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2019-20 NSW Budget Submission



NSW Business Chamber

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Introduction

The NSW Business Chamber (NSWBC) welcomes the opportunity to provide a submission ahead of the 2019-20 NSW Budget.

NSWBC is one of Australia's largest business support groups, with a direct membership of 20,000 businesses and providing services to over 30,000 businesses each year. NSWBC works with businesses spanning all industry sectors including small, medium and large enterprises. Operating throughout a network in metropolitan and regional NSW, NSWBC represents the needs of business at a local, State and Federal level.

Given the proximity of the 2019-20 Budget to the March 2019 election, NSWBC recognises that the Government has a crowded agenda in the short term. However, now is also a crucial opportunity within the electoral cycle to make vital progress to meet the state's longer-term challenges. With economic circumstances less favourable than in recent years, it is also essential to navigate the changing environment with appropriate attention and care. This includes shoring up business confidence while reducing the state's exposure to volatilities such as those recently experienced in the property market.

To this end, a key proposal in this submission is for the Government to commission an independent review of state taxes and intergovernmental finances with a view to improving the efficiency and sustainability of NSW state finances. NSWBC also reaffirms the need to deliver proposed payroll tax cuts on time and in full, while reducing costs for businesses that take on new employees by renewing (but reconfiguring) the Jobs Action Plan rebate. Other recommendations made in this submission are intended to make it easier to do business in NSW and improving state competitiveness.

Part 1 of this submission builds on NSWBC's *Keeping NSW Number 1* campaign by reaffirming our policy priorities for the next four years; Part 2 identifies additional Budget priorities ahead of the 2019-20 Budget; and Part 3 outlines proposals to support regional NSW.

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List of recommendations

Recommendation 1

The Government should fund and progress:

- its election commitments for skills including the delivery of new vocational colleges, a new TAFE campus and the establishment of two more productivity bootcamps;
- pilot career advice hubs in metropolitan and regional NSW to develop and deliver contemporary industry careers advice in schools;
- an additional 20,000 school based apprenticeships and traineeships over the next four years; and
- Ongoing funding to support productivity bootcamps over the next four years and beyond.

Recommendation 2

The Government should:

- meet its commitment to ensure all small businesses can access its energy switch service;
- work towards removing all state taxes and levies on energy;
- through a high level working group of key Ministers, Government should reform commercial tenancies legislation to reduce the time, cost and complexity of establishing cost sharing arrangements between tenants and landlords for investment in new renewable energy projects; and
- fast-track assessment processes to bring on additional natural gas production and LNG importation opportunities.

Recommendation 3

The Government should:

- meet its commitment to accelerate the development and delivery of Sydney Metro West, upgrades to the Great Western Highway between Lithgow and Katoomba, repair regional roads, and invest in measures to improve telecommunications infrastructure in regional NSW;
- establish a NSW Infrastructure Coordination Authority to advise on delivery, contracting and performance;
- ensure that 30 per cent of Restart NSW proceeds are spent in regional NSW each year; and
- develop a new procurement framework to maximise small and medium enterprise participation.

Recommendation 4

The Government should:

- abolish stamp duty on insurance premiums for commercial and business premises to encourage increased insurance coverage;
- Provide flexible payment arrangements for those impacted by natural disaster; and
- Establish a natural disaster recovery fund to better support businesses and communities impacted by natural disasters.

Recommendation 5

The NSW Budget should remain in surplus underpinned by robust expense management implemented over the next four years. All announced tax cuts should be implemented, in full and on-schedule. Any improvement in the fiscal outlook should be used to reduce the burden on NSW taxpayers.

Recommendation 6

The Government should commission an independent review of state taxes and intergovernmental finances with a view to improving the efficiency and sustainability of NSW state finances.

Recommendation 7

Through a well-resourced secretariat, the NSW Productivity Commissioner's *Productivity White Paper* should be guided by terms of reference that are sufficiently broad so as to allow it to investigate the full range of reform opportunities raised by stakeholders.

