



**A Submission to the NSW Legislative Council
Standing Committee on State Development
by Regional Development Australia - Illawarra**

**Regional Development and a Global Sydney:
Illawarra Connectivity**

1 June 2017

Executive Summary

Sydney's population will double between now and 2056. The population growth pressure on global Sydney will amplify the need for a broader 'city region' view to be taken. The Illawarra region is contiguous with Sydney and is well positioned to support global Sydney's growth through effective connectivity and collaboration.

This submission identifies ways the growing prominence of Sydney as a global city enhances regional development and provides opportunities for greater connectivity with the Illawarra region. It demonstrates how taking a holistic city region approach will not only support the growth of the Illawarra, but more importantly mitigate the growing pains of Sydney and maximise the economic outcomes for NSW.

Regional capitals, such as Wollongong, should be embraced for the opportunities they provide to support global Sydney's growth through a combination of:

- Enhanced transport connectivity and integration with Sydney
- Recognition of the economic contribution and human capital of the region
- Commitment to 'city region' strategic direction and long term planning.

The Illawarra and Sydney economies are increasingly more and more intrinsically linked. Wollongong and the Illawarra region could act as a satellite city to Sydney which enables Sydney to leverage optimal economic opportunities for NSW as a whole.

This submission outlines growth sectors of the economy, as well as states the case for government support and/or intervention in some key growth sectors.

This submission makes several recommendations including:

- 1 Government acknowledges the Illawarra as a unique region, contiguous with global Sydney, that can both benefit from and contribute to Sydney's economic growth through improved connectivity.
- 2 Government acknowledges that infrastructure led growth can benefit both the Illawarra region and Sydney. Transport Infrastructure priority projects are expedited and brought forward in line with the state's commitment to Sydney infrastructure, including:
 - a. 60 minute rail commute between Sydney and Wollongong
 - b. M1 upgrade between St Peters and Albion Park
 - c. Maldon to Dombarton freight rail line
 - d. Duplication of Picton and/or Appin roads.
- 3 The port of Port Kembla is acknowledged as the 'NSW port of growth', as well as a national economic asset which has significant long term development potential.
- 4 Collaboration between all levels of government, non-government and private sectors is driven through the RDA Illawarra activities, in consultation with regional stakeholders (in the near term), and a City Deals framework (in the medium term).

Introduction - Illawarra Region

The Illawarra region is contiguous with Sydney's south and south-west. Its regional capital Wollongong is NSW's third largest city. The Illawarra region includes the Local Government Areas (LGAs) of Wollongong, Shellharbour and Kiama. It shares its northern border with Sydney and southern border with the Shoalhaven region.

As the third largest economy in NSW, the Illawarra contributes significantly to the State's production output (\$16.5 billion in 2012-2013) and is experiencing its own residential growth across the West Dapto Urban Release Area, the largest urban release area in NSW after Sydney Northwest and Southwest growth areas. ([Wollongong a City Transformed. Advantage Wollongong Investor Prospectus, p 11](#)). Once complete, the release area will include 19,000 lots and house around 50,000 residents over the next 30-40years.

It is important to note that, while the Committee's terms of reference (1c) stress the regional benefit to be gained from Sydney's global status, the obverse is also true, that regions such as the Illawarra have the capacity to further enhance that status.

Capital city satellites are broadly defined as those cities within 150km of a capital city. Being 90km south of Sydney, Wollongong is a satellite for Sydney. The Illawarra region is becoming increasingly integrated with Sydney, including:

