

**Submission
No 29**

INQUIRY INTO REGIONAL DEVELOPMENT AND A GLOBAL SYDNEY

Organisation: Hunter Business Chamber

Date received: 9 June 2017



Regional Development and a Global Sydney

Standing Committee on State Development

June 2017

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Introduction

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

The Hunter Business Chamber works as an integral part of the NSW Business Chamber network and represents business at local, state and federal level to advocate for an improved operational climate for businesses in this region.

The Hunter is well recognised as the home to Australia's most resilient and diverse regional economy. The Hunter region in NSW just north of Sydney covers over 31,000 square kilometres and has over 660,000 people or 9% of the state's population.

An unparalleled cross section of industry calls the Hunter region home. Newcastle is the eighth largest city in Australia and is renowned for being the world's largest coal export port. The contribution to the region, state and nation from the port's operation has grown exponentially over the past ten years.

Newcastle, as the second largest city of NSW and the capital of the Hunter, has the ability to be a world class city, given its coastal location and close connections to the resource engine room of the Hunter Valley. A range of complementary and emerging industries, such as renewable energy technologies, medical research, the defence industry, tourism and the digital economy also have a bright future with the right platform for growth in place.

Terms of Reference

That the Standing Committee on State Development inquire into and report on how Sydney's growing prominence as a global city enhances regional development in New South Wales, and in particular:

- ensuring the regions benefit from the expansion of international trade, infrastructure, employment, tourism, innovation and research in the greater Sydney region
- identify the sectors of the economy that can provide the greatest opportunities for regional development, including forecasts for jobs growth
- how collaboration between levels of government, non-government and private sectors can assist the regions to benefit from Sydney's global population, and
- any other related matter.

Investment in enabling infrastructure

The NSW Government and the private sector are currently engaged in an unprecedented investment in infrastructure which will underpin economic growth, job creation and housing development well into the future. In Newcastle alone government's investment of \$500 million in renewal and transport infrastructure has generated over \$2b in private sector investment including commercial, residential, tourism and education.

At a meeting in Mildura this week, NAB Chairman and former Treasury secretary, Ken Henry said that Australia faces an “extraordinary economic opportunity to develop regions outside the capital cities. Dr Henry said “now was a ‘unique’ time to pursue the development of regional economies, thanks to high population growth, strong Asian demand for exports and the digital revolution”.

He said “Australia had typically failed to plan its infrastructure needs, pointing to inadequate investment during the postwar ‘baby boom’ period. But if our burgeoning population was properly supported by infrastructure investment, a bigger Australia could be a historic chance to develop regional areas. There is an unprecedented opportunity for many regions in Australia now if they’re backed with the right expertise, if they’re backed with the right access to finance from banking partners who understand them, and understand their future, and who are committed to their community”.¹

The Australian Institute of Company Director’s report *Governance of the Nation: A Blueprint for Growth 2017* notes that “Australia’s national infrastructure is straining at the seams, particularly in transportation and in power generation. There are bottlenecks and costly congestion on our roads; the latter imposes significant costs and can be a major impediment for investment.”²

In a footnote in the AICD Report it also refers to the *Australian Infrastructure Report 2015* in which Infrastructure Australia forecasts that by 2031 road travel times in capital cities will increase by at least 20%, the national freight networking will have exceeded capacity, and regional roads and town water infrastructure will have deteriorated to service standards that the Australian community will be unlikely to accept.³

Graham Bradley, chairman of Infrastructure NSW, is quoted in an article in the June 2017 *AICD Company Director* as saying, “It is also important for us to address our backlog of public infrastructure including transport, energy, water and communications if we are going to remain a competitive economy and take advantage of export opportunities afforded beyond the mining sector.”⁴

Development of enabling infrastructure in regional New South Wales is part of the solution to the growing congestion and housing shortage in metropolitan Sydney and can and will lead to the strengthening and long term future of the overall economy of New South Wales.

¹ Sydney Morning Herald, 7 June 2017, pages 19 & 20

² Page 34 of Report

³ Footnote 30 on page 34

⁴ Company Director, June 2017, pages 28 - 33

The significance of Regional cities

The Hunter Business Chamber made a submission in August 2015⁵ to a draft *Australian Infrastructure Audit Report* issued by Infrastructure Australia. Not surprisingly that report identified Sydney, Melbourne, Perth, Brisbane and Adelaide as the top five regions for *Infrastructure Direct Economic Contribution* (IDEC) (commonly referred to as value add). In its submission the Chamber did not dispute that those cities are leading drivers of growth but made the point that there are extraordinary opportunities available outside of metropolitan centres and highlighted that, unlike in other countries there is an apparent lack of awareness and understanding by national policy makers of the important role of secondary cities and centres in Australia. It is often the secondary cities which provide the essential resources to enable the major metropolitan centres to be in the position they are.

