2020-21 Pre-Budget Submission

Submission from the Illawarra Business Chamber to the New South Wales Government

Illawarra Business Chamber
Level 5, 6-8 Regent Street
Wollongong NSW 2500
(p) (02) 4229 4722
(e) ed@illawarrabusiness.com.au

18 February 2020
# Contents

## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendations</td>
<td>3</td>
</tr>
<tr>
<td>Regional Disaster Recovery</td>
<td>3</td>
</tr>
<tr>
<td>Tax Relief</td>
<td>3</td>
</tr>
<tr>
<td>Recovery Grants</td>
<td>4</td>
</tr>
<tr>
<td>Financial Advice</td>
<td>4</td>
</tr>
<tr>
<td>Wollongong Entertainment Precinct</td>
<td>5</td>
</tr>
<tr>
<td>Transport and Freight Infrastructure</td>
<td>6</td>
</tr>
<tr>
<td>Rail Infrastructure</td>
<td>6</td>
</tr>
<tr>
<td>Road Infrastructure</td>
<td>8</td>
</tr>
<tr>
<td>Community Services Indexation</td>
<td>11</td>
</tr>
<tr>
<td>Summary of Recommendations</td>
<td>13</td>
</tr>
<tr>
<td>About the Illawarra Business Chamber and Illawarra First</td>
<td>14</td>
</tr>
</tbody>
</table>
Recommendations

Regional Disaster Recovery

The Illawarra Business Chamber (IBC) is the peak business organisation for the region comprising the Wollongong, Shellharbour, Kiama, Shoalhaven and W porquecarribee Local Government Areas (LGAs). It supports some 2,700 businesses within this region primarily, and also has responsibility for the South Coast, Snowy Mountains, and Southern Tablelands regions.

Over the course of the 2019-20 bushfire season it is estimated that around 26,000 businesses in NSW have suffered direct or indirect impacts; including 6,217 businesses on the South Coast, 2,023 in the Capital Region and 2,217 in the Southern Highlands.

The IBC has advocated for a range of measures that will address key issues facing these businesses. These include:

- The collapse in cash flow that has occurred since the bushfire event.
- A sharp decline in visitation to these regions which are heavily tourism-reliant in general, and particularly through the summer period.
- Concerns about meeting financial commitments; particularly servicing mortgages and business loans.
- Lack of insurance, including under-insurance and lack of business continuity cover.
- Retaining staff and how to responsibly stand them down if required.
- Environmental devastation, given these region’s reliance on natural attractions.
- Complexity of government and non-government assistance on offer, and ineligibility for the (estimated) 90 percent of businesses indirectly affected.

Tax Relief

In light of the impact that these natural disasters are having on the social and economic welfare of local economies, the IBC urges government to deliver payroll tax relief for 2020-21 in LGAs impacted by ongoing drought conditions and/or by the 2019-20 bushfire season in the 2020-21 NSW Budget.

The NSW Business Chamber (NSWBC) has previously advocated for businesses in regional NSW to be afforded immediate access to the $1 million payroll tax threshold, rather than waiting until 2021-22 when it applies to all businesses across the state, and flexible payment arrangements if impacted by natural disasters.1

Government has previously offered the Business Drought Assistance Program, which provided payroll tax relief during the Millennium Drought. Under the program, businesses could apply for financial assistance where Annual Sales or Earnings before Interest and Taxation was sufficiently below a benchmark established prior to the drought. A similar approach would target support to affected

---

businesses making the cost of the program small relative to the boost it would give affected local economies.

The IBC considers that this prospective measure would provide necessary relief to businesses at a time of significant financial stress. Business failures will have a devastating and longer lasting impact than foregone revenue and government should do all in its power to ensure their sustainability. Payroll tax relief is one measure through which government can significantly lessen the financial strain on regional businesses and affected local economies.

---

**Recommendation 1**

Establish a payroll tax relief program, similar to the Business Drought Assistance Program, for businesses in LGAs impacted by ongoing drought conditions and/or by the 2019-20 bushfire season.

