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Mr Peter Achterstraat AM
NSW Productivity Commissioner
NSW Treasury
GPO Box 5469
SYDNEY NSW 2001

Dear Mr Achterstraat AM

NSW PRODUCTIVITY COMMISSIONERS DISCUSSION PAPER

The City of Newcastle (CN) welcomes the opportunity to respond to the NSW Productivity Commissioner's discussion paper, 'Kickstarting the Productivity Conversation'.

Greater Newcastle remains the economic engine room for NSW, contributing over \$32 billion annually to the state's economy. After a successful period of economic restructure, increased investment and enhanced lifestyle opportunities, Greater Newcastle is emerging as Australia's newest economic and lifestyle city that provides important opportunities for productivity growth that can support continued improvements in living standards. This vision was endorsed in 2018 with the release of the first-ever Metropolitan Plan for Greater Newcastle; a first for a non-capital city in Australia.

CN's submission responds to the NSW Treasurer's productivity priorities by focusing on learnings from our City Revitalisation program and by identifying future opportunities:

- 1) Reflection: Embed Smart Infrastructure
- 2) Opportunity: Population Strategy
- 3) Opportunity: Gateway Cities
- 4) Opportunity: Infrastructure as an Enabler of Change

If you have any questions, please don't hesitate to contact [REDACTED]

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The success of Newcastle's smart city innovations reflects similar successes in regional cities globally. CN calls on the Productivity Commissioner to recognise the comparative advantage of Gateway Cities at implementing smart infrastructure and request that it be a focus of the productivity agenda moving forward. Embedding the roll-out of smart infrastructure as part of a revitalisation program enables multiple layers of infrastructure to be delivered at the same time.

2 Opportunity: Population Strategy

Focus Area: Building human capital

The Productivity Commission report emphasises the importance of building human capital for a modern and dynamic economy. Technological innovations and shifting preferences require people to upskill and reskill throughout their working lives. Ultimately, population totals and human capital skills are the most important inputs into any economic analysis.

Newcastle's historic shift from a 'steel city' to a service, creative and knowledge city highlights the importance of building human capital. The success of the transition can be partly attributed to the strength of the local tertiary education sector, anchored by the University of Newcastle and TAFE campuses. However, the projected decline in mining employment and shift away from coal exports will require a further investment in the city's human capital. In response, CN is embracing a people centred approach for its Economic Development Strategy. Our aim is to provide economic and social opportunities for all.

CN calls on the Productivity Commissioner to consider the development of a population and human capital strategy for the state of NSW. Such a strategy could have a dual focus on the settlement patterns of migrants to / from NSW, as well as skills development / training programs for jobs of the future. A state strategy would provide CN and other local government areas with a framework to implement at a local level. Understanding population dynamics and strategically planning for human capital development will help to drive the productivity agenda.

3 Opportunity: Gateway Cities

Focus Area: Smart ways to get more from our infrastructure

Australia's metropolitan capital cities are growing at a rapid pace, placing increased demands on infrastructure and the urban environment. The Productivity Commission report identifies transport congestion costs rising to \$12.6 billion by 2030. Consequently, there has been a renewed interest among political leaders and policy makers, as emphasised in the Government's Planning for Australia's Future Population, in identifying ways that Australia's major regional cities can be better leveraged.

Subsequently, the Committee for Geelong, in partnership with the Councils of Newcastle, Greater Geelong and Wollongong commissioned Deakin University, the University of Newcastle and the University of Wollongong to investigate issues relating to major regional city growth and the important role of major regional cities on the economy. Based on unique characteristics, this new report has led to the introduction of a 'Gateway City' concept.