Recommendation 8

The NSW Government should ensure the key recommendations from the Greiner Review are implemented by the end of the 2019 calendar year. The NSW Government should also continue and strengthen efforts to reduce the burden of regulation by continuing to expand the "Easy to do Business" initiative and by engaging with the emerging RegTech industry.

Recommendation 9

Boost funding for training and support for new and expanding businesses with a view to supporting businesses as they take on new challenges such as hiring staff.

Recommendation 10

The Government should renew funding arrangements for the Jobs Action Plan rebate and reconfigure administrative elements of the scheme to reduce administrative burdens on business.

Recommendation 11

The Government should consolidate existing grants, support and other forms of business assistance into a 'Boost your Business' grants scheme. The purpose of the scheme would be to draw attention to support that is available and boost the confidence of businesses as they make major decisions about their business (such as taking on new staff or expanding into overseas markets).

Recommendation 12

The Government should increase the payroll tax threshold to \$1m for regional businesses from 1 July 2019. Further relief targeting new investment in regional areas, based on recommendations from the *Inquiry into Zonal Taxation*, should also be explored.

Recommendation 13

The Government should ensure the proportion of annual Restart NSW funding that goes to regional projects should be consistent with the 30 per cent target overall. Approaches to project assessment should balance the need to have high quality projects while recognising the challenges associated with assessing projects in regional centres.

Recommendation 14

The NSW Government should continue to take a pragmatic approach to directly address cross-border issues as they arise. All future policies should be assessed for any impacts on cross-border communities, including as part of new regulatory impact assessment processes implemented as a result of the Greiner review. The regulatory and policy environment in neighbouring jurisdictions should be monitored and, if required, changes made to ensure NSW is competitive with the rest of Australia.

Part 1 – Keeping NSW number 1

The NSWBC's policy platform for the 2019 NSW election included four election pillars spanning skills, energy affordability, delivery of major infrastructure and protecting NSW from the impacts of natural disasters. This section provides an overview of these pillars which remain critical to the long term success of NSW.

Skill NSW for the future and tackle youth unemployment

At 4.3 per cent, NSW has the lowest unemployment rate of any state. Despite this, youth unemployment in some areas still exceeds 20 per cent. There's an obvious disconnect in these figures, especially when you consider that more than half of all employers across NSW are saying they're experiencing skill shortages.

That's why NSWBC called for practical strategies to get young people skilled and into the workplace, and ensure the skills developed both in school and training are relevant and aligned to industry.

Recognising the need to meet the skills demands driven by a record infrastructure pipeline, we welcomed the commitment from the Government to deliver 100,000 new free TAFE and VET courses. However, we are seeking confirmation that this is a commitment in addition to the funding provided by the Skilling Australia Fund.

In addition, following specific calls made by NSWBC to build a new vocational college in Western Sydney, we note commitments to the North Coast and Western Sydney that will see two pre-existing high schools receive access to up to \$17 million in funding to become specialist vocational education schools.

In addition we note the commitment to establish two more eight week intensive Productivity Bootcamps, one in Western Sydney and one on the South Coast.

Frustratingly however, despite consistent calls from NSWBC and its members over many years and during the campaign, the Government is yet to commit to transforming the delivery of careers advice in schools. This is a critical step to addressing current skills shortages and ensuring that students are getting the competencies and capabilities demanded by industry.

NSWBC notes that in NSW school-based apprentices and trainees numbered around 2,500 compared to more than 11,000 in Queensland. During the campaign, NSWBC called on the Government to deliver 20,000 school based apprenticeships and traineeships over the next four years. While the Review of VET for Secondary Students and the NSW Curriculum Review are both welcome steps in ensuring that structural barriers are being addressed and that VET studies are fully integrated within the curriculum, NSWBC seeks a commitment that the Government will deliver this much needed increase in school based apprenticeships and traineeships.