---

**Recovery Grants**

The dispersion of relief funding to businesses affected by the bushfire season as soon as practicable is critical to their recovery. The IBC considers that there is scope for further financial assistance for businesses to be met by the NSW Government, beyond what has been announced to date.

Recovery grants are only available to businesses that have suffered direct damage to premises or tools of trade, which itself is too narrow in focus as it does not account for flow on effects for other businesses. Feedback indicates that few impacted businesses wish to access concessional loan schemes on offer as they do not wish to finance their recovery from a natural disaster with more debt.

Government should increase the value of recovery grants (currently up to $15,000) for impacted small businesses and primary producers, available via the Rural Assistance Authority. While this may cover part of the clean-up, it will not sustain businesses, even in the short term.

---

**Recommendation 2**

Increase the value of recovery grants and broaden eligibility criteria beyond businesses suffering direct damage to premises or tools of trade alone.

---

**Financial Advice**

Financial advice will be integral to resolving the difficult decisions being faced by businesses across the affected regions and assisting them in establishing a recovery plan. Recovery solutions should rely on local providers, and so the IBC joins the NSWBC’s call for $500 vouchers so that small businesses can get financial advice from their local financial adviser or accountant. This could be a joint undertaking by Federal and NSW Governments, and the official charities.

The IBC supports businesses and local chambers of commerce in tourism destinations that rely on visitation in summer months to sustain their business throughout the year. With this period now
practically a write-off, many operators and related small businesses are not expected to recover without significant financial stimulus or efforts to return lost trade.

---

**Recommendation 3**

Direct a portion of already committed funding to the provision of a $500 voucher for businesses impacted directly or indirectly by bushfires, to spend with their existing financial adviser on an economic recovery plan.

---

**Wollongong Entertainment Precinct**

The IBC acknowledges the commitment of the NSW Government to undertake a precinct and concept plan around the state entertainment assets in WIN Stadium and WIN Entertainment Centre. In order for this work to progress, it is understood that funding needs to be allocated in the 2020-21 NSW Budget to develop a detailed concept plan and strategic business case, similar to the process being followed with the Hunter Sports and Entertainment Precinct.

Regional stakeholders are united in their support for an Entertainment Precinct concept plan and process that incorporates a broad geographic area on the Wollongong foreshore. For Wollongong to realise its potential as a regional conferencing and major event destination, the IBC considers that a modern purpose-built conference facility is required alongside new branded hotel stock (up to four hundred rooms) and an appropriate mix of residential and commercial developments.

An integrated precinct which also incorporates upgraded entertainment assets and inviting public spaces would make the precinct attractive to the community and visitors alike. This could be achieved via a public-private partnership, but requires government to progress its examination to a detailed concept plan and strategic business case.

---

**Recommendation 4**

Commit funding to the development of a detailed concept plan and strategic business case for the broader Wollongong Entertainment Precinct.

---

As longer-term planning for the site progresses, minor upgrades and unfunded maintenance of the facility – to improve the amenity for the WEC for major events (the 2022 UCI Road World Championships foremost amongst these) to operate successfully and without incident – are necessary.

The IBC submits that funding and implementation of the WIN Entertainment Centre Asset Maintenance Plan, and critical unfunded maintenance, equity and safety items, in accordance with the NSW Treasury’s whole-of-life cost analysis, must be provided for in the 2020-21 Budget. Specifically, it is understood that the following will be required in the near term, in order for the adequate functioning of the venue to continue:

- Upgrade of the disability access, toilets and seating.
- Urgent repairs to the roof.
• Information communication and technology systems, particularly WiFi and digital media capabilities.

Recommendation 5
Commit to minor upgrades and unfunded maintenance of the WIN Entertainment Centre.

Transport and Freight Infrastructure

Transport connectivity between Greater Sydney and the Illawarra is an issue of fundamental importance to the state economy. It is critical to unlocking economic growth and opportunity, and the lived experience of residents.

Through research conducted on behalf of Illawarra First members, we have assessed the cost of existing transport constraints – the ‘do nothing’ scenario – as costing the economy $640 million by 2031.

Illawarra First members are united on the need for clear commitments to necessary upgrades to the region’s transport and freight infrastructure. Regional peak and stakeholder groups are in alignment on the transport and freight requirements of the Illawarra.

The 2020-21 NSW Budget is an opportunity for funding of existing infrastructure priorities, progress on business cases and new funding for emerging priorities across the region. The IBC will be advocating for clear commitments to future infrastructure delivery to be contained within the NSW Government’s Illawarra-Shoalhaven Regional Plan, which is under review in 2020.

Recommendation 6
Reassess the Illawarra’s critical infrastructure priorities, to ensure the evidence base is current, and articulated with clear timelines and pathways, to inform the review of the Illawarra-Shoalhaven Regional Plan in 2020.

The reports *Upgrading Road Connectivity between the Illawarra and Greater Sydney* (2018) and *Upgrading Rail connectivity between Illawarra and Sydney* (2017) are referenced in this submission and present the most current assessment of the regions infrastructure requirements, by government or the private sector.

Rail Infrastructure
South Coast Line
The South Coast Line is a critical thoroughfare between the Illawarra and Greater Sydney, for freight movements and some 3,000 commuters each day. The line is constrained by its geography and these freight movements, which Infrastructure NSW notes will be displaced in the mid-2030s as passenger...
patronage increases. Illawarra First commissioned the University of Wollongong’s SMART Infrastructure Facility to assess a number rail options to address these issues, determining that:

- Increasing the frequency of passenger trains would offer only minimal improvements since the number of additional slots that can reasonably be accommodated would be small.
- Increasing the speed of passenger trains requires a significant infrastructure investment (13 km of tunnelling at a cost of c. $1.95 billion, 2016-17 dollars) to yield time savings of around 30-40 minutes for a return trip between Wollongong and Sydney Central stations.
- Introducing more advanced signalling technology would offer improvements in safety, but only limited time savings.
- Building a new line to bypass the Illawarra escarpment is unlikely to be feasible for the Moss Vale-Unanderra Line, but is assessed as feasible for the South West Illawarra Rail Link (SWIRL).

The IBC is concerned that government has not articulated a solution for the anticipated displacement of freight in the 2030s; it is assumed that this will move to an already congested road network. Further, there are benefits to be realised in making Wollongong a more commutable satellite city of Sydney which are not being realised. The IBC considers that investment in rail infrastructure should address freight and passenger movements to Greater Sydney and that SWIRL presents the best option. To not act would be to the detriment of the economy and a lost opportunity.

**Recommendation 6.1**

Continued maintenance to improve safety and the condition of the South Coast Line, in order to sustain commuter movements through to Central Station, with a view to investigate improved rail connectivity to Greater Sydney.

**South West Illawarra Rail Link**

The IBC considers the South West Illawarra Rail Link (SWIRL) an essential project for the Illawarra’s transport connectivity. The objectives of SWIRL are to:

1. Reduce travel times between the Illawarra and Western Sydney, for both passengers and freight.
2. Ease congestion on the South Coast Line.
3. Provide a solution to Infrastructure NSW’s identified requirement for maintaining long-term rail freight connectivity between Sydney and the Illawarra, noting that freight will be forced off the South Coast Line altogether by 2030 and the critical strategic importance of maintaining this link.²
4. Reduce heavy vehicles from the key roads between the Illawarra and Sydney (M1 Motorway) and Western Sydney (Picton Road).
5. Additionally, passenger movements between the Wollongong and Wollondilly LGAs add to the benefits to be realised from a dual passenger-freight line.

The rail link would connect the Main South Line (at Maldon) and the Moss Vale-Unanderra dedicated freight line at Dombarton. The 7 km rail link from Dombarton along the Moss Vale-Unanderra Line to the junction of the South Coast Line would require electrification.

