

BUSINESS ILLAWARRA

30 January 2022

The Hon Matt Kean MP
Treasurer NSW
GPO Box 5341
SYDNEY NSW 2000

Dear Treasurer,

Business Illawarra is pleased to provide this submission to the NSW Government's 2022-23 budget process.

The key medium to longer term policy and advocacy priorities for our membership are:

- Enhanced rail connectivity between the Illawarra and Greater Sydney.
- Improved road connectivity for the region.
- Energy reliability and the transition to renewables.
- The development of a world-class Illawarra Sport and Entertainment Precinct.
- The decentralisation of work to the Illawarra.

With these priorities in mind and considering the NSW Government's Outcome Budgeting approach, we present six proposed budget actions in this document for consideration by the relevant Minister and agencies for the upcoming Budget.

To base these priorities and proposals on sound evidence, Business Illawarra has commissioned directed research reports which are referenced in this submission.

If there are questions regarding this submission, contact myself or Ken Whitton, Policy Manager on 02 9466 4875 or at kenneth.whitton@businessillawarra.com.

Yours sincerely,



Adam Zarth
Executive Director
Business Illawarra

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BUDGET PRIORITY 1: Enhanced rail connectivity between the Illawarra and Greater Sydney

The South Coast Line is the Illawarra's sole rail connection to Greater Sydney and will reach capacity by 2040 for both freight and passengers, according to Transport for NSW¹.

It is estimated that by 2041, freight rail constraints will cost our regional economy \$230 million annually, and the productivity loss due to extended commuting times will cost our economy \$680 million.

Two major Business Illawarra research reports undertaken by the University of Wollongong's SMART Infrastructure Facility in [2017](#) and [2020](#) have refined the economic case for a South West Illawarra Rail Link proposal to connect Port Kembla to the Western Sydney Aerotropolis and beyond, to the freight hub of St Mary's.

The total cost of all three stages of this project is projected to be \$3.2 billion and will avoid economic losses to the state economy of \$1 billion p.a. for freight and \$73 million p.a. for passengers. While we do not suggest the entire cost of the project should be borne by the state government, we seek an allocation of funding for the development of a business case by Transport for NSW.

Action 1: Commit funding for a detailed engineering feasibility study and business case analysis, including land value uplift, for a South West Illawarra Rail Link to St Mary's.

BUDGET PRIORITY 2: Improved road connectivity for the region

The 2018 Business Illawarra/NRMA [road connectivity report](#) found that Picton Road, as our region's sole heavy road connector to the Western Sydney economic zone, will reach daily capacity by 2025 and is already at peak capacity. Further, it is a dangerous thoroughfare that pits heavy vehicles (which make up 25 percent of traffic on the road) against passenger vehicles at 100 kmp/h on lengthy, unseparated single-lane sections.

Business Illawarra established the Picton Road Motorway Coalition which, backed by local MPs, councils, industry and the community, achieved a commitment of \$44 million for planning and a business case was achieved. of this initial commitment, \$14 million was allocated to this work in the 21-22 NSW Budget².

This report also found that the Princes Motorway (M1) at Mount Ousley is a major bottleneck for freight and passengers moving to and through our region, including Port Kembla, and following our joint advocacy with the University of Wollongong and NSW Ports the Mount Ousley Interchange redevelopment project is now fully funded.

The NSW Government has committed \$60 million, and the Federal Government has committed \$240 million to the Interchange project. Business Illawarra has noted that an amount of \$6.3 million was allocated to this work in the 21-22 NSW Budget³.

Action 2: As our research recommended the Picton Road Motorway project and interchanges be completed by 2025, and the Strategic Program Business Case is completed, the upcoming Budget must commit additional funding and cashflow allocations to expedite detailed design and planning work.

¹ TfNSW (2018), NSW Freight Commodity Demand Forecasts 2016-2056. Transport Performance & Analytics

² 2-20 NSW Budget 2021-22 Paper no 3 – Infrastructure Statement

³ 2-20 NSW Budget 2021-22 Paper no 3 – Infrastructure Statement

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Action 3: To ensure that construction on the Mount Ousley Interchange commences on schedule (in 2023), substantial cashflow allocations are required in the upcoming Budget to expedite construction.

BUDGET PRIORITY 3: The development of a world-class Illawarra Sport and Entertainment Precinct

Business Illawarra has for a long time advocated for the market-led redevelopment of the precinct incorporating and surrounding the ageing Venues NSW-owned WIN Entertainment Centre and WIN Stadium at the Wollongong foreshore.