Historically, much of the research and discussion on the potential role for regional cities has concentrated on issues such as population levels, governance and administration, service delivery capability and industrial history – by and large, demographic issues with an

economic flavour. The new report has expanded the modelling to identify factors that lead to some regional cities being able to maximise returns on financial, infrastructure and other forms of investment, and thus be a key gateway for regional Australia. These factors include:

- Market interconnectivity – Gateway Cities demonstrate a deep connection to broader markets including metropolitan capitals, the national economy and the global economy.
- Economic Pull and Retention – Gateway Cities can draw in capital, private investment and skilled labour, but also have the attributes and ability to retain them.
- Economic Resilience and Transformative Capacity – Gateway Cities demonstrate a genuine economic and community resilience over a prolonged period and a capacity to adapt to exogenous shocks that challenge their economic and industrial base.
- Demonstrated Long Term Regional and National Economic Integration – Gateway Cities have historical and ongoing importance to the economic and social development of their surrounding regions.
- Strength of the Revenue Base – Gateway Cities are net contributors to Gross Domestic Product [GDP] and have been net donors to Horizontal Fiscal Equalisation [HFE].

The three cities of Newcastle, Wollongong and Geelong, which are the focus of the report, are establishing a 'Gateway Cities Alliance'. Other regional cities are invited to engage with the Alliance and be considered to join the Alliance.

One of the first objectives of the Alliance, and a concept that could be considered by the Productivity Commission, will be to advocate for a re-examination of the Metropolitan / Regional dichotomy. Cities like Newcastle, Wollongong and Geelong are important metropolitan centres that also serve a regional population. A three-component dichotomy of Metropolitan / Gateway / Regional may provide for a stronger approach for policy development and the promotion and development of cities and regional centres into the future.

CN calls on the Productivity Commissioner to consider reframing the state population and investment narrative and increasing focus on Gateway Cities. Such an approach has the potential to alleviate congestion and maximise the productivity benefits of infrastructure. In particular, CN calls on the Productivity Commissioner to reduce the administrative red tape and provide dedicated resources and funding to enable the Greater Newcastle Metropolitan Plan implementation to be expedited.

4 Opportunity: Infrastructure as an Enabler of Change

Focus Area: Smart ways to get more from our infrastructure

The Reserve Bank Governor, Dr Phillip Lowe, recently called on the Commonwealth Government to expedite infrastructure spending, especially outside of Sydney and Melbourne (Sydney Morning Herald, 7 September 2019). Dr Lowe emphasised the importance of spreading infrastructure expenditure right across the country to drive productivity growth. Furthermore, Jennifer Westacott AO, Chief Executive of the Business Council of Australia, recently used a National Press Club address to argue that the Federal Government needed to select ten cities to drive the economy outside of Sydney and Melbourne.

CN is strongly positioned to partner with State and Federal Government agencies to prioritise and fast-track infrastructure spending. The following six projects have been identified as priorities for

investment and key enablers for the future of the Greater Newcastle region. These infrastructure projects would also serve as catalysts for enabling sustainable population and economic growth, and driving productivity nationally into the future:

i. Lower Hunter Freight Corridor

Greater Newcastle is the only place in regional NSW where the national road and rail trade routes intersect with an international trade port and airport. There are opportunities to better connect these trade movements through improvements to the rail corridor.

The existing Main North railway line services coal freight movements to the Port of Newcastle, interstate freight movements from Sydney and Melbourne to Brisbane, as well as intrastate freight and passenger trains. Specifically, all rail freight needs to cross the Hunter River or travel through the metro core to reach the trade gateways of Newcastle Port and Newcastle Airport. Line congestion, and the priority given to passenger trains on shared parts of the rail network, reduce the efficiency and cost effectiveness of freight movement in the region. This results in more trucks on the road, which increases congestion, vehicle emissions and reduces amenity.