Recommendation 1

The Government should fund and progress:

- its election commitments for skills including the delivery of new vocational colleges, a new TAFE campus and the establishment of two more productivity bootcamps;
- pilot career advice hubs in metropolitan and regional NSW to develop and deliver contemporary industry careers advice in schools;
- an additional 20,000 school based apprenticeships and traineeships over the next four years; and
- Ongoing funding to support productivity bootcamps over the next four years and beyond.

Cut energy costs for NSW businesses and residents

With energy being consistently rated as a top cost control priority for NSW businesses, it's essential that Government do more to provide cost relief and ensure businesses can continue to operate, invest and grow.

Beyond its stated commitment to provide improved business access to the Government's Energy Switch comparison service, more substantial support should be provided to reduce the impact of energy prices on business. This could be achieved by removing state taxes and levies on energy, taking steps to simplify processes for the funding and delivery of new renewable energy projects and committing to fast track new investments to increase the supply of gas to NSW businesses.

Recommendation 2

The Government should:

- meet its commitment to ensure all small businesses can access its energy switch service;
- work towards removing all state taxes and levies on energy;
- through a high level working group of key Ministers, Government should reform commercial tenancies legislation to reduce the time, cost and complexity of establishing cost sharing arrangements between tenants and landlords for investment in new renewable energy projects; and
- fast-track assessment processes to bring on additional natural gas production and LNG importation opportunities.

Improve the delivery of major infrastructure

NSWBC notes and supports the Government's election commitment to provide \$6.4 billion over the next four years to accelerate delivery of Sydney Metro West. The line will more than double capacity between Sydney and Parramatta with a journey time of 20 minutes and is critical to addressing the long-term transport needs of Sydney.

Similarly commitments to the duplication of the Great Western Highway from Katoomba to Lithgow; an extra \$1 billion to repair regional roads and bridges; and \$400 million for investment in mobile towers, data centres and fibre are supported. This will help to address key challenges facing communities outside of metropolitan centres.

However, NSWBC is disappointed that with such a significant pipeline of new infrastructure projects for NSW, the Government has not committed to a NSW Infrastructure Coordination Authority. NSWBC believes such an authority, guided by a private sector board, would help ensure the efficient delivery of infrastructure and assist on advising on contracting and monitoring performance.

The Authority would also assist in ensuring that through project identification and monitoring the Government would meet, on an annual basis, the target of 30 per cent of the proceeds in Restart NSW are spent in regional NSW.

In addition, to ensure opportunities from infrastructure are maximised establishing new procurement arrangements to better support the participation of local small and medium enterprises in the delivery of projects should also be progressed.

Recommendation 3

The Government should:

- meet its commitment to accelerate the development and delivery of Sydney Metro West, upgrades to the Great Western Highway between Lithgow and Katoomba, repair regional roads, and invest in measures to improve telecommunications infrastructure in regional NSW;
- establish a NSW Infrastructure Coordination Authority to advise on delivery, contracting and performance;
- ensure that 30 per cent of Restart NSW proceeds are spent in regional NSW each year; and
- develop a new procurement framework to maximise small and medium enterprise participation.

Protect NSW from natural disasters

Australia is a land of droughts and flooding rains and in recent years NSW has had more than its fair share of each. NSWBC's Drought Survey¹ found one in three affected businesses have had their viability affected by current drought conditions while more than two in three indicated they would scale back investment.

Our regions are disproportionately exposed to adverse weather events and need targeted support so they can pick themselves back up when a natural disaster hits.

¹ Accessible at: https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/Drought-Survey-2018-Report-Final_1.pdf

The Government's election commitment to draw on the \$4.2 billion Snowy Hydro Legacy Fund to boost funding for dams, weirs, and pipelines is welcome but more can be done to support businesses that want to protect themselves. This includes through abolishing stamp duty on insurance premiums for commercial and business premises; providing flexible payroll tax payment arrangements; and establishing a natural disaster recovery fund to provide concierge services for impacted businesses. Fast tracking assessments of disaster affected locations and financial support should also be progressed.

