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Priorities for the 2020-21 Budget



NSW Business Chamber

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Introduction

The NSW Business Chamber (the Chamber) welcomes the opportunity to provide a submission to outline the Chamber's priorities ahead of the 2020-21 Commonwealth Budget.

The Chamber 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. The Chamber works with businesses spanning all industry sectors including small, medium and large enterprises. Operating throughout a network in metropolitan and regional NSW, the Chamber represents the needs of business at a local, state and federal level.

The Chamber supports the Government's longer-term objective of ensuring strong government finances with robust surpluses, while also recognising the need for fiscal policy that does not exacerbate existing vulnerabilities in the economy. Current economic conditions bolster the case to consider more assertive policy measures with a particular emphasis on policies that boost economic capacity and private demand.

This submission will outline proposals to deliver on these objectives.

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Recommendation 3

Implement investment allowances or other forms of tax relief so that businesses can expand their business investment plans.

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Increase the cap applying to the unincorporated tax discount in proportion with the scheduled increases to the discount rate.

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Continue to boost funding for the EMDG.

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Recommendation 12

Expand the Regional Employment Trial to include the Central Coast of NSW to help improve facilitation of pilot projects being rolled out across the region.

Recommendation 13

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Recommendation 14

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- removing the 20 per cent loan fee on VET Student Loans;
- expanding the eligibility to Certificate III and Certificate IV students; and
- expanding the eligible qualifications and RTOs.

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Increase funding to Industry Training Hub pilots to ensure the hubs are resourced appropriately to meet intended outcomes.

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Recommendation 20

That the Commonwealth Government provide funding for an urgent review of ANZSCO prior to the 2021 Census

Recommendation 21

The Budget should reinstate the asset recycling initiative incentives and ensure NSW receives its fair share of infrastructure funding.

Recommendation 22

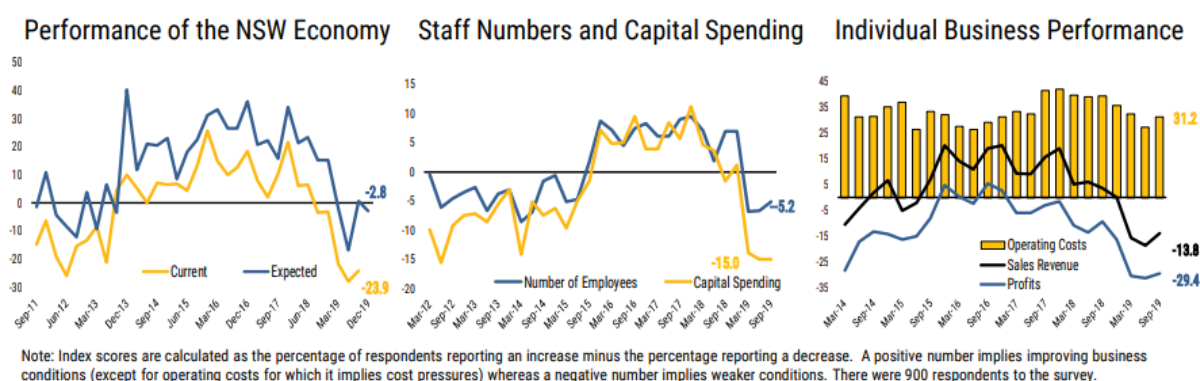
Government must develop, and stick to, a national energy policy that coherently addresses reliability, affordability and emissions reduction. The test of a credible, stable policy environment will be rising investment in energy infrastructure.

The economic outlook and fiscal policy

The Chamber notes the economy has performed much weaker than originally expected with Australia’s economic agencies and private forecasters downgrading the economic outlook.

While national economic data suggests a gentle turning point from the particularly weak economic results recorded in the second half of 2018, the Chamber’s business conditions survey suggests the NSW economy is yet to reach a turning point, and if anything, conditions have deteriorated significantly over the past six months. NSW businesses are weighed-down by factors such as drought, weak household demand and weak conditions in industries that normally do well at this time of year (such as retail and tourism businesses).