The Chamber expressed the view that it is disappointing that there is little or no demonstrable focus or commitment given to the role of secondary centres and that this has Australia clearly at odds with international trends in a growing network of global cities, particularly in South East Asia and the US.

The Chamber congratulates the Standing Committee on undertaking this current inquiry which affords an opportunity to confirm and support the growth of secondary cities within New South Wales such as Newcastle and the Hunter Region.

Productivity Commission initial report - Transitioning Regional Economies

The Standing Committee is no doubt aware of the study currently being undertaken by the Productivity Commission which is to “examine the regional geography of Australia’s economic transition, since the mining investment boom, to identify those regions and localities that face significant challenges in transitioning to a more sustainable economic base and the factors that will influence their capacity to adapt to changes in economic circumstances”.⁶

Accessibility to infrastructure and services is one of the key points identified in the Productivity Commission’s initial report which includes the following point – “The factors shaping adaptive capacity include: people-related factors (educational achievement, employment rates, skill levels, personal incomes and community cohesion); the degree of remoteness and accessibility to infrastructure and services; natural endowments (such as agricultural land) and industry diversity”.

The Chamber suggests that Newcastle and the broader Hunter Region can lay claim to all of the people-related factors, natural endowments and industry diversity referred to in the initial report and with continued investment in enabling infrastructure and services is well positioned to benefit from Sydney’s growing prominence as a global city and continue its current role as a power house of the State’s economy.

⁵ Hunter Business Chamber submission dated August 2015 to Infrastructure Australia’s draft Australian Infrastructure Audit Report

⁶ Productivity Commission Initial Report, April 2017

Why invest in the Hunter?

The Hunter region is a master of its own destiny and has successfully undertaken strategy of industrial diversification and growth over the past 20 years.

The Hunter has a GRP exceeding \$42b making it larger than Tasmania, ACT or Northern Territory. This underwrites its ability to be self-supporting and a true value proposition to government and the private sector seeking viable and sustainable investment opportunities.

As a leading hub of business and **investment**, the Hunter serves an immediate geographic footprint that provides vital services to Sydney, the Central Coast, Mid North Coast and New England North West districts. The region's influence stretches far beyond our national borders through Newcastle Airport and the Port of Newcastle. There are direct flights from Newcastle Airport to Sydney, Canberra, Melbourne, Brisbane, the Gold Coast and a number of regional locations in NSW. The airport has the facilities to handle international flights.

Major industry sectors in the Hunter include; defence/aerospace, coal mining, **innovation**, energy production, manufacturing, viticulture, equine, health, tourism, education and retail.

The Hunter consistently outperforms state and national trends with lower levels of unemployment, growth in manufacturing, high standards of education, innovation, research and development and also provides a safe and certain investment platform for a broad cross section of industries.

Newcastle is the second largest city in NSW and the regional capital. It is currently undergoing an unparalleled period of transformation and growth. The NSW Government is currently investing approximately \$550m in urban renewal, revitalisation **and transport** projects in the Newcastle CBD. Newcastle offers a competitive advantage for businesses seeking to expand operations and is the headquarters to a number of major Australian companies.

In the March quarter Economic Indicators published by the Hunter Region Foundation Centre, it noted that "Forty-six percent of Hunter firms introduced new or improved products or services in 2017, the highest proportion since HRF began data collection in 2009. Analysis of the March Hunter Pulse survey data reveals that Hunter business who engaged in innovation was more likely to be profitable, exporting overseas and hiring workers."⁷

⁷ Hunter Research Foundation Centre, Hunter Region Economic Indicators, March 2017

The Hunter – no better place to live and work

The Hunter provides an unmatched quality of life with a full range of housing options from the sophisticated urban apartments, beachside living, family friendly suburban environments to semi-rural and rural lifestyles. The Hunter is lucky enough to offer all of the vital elements that make a region or a city a first class place to live.

The region enjoys world class health, research and education facilities and outstanding cultural infrastructure such as art galleries, museums and theatres. The Hunter is home to excellent retail outlets, world renowned vineyards and restaurants and some of Australia's best beaches and rainforests. In short, it is hard to find a place that ticks as many lifestyle boxes as the Hunter region.