Recommendation 4

The Government should:

- abolish stamp duty on insurance premiums for commercial and business premises to encourage increased insurance coverage;
- Provide flexible payment arrangements for those impacted by natural disaster; and
- Establish a natural disaster recovery fund to better support businesses and communities impacted by natural disasters.

Part 2 – Additional NSW Budget priorities

This section will summarise NSWBC's priorities, particularly as they relate to the NSW Budget, for next four years and beyond. Specific proposals outlined in this submission are intended to complement policy measures outlined in NSWBC's campaign "Keeping NSW Number 1" outlined in Part 1.

Prudent fiscal management remains as crucial as ever

NSW is facing new economic challenges which will make government more difficult than in recent years. A weaker property market — both in terms of housing prices and property market turnover — is starting to impact other parts of the economy. Dwelling investment is weighing on growth while there is some evidence that households are less optimistic and are spending less.

The NSWBC's Business Conditions Survey suggests business confidence is down significantly with many operating in a holding pattern with factors such as elections creating uncertainty for business. Our survey reveals businesses are not as confident to invest and expand their business. The drought is affecting businesses across regional NSW. A survey of NSWBC members revealed 84 per cent of respondents in regional NSW are negatively affected by current drought conditions.² This remains a concern as the impact flows from primary producers through to the regional communities that supply goods and services.

These challenges have an amplified effect when considering implications for NSW tax receipts. In particular, lower housing market turnover is likely to reduce land-related transfer duty by around \$1.4 when compared to 2018-19. The volatility in stamp duty revenue alone is sufficient reason to review the sustainability of state finances (consistent with this submission's recommendation relating to a review of state finances). Other factors may affect the revenue outlook including downward revisions to GST revenue.

These factors are cyclical in nature and do not represent a long-term threat to NSW state finances. NSWBC maintains that over the next four years the focus of government should be on limiting the impact of government taxes, fees and charges on the ability of businesses to grow, invest and create jobs in their communities. In this respect, it is essential that the Government's commitment to increase the payroll tax threshold to \$1m is implemented in full and on-time.

But perhaps more importantly, responsible fiscal management will involve stabilising the NSW tax mix so that it is less vulnerable to the whims and turns of the property market. In practice, this will involve reducing NSW's reliance on transfer duty and moving toward more stable taxes or revenue sources which are more efficient and do not discourage investment and employment growth. Further discussion on opportunities for tax reform is included below

Robust expense management remains the most important mechanism to ensure prudent fiscal management over the longer term. NSWBC notes that budget surpluses expected in 2020-21 and 2021-22 rely on slower expenses growth (with expenses projected to grow at a slower pace than Nominal Gross State Product and revenue). NSWBC

² https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/Drought-Survey-2018-Report-Final_1.pdf

supports efforts to realise efficiencies across government agencies as well as the NSW Public Sector Wages Policy.

NSWBC accepts that the fiscal outlook is subject to uncertainty and that outcomes may vary from projections. In the event that fiscal conditions are more favourable than expected, then any windfall gains should not be used to underwrite further government expenditure. On the other hand, weaker fiscal conditions should not be used to justify higher taxes.

Recommendation 5

The NSW Budget should remain in surplus underpinned by robust expense management implemented over the next four years. All announced tax cuts should be implemented, in full and on-schedule. Any improvement in the fiscal outlook should be used to reduce the burden on NSW taxpayers.

Tax reform opportunities are large and action is necessary

As with most of Australia's states and territories, the NSW tax base is made-up of taxes which do not meet the needs of a modern and sophisticated economy. This includes

- payroll tax which is a tax on employment;
- stamp duties which are the most economically harmful taxes used in Australia; and
- a range of other obscure taxes and levies, many of which impose significant administrative costs even though they may raise very little revenue individually.

NSWBC is pleased tax reform has been a priority of the NSW Government. In particular, NSWBC commends the Government on its decision to make it easier for employers to take on new staff by reducing payroll tax and streamlining payroll tax administration. NSWBC also welcomes modest steps announced to slow the growth of transfer duty.