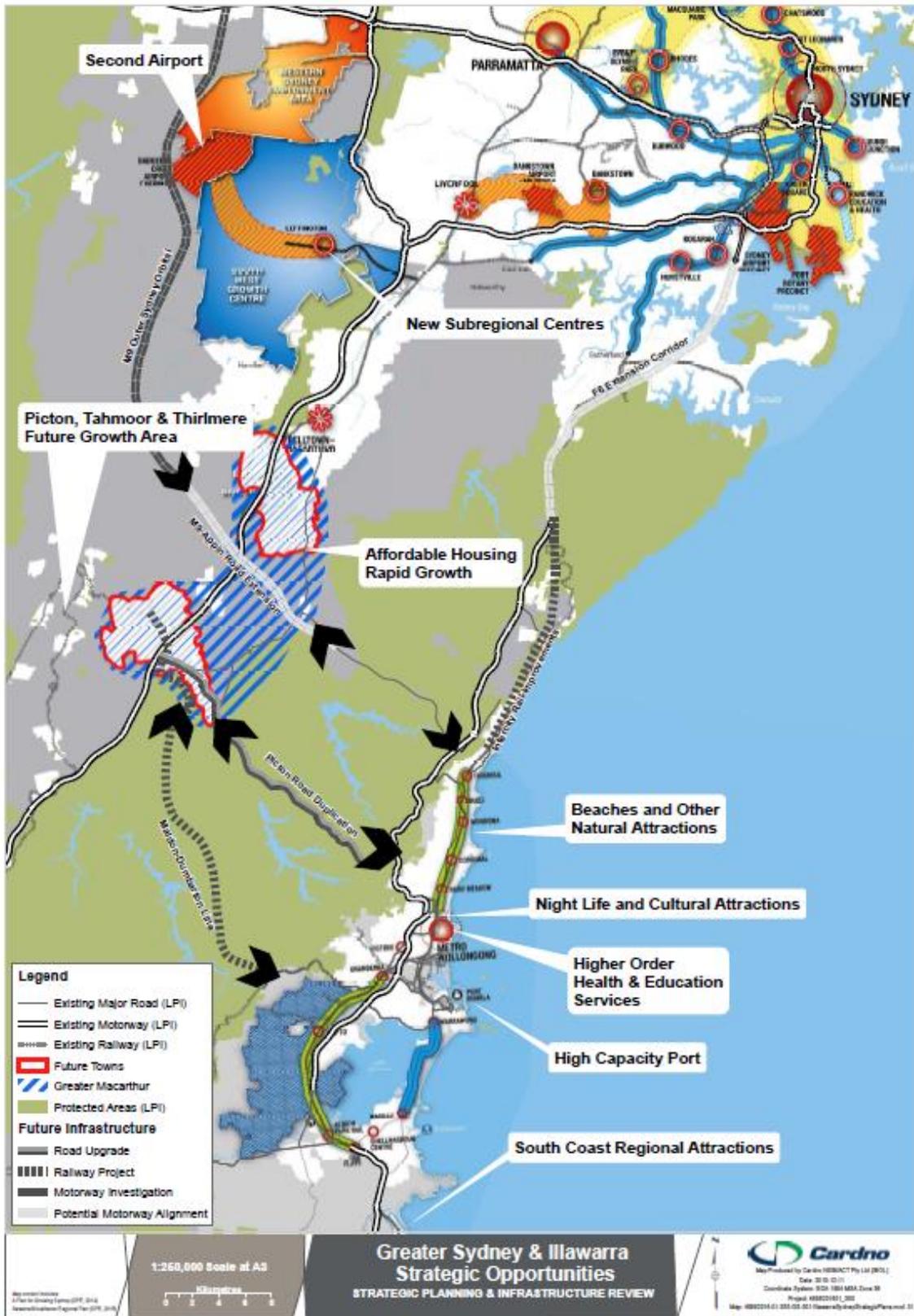
- Freight distribution to and from Sydney, especially the dense urban and industrial areas of western and south western Sydney
- An average of 42,300 passenger and freight vehicles per day travel between the Illawarra and the Sydney on the M1 Princes Motorway, the main road corridor between the Illawarra and Sydney. This corridor is one of Australia's busiest inter-city roads. In addition, another 3,000 people per day travel between the Illawarra and Sydney by rail
- Around 20,850, or 15% of our workforce commute to Sydney for work, and 10,000 people living in Sydney make the reverse trip to work in the Illawarra
- Sydney is an important market for the University of Wollongong, who have recently opened a new campus in Liverpool
- Sydney airports are critical gateways enabling us to connect, with the new Badgerys airport set to amplify the Illawarra's interaction with Western Sydney.