Hunter Regional Plan 2036

The Hunter has a plan for growth and economic development.

The Hunter Regional Plan 2036 released on 16 October 2016 (the Regional Plan) noted;

- The Hunter has the largest share of both regional population and regional employment and is located in NSW's fastest growing corridor from the northern edge of Sydney to Newcastle, an area predicted to have a population of 1.1m by 2036.
- The region benefits from direct access to national and international markets through the global gateways of Newcastle Airport and the Port of Newcastle. They have enabled the Hunter to become the largest regional economy in Australia.
- The Hunter drives around 28% of regional NSW's total economic output and is the largest contributor to the State's gross domestic product outside of Sydney.
- Newcastle is the regional capital. The Regional Plan projects job number growth in the Newcastle CBD over the next 20 years from 25,000 to 33,000 as a result of the region's potential to attract a growing number of national corporate headquarters. Accommodation, food and entertainment will add value to the city's economy. They will be supported by upgrades to tourism infrastructure that will enable more visitors to arrive in the city centre by sea and air, expanding on the more than one million people that currently visit Newcastle each year.

- The Regional Plan includes as one of its goals – develop advanced manufacturing, defence and aerospace hubs – the action points to achieve this objective include;
 - *facilitate development opportunities on land surrounding Newcastle Airport at Williamstown to cluster emerging high-technology industry, defence and aerospace activities,*
 - *grow and diversify the manufacturing sector through local planning and appropriate planning controls,*
 - *promote manufacturing business export opportunities and become part of global supply chains,*
 - *facilitate research partnerships between tertiary education providers and business,*
 - *protect strategic defence establishments with appropriate planning controls and compatible adjoining land uses.*

The Regional Plan is underpinned by an implementation plan with specific priority actions for 2016-2018.

Decentralisation to key regional centres

The Chamber made submission to the 2013 Decade of Decentralisation Strategy stating in part: *“The Hunter Business Chamber supports the notion that key regional centres can provide attractive and viable options for the relocation of certain government departments. The Chamber has recognised that the Hunter Region has benefited from this type of initiative in the past.*

Existing urban centres across the Hunter provide good amenity and have a clear ability to accommodate further growth from both private enterprise and public agencies.”

The Chamber made further submission to the 2017 Senate Inquiry into Relocation of Government bodies recognising that regionally based government bodies have the ability to contribute substantially to regional and state economic performance and that the Hunter is well placed to accommodate that.

The Hunter continues to grow and is well placed to accommodate further growth boasting the following amenity:

- Strong and diversified property market with a vibrant regional capital supported by other significant regional centres
- Proven track record in accommodating and sustaining government agencies and operations that have been either relocated to or grown organically in the region.
- Highly connected economy with strong transport links
- Digitally connected with a range of centres boasting NBN capability.

- Diversified, loyal and large workforce supported by a range of world class education, training and research facilities including; the University of Newcastle, Hunter TAFE, John Hunter Hospital (teaching hospital), Hunter Medical Research Institute and Newcastle Institute of Energy and Resources.
- A strong primary and high school network including state selective schools across academic excellence, sports and performing arts (only fully selective performing arts school outside of Sydney).
- Relatively stable property market which can facilitate staff relocation in and economically viable and sustainable manner across a wide variety of housing styles and submarkets, and a
- Business profile spread across small, medium and large global businesses capable of supporting the commercial needs of business based in the region and further afield.

Energy security

Currently around 70 - 80% of NSW's electricity is generated in the Hunter. Traditionally the reliability of supply has led to significant manufacturers establishing facilities in the Hunter.

Australia's increasing reliance on imported fuels has led to opportunities to develop import facilities in the Port of Newcastle which saw an increase of 251% in fuel imports in 2015 over 2014 to 1,465,275 tonnes. Stolthaven Australia is currently planning a significant expansion of its Newcastle terminal.

The Chamber urges the Standing Committee to consider the future energy security needs of New South Wales in its consideration of opportunities for regional economic growth and for the New South Wales economy as a whole. The reality is that coal still contributes 76% to the national electricity market, with hydro at 10% and renewables at 6.5%. There appear to be no plans for development and new investment in base load power generation which will have an impact on the New South Wales economy as existing generators come off-line over the next 20 years.

Transport infrastructure

The Hunter is well served by road and rail access. The principal road access to the south is via the M1 and to the north by the M1 as the coastal link and the Hunter Expressway and the New England Highway as the inland connection to Brisbane but also to the Upper Hunter and Northern Tablelands. ARTC has invested significantly over the past decade in upgrading the Hunter rail network.