Chart 1 – Overview of the September Business Conditions Survey



Source: NSWBC Business Conditions Survey, September 2019.

The Chamber supports the Government’s longer term objective of ensuring strong government finances and the aspiration to achieve robust surpluses so we have fiscal capacity should we need it in the future. At the same time the Chamber support fiscal policy that is responsive to current economic conditions and that does not exacerbate existing vulnerabilities in the economy, particularly given contemporary debates around the role of monetary policy.

Within the broader context of the fiscal outlook, current economic conditions may bolster the case to consider more assertive policy measures with a particular emphasis on policies that boost economic capacity (such as fast-tracking public infrastructure and investing in skills) and private demand (such as tax cuts targeted to encourage business investment). This submission will outline proposals to deliver on these objectives.

Recommendation 1

Fiscal policy should not exacerbate existing economic vulnerabilities and be focussed on boosting economic capacity and private demand.

Investment allowances and capacity building

Weak private demand is a contemporary constraint on the performance of the economy. For this reason, the Chamber believes there is a strong case for policies that will boost business investment. This is an ideal way to meet the dual goals of supporting the economy in the near term while boosting economic capacity into the future.

Instant asset write-off

The instant asset write-off has been a success for small businesses looking to expand their business or replace ageing assets. Not only does it simplify the depreciation of business assets and cash flow planning, but it also provides immediate tax relief for businesses as they invest in their businesses. It has particularly beneficial to small businesses and family enterprises.

While first introduced in the 2015-16 Budget it has subsequently been extended in subsequent Budgets. The success of the instant asset write-off, as well as its relative modest revenue impact, provides a strong case for its expansion, particularly in the context of boosting private demand. The Chamber supports calls to extend the instant assets write-off for purchases by small and medium businesses to June 2022 and increase the threshold value for eligible depreciable assets to \$50,000.

Recommendation 2

Extend the instant assets write-off for purchases by small and medium businesses to June 2022 and increase the threshold value for eligible depreciable assets to \$50,000.

Tax relief for businesses that invest

There are strong arguments in favour of reducing other tax barriers to investment.

Australia's company tax rate is uncompetitive and imposes significant costs on the Australian economy. Investment-intensive industries such as manufacturing are put at a disadvantage relative to global competitors operating under more favourable tax regimes.

In the absence of further company tax cuts, there is a strong case to implement targeted policies that provide tax relief for businesses as they invest, including for more substantial investments. The Chamber encourages consideration of policies to improve the investment environment for Australian businesses, including tax relief targeted through further investment allowances.

To support businesses investing in R&D activities, the Chamber supports the restoration of funding for the R&D tax incentive to previous levels.

Recommendation 3

Implement investment allowances or other forms of tax relief so that businesses can expand their business investment plans.

Unincorporated tax discount

The unincorporated tax discount was a welcome boost for unincorporated small businesses that do not directly benefit from the legislated company tax cuts. The unincorporated tax discount is scheduled to increase in line with the scheduled reduction in the company tax rate for small business.

While some unincorporated businesses will benefit from the increased tax discount, the benefits of the discount are limited by the \$1,000 cap which will not increase in line with the tax discount. This means that as the discount increases, more and more unincorporated entities will reach the cap and will lose any benefits associated with increasing the tax discount. By 2021-22, an individual with business income of just under \$55,000 will have reached the cap.

While it is reasonable to limit the scope of the discount by means of a cap, it is important to recognise that many small business owners often make a significant personal contribution to earn their business income, often being uncompensated for their work (including where they perform duties on behalf of Government such as through tax withholding arrangements). For this reason, the progressive taxation system is an insufficient mechanism to deliver on equity objectives as they relate to small business owners. The unincorporated tax discount goes some way to recognising the challenges faced by unincorporated businesses, though the current cap of \$1,000 limits the scope of relief.

The Chamber proposes the cap be increased to \$1,625 in advance of the 13% offset rate due in 2020-21 and to \$2,000 in 2021-22. This will ensure the cap grows in proportion to the current offset rate of 8%.