A similar theme reverberates through [the NSW State Infrastructure Strategy, 2012, p 69 \(Infrastructure NSW. First Things First 2012-2032\)](#):

'The Illawarra and the Hunter Regions are increasingly becoming integrated with the economy of the Greater Sydney Region. Many residents commute by rail and many more make the journey by road to work in Sydney every day. As Newcastle and Wollongong grow in size and importance to the NSW economy, they need faster and more efficient links to Sydney'

Figure 1 demonstrates the close proximity of the Illawarra to Sydney, along with transport linkages from Sydney's west, which appear to either fracture at the escarpment (such as the Maldon-Dombarton rail line) or narrow at the escarpment, such as the Appin and Picton Roads.

Figure 1: Map of connectivity and linkages between Illawarra and Sydney



Connectivity between the Illawarra and global Sydney

The Minister for Regional Development, Senator the Hon Fiona Nash, in May 2017 when announcing the [Australian Government's 'Regions 2030, Unlocking Opportunity'](#) stated that:

"Investing in our regions is essential for Australia - strong regions mean a strong nation."

"A 'one-size-fits-all' approach to developing regional policy does not work. Regions 2030 focuses on working with communities to meet their economic and social needs, which will help to improve life for rural, regional and remote Australians."

The Minister for Regional Development, the Hon John Barilaro, in December 2016, launched the ['Making it happen in the regions: NSW regional development framework'](#). This framework supports the notion that 'each region requires its own tailored set of strategies to address the specific priorities of each region. This is why we have created this framework.'

There is no doubt that the Illawarra is a unique region, especially when compared to more rural and remote regions in Australia. Clearly a one-size fits all outcome from this enquiry is unlikely to fit the regional development opportunities for the Illawarra region.

Global and structural changes favour regions that are well-connected internally, and to an increasingly globalised economy. Linkages to a major international city or economic hub are particularly important. Further, a fundamental principle in regional economic development is that of spatial integration among regions through the movement of goods, services and people.

The Committee for Sydney is examining the social and economic potential of the Newcastle – Sydney – Wollongong city-region developing closer relationships through policy settings, integrating jobs and housing markets and constructing high speed rail connections. The Illawarra could benefit from the significant transport infrastructure investment in Sydney under Rebuilding NSW commitments. The Committee for Sydney will assess what Sydney can offer its contiguous regions and the role they will play in Sydney's future growth and development.

Deloitte Access Economics, in its 2015 ['Transition Illawarra Initiative'](#) affirmed its conclusion that 'the Illawarra's proximity to Sydney could generate competitive advantages and economic opportunities through five main drivers' potential for:

- Sydney workers to live in the Illawarra and commute to Sydney for work;
- an increasingly urbanized Illawarra to draw Sydney residents to the region;
- Illawarra to position itself as a key tourism destination and attract tourists from Sydney for a day trip or overnight trip;
- Illawarra to harness its competitive advantages relative to other regions such as the Central Coast and Hunter; and
- Illawarra's housing/office markets to entice relocation of Sydney residents and/or firms.

"The rapid growth of Sydney's southern and western suburbs is clear evidence of the continuing urbanization of the metropolitan area. As higher rents and housing values squeeze people further and further from the CBD, opportunities exist for the Illawarra to position itself as an alternative place to live, a trend that might be intensified as technological change increases the capacity to work from home and/or as transport links between Sydney and the Illawarra improve."

[\(Deloitte Access Economics. Transition Illawarra Initiative: Stage One. Final Report 17 December 2013, \(p37\)](#)

Recommendation 1:

Government acknowledges the Illawarra as a unique region, contiguous with global Sydney, that can both benefit from and contribute to Sydney's economic growth through improved connectivity.