Existing links will be further upgraded by the following projects either under construction or in the planning phase;

- The NorthConnex link of the M1 to the M2 will be a significant improvement in road connectivity between the Hunter and Sydney, particularly to the manufacturing businesses in northern and western Sydney.
- The 2016 NSW State budget allocated funds for the planning and pre-construction of the Fassifern to Hexham freight rail bypass.
- The NSW Government is investing \$130m in the acquisition of a new intercity rail fleet which will improve travel times and comfort on the Newcastle to Sydney passenger rail service.
- Funds have been allocated for the planning of the extension of the M1 to the Pacific Highway at Raymond Terrace which will improve access to Newcastle Airport and to the Port of Newcastle.
- The inland rail project can be connected to the Hunter rail network at Narrabri which will also improve access to the Hunter region and particularly to the Port of Newcastle.

Enabling infrastructure for the Hunter Region

Enabling infrastructure is a key to unlocking the potential for economic growth, jobs creation and increased housing supply and the Hunter provides a solution to the growing congestion in the Sydney Basin. There are a number of key infrastructure projects which are already in the early stages of planning which can be transformational in growing not just the Hunter economy but the economy of New South Wales.

These include;

- Fassifern to Hexham freight by pass – benefits of improved access to the Port; provide some relief to the congestion at the Adamstown gates, particularly if the Wallarah 2 Coal Project is approved; improve passenger rail scheduling and time tabling if freight trains are removed from this section of the Hunter rail network. An amount of \$14m was allocated in the 2016 State Budget towards planning and pre-construction works so the project is already on the radar.

- The 2036 Hunter Regional Plan identifies the emerging Broadmeadow sport and recreation precinct as a strategic centre. This is an opportunity to reinvigorate this precinct with first class sporting and associated facilities, tourist facilities and higher density housing, including affordable housing which we know is a key focus for the Government. This precinct includes not just Hunter Stadium but all of the land and sporting facilities in that vicinity plus the land currently occupied by the Showground and the Entertainment Centre. With appropriate private sector investment it could also be the catalyst for the first extension of light rail from the Wickham interchange.
- M1 to Pacific Highway upgrade plus the upgrade of Tomago Rd/ Cabbage Tree Rd and the upgrade of Nelson Bay Rd from the Stockton Bridge to the Airport (the upgrade of Cormorant Drive from the Tourle St Bridge to the Stockton Bridge is already underway - \$35m was allocated in the 2016 Budget for this specific project, jointly funded with the Federal Government). The economic benefits of these works are directly linked to improving access to and from Newcastle Airport and the Port bringing benefits to tourism and growth opportunities for the industrial land in the Tomago/Williamstown precincts. It improves access not just from the south on the M1 but also from the north on both the New England Highway and the Pacific Highway. In the 2016 State Budget an amount of \$7m was allocated for planning works for the M1 to Raymond Terrace extension. The Tomago Rd/Cabbage Tree Rd sections are certainly an important part of the Airport and Port precincts access solution.
- Completion of the Newcastle inner city bypass is also a key piece of missing infrastructure. An amount of \$5m was allocated for planning in the 2016 Budget and draft plans have been released.
- In relation to the Upper Hunter – major projects in that region include the Scone, Muswellbrook and Singleton by-passes. In the 2016 State Budget there were allocations for preliminary planning works for the Muswellbrook and Singleton bypasses of \$3.1m and \$1.5m respectively and an amount of \$10m (jointly funded with the Federal Government) for the Scone bypass.
- a range of main and local road projects such as Hillsborough Road, the Lake Macquarie Pennant Street Bridge and links to the Hunter Expressway, all of which will facilitate private investment into land and business development in the local areas.

Regional Infrastructure Boards

In November 2011, the then O'Farrell Government made an unprecedented decision to establish the Hunter Infrastructure Investment Fund Board (HIIF). Initially the HIIF was given the task of overseeing the allocation of \$350m for infrastructure projects throughout the Hunter Region. During its four and a half year term the HIIF oversaw the allocation of almost \$500m in Hunter infrastructure projects. The HIIF was disbanded on 30 June 2016.