Recommendation 4

Increase the cap applying to the unincorporated tax discount in proportion with the scheduled increases to the discount rate.

Export Market Development Grant

The Chamber strongly supports the Export Market Development Grant (EMDG) as it builds new markets for Australian exporters. The EMDG has previously been funded to \$200m and supports a further expansion of funding to consolidate the gains delivered by the boost in funding announced at the 2019-20 Budget.

Recommendation 5

Continue to boost funding for the EMDG.

Tax administration

The increasing sophistication of tax compliance techniques has boosted tax receipts. Compliance efforts are essential to ensuring everyone pays their fair share of tax and that businesses are not at a competitive disadvantage against non-compliant entities. There are trade-offs associated with strategies aimed at maximising tax compliance and costs imposed on taxpayers (for example where taxpayers have reduced flexibility as to how they can meet their obligations). Sometimes this balance is not well-struck, particularly where strategies impose significant costs on taxpayers that are doing the right thing (with resulting increases in receipts seen as a free lunch).

The Chamber has been made aware of some instances where previous flexibility afforded to some businesses by the ATO is no longer being made available. Without commenting on specific examples, the Chamber would like to ensure the ATO continues to take a pragmatic and sensible approach to ensuring flexibility for taxpayers (such as arranging payment schedules for seasonal businesses) where there are no reasonable grounds to believe doing so will compromise revenue.

Recommendation 6

Tax compliance techniques should be developed to ensure they do not give rise to excessive additional costs for taxpayers that would otherwise meet their tax obligations. The ATO should continue to take a pragmatic and sensible approach to ensuring flexibility for taxpayers.

Clarity for businesses in meeting their Superannuation Guarantee obligations

The Chamber notes there is potential for confusion relating to the due date requirements of Superannuation Guarantee (SG) payments made to staff. The potential for confusion arises due to potential lags between when payments are made from employers to superannuation clearing houses and when those funds are ultimately deposited into employee superannuation accounts. While payments are due by the 28th of the month following the SG quarter, employers must ensure they have made their payments in a timely manner so this deadline can be met.

A proliferation of advice from third parties means that clarifications on the ATO website¹ may not be sufficient to support businesses in avoiding this potential mistake. Further, it may be useful for businesses to have greater confidence as to how far in advance of the 28th they must make a payment to be confident of their compliance.

Recommendation 7

The ATO should provide clarity on due date requirements for businesses using clearing houses and work with third party suppliers of information to ensure consistency.

¹ Such as <https://www.ato.gov.au/Business/Super-for-employers/Paying-super-contributions/When-to-pay-super/>

Productivity and Federal Financial Relations reviews

The Chamber believes current economic conditions underscore the need for ongoing economic reform. While some of the challenges may be cyclical in nature, Australia's productivity performance has underperformed and there is an absence of ambition to engage in tough reform conversations.

The Chamber is pleased the NSW Government has commissioned several reviews, including the review of Federal Financial Relations led by David Thodey AO (Thodey Review) and the Productivity White Paper Process led by NSW Productivity Commissioner Peter Achterstraat AM.

In our submission to the Thodey Review the Chamber noted²:

It is a disservice to the Australian community for the states and territories to be expected to reform in isolation. The most fruitful reform opportunities would necessitate close collaboration between all tiers of government in Australia. As a result, the Chamber welcomes the FFR Review and encourages the Commonwealth to be a constructive partner to this conversation.

The Chamber further noted³:

In many ways this is an optimisation problem: which tier of government can introduce the highest-yielding reform package that the community will accept as fair and in the best interests of the country?

State governments typically levy the taxes which come with the highest economic costs while the Commonwealth possesses far greater revenue-raising capacity. There are gains from trade associated with collaboration on tax reform. The Commonwealth can facilitate reform by providing financial support while state governments can reduce taxes that maximise the economic dividends of reform.

These fundamentals have underpinned some of Australia's best examples of tax reform such as the introduction of the GST which was the result of collaboration between tiers of government.