SWIRL would dramatically shorten the travel times to Western Sydney, thus attracting patronage from the South Coast Line and to effect a mode shift from cars. The proposed freight operation is also likely to attract freight from the road transport, thereby reducing the number of heavy commercial vehicles on the road network.³

Detailed economic modelling identifies the benefit to the Illawarra region would be $2.6 billion (in NPV terms at the standard 7 percent discount rate) and over 1,100 permanent additional jobs (in FTE terms). This indicates the return to the Illawarra economy would be $1.84 for each $1 invested in the SWIRL.⁴

Informed by the report *Upgrading Rail connectivity between Illawarra and Sydney* (2017), the IBC considers SWIRL to be the transformational infrastructure priority for the region and calls on the government to commission a business case for the project.

Recommendation 6.2
Commit funding to review the business case for a South-West Illawarra Rail Link, a prospective passenger-freight line, articulating a medium-term freight solution and the benefits of improved passenger flow to Greater Sydney.

**Road Infrastructure**

Illawarra First, and the National Roads and Motorists’ Association (NRMA), commissioned Veitch Lister Consulting (VLC) in 2018 to examine and provide a comprehensive analysis of the region’s transport connectivity, identifying the challenges facing the Illawarra over the next 20 years.

The Report, *Upgrading Road Connectivity between the Illawarra and Greater Sydney*, makes recommendations to ensure the region remains connected to growing opportunities presented by Greater Sydney, including Western Sydney. The Report highlights the experience of some 30,600 commuters travel to Greater Sydney every day, 24,050 of these by road, and 15,800 travel from outside the region to jobs in the Illawarra.

Informed by this research, the IBC considers that a comprehensive upgrade of Picton Road to motorway standard is the pressing road infrastructure priority for the region.

Improvements to the road network that address the issue of connectivity between the Illawarra and Greater Sydney are crucial, and VLC has calculated the costs of congestion and delays along the corridor as being expected to rise to $640 million by 2031.

---

³ Illawarra Business Chamber, *Upgrading Road Connectivity Between the Illawarra and Greater Sydney*, p73.
⁴ Illawarra Business Chamber, *Upgrading Rail Connectivity Between Illawarra and Sydney*, p47.
The IBC is concerned that the road network has not kept pace with the growth in traffic volumes. This is exacerbated by the region’s topography, meaning the region relies on one road corridor and one rail line to connect it to Greater Sydney. Without intervention, travel times and congestion will increase and impact business and employment opportunities.

Given the region’s reliance on connectivity to Greater Sydney, it is critical that road and rail transport connectivity be addressed if the potential of the region is to be realised. Indeed there is unrealised scope for the Illawarra to lessen the inherent constraints and inefficiencies of an overcrowded and expensive Sydney.

**Picton Road**

Picton Road is a key arterial road, linking the economies of the Illawarra and Greater Sydney, with freight travelling between Wollongong/Port Kembla to Greater Sydney. The residents of the Wollongong, Wollondilly and Camden local government areas (LGAs) are frequent users.

VLC’s analysis established that it was critical that Picton Road be upgraded to motorway standard (i.e. two lanes in each direction, separated) in the immediate future, with a provision to upgrade to six lanes in the future. VLC recommended that the project be completed by 2025, given that the road will reach its anticipated peak hour capacity in 2022 and daily capacity in 2025.

Picton Road is listed on Infrastructure Australia’s current Infrastructure Priority List. However, only measured safety improvements/realignments are slated for attention. By comparison, the Hume Highway near Gundagai carries half the daily volume that Picton Road does, with a similar heavy vehicle proportion, but is of freeway standard with two lanes in each direction. Hunter Expressway near Sawyer’s Gully carries a similar daily volume to Picton Road, with 10% less heavy vehicles. The expressway is also a high standard road.

<table>
<thead>
<tr>
<th>Table 1 - Picton Road</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crashes (2012-16)</strong></td>
</tr>
<tr>
<td><strong>Freight growth</strong></td>
</tr>
<tr>
<td><strong>Ave. growth p.a.</strong></td>
</tr>
<tr>
<td><strong>Daily capacity</strong></td>
</tr>
<tr>
<td><strong>Economic impact (in 2031)</strong></td>
</tr>
<tr>
<td><strong>Movements</strong></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

The IBC is of the view that a joint commitment from state and federal governments to upgrade Picton Road to motorway standard, accompanied by a firm timeframe and funding commitments, is warranted.

**Recommendation 6.3**

Commit to upgrading Picton Road to motorway standard, which involves two lanes each way, separated. This should be a joint funding commitment by the NSW and Australian Governments.
Mount Ousley Interchange and Widening
Mount Ousley is the single crucial road link connecting the Illawarra with regions to the west and the north. The IBC notes that the interchange component of this project has progressed through the concept design and environmental impact assessment stage. Government has not yet committed to detailed design, pre-construction activities and awarding a tender. VLC recommends that this completed by 2025 given that the road is estimated to reach peak hour capacity in 2024 and daily capacity in 2026.

The region’s reliance on Mount Ousley is a vulnerability, with heavy vehicle movements, which are growing at an average of 6 percent p.a., testing its capacity on steep grades. In both directions, heavy vehicles travel in the left lane, reducing the capacity of the road for other vehicles to two lanes for much of the road, and a single lane in some sections.

During peak hour, the northbound volume on Mount Ousley is around 3,400 vehicles, of which over 500 are heavy vehicles. On the three lane sections, this means that the left lane carries over 500 vehicles per hour, while the two outside lanes carry a total of 2,900 vehicles. An average of 1,500 vehicles per lane per hour on a steep grade represents a traffic flow that is close to capacity.\(^5\)

The widening of Mount Ousley would provide additional capacity and address safety concerns. VLC recommends extending the third lane on the southbound section commencing halfway down Mount Ousley (approximately 2.5 kms), at a cost between $220 million and $330 million depending on geology, engineering complexities and any land acquisitions. It is estimated that in 2031, the Mount Ousley Interchange and Widening would deliver total economic benefits of around $46 million per year.

**Recommendation 6.4**
Commit to funding detailed design for the Mount Ousley Interchange project, incorporating the widening of the Princes Highway at Mount Ousley, to provide additional capacity and address safety concerns.

M6 Extension
VLC also considered the benefits and requirements for extending the F6 (now M6) through to Loftus, and in turn how this could benefit the commuting population of the Illawarra and South Coast.

The IBC notes that the full benefit of travel savings for people travelling between Wollongong and the Sydney CBD – estimated to be 27 minutes – will only be realised when Section B and C are delivered. The total economic benefits of completing Stages 1, 2 and 3 of the F6 Extension are $677 million per year in 2031. Of this, the value to the Illawarra would be around $67 million per year.

Without the M6, congestion will increase along the road network, including the southern suburbs of Sydney. IBC submits that government should commit funding to the planning and development of Sections B and C of the M6.

\(^5\) Illawarra Business Chamber, *Upgrading Road Connectivity Between the Illawarra and Greater Sydney*, p22.
Recommendation 6.5
Commit funding to planning and development of Sections B and C of the M6, noting the importance of extending planning to encompass transport between Greater Sydney and the Illawarra and South Coast and the benefits to be realised inside projected timeframes.

Community Services Indexation
The IBC has previously written to government on behalf of members in the social and community services sector, to convey concerns about the indexation of government grants (then 1.75 percent p.a.) applied in the 2019-20 Budget. The IBC subsequently welcomed the government’s announcement in October 2019, that the indexation rate for these grants had been revised to 2 percent p.a.

---

6 Illawarra Business Chamber, *Upgrading Road Connectivity Between the Illawarra and Greater Sydney*, p71.
Regardless, the indexation rate still represents a significant funding shortfall, borne by these businesses as it contrasts sharply with a 3 percent increase to wages under the Social, Community, Home Care and Disability Services Industry Award 2010. While efficiencies will be sought, businesses in the sector will increasingly be forced to reduce their services in order to remain solvent.

The IBC’s view therefore remains that escalation for these grants must factor in the Wage Price Index, in addition to the Consumer Price Index, to more accurately reflect changes in the economy and the costs of providing these services to the community.

**Recommendation 7**

Amend the indexation methodology applied to government grants to NGOs in the social and community services sector for 2020-21 to account for wage growth and other cost increases.
Summary of Recommendations

The Illawarra Business Chamber (IBC) recommends that the NSW Government:

**Regional Disaster Recovery**

- **Recommendation 1** Establish a payroll tax relief program, similar to the Business Drought Assistance Program, for businesses in LGAs impacted by ongoing drought conditions and/or by the 2019-20 bushfire season.
- **Recommendation 2** Increase the value of recovery grants and broaden eligibility criteria beyond businesses suffering direct damage to premises or tools of trade alone.
- **Recommendation 3** Direct a portion of already committed funding to the provision of a $500 voucher for businesses impacted directly or indirectly by bushfires, to spend with their existing financial adviser on an economic recovery plan.

**Wollongong Entertainment Precinct**

- **Recommendation 4** Commit funding to the development of a detailed concept plan and strategic business case for the broader Wollongong Entertainment Precinct.
- **Recommendation 5** Commit to minor upgrades and unfunded maintenance of the WIN Entertainment Centre.

**Transport and Freight Infrastructure**

- **Recommendation 6** Reassess the Illawarra’s critical infrastructure priorities, to ensure the evidence base is current, and articulated with clear timelines and pathways, to inform the review of the Illawarra-Shoalhaven Regional Plan in 2020.
  - **Recommendation 6.1** Continued maintenance to improve safety and the condition of the South Coast Line, in order to sustain commuter movements through to Central Station, with a view to investigate improved rail connectivity to Greater Sydney.
  - **Recommendation 6.2** Commit funding to review the business case for a South-West Illawarra Rail Link, a prospective passenger-freight line, articulating a medium-term freight solution and the benefits of improved passenger flow to Greater Sydney.
  - **Recommendation 6.3** Commit to upgrading Picton Road to motorway standard, which involves two lanes each way, separated. This should be a joint funding commitment by the NSW and Australian Governments.
  - **Recommendation 6.4** Commit to funding detailed design for the Mount Ousley Interchange project, incorporating the widening of the Princes Highway at Mount Ousley, to provide additional capacity and address safety concerns.
  - **Recommendation 6.5** Commit funding to planning and development of Sections B and C of the M6, noting the importance of extending planning to encompass transport between Greater Sydney and the Illawarra and South Coast and the benefits to be realised inside projected timeframes.

**Community Services Indexation**

- **Recommendation 7** Amend the indexation methodology applied to government grants to NGOs in the social and community services sector for 2020-21 to account for wage growth and other cost increases.
About the Illawarra Business Chamber and Illawarra First

The IBC is the peak business organisation and the regional chamber that supports businesses and local chambers across the Illawarra-Shoalhaven, primarily, as well the South East and Tablelands. The IBC is a Division of the NSW Business Chamber – a founding member of the Australian Chamber of Commerce and Industry.

The IBC develops policy, advocates to all levels of government on issues affecting businesses, undertakes research to guide greater public and private sector investment in economic infrastructure, and supports the development of workforce capacity and skills in our region.

Illawarra First is the top tier of IBC membership, harnessing best practice and thought leadership to progress key priorities including improving connectivity with Sydney, realising greater value from existing strategic infrastructure and leveraging competitive advantages to bolster economic growth.

Its membership comprises a select group of leading businesses in the Illawarra, sharing a commitment to driving the development and prosperity of the Illawarra. Through their leadership and direction, the Chamber has commissioned research on road and rail connectivity between the Illawarra and Greater Sydney, which is referenced in this submission.