These efforts provide a foundation upon which to build. NSWBC proposes the Government commission an independent review of state taxes and intergovernmental finances with a view to improving the efficiency and sustainability of NSW state finances. Such a review would enable proper consideration of some of the most fruitful opportunities for reform, including (but not limited to):

- reducing the role of stamp duty in the NSW tax system by supercharging existing reforms (including funding arrangements)
- examining current land tax arrangements and potential ways to expand it in a manner that is seen as fair
- potential reforms to federal-financial relations, including incentive payments to offset negative impacts of the GST distribution formula
- recalibration of the Fire and Emergency Services Levy to reduce insurance costs
- taking forward recommendations made in the IPART review of the local government rating system
- opportunities to abolish insignificant taxes that are intrusive and detrimental for taxpayers

A review would allow stakeholders to propose ideas for reform and for reform proposals to be understood in more detail. A crucial focus would be to identify implementation pathways and to ensure reforms can be embraced by the broader community.

With a view to feeding into such a review process, NSWBC has commissioned further research to highlight the economic costs and challenges associated with transfer duty. Building on NSWBC's 2016 report *Taking on Tax: Reforming NSW Property Taxes*³ which assessed that tax reform could boost Gross State Product by 1 per cent, this new research will explore ways to build on existing reforms to reduce the economic costs of transfer duty. NSWBC recognises the implementation challenges associated with reform and seeks to identify a reform pathway that will gradually reduce our reliance on transfer duty over time.

Recommendation 6

The Government should commission an independent review of state taxes and intergovernmental finances with a view to improving the efficiency and sustainability of NSW state finances.

Productivity review

NSWBC welcomes the Government's announcement of a *Productivity White Paper* to be completed by the NSW Productivity Commissioner. It is important that the Productivity White Paper process be accompanied by a suitably resourced secretariat to identify and assess reform options.

The Government has noted the review will have a focus on 'asset utilisation', 'more effective and sustainable government' and 'ensuring the benefits of reform are shared across the community'. NSWBC encourages the review to be guided by terms of reference that are sufficiently broad such that the review can investigate other productivity reform opportunities raised by stakeholders.

Recommendation 7

Through a well-resourced secretariat, the NSW Productivity Commissioner's *Productivity White Paper* should be guided by terms of reference that are sufficiently broad so as to allow it to investigate the full range of reform opportunities raised by stakeholders.

Regulation reform

The implementation of recommendations from the Greiner review of the NSW Regulatory Policy Framework (Greiner Review) remains a priority for regulation reform in NSW. The core purpose of the Greiner Review is to ensure best practice policymaking in NSW. NSWBC is aware of too many examples where new regulation has been implemented without proper consultation, assessment of costs and benefits, or consideration of non-regulatory approaches. It is NSWBC's view that relevant recommendations from the Greiner review should be fully in place by the end of the 2019 calendar year.

More generally NSWBC welcomes the Government's approach to reduce red tape by making it easier to interact with the NSW Government and streamlining application

³ Accessible at: <https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/FINAL-NSWBC-NCOSS-Taking-on-Tax-Report.pdf>

processes. The “Easy to do Business” initiative has been highly successful and NSWBC welcomes further implementation of the program to new industries and local government areas.

NSWBC also welcomes the appointment of a new Minister for Customer Service to further streamline and improve the delivery of government services. NSWBC encourages the Government to explore partnership with technology providers including through close engagement with the emerging RegTech industry.

Recommendation 8

The NSW Government should ensure the key recommendations from the Greiner Review are implemented by the end of the 2019 calendar year. The NSW Government should also continue and strengthen efforts to reduce the burden of regulation by continuing to expand the “Easy to do Business” initiative and by engaging with the emerging RegTech industry.

Training and support for new and expanding businesses

The complexity of operating a business increases along with business expansion. The vast amount of information available to businesses, from a range of sources, can be overwhelming and difficult to navigate. In this regard, many business owners — many of whom operate as a ‘jack of all trades’ within their business — have the potential to benefit greatly from support services that guide them through the process of setting up and expanding their business.

The Business Concierge service provided by Service NSW is a valuable tool for entrepreneurs looking to take the leap and start a business. Further, training supported by the *Skills for Business* fund has the potential to boost the business acumen of business owners with limited experience operating a commercial enterprise.

NSWBC proposes these services be expanded, via a range of delivery partners, with a view to focussing on challenges that emerge as businesses grow and expand their business. For example, new training and support services could be targeted to support businesses as they grow from being a non-employing business to an employer with permanent staff. NSWBC proposes the initial \$30m investment be doubled to accommodate an expansion of training services delivered under the existing program as well as through additional delivery partners.

Recommendation 9

Boost funding for training and support for new and expanding businesses with a view to supporting businesses as they take on new challenges such as hiring staff.

Renew and reconfigure Jobs Action Plan rebate

NSWBC notes the Jobs Action Plan rebate is funded until 30 June 2019. NSWBC would like to see funding arrangements for the Jobs Action Plan rebate renewed beyond this date.

NSWBC has previously raised concerns relating to the administrative complexity of the Jobs Action Plan rebate. In addition, NSWBC has previously recommended for the rebate to be reconfigured so that it can act as a more powerful incentive encouraging employers to take on new staff. For example, the rebate could be reconfigured so businesses automatically receive the rebate as their payrolls grow from one year to the next. This is a good proxy for labour demand (which is currently defined by the rebate in full time equivalent terms) and would allow the rebate to incentivise job creation without imposing additional tax administration burdens on business.

In the event the rebate is not renewed, NSWBC maintains alternative measures — with a comparable funding commitment — should be made to boost job creation in NSW.

Recommendation 10

The Government should renew funding arrangements for the Jobs Action Plan rebate and reconfigure administrative elements of the scheme to reduce administrative burdens on business.

Renew confidence with 'Boost your Business' grants

The NSWBC Business Conditions Survey points to a significant drop in business confidence over the past year. The drop in business confidence has been reinforced by state and federal elections, drought conditions across NSW, housing market uncertainty and policy uncertainty generated by the Banking Royal Commission. NSWBC's view is that many of these factors are temporary or cyclical in nature and that business confidence ought to improve once conditions normalise.

That said there is a risk that weaker confidence in the short term will translate into harmful longer-term effects if businesses stop hiring and investing in their business. Feedback from NSWBC's members suggest many businesses possess a holding pattern mentality.

A further challenge relates to competitive dynamics associated with generous grant programs offered by other states such as Victoria and Queensland. Our members report favourable experiences and attractive incentives when engaging with support programs offered by neighbouring jurisdictions. For example, the Queensland Industry Attraction Fund offers support for businesses considering opportunities to expand their business or relocate interstate. Similar arrangements exist in Victoria.

To minimise the impact of recent sharp falls in business confidence on the real economy, NSWBC proposes the NSW Government develop (and consolidate existing grants) into a small business grant program to give greater prominence to the support available to businesses doing it tough. It is proposed that a 'Boost your Business' grant program be broken up into streams targeted to boost the confidence of businesses on the verge of a major business decision. Streams could include and consolidate existing arrangements in areas such as (but not limited to):

- the small business grant available to businesses not liable for payroll tax;
- support for businesses undergoing digital transformation;
- export promotion and international market development;
- incentives for businesses considering business expansion into regional NSW;
- investments to reduce business exposure to weather events such as drought and floods; and
- business initiatives to build soft skills and capabilities that cannot be developed through formal vocational and tertiary education (but through modes such as on the job training and experiential learning).

Recommendation 11

The Government should consolidate existing grants, support and other forms of business assistance into a 'Boost your Business' grants scheme. The purpose of the scheme would be to draw attention to support that is available and boost the confidence of businesses as they make major decisions about their business (such as taking on new staff or expanding into overseas markets).

Part 3 – Supporting regional NSW

Many of NSWBC's regional members have expressed concern at the pace of progress in regional NSW with not all regional communities seeing immediate benefits from the Government's broader reform program. This section recommends a number of proposals so that regional communities can share in the dividends of reform.