Transport Connectivity

The NSW Government plan for the region ([NSW Planning & Environment: Illawarra Shoalhaven Regional Plan, November 2015, p16](#)) notes that Illawarra's proximity to Sydney provides good opportunities for infrastructure-led growth. In addition to benefits of growth and employment in the region, 'these investments would also deliver significant economic and employment benefits to Sydney'. The Regional Plan identifies inter-regional transport infrastructure that supports growth as:

- Improvements to rail travel times between Sydney and Wollongong
- Extension of the M1 Princes Motorway from Waterfall to Alexandria
- Completion of the Maldon to Dombarton freight line; and
- Duplication of Picton Road in the long term.

A regional consortium endorsed the top three of these infrastructure priorities at the end of 2014 (['Advancing Infrastructure in the Illawarra'](#)) in its response to the NSW Government's Rebuilding NSW Discussion Paper. Furthermore, [Infrastructure Australia's February 2017 Infrastructure Priority List](#) has listed rail upgrades for Newcastle – Sydney – Wollongong as a priority initiative but nominates a longer term (10-15 years) timescale; the global Sydney inquiry should recommend that this become a near term (0-5 years) priority or at least medium term (5-10 years) in order for regional development benefits to be realized from Sydney's growth.

A 2014 Transport Connectivity study by PwC and commissioned by Illawarra Business Chamber ([Linking the Illawarra. Improving the region's transport connectivity, p ii](#)) found the Illawarra's transport connectivity score to be 25-30% lower than Australian benchmarked regions.

The Chamber expressed concern over the cost and time taken to move people and freight and emphasized that connectivity is a key facet of regional competitiveness (Ibid p iii). The cost of accessing jobs and trading opportunities was estimated to become \$690 million by 2031.

In addition to mitigating these estimated costs, if the identified transport connectivity outlined in the study could be realized, (table 10, p23) aligning the region with its peers could provide benefits in the order of \$150 million per year. This would be demonstrated by shorter journey times and lower freight costs.

Improvements to regional infrastructure, particularly transport connectivity, would both benefit Sydney as well as enable the Illawarra to serve as its trade and recreational outlet on the coast.

Rising residential real estate prices in Sydney's suburbs are already attracting buyers to an Illawarra lifestyle with superior recreation facilities, notably beaches and the escarpment. The housing markets in the Illawarra, particularly in the northern suburbs, are becoming linked to Sydney's housing market, as they provide far more affordable housing options. However, the Sydney real estate market is applying increasing pressure on the regional market and more traffic on connecting roads (M1, Picton and Appin roads) and commuter rail services.

Transport connectivity that serves the Sydney road and rail network will also benefit the Illawarra, particularly the M1 extension from Waterfall to St Peters. Such connectivity is vital to mitigate the \$14.8 billion costs of congestion for Sydney – Newcastle – Wollongong by 2031 projected by [Infrastructure Australia's Infrastructure Audit in 2016](#). A specific target sought through rail improvements is a 60 minute journey between Wollongong and Central stations.

[The Property Council's study, 'Greater Illawarra: The Smart Growth Agenda' \(2015\)](#), notes:

"It is likely that there will be an increasingly close relationship between the Sydney and Greater Illawarra housing and labour markets in the future, with current trends indicating beneficial outcomes for each from this relationship. Thus improved and amplified transport will likely be required in the future" (p35).

Recommendation 2:

Government acknowledges that infrastructure led growth can benefit both the Illawarra region and Sydney. Transport Infrastructure priority projects are expedited and brought forward in line with the state's commitment to Sydney infrastructure, including:

- a. 60 minute rail commute between Sydney and Wollongong**
- b. M1 upgrade between St Peters and Albion Park**
- c. Maldon to Dombarton freight rail line**
- d. Duplication of Picton and/or Appin roads.**

Port Kembla → NSW Port of Growth

Port Kembla is Australia's largest vehicle import facility, has the largest grain handling terminal on the East Coast and is the second largest coal export facility in NSW. It is a key driver of economic growth in the Illawarra region, with capacity to expand following further Outer Harbour infrastructure development, and therefore has the capability to benefit from an expansion of international trade.