A major piece of master planning work for a world-class Illawarra Sport and Entertainment Precinct at that location has been commissioned by Business Illawarra and is in the final stages of development by Urbis. This is intended to inform the government's development of a business case and will put forward a vision for the best possible use of this iconic site, together with detailed market and site analysis, and recommendations for how a market-led process best proceed.

Action 4: That funds be allocated in the Budget for the development of a business case for the Illawarra Sport and Entertainment Precinct including detailed market, financial feasibility, economic and constructability assessments. This should be closely informed by the forthcoming Urbis report that has been commissioned by Business Illawarra.

BUDGET PRIORITY 4: Energy reliability and the transition to renewables

Working closely with the Department of Regional NSW, Business Illawarra is engaged in several energy transformation and decarbonisation initiatives being planned for our region.

Our members appreciate the recent inclusion by your government of the Illawarra as a Hydrogen Hub within the NSW Hydrogen Strategy. Business Illawarra notes that \$70 million has been committed to develop Hydrogen Hubs in the region and the Hunter and that the strategy provides up to \$3 billion in incentives overall⁴.

Action 5: To advance several Hydrogen Strategy initiatives for the Illawarra, including but not limited to the provision of enabling infrastructure and a refuelling station network, it is essential that committed funds and incentives are made available and deployed as soon as possible in the budgeting process.

BUDGET PRIORITY 5: The decentralisation of work to the Illawarra

Wollongong City Council in its [Economic Development Strategy 2019-29](#) identified a jobs deficit for the LGA of 6,233 jobs (2018) and has rightly committed to delivering 10,500 new jobs over the next 10 years to address it.

Following the start of the pandemic and the rise of remote work, Business Illawarra commissioned Deloitte Access Economics to deliver a [comprehensive study](#) to examine the benefits of having our residents working closer to home, locally within the region. The final report has informed NSW Treasury work on productivity and hybrid work.

Business Illawarra has noted from the NSW Productivity Commission's [Remote Working Insights Reports](#) that the COVID-induced rise in remote work could permanently raise NSW's productivity by 1.9 per cent, or Gross State Product by \$6 billion a year in 2021

⁴ Page 5 Department of Planning, Industry and Environment | NSW Hydrogen Strategy

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dollars. Additionally, the flow on in terms of improved wellbeing of the average NSW household would amount to around \$1,800 a year in 2021 dollars making remote working one of the largest productivity boosts in recent years.

The report also found that both employers and employees alike have embraced the benefits of hybrid work arrangements and are investing in remote working models and cultures for the future that inevitably leads to changed demands on traditional CBD and commercial areas⁵.

Action 6: The longer-term implications and opportunities that the post pandemic working environment will create for CBDs, including those in the Illawarra, is yet to be completely understood. The work of the NSW Productivity Commission in this area should continue to inform the policy settings of relevant NSW Government agencies and consider the experiences and insights from groups like Business Illawarra.

It is crucial that the NSW Government address the issue of the agglomeration⁶ of jobs in capital cities, as well as a range of worker housing affordability issues for the Illawarra and many other parts of the state, which are having significant downstream impacts on workforce availability for local businesses.

About Business Illawarra

Business Illawarra is the peak business organisation and the regional chamber that supports businesses and local chambers across the Illawarra primarily, as well as the Shoalhaven, Southeast and Capital regions. Business Illawarra is non-profit organisation and a division of Business NSW (formerly the NSW Business Chamber) – a founding member of the Australian Chamber of Commerce and Industry.

We develop policy and advocate to all levels of government on issues affecting businesses in our region, undertake research to guide greater public and private sector investment in economic infrastructure, and support the development of workforce capacity and skills.

Illawarra First is the peak leadership forum in the region, championing the interests of the local economy to unlock the region's enormous potential by harnessing best practice and thought leadership to progress key priorities.

Its membership comprises a select group of leading businesses in the Illawarra, sharing a commitment to bolster economic growth and prosperity. The leadership and direction of Illawarra First has driven the commissioning of research to support the policy and advocacy priorities of Business Illawarra.

⁵ Executive Summary – NSW Productivity Commission, Remote Working Insights Reports No. 2

⁶ Page 42 – NSW Productivity Commission, Remote Working Insights Report no.2