Previous reviews and thought leadership contributions from other stakeholders have considered many of the best opportunities for collaboration on tax reform. This includes adjustments to the GST and giving states a share of income tax.

These sentiments remain pertinent to the consideration of reform opportunities that can be driven by the Commonwealth. The Chamber recommended for the Commonwealth and other states and territories to engage constructively with the Thodey Review.

Recommendation 8

The Commonwealth should be a supportive partner to NSW and other State Governments to maximise the potential dividends of reform.

²<https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/Taxation%20and%20Regulation/Reducing%20the%20regulatory%20burdens%20faced%20by%20business/191122-Thodey-Review.pdf>, p2.

³ IBID, p15.

Early intervention to boost youth engagement

The Chamber believes that early interventions which boost youth engagement should be viewed by government as an investment. Research by the Mitchell Institute suggests the lifetime costs of a disengaged person is in the order of \$1.1m in net present value terms.⁴ This includes \$411,700 in fiscal costs. Fiscal savings include lower social security payments, higher tax receipts and lower expenditure on social support programs.

The Chamber has partnered with Productivity Bootcamp⁵ to support young people. Productivity Bootcamp focuses on arming young people with the skills and work ethic required to be productive employees in any industry. It has been highly successful with around 85% of graduates in work or study following their participation. This compares favourably to a comparable cohort which has a much lower engagement rate⁶ of 66%.⁷ A 20-percentage point difference in engagement rates at an early stage in life has the potential to drive significant gains over a lifetime.

If just one out of thirty participants of a program such as Productivity Bootcamp were to successfully avoid becoming disengaged, then the societal value of the program is many orders of magnitude greater than its cost.

The Chamber welcomes and supports ongoing Commonwealth funding for Productivity Bootcamp through the Try, Test and Learn Fund. The Chamber supports a renewed commitment to provide support to important initiatives such as Productivity Bootcamp.

Recommendation 9

Productivity Bootcamp should continue to be supported by Commonwealth funding beyond the current funding commitment.

In July 2019, the Chamber undertook a Workforce Skills Survey (the Survey) of businesses across NSW⁸ and more than half reported having a skills shortage, particularly in construction; manufacturing; health; disability; early childhood; education and training; farming and agriculture; retail/customer service; and hospitality including chefs and cooks. Businesses reported that these shortages resulted in reductions in productivity and output. Over 20 per cent of businesses reported these shortages directly resulted in lost customers or missed opportunities.

As part of the Survey, the Chamber asked specific questions about businesses' access to Commonwealth Government services or programs. Excluding the Australian Apprenticeship Support Network, only a small percentage of respondents to the Survey reported having accessed a service during the previous 12 months (see Box 1).

⁴ See <http://www.mitchellinstitute.org.au/wp-content/uploads/2017/06/Counting-the-costs-of-lost-opportunity-in-Australian-education.pdf>, p4.

⁵ See <https://productivitybootcamp.com.au/>.

⁶ Percentage of the population in work or study.

⁷ Comparison cohort is school leavers aged 20-24 in the Blacktown LGA.

⁸ NSW Business Chamber. 2019 Workforce Skills Survey. Retrieved from <https://www.nswbusinesschamber.com.au/Issues/Issues/Workforce-Skills> on 14 November 2019.

Box 1 – Commonwealth Government services accessed in previous 12 months

Program	%
Jobactive provider	11.0
National Work Experience Program	4.0
Disability Employment Services	5.6
Youth Jobs PaTH Program	1.9
Restart Program (mature age workforce)	3.4
Work for the Dole	0.8
Transition to Work	2.7

Source: NSWBC Workforce Skills Survey 2019

Almost as many businesses that had used the Youth Jobs PaTH Program in the previous 12 months suggested the creation of a similar program, demonstrating a lack of knowledge and understanding in the availability of Commonwealth Government workforce programs. Employment Service Providers were particularly identified as having limited communication and interaction with businesses.

The Chamber has received feedback that changes to parameters, availability and even names of programs cause confusion, discourage employer engagement and increase the administrative burden on employers when they do engage. Such loss of continuity undermines confidence in the delivery of constructive outcomes.