The Lower Hunter Freight Corridor would separate the majority of freight and passenger rail services on the congested area between Fassifern and Newcastle. This would enable growth in both passenger and freight train services, as well as enhance urban amenity and liveability in the Newcastle region.

ii. Newcastle Airport Expansion

Newcastle Airport is a global transport gateway that is significant to unlocking the potential of the Hunter region's tourism industry and providing an opportunity for the Hunter and regional NSW to export services, valued added products and skilled labour to other parts of Australia and internationally. Newcastle Airport requires a runway upgrade and terminal expansion to accommodate long range aircraft (Code E). The economic uplift is estimated to be +4,410 full-time jobs and +\$12.7 billion over the next 20 years to the regional economy of northern NSW. The required upgrade work includes both airfield and substantial terminal upgrades.

The Williamstown site is home to Astra Aerolab, a new innovation hub for aviation, defence and aerospace-related manufacturing. The RAAF Base is also located at Williamstown, Australia's primary Defence Fighter Base and home to the country's new fleet of F35 Joint Strike Fighters. In partnership with these two organisations, the infrastructure upgrade would enable Newcastle Airport to become a globally significant precinct for aerospace innovation and connect the Hunter region to global markets.

iii. Port of Newcastle Diversification

The Port of Newcastle is a major Australian trade gateway handling 4,600 ship movements each year. With its annual trade worth more than \$29 billion to the NSW economy, the Port enables businesses across the state to compete in international markets.

The deep-water shipping channel is currently operating at 50% of its capacity with significant land available and existing national rail and road infrastructure networks. The Port of Newcastle is positioned to expand and diversify its offering away from reliance on coal. The Port of Newcastle has developed a concept plan for a staged container terminal development at its Mayfield site. A Newcastle Container Terminal would deliver substantial cost savings for NSW exporters and importers, save the NSW government billions in infrastructure spending and help reduce Sydney road and rail congestion.

iv. Broadmeadow Sports and Entertainment Precinct

To ensure Australia maintains a competitive edge in the national and international sporting and event market, there is a need to be able to cater for large and diverse crowds, provide an improved game day experience and provide a range of venues to attract international events that provide significant economic benefit to the Australian economy.

The Broadmeadow Sports and Entertainment Precinct proposes an integrated development that combines contemporary residential and community spaces with cafes, restaurants, commercial uses and first-class sports and entertainment facilities which would create a new destination point for the city, complementing the revitalised CBD.

v. Newcastle Art Gallery Expansion

The Newcastle Art Gallery is Australia's first purpose-built regional art gallery and custodian to a nationally recognised permanent collection of over 6,600 works of art valued at \$95 million. The collection is significant and diverse, providing a time capsule of Australian art dating back to the earliest days of Newcastle more than 200 years ago.

The Newcastle Art Gallery is an important part of Newcastle's growing cultural diversity and has been active in purchasing the work of emerging artists, with a focus on artists who have lived and worked in the Hunter region. To meet the growing expectations of the community, the existing building requires upgrading and expanding to provide modern facilities such as a new café and retail shop, multi-purpose and educational program space, improved display and secure international standard loading dock. This project was recently included in the NSW State Government Cultural Infrastructure Plan 2025.

vi. Newcastle Active Transport Network

The overwhelming majority of trips in Newcastle are made by private vehicles. More than 80% of trips in Newcastle are less than 10km and approximately 40% are less than two kilometres. Newcastle's gentle topography and temperate climate mean that with the right infrastructure, many of these trips could be readily substituted by walking and cycling.

Implementation of a safe and connected active transport network throughout Newcastle, that links key attractors and nodes, will make active transport a convenient and preferred choice for short trips. An active transport network would reduce congestion and ameliorate the economic costs of physical inactivity.

CN calls on the Productivity Commissioner to advocate for increased investment in infrastructure in Gateway Cities to alleviate congestion, to maximise returns and to facilitate sustainable economic and population growth in NSW.

Finally, CN supports the concepts of performance monitoring and community satisfaction surveys to facilitate engagement between community and local government. For example, the recently launched "Your Council" dashboard by Local Government NSW is a positive first step.

CN thanks the Commissioner for the work on this important topic. We look forward to reading the Green Paper and contributing to its continued development and refinement.