed to support the emerging local and national hydrogen industry. It works to support the development and coordination of hydrogen supply chains, identify gaps and barriers, and support the region to be

equipped with the skills required for the development, deployment, and commercialisation of new hydrogen focused technologies.

NewH2 provides an open platform for business associations, government, research, and industry to work together and to support a message that the Hunter is driving industry participation in the hydrogen economy, is coordinated, collaborative, and is ready for investment.

Since establishment NewH2 has over 400 engaged members and has maintained strong support by several local industry associations, businesses, TAFE and The University of Newcastle, that spans the Hunter, Central Coast and Orana regions of the state.

The support of strategic stakeholders that share an aligned vision is essential for the success of NewH2. Strategic Stakeholders include:

- Business Hunter
- Hunternet
- Ai Group
- The University of Newcastle
- The Newcastle Institute for Energy & Resources (NIER)
- NSW Energy & Resources Knowledge Hub (ERKH)
- The Hunter Hydrogen Taskforce
- Committee for the Hunter
- Department of Regional NSW
- Engineers Australia – Newcastle Branch
- Australian Institute of Energy – Newcastle Branch
- Regional Development Australia (Orana)
- Central Coast Industry Connect (CCIC)

Future Objectives

As NewH2 moves beyond establishment phase, and hydrogen “hub” projects in the region move toward feasibility and construction the “**Hub and Cluster**” model of working together will take shape to bring industry confidence, investment attraction, employment growth and to position the region to be globally recognised in hydrogen-related technology and expertise.

In the next phase of growth NewH2 is working to grow cluster capabilities to meet market needs including the support of large-scale projects to create new opportunities for industry participation and innovation in hydrogen Supply chains.

NewH2 has a delivery program that includes the following elements:

1. Knowledge development and sharing; leading and continuing NewH2 education networks and platforms for engagement with business
2. Pipelined skills, regulation and workforce development leveraging agencies such as Business Hunter who are adept at navigating and analysing labour market trends and opportunities

3. Research & Innovation through strong partnership with the University of Newcastle;
4. Projects & Investment Attraction working with regional partners to attract visitors and investors to firsthand tours of our region's capabilities.
5. National Cluster NewH2 will align with H2TCA and other Federal and State cluster efforts to drive external (ex-region) project and national outcomes.

ACTION: NewH2 is seeking the co-contribution support of the NSW and Federal Government for \$450,000 over a period of three years (\$150,000 per annum) to enable NewH2 to continue its work to accelerate business to business collaboration, local cohesion and capability across the emerging hydrogen value chains. Funding will enable the continuity of NewH2's forward agenda and support a dedicate resources for oversight and management. Co-contribution from both State and Federal funding will send a strong message that the Hunter Region, and NSW more broadly, is serious about hydrogen and getting on with the job of growing domestic and export capabilities.

Infrastructure

▪ Port of Newcastle

Business Hunter is actively engaged with government agencies at the NSW and Federal level to articulate strong investment and export opportunities from the Hunter, many of which will underpin and deliver on government policies and objectives in trade, investment and export – particularly hydrogen. The current NSW lease arrangements constrain the Port of Newcastle to fully participate in the state's export and investment strategies and Business Hunter supports ongoing negotiation and legislative reviews to unlock the Port's potential as a key seaboard contributor and economic driver.

ACTION: Remove restrictions in the Port of Newcastle's Port Commitment Deeds impeding the Port's diversification and the Multi-purpose Deepwater Terminal. This will unlock \$2.4 billion in private investment and 9,000 jobs. The Hunter region's economic diversification and growth depends on it.

ACTION: Support Port of Newcastle's Port Hydrogen Project – development of a hydrogen economy in the Hunter Region with a \$3 M feasibility study already underway at the Port of Newcastle for an initial 40MW electrolyser that over time would increase to a capacity of over 1GW. This project supports both the Federal and NSW governments' ambitions to produce and export the cheapest clean hydrogen in the world.

Project owner: Port of Newcastle, Macquarie Group's Green Investment Group and the Commonwealth Government's Australian Renewable Energy Agency (ARENA).

▪ John Hunter Health and Innovation Precinct

Redevelopment of the John Hunter campus will deliver increased and improved clinical capacity and facilitate an enhanced health, education and research precinct servicing the region and Northern NSW. It will meet increasing demand for a broad range of health services and contribute significantly to the development of the region's knowledge sector, driving employment growth and economic diversification. The 2019 budget commitment of \$780 to ensure the planning and construction of Stage 1 of the redevelopment (hospital precinct) was broadly welcomed.

ACTION: Building on the stage 1 project commitment, fund in the forward estimates Stage 2 of the precinct development to leverage the opportunities provided by stage 1 and the Federal Government's commitment to funding and progressing the construction of the final stage of the Newcastle Inner City Bypass.

- **Hunter Park (Broadmeadow Precinct)**

The Honeysuckle precinct and city revitalisation projects in Newcastle demonstrated the significant economic and community benefits that can flow as a consequence of considered and strategic investment by the State Government. They trigger and facilitate substantial and sustained investment from the private sector. The Hunter Park precinct development has strong potential to realise similar outcomes.

The redevelopment in the Hunter Park precinct involves a regionally significant, state-owned asset. The precinct will continue the urban regeneration of Newcastle and provide the region with a new community hub incorporating sporting, entertainment, retail commercial and residential facilities. The current circumstances of COVID-19, whereby regions are coming under a more intense focus as places to live and work, amplifies the wider relevance and importance of this project.

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

ACTION: Complete the feasibility assessment and business case and fund and commence project development within this term of government.

- **Newcastle Airport terminal upgrade**

With capacity to create 4,410 jobs and add \$12.7 billion to the NSW economy, Newcastle Airport is upgrading its airfield to accommodate long-range, long-haul aircraft (Code E). Expanding inbound international flight capacity into NSW appears to be entirely consistent with the ambitions of the NSW government to drive the economy in the Covid recovery and a stimulus for further investment.

The airfield portion of this project has now been fully funded by the Federal Government with \$66M announced in May 2021. Without a terminal to match the aircraft, this benefit will not be realised, however.

An international Code E airport in Newcastle, will stimulate significant inbound freight capacity growth as well as boost access and visitation to northern NSW, the latter driving \$6.2B in incremental value to the NSW visitor economy over the 20-year life of the airfield. The former will equate to a further \$6.7m being added through increased freight activity across the same time span.

The Newcastle Airport airfield upgrade to CODE E has established a strong pipeline for deliverables through partnership with Williamstown airbase, national and international

Defence industries including Astra Aerolab. It is without doubt that this investment will open regional growth opportunities tied to aerospace industry sectors for our region.

To help NSW Government realise greater international tourism and industrial growth into NSW, we are recommending a partnership between Newcastle Airport Pty Ltd (NAPL), and aligned Hunter business and industry leaders, with the NSW Government to fast track the development of a passenger terminal with international capacity.

The airfield construction works are due to be completed in late 2023. This is well timed to match the opening of international markets following a new COVID normal environment. Newcastle Airport also needs to upgrade and expand both its terminal and increase its aprons space. These upgrades are estimated to cost around \$55million. Design is underway, with construction required to commence in Q2 CY2022 to be available to coincide with the completion of the airfield upgrade.

In the current COVID impacted environment, NAPL is very open to alternate approaches to funding of this passenger terminal project. This might include one or a combination of concepts such as grant funding, revenue dependent loans with funds returned though a levee on users, and/or committed partnership funding with Destination NSW, going forward.

A Cost Benefit Analysis by EY in 2019, with multiple levels of conservatism, assessed the project as having a BCR over 2. Noting this analysis came prior to the Federal Government's investment. Clearly this funding will have a significant and positive impact on the BCR for the State Government.

ACTION: Terminal funding: enabling infrastructure to unlock international inbound freight capacity and route attraction and Hunter regional development (co-contribution within the \$55m total project estimate)

- **Faster rail connection with Sydney**

Business Hunter has been fully supportive of and a willing participant in efforts to improve the rail service connection between Sydney and Newcastle. A fast-rail link to Sydney will have a transformational impact on the economy and livability of the Hunter, bridging the geographical divide between our region and Australia's biggest city and financial centre.

Creating a more efficient and effective commuter connection between Sydney and Newcastle will encourage investment and reduce congestion on the M1, making both road and rail transport faster, safer and more convenient.

ACTION: Expedite the completion of the feasibility and business case for faster rail between Newcastle and Sydney and based on the assessment, commit finding to plan and construct the required upgrades or new infrastructure.

- **Newcastle Freight Rail Bypass**

The concept of separating passenger and freight rail through the Hunter region has long been championed and supported by Business Hunter. The State Government has commenced the process of community consultation to finalise corridor options that will allow for the detailed planning and construction of this infrastructure link in the future.

The Government needs to complete this investigation and allocate further funds, if required, to allow for the full preservation of the corridor including land acquisition so the process to design and construct the rail link is not unnecessarily constrained in the future.

ACTION: Acquit existing budget allocations and complete the consultation, planning and property acquisition for the Newcastle Freight Rail Bypass.

- **Singleton Bypass**

Conditional funding of \$560 million for the long-mooted Singleton Bypass was announced in the 2020-21 Federal Budget. The State Government has committed \$95 million but another \$45 million is required to meet the \$700 million project cost and to ensure the commitment from the Federal government does not lapse. The bypass will redirect 26,000 vehicles, including more than 3,700 heavy vehicles, away from the centre of Singleton daily, relieving significant congestion, enhancing safety and amenity for residents and improving its productivity as a freight route. Business Hunter believes construction of the bypass should be prioritised by the State Government subject to resolution of concerns over the proposed design.

ACTION: Commit the remaining \$45 million in State funds required to fully fund the project and ensure the Federal commitment does not lapse.

- **Muswellbrook Bypass**

In the lead-up to the 2019 NSW election, the Government made commitments to progress and fund the planning and construction of the proposed Muswellbrook Bypass. This project is vitally important considering the upgrades committed elsewhere on the New England Highway. The timing is now ideal to confirm the commitment and substantially commence this project within the current term of the government.

ACTION: Bring forward planning and funding commitments to expedite the Muswellbrook Bypass project.

- **M1 Extension to Raymond Terrace**

The 'missing link' in the national highway route between Sydney and Brisbane, the M1 extension from Black Hill to Raymond Terrace will vastly improve connectivity on one of the most heavily used corridors for freight in NSW, reduce travel times and improve safety for all road users. It is one of the few projects in the Hunter region identified as a near-term priority within the Infrastructure Australia priority list. The Federal government has recently confirmed staged funding commitments towards the project.

The project has been in planning since 2004 and Business Hunter is keen to see it progress as quickly as possible. We note that the required funding allocations are subject to juggling in the NSW budget forward estimates but reinforce the importance of a timely release of State funds to facilitate this important project and ensure there are no gaps in funding from either tier or government. It is important that this project receives priority in planning, funding and resourcing to ensure it is started and completed.

ACTION: Provide funding certainty and resourcing to Transport for NSW to ensure the project can move quickly from the consultation and design stages to construction.

- **Road upgrades to support trade, tourism and communities**

There are a range of road projects across the region that blend priorities of local and state government to coordinate agreement on planning, funding and construction. Upgrades are required to ease the significant local impacts that not only affect activity and safety of the community but add considerable cost to business as a consequence of congestion and delays.

Improved access to Newcastle Airport and the Port of Newcastle is imperative to realizing Greater Newcastle's potential as a global gateway city. Upgrading of link roads to these assets will support their growth, boost tourism opportunities and improve connectivity and safety for local communities. Business Hunter is advocating for funding commitments to progress the following projects:

- Road upgrades to link the new M1 to Williamstown Airport precinct
- Dual carriageway on Nelson Bay Road from Stockton to Williamstown.
- Plan, fund and construct 'missing link' upgrades to Hillsborough Road (Cardiff South) and Pacific Highway/City Road (Merewether).

Conclusion

Political leaders have emphasised the importance of strengthened economic diversity to temper the impacts of COVID-19 and aid economic recovery. Recovery in the Hunter region will be best supported by regulatory and policy support for business and industry and adequate funding and access to ensure important enabling infrastructure can progress at speed, delivering much-needed jobs in the short term and facilitating investment and growth in the longer term.

Business Hunter appreciates the opportunity to make this submission on the 2022-23 NSW Budget and welcomes further engagement on these matters.

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