Recommendation 10

Fund a communication program to raise awareness of Government services and increase partnership development between service providers, local businesses and the new Department of Education, Skills and Employment.

This engagement program could be managed by an Employment Facilitator, of which 13 exist in Australia. The Central Coast of NSW in particular, with continuing high rates of youth unemployment, has a number of programs being rolled out at both State and Commonwealth Government level.

Despite this, the region is not of the Regional Employment Trial nor does it have a dedicated Employment Facilitator to engage employers and providers in the delivery of these pilots.

This is supported by the findings from the Chamber's Survey which showed a significant difference between the proportions of Central Coast businesses that had accessed Commonwealth services in the previous 12 months (40 per cent) compared to, for example, Coffs Harbour-Grafton businesses (75 per cent).

Recommendation 11

The Commonwealth should fund an Employment Facilitator on the Central Coast of NSW to undertake further engagement work with large employers and support Provider engagement.

Recommendation 12

Expand the Regional Employment Trial to include the Central Coast of NSW to help improve facilitation of pilot projects being rolled out across the region.

Skills and education

While Vocational Education and Training (VET) is a state and territory responsibility within the Australian Constitution, responsibility for public funding of the VET system is shared with the Commonwealth under the *Federal Financial Relations Act 2009*. This often leads to inconsistency, complexity, confusion and overlapping responsibilities between the different levels of government. It also gives rise to a set of rules and funding arrangements that are difficult for employers and students to understand and follow, particularly as they often result in significant variations in course fees across different jurisdictions.

Businesses have reported finding existing VET funding arrangements complex and duplicative – particularly larger businesses operating across more than one jurisdiction.

A NCVET report on Government funding provided to the VET sector for 2018 identified a reduction in Commonwealth funding to NSW from \$640m (2017) to \$581m (2018).

This is part of a broader decrease in Commonwealth funding to the VET sector nationwide from \$3.05 billion (2017) to \$2.75 billion (2018) or a 10.6 per cent reduction. This is almost entirely attributable to a reduction in funding provided through the Skilling Australians Fund compared to funding provided under the previous National Partnership Agreement on Skills Reform.⁹

This shortfall in funding available through the Skilling Australians Fund is at least partially due to a decline in the number of visas being sponsored by employers. Accordingly, funds must be made available by the Commonwealth to address this, preferably through an increase in funding available under the National Agreement for Skills and Workforce Development.

Recommendation 13

Increase funding available under the National Agreement for Skills and Workforce Development to ensure that total funding provided to the VET sector is a real long-term increase, starting above 2017 funding levels.

Australian Apprentice Wage Subsidy

Two rounds of the Australian Apprentice Wage Subsidy trial have been delivered to date, firstly in January 2019 followed by a second round in July 2019. In both rounds, the allocation limit in rural and regional NSW has been exhausted in a very short space of time. The Chamber's Workforce Skills Survey received feedback from a number of

⁹ <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/government-funding-of-vet-2018>

participating businesses in support of the trial but also received feedback from businesses that had missed out.

The 3,200 new apprenticeships in rural and regional Australia is a very successful outcome and the Chamber strongly recommends that the trial be continued over, at least, the forward estimates, and potentially expanded on the basis of this impact.

Recommendation 14

The Commonwealth Government provide an additional budget allocation for at least one round of the Australian Apprentice Wage Subsidy programme each year over the forward estimates.

VET student loans

In 2018, compared with 2017, the Commonwealth Government provided VET Student Loans (including VET FEE-HELP loans) to the value of \$297.3 million, a decrease of \$204.9 million (or 40.8 per cent) from 2017.¹⁰

This reduction is of concern. While we have no objections to the introduction of market principles in the VET system, it has been consistently shown that higher contributions by individual students reduces the number of VET enrolments, particularly when compared with contributions made by university students. Therefore, ensuring VET courses have low initial fees would encourage more students into VET.