Taking forward recommendations from the Zonal Taxation Inquiry

NSWBC welcomed the final report from the *Inquiry into Zonal Taxation* for initiatives when it was released in May 2018. While NSWBC's tax reform priorities are not identical to those recommended in the final report, it nonetheless contains many sensible suggestions to make it easier to do business in regional NSW.

While NSWBC does not support zonal taxation arrangements on a permanent basis, it would nonetheless support a number of measures based on recommendations made in the final report. This includes:

- payroll tax relief for businesses relocating from interstate into regional NSW;
- fast-tracking increases to the payroll tax threshold for regional businesses located outside of metropolitan Sydney (so a \$1m threshold applies from 1 July 2019); and
- stamp duty exemptions for purchases of commercial and industrial property located outside of metropolitan Sydney.

Recommendation 12

The Government should increase the payroll tax threshold to \$1m for regional businesses from 1 July 2019. Further relief targeting new investment in regional areas, based on recommendations from the *Inquiry into Zonal Taxation*, should also be explored.

Fast-tracking regional infrastructure

Many of NSWBC's regional members have expressed concern at the pace of infrastructure delivery in regional NSW.

While funds are available to regional NSW under Restart NSW, regional communities face challenges associated with developing business cases for projects where the benefits are more challenging to quantify than for larger scale projects in metropolitan centres.

As noted elsewhere in this submission, NSWBC considers the proportion of annual Restart NSW funding that goes to regional projects should be consistent with the 30 per cent target overall. This will require a stronger and more consistent focus from Government in both identifying, prioritising and progressing projects in regional NSW.

Regional infrastructure is an important policy lever for promoting regional development while at the same time ensuring that NSW residents have access to sufficient opportunities and amenity no matter where they live. An approach to project assessment that helps identify base levels of service provision from public infrastructure would help ensure all regions receive increased levels of infrastructure investment.

Recommendation 13

The Government should ensure the proportion of annual Restart NSW funding that goes to regional projects should be consistent with the 30 per cent target overall. Approaches to project assessment should balance the need to have high quality projects while recognising the challenges associated with assessing projects in regional centres.

Ensuring cross-border competitiveness

A number of policy issues arise for businesses operating close to state boundaries. Border communities rely on their natural strengths and endowments to be resilient against competitors operating in a neighbouring jurisdiction with more favourable policy settings. However, policy changes — no matter which side of the border they occur — can create imbalances and disproportionately impact communities located close to the border. In recent times these impacts have been seen with the implementation of the container deposit scheme (CDS) and changes to payroll tax in neighbouring jurisdictions which have disadvantaged businesses on the NSW side of the border.

NSWBC welcomes the pragmatic approach taken to address concerns relating to cross-border issues and recommends this approach be adopted for any future issues that become apparent (such as by maintaining, and extending where necessary, compensation to border retailers affected by the CDS and ensuring the competitiveness of the payroll tax system by increasing the threshold to \$1 million).

To ensure future policies do not give rise to new cross-border issues, NSWBC considers all new policies should be subject to specific consideration as to how border communities will be affected. NSWBC notes it is difficult for this to occur without robust regulatory impact assessment processes. The NSW Cross-Border Commissioner has a vital role in advocating for the interests of border communities, however it is challenging for the Commissioner to properly assess policies if a broader assessment of costs and benefits (including proper stakeholder consultation) is not performed.

The NSW Government should also continually monitor policy changes in neighbouring jurisdictions and make changes to the regulatory and policy environment to ensure NSW businesses are not disadvantaged.

Recommendation 14

The NSW Government should continue to take a pragmatic approach to directly address cross-border issues as they arise. All future policies should be assessed for any impacts on cross-border communities, including as part of new regulatory impact assessment processes implemented as a result of the Greiner review. The regulatory and policy environment in neighbouring jurisdictions should be monitored and, if required, changes made to ensure NSW is competitive with the rest of Australia.