Quite a few of these projects have and will continue to make a positive contribution to the regional economy and community. They include the NewSpace Building being constructed by the University of Newcastle in the Newcastle CBD, expansion of facilities at Newcastle Airport which include facilities to enable international flights, the road overpass adjacent to Maitland Railway Station, duplication of part of Nelson Bay Rd, a new Speers Point Football Facility, a contribution to the construction of a permanent cruise terminal in the Port of Newcastle, the Hunter Innovation Hub, expansion of the neonatal intensive care unit at John Hunter Hospital, re-building of Hunter Sports High School facilities, construction of the Upper Hunter Conservatorium at Muswellbrook, upgrades to Singleton Hospital, a new gymnasium at the Singleton swimming pool complex, upgrades to the Muswellbrook sewerage treatment plant, improvements to Maitland Sports Ground, funding for the new Westpac Rescue Helicopter base at Belmont, expansion of the White Park Recreation and Equine Development Centre at Scone, modernisation of the Hunter School of Performing Arts at Broadmeadow.

Without the role played by the HIIF, many of these projects would not have received State Government funding. The HIIF undertook a comprehensive process of calling for project submissions, assessing the projects against clear governance guidelines and allocating funds, with Cabinet approval to the most worthwhile projects.

The benefit of this process was that it was local people making decisions on local projects, which had not occurred previously in New South Wales. The Chamber submits that this is a model which the Standing Committee should consider to ensure that regions within New South Wales benefit from the expansion of international trade, infrastructure, employment, tourism, innovation and research whereby significant local input is hardwired and more importantly, relevant and supported.

Magnet Cities

The Chamber draws the Committee's attention to a 2015 report published by KPMG LLP in the United Kingdom titled *Magnet Cities – Decline / Fightback / Victory* which is a case study of a number of regional or secondary cities around the world and how they have met challenges to their economies and transformed into vibrant cities today.

In the introduction the report notes –

“A city with a strong magnetic pull draws in new residents, visitors and business investment. People, ideas and money mix and ferment in magnet cities, like hops and grain in a beer barrel. Magnet cities bubble over with new ideas that help establish new businesses, social networks, and infrastructure. Restaurants, shops and bars blossom. Visitors appear and spend money. Big business is lured by the buzz and new operations are established in the never-ending battle for talent. New jobs are created. The city's economy grows.

Equally, cities can also repel. A city with magnetic push casts off residents and businesses as people pack their bags and move to cities with greater magnetic pull. As the population declines, businesses shut down or move their operations elsewhere. The downtown urban core becomes blighted as restaurants and hotels close down. The city's economy shrinks.”

The report examines how you can strengthen the magnetic pull of second cities in order to give people and businesses a valid choice. A key finding is the need to attract young people and young wealth creators to these regional or second cities. If there is investment and job creation strategies in regional cities, housing affordability, congestion and the cost of living generally in the major capital cities are all factors which should drive that outcome.

The report outlines the following principles that underpin magnet cities;

- Magnet cities attract young wealth creators
- Magnet cities undergo constant physical renewal
- Magnet cities have a definable city identity
- Magnet cities are connected to other cities
- Magnet cities cultivate new ideas
- Magnet cities are fundraisers
- Magnet cities have strong leaders

Newcastle and the broader Hunter region are currently experiencing many of these principles but also continue to face challenges before it can claim to be a magnet city on the world stage comparable to a number of the case studies in the KPMG report.

Opportunities for regional development

The Hunter region has done much over the last two decades to diversify industry in the wake of the demise of steel making and a large cohort of manufacturing industry that supported this sector. Similarly, the maturing of the resources industry away from construction and into production presented challenges to business in the region and green shoots have taken in a range of new industry including research, innovation, education and health sectors.

A further lead industry which can improve diversification and attract regional investment leading to new jobs is the Defence sector.

The defence industry has a significant presence in the Hunter across facilities at RAAF base Williamstown and the Lone Pine Barracks at Singleton. These support around 10% of the regions GRP. The Hunter Business Chamber has been a key stakeholder in supporting further investment and growth in this sector within the region and there is now a range of industries that support defence activity. Recently, the State government established Defence NSW and a State defence strategy that recognises the Hunter as a key player in meeting national defence needs.

The Chamber through the Hunter Defence brand which it jointly pursues with HunterNet, offers a significant opportunity to support further regional investment and development in the knowledge that business has already a significant and positive stakeholding in Defence. NSW has significant scope to improve its Defence profile notwithstanding the capabilities and capacity that already exist in the Hunter and other regions. Hunter Defence is actively pursuing and keen to contribute to the growth of this industry and its ability to meet NSW and National defence objectives. There is a significant capacity and capability for the Hunter to broaden the Defence industry representation which in turn will benefit the NSW economy.

The Chamber appreciates the opportunity to make submission to the above Inquiry and would welcome any further engagement around this matter.

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