One way of doing this would be for the Commonwealth to expand the availability of VET Student Loans which are currently only available for diploma qualifications and above. In addition, they are only available for students studying at some registered training organisations (RTOs) and in some qualifications. Finally, there is a 20 per cent loan fee for many students and a cap on the loan amount¹¹ which results in students having to pay the difference between the course cost and the loan amount.

By comparison, funding and the student loan system for university education is far more generous and less complex. In many instances, the Government not only pays a substantial proportion of university student fees but also makes loans available to cover the remainder, with no loan or application fee.¹² This creates incentives for students to choose a university qualification over a VET qualification, particularly when there is no initial outlay for a university qualification.

Recommendation 15

The Commonwealth Government should increase the availability of VET Student Loans by:

- removing the 20 per cent loan fee on VET Student Loans;
- expanding the eligibility to Certificate III and Certificate IV students; and
- expanding the eligible qualifications and RTOs.

¹⁰ <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/government-funding-of-vet-2018>

¹¹ See https://docs.employment.gov.au/system/files/doc/other/vet_student_loans_information_booklet.pdf.

¹² See https://www.studyassist.gov.au/sites/studyassist/files/ed18-0137_hecs-help_booklet_acc.pdf?v=1545356053.

The 2019-20 Budget included \$67.5 million to trial 10 national Industry Training Hubs, which would support school-based VET in regions with high youth unemployment. This equates to \$1.28 million per annum per hub – which risks being insufficient to deliver the intended outcomes of the pilot.

Recommendation 16

Increase funding to Industry Training Hub pilots to ensure the hubs are resourced appropriately to meet intended outcomes.

Existing worker trainees

The Commonwealth should consider re-introducing a scheme to support existing worker trainees. Under current arrangements, employers are charged full fees to train existing workers in some higher-level traineeship qualifications. This acts as a deterrent to business investment in upskilling and retraining workers to address future skills needs.

Introducing and expanding the availability of a commencement incentives for existing worker trainees will offset the expense of training fees and encourage employers to develop the management skills of their employees, thereby effectively building the trades and services leaders of the future. This provides prospective managerial staff with a positive view of the vocational training sector and in the longer term fosters a culture of training with the organisation.

Recommendation 17

The Commonwealth Government should expand the availability of incentives for existing worker trainees.

Apprentice incentives

One of the key issues negatively affecting completion rates is apprentice travel. Incentives directed at apprentices are primarily designed to supplement wages (such as the Living Away From Home Allowance) and the costs associated with training (for example, for tools and equipment not paid for by an employer).

A significant barrier to apprenticeship engagement, however, remains the cost and availability of transport. Work sites are often a significant distance from the apprentice or trainee's residence. The cost of purchasing and maintaining a vehicle is prohibitively expensive, a significant issue given that apprentices and trainees in rural and remote areas often do not have access to public transport meaning apprentices must invest in the significant cost of securing and maintaining a vehicle.

As a result, the only way for younger apprentices to travel to work is to car pool or rely on relatives for transport. These options may not be available for many young people experiencing disadvantage. The Commonwealth should consider introducing a \$1,000 National Apprentices Transport Subsidy to offset part of the cost burden associated with transport and address a key barrier to the supply of people interested in undertaking an apprenticeship or traineeship. The subsidy could be used to limit the cost impact of travel (e.g. for vehicle registration, public transport costs).

Recommendation 18

The Commonwealth Government should introduce a \$1,000 National Apprentices Transport Subsidy to assist training workers with the cost of work-related travel

Trade Training Centres

Many respondents to the Chamber's Workforce Skills Survey identified suboptimal usage of Trade Training Centres (TTCs) including issues with accessing the resource. Many businesses reported missed opportunities to upskill their workers using TTC facilities, and also missed opportunities for the business to help pass on knowledge to local school students.

This is supported by responses to NSW Budget Estimates questions. In 2017, 82 per cent of the 137 TTC in NSW were utilised for the purpose of delivering trade training. This means that there are 25 recently built centres not being used for the purpose they were built for.

It is not clear where those TTCs are, why they are not being used and whether the local community can access them for the stated purpose.