Figure 2: Map of Port of Port Kembla and surrounding area



NSW Ports in their '[Navigating the Future, NSW Ports' 30 year Master Plan', October 2015](#), state that Port Botany and Port Kembla are economic assets of national significance, critical to the future economic growth and development of NSW.

"Port Kembla, as the NSW port of growth, will continue to be NSW's largest motor vehicle import hub and bulk grain export port while catering for a growing range of dry bulk, bulk liquid and general cargo. Port Kembla will also be home to NSW's second container port."

The port of Port Kembla is a key economic asset which is under-utilised and could be further leveraged by a global Sydney, particularly in the face of growing population and transport pressures. To enable this economic asset to be

effectively utilised, road and rail connectivity and an efficient supply chain will also be required, as mentioned above in transport connectivity.

As identified in the '[February Infrastructure Australia Priority List](#)', Port Kembla's Outer Harbour development is expected to attract overflow containers from Port Botany (p83). '[NSW Ports Five Year Port Development Plan](#)' (March 2014) notes, however:

"The greatest challenge facing the Port-related transport-logistics chain is the provision of efficient road and rail connections to and from the Ports. As Port-related throughput increases over the next five years and beyond, landside transport volumes will increase. Improvements in the efficiency and productivity of landside transport operations, optimising the use of existing infrastructure and building new infrastructure to provide additional capacity."

The '[NSW Government's Freight and Port Strategy](#)', 2013, aims to deliver a freight network that efficiently supports the projected growth of the NSW economy. It states that 'Network capacity and performance must develop ahead of demand'. Further, it is predicted that the freight task will double in the next 20 years.

The '[NSW Defence Strategy, NSW Strong, Smart and Connected](#)', February 2017, has a planned initiative to '4A Explore opportunities to help reduce congestion in Fleet Base East'. It is our understanding that Defence has made significant commitments to Garden Island over the next decade, including upgrading wharves through the Integrated Investment Program. There is also pressure on Sydney harbour from growth of the cruise industry. Port Kembla is a potential option to support Garden Island/Navy operations on the East Coast for future long term strategic consideration by Defence.

Trade activity through Port Kembla in FY16 totalled 26.7 million revenue tonnes, comprised largely of imports of motor vehicles and steel raw materials and exports of coal and coke. Together, Sydney and Newcastle account for more than 80% of all ship visits to NSW. Port Kembla receives around 15% of ship visits and the other regional ports around 2%.

Port Kembla's current economic contributions are outlined in Figure 3 below.

Figure 3: Port of Port Kembla economic contribution



Recommendation 3:

The port of Port Kembla is acknowledged as the NSW port of growth, as well as a national economic asset which has significant long term development potential.

Sectors of Illawarra economy

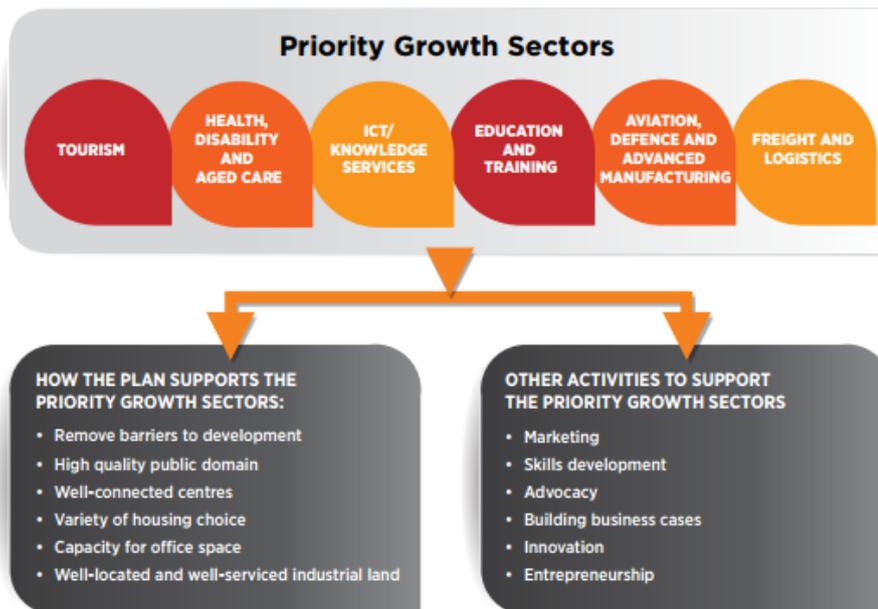
- opportunities for regional development

The priority growth sectors of the Illawarra's economy were identified in the [Illawarra-Shoalhaven Regional Plan \(NSW Planning & Environment, November 2015, p 16\)](#) as:

- Tourism
- Health, disability and aged care
- ICT/knowledge services
- Education and training
- Aviation, defence and advanced manufacturing
- Freight and logistics.

Figure 4: Priority Growth Sectors

FIGURE 5: SUPPORTING PRIORITY GROWTH SECTORS

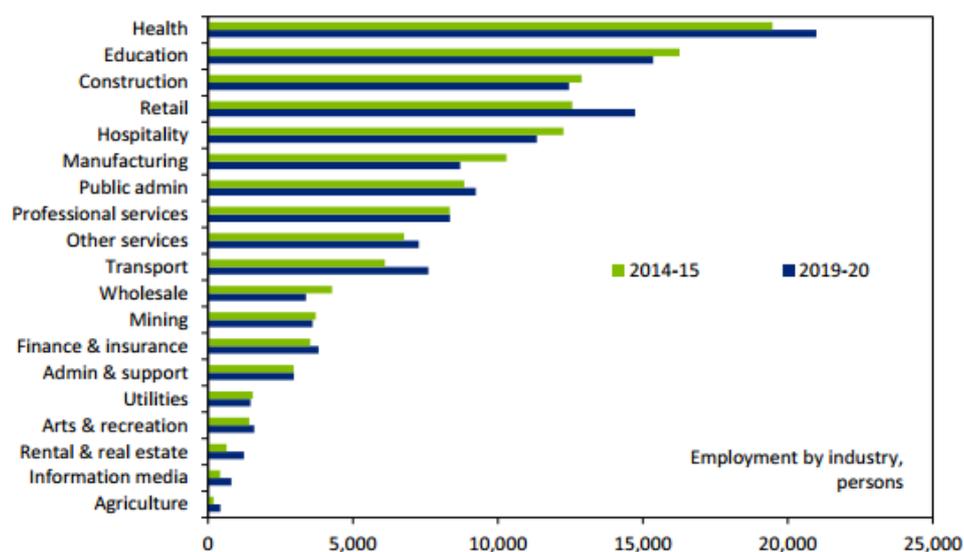


The RDA Illawarra '[Transition Illawarra](#)' [Deloitte Access Economics](#) (Update 2015) provides the projected employment for each sector of the economy at Chart 7.3, see Figure 5 below.

Some sectors of the Illawarra's economy will grow organically, while other sectors of the economy will need to be catalyzed through regional development interventions. This section will comment on those sectors of the economy where State or Federal government intervention and/or support could act as a catalyst for regional development.

Figure 5: Employment projections by industry sector

Chart 7.3: Employment by industry projections, Illawarra



Source: Deloitte Access Economics, ABS 6291.0

a) Tourism

A report has been developed by MacroPlanDimasi, which provides a strong case for the upgrade of the existing WIN Wollongong Sports and Entertainment facility into a multi-use facility with a focus on tier two domestic conferences. This report clearly outlines the domestic conference market 'sweet spots' of associations, retirement, leisure and sport, education and health markets. Further, it provides a low-risk, compelling case for government with two scenarios and a solid benefit cost ratio.

Illawarra regional stakeholders have united and shown their support to the upgrade of the existing facility, signing a Memorandum of Understanding in May 2016. The signatories include Wollongong City Council, Illawarra Business Chamber, WIