

**Discussion paper
response
Submission
No 29a**

INQUIRY INTO REGIONAL DEVELOPMENT AND A GLOBAL SYDNEY

Organisation: Hunter Business Chamber

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Regional Development and a Global Sydney - Discussion Paper

Standing Committee on State Development

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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.

Response to Discussion Paper Questions

Q2

a. How should the NSW Government define regional New South Wales?

It is the view of the Hunter Business Chamber (HBC) that this matter needs addressing. Whilst ever the state and federal governments use regional and metropolitan definitions to discern and guide government funding and investment, there must be consistency and logic in determining the respective areas. This begins with the basis of the definition, which appears to be inconsistent and ad hoc in some instances.

The NSW government is understood to be using Australian Bureau of Statistics definitions to determine if an area is 'regional' or 'metropolitan'. This influences the application process and avenues for funding for particular regions and local government areas across the state.

What is the logic behind using the ABS definitions? Does this make sense in relation to the intent of the pool of funds the government is seeking to disperse?

The local government areas of Newcastle and Wollongong are currently regarded as metropolitan under these provisions. The Illawarra and Hunter Business Chambers have sought to have this addressed in the interests of consistency (see attached correspondence). These representations have thus far been unsuccessful.

The concept of three tiers of regions has merit but only if the purpose and implications are clearly defined. The manifestation of the funding and project implications also need to be clearly understood. It is also important that the Commonwealth government is on board for the same reasons and in this context, it would seem to be more than a state issue.

Q4 How can the NSW Government ensure that regional planning priorities are aligned with those identified by local councils and other regional stakeholders?

The most effective way to ensure that state agencies, local government, community and regional stakeholders are aligned across planning priorities is through respective funding mechanisms. The current process to define regional economic development strategies (REDS) is an effective way to identify priorities. It would be more effective if this process were to fully embrace identification and prioritisation of economic and social infrastructure notwithstanding the apparent issues that arise in comparing and assessing different forms of infrastructure.

It is important that the REDS align to respective regional strategies. To this end, the identification of infrastructure and projects across levels of regional, sub regional, district and local significance would serve as a method to classify priorities based on their influence and impact. This would also assist with definitional classifications within funding portals making it clearer as to the relevance of a particular project or initiative to a funding plan. That is, making it clear whether projects need to have a regional, sub regional, district or local context in order to qualify for funding.

Q8

a. How can the NSW Government work with their federal and local counterparts to identify uniform boundaries across regional areas?

Similar to the issues identified defining regional areas, the lack of consistent boundaries based on agency and local government definitions can be confusing and inefficient. The incidence of a local government or an agency boundary, is known to impact the ability for a business to either apply for or receive benefits under a particular program. At times, businesses located in the same street and across the road from each other can have different access to different programs. This does not make sense and should be addressed.

The current process in relation to the definition of Joint Organisations (JO) across the State could also disrupt the process to define regions based on the recent exercise conducted by the Department of Planning. It makes enormous sense for there to be consistency with respect to aggregated boundaries for JO's and the individual delineation of regions. The outcome of the JO definition exercise currently in play should be reconciled before it is confirmed towards the middle of 2018.

Q9

How can Destination NSW better assist Destination Networks and local stakeholders to work together to grow tourism in the regions?

Despite the ambitions of many tourism associations within regional areas to independently and collaboratively market and promote product, they are often constrained by the lack of suitable and contemporary tourism and visitor economy infrastructure. In areas around the lower Hunter region, this is known to be retarding the efficient growth and development of the visitor economy.

Funding marketing campaigns will not address this. All this achieves is development of a mind set and experience that potentially over promises and under delivers. Where deficiencies in infrastructure have been identified, an assessment should be made by the stakeholders to determine if and in what timeframe it can be addressed.

An issue in the lower Hunter in this context, is the supply of hotel rooms. Hotel developers are not able to compete for sites when set against residential and commercial project interests. There is no special land use zone for 'hotels' or 'serviced apartments'. In order to assist to compensate for this shortcoming, the government and local councils need to look at mechanisms through development control and site specific strategies that incentivise hotel development. This could be achieved by offering height, site coverage or floor space ratio bonus based on the achievement of a specific accommodation outcome on the site.

It is considered this issue exists not just in regional areas but Sydney also where the cost for hotel accommodation is known to be a disincentive for certain parts of the tourism sector.

Q17 How can the NSW Government play a greater role in facilitating research and innovation networks in targeted areas of expertise to build capacity for research and commercialization across New South Wales?

The importance of the innovation and research sectors has been recognised in the discussion paper. This is true for not only Sydney but also regional areas.

In the case of Newcastle and the Hunter, the region boasts the active presence of world class facilities in the CSIRO Energy Centre; the Newcastle Institute of Energy and Resources (NIER); the Hunter Medical Research Institute (HMRI); the University of Newcastle; and the John Hunter Hospital, each operating in the research and innovation space in differing but related and networked capacities.

There is a significant investment inertia present in these establishments in the Hunter region. They boast over 2,000 researchers across the institutions. Nowhere else in regional Australia, let alone the capital cities can boast a collection of like institutions in the one area. This needs to be recognised given the majority of the activity they drive has come about as a consequence of either or both Federal and State government funding.

Furthermore, both NIER and HMRI have expansion plans, which will not only boost their presence in the local economy but add to the national and international profiles across the realms of their respective operations. Both will again rely on assistance through government funding.

The relative significance of these institutions in terms of contribution towards the output of the Hunter region is huge. It is known that other regions in Australia and elsewhere in the world are examining the model across this network and are seeking to mimic its achievements by establishing their own clutch of facilities. This is a great credit to the region and in no small measure the result of some discerning government investment that should not be put at risk.

These other interests are both competitive and cooperative forces. Either way, the institutions need to be protected and/or nurtured in this context. It does not make sense for example, for the NSW government to be actively supporting the establishment of similar facilities in the competitive sense in other parts of the state. This will simply draw business from one area to another. The state will get better bang for the buck by bolstering existing facilities particularly where business case assessments demonstrate these will add to the profile, attraction and feasibility of the individual establishments and the collective. Grow the pie rather than cut it up differently.

The government can play a greater role by working with these institutions as part of a process to build the state and nations capacity in respect of this question.

Q21

a. What more can the NSW Government do to accelerate the decentralisation of public sector agencies and departments to regional New South Wales?

It is highly unlikely any regional area of NSW will agree that efforts by the state government in decentralisation has been equitable and therefore effective. The difficulties faced by government departments to move to regional areas are widely acknowledged and understood.

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 and has the capacity and capability to accommodate an accelerated program by the State Government to decentralise elements of the public sector.

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 Hunter has continued to grow since this time and is well placed to accommodate further growth boasting the following amenity:

- Strong and diversified property market with a vibrant regional capital (Newcastle) supported by office markets in other regional centres including; Maitland, Raymond Terrace and Charlestown.
- 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 (M1, regional airport, national rail links) and locally supported state transport network (buses, train, ferry and light rail under construction).
- 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 and diversified 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.

Q27

- a. **What more can the NSW Government do to ensure road and rail freight corridors are made a priority to facilitate regional development and connections to Sydney?**

Regions like the Hunter with national road and rail as well as international port and airport access and connections, are important trade and tourism gateways for the state and national economies. It is vitally important for business, the community and governments that these key components of infrastructure are identified, preserved and in some cases, enhanced.

Proximity of these arterials and facilities to burgeoning residential areas often creates conflict at or near the land use interface. The outcomes are not always effectively managed or provided for and disharmony and compromised use of these important assets can result.

At the regional level, the primacy of the Newcastle airport and the port of Newcastle must be recognised. Linkages to the M1, the main rail line and the arterials that serve these fit into this prioritisation process. These in turn, link to Sydney and facilitate the two way trade and commerce connection. Both the airport and port could be doing far more to contribute to the state GDP and there are strong ambitions in the region for this to happen. The protection and enhancement of the respective transport corridors noted above is an important facet in not constraining this ambition.

Conclusion

The Hunter Business Chamber appreciates the opportunity to provide these comments on the Discussion Paper and would welcome any further engagement around this matter.

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Dear Deputy Premier

The Illawarra and the Hunter Business Chambers maintain that strong regional economies present an opportunity to provide solutions to a range of challenges including affordability for business and households, labour force participation, youth unemployment, urban congestion and productivity.

Both Chambers are focused on leveraging regional competitive advantages to increase gross state product, create sustainable employment opportunities, address social disadvantage and improve business productivity.

We believe the Illawarra and Hunter offer solutions to a number of the challenges faced by the continued development of Sydney and Western Sydney. The growth of greater Sydney will provide many benefits for New South Wales and Australia, however, it is important that these benefits are leveraged to support the continued economic development of regional New South Wales.

The Illawarra and Hunter regions can help address the challenges faced through targeted investment in connecting transport infrastructure and decentralisation of existing activities and operations. This opportunity exists given the unique comparative advantages of the Illawarra and Hunter which include: highly skilled workforces; world leading universities; advanced manufacturing base; close proximity to Sydney; established health services; and other key infrastructure such as the port of Port Kembla and the Port of Newcastle.

To help provide the required level of investment in infrastructure and regional development initiatives, we see a need for a new, clearer definition for State and Australian Government funding and infrastructure priorities recognising the value of Regional Economic Centres such as Newcastle and Wollongong.

Currently, there is considerable uncertainty and inconsistency on areas within each region that are eligible for state and federal funding initiatives. We believe a new definition should be established - one which recognises the significance of regional centres such as Wollongong and Newcastle, and more broadly the Illawarra and Hunter, in supporting business investment and the capacity to generate much needed employment opportunities for New South Wales. This also supports and is consistent with the Regional Plans adopted by the State government for the respective regions in late 2016. Repeated attempts to get clarification from officials within the New South Wales Government have not provided satisfactory responses.

Regional Economic Centres, offer a lower cost base and present productivity benefits compared to many businesses operating in high cost locations. The competitive advantages of these centres need to be harnessed to provide the next wave of investment and jobs growth.

Both Chambers have outlined the importance of a greater commitment to regional growth centres in a submission to the Productivity Commission's Transitioning Regional Economies. The Illawarra and Hunter Business Chambers have also provided submissions to the New South Wales Parliamentary Inquiry entitled Regional Development and a Global Sydney and attended as witnesses to the Committees hearings in June 2017.

To truly harness the potential of these regions, we urge you to remove the barriers to regional funding for Wollongong and Newcastle. Eligibility to the full suite of regional funding programs for each location would not only deliver substantial benefits to New South Wales and to our respective regions, but assist Sydney and Western Sydney in addressing a range of social, economic and business challenges.

We recognise the government is embarking on a significant phase of investment which has a focus on regions. It is a watershed period and neither the Illawarra nor the Hunter want this time to define a status that sees them marginalised.

We would welcome the opportunity to meet and discuss this issue with you and stand ready to provide additional information if required.

Yours sincerely

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