Recommendation 19

The Commonwealth Government fund a full audit of Trade Training Centre usage with a view to maximising utilisation by schools and communities.

Immigration and skills needs list

The Australian and New Zealand Standard Classification of Occupations (ANZSCO) supports a wide-range of programmes, including its use to support the National Skills Needs List and various migration programmes.

The ANZSCO classifications are out of date with many of the fastest-growing jobs in Australia not listed in the classification.

For example, some of the occupations that LinkedIn reported as being the fastest growing jobs in Australia do not currently have an occupational classification on ANZSCO such as:

- Artificial Intelligence Specialist
- Cybersecurity Specialist
- Data Scientist

Data Scientist, in particular, has been raised by a number of businesses with the Chamber as being problematic and having delayed or prevented the sponsorship of overseas workers in this occupation.

Although the Government has previously stated that a review of ANZSCO will commence after the Census in 2021, this would mean it will be over 10 years since the last review was published.

We recommend that ABS be funded to commence a review of the ANZSCO immediately.

Recommendation 20

That the Commonwealth Government provide funding for an urgent review of ANZSCO prior to the 2021 Census

Infrastructure and energy

Infrastructure

A growing population is putting increased strain on Sydney's transport networks. The shifting of the 'centre of gravity' of the population further to the west means new connections are needed to help move people between homes and workplaces.

A priority over the next budgetary cycle will be settling the funding arrangements for NSW's major infrastructure projects. Expansion of the Sydney Metro network, through Sydney Metro West and Sydney Metro Greater West, will better integrate Sydney's Eastern Harbour City with the Central River/Parramatta area and the major developments at the Western Parkland City and Western Sydney Airport/Aerotropolis. Realising the full benefits of the Commonwealth's investments in the Western Sydney Infrastructure Plan requires that developments at Western Sydney be well-connected to the rest of the urban area.

Beyond Sydney, previous Budgets have allocated welcome support for improvements to bridges, roads and railways under a variety of funding programmes. The Chamber hopes to see further support for these programmes to extend them beyond the current funding horizon.

The Budget should reinstate the asset recycling initiative incentives after the previous funding round lapsed in June 2019. Asset recycling has prompted NSW to identify more efficient ownership structures for some infrastructure assets enabling development of additional infrastructure of public value. With further untapped opportunities for asset recycling available, reinstating this incentive will help NSW generate funds for further infrastructure investments.

Recommendation 21

The Budget should reinstate the asset recycling initiative incentives and ensure NSW receives its fair share of infrastructure funding.

Energy

Energy costs remain a high priority for businesses in NSW. Half of the respondents to the Chamber's Business Conditions Surveys identify energy prices as their top cost control priority. Reliable and affordable energy is critical to business, households and communities. High energy prices threaten tens of thousands of jobs in NSW manufacturing. While a combination of measures has seen a short-term drop-off in prices, we remain concerned that these do little to address the underlying fundamentals in the sector. Band-aid measures have provided temporary relief, but coherent long-term policy environment that can underpin investment is still lacking.

Constraints in the gas market have led to AEMO projecting shortfalls in NSW by 2025. Among the necessary steps to remedy this problem, pipeline infrastructure connecting NSW to neighbouring states requires capacity upgrades. With a greater proportion of NSW's gas coming from fields in Queensland, while traditional sources in Victoria deplete, a reorientation of pipeline capacity will also be needed to ensure adequate supplies reach NSW. The Commonwealth can help ensure these upgrades occur in a timely manner so that pipeline constraints are alleviated ahead of the forecast shortfall in 2025.

While energy cost pressures on businesses remain high, there is value in helping businesses navigate the market, to find the best deals and ensure that cost-effective energy saving opportunities are taken up. With financial support from the Department for Environment and Energy, the Chamber is delivering the Business Energy Advice Program (BEAP), which provides advice to help small businesses and their representatives get better energy deals and reduce their energy usage.

Recommendation 22

Government must develop, and stick to, a national energy policy that coherently addresses reliability, affordability and emissions reduction. The test of a credible, stable policy environment will be rising investment in energy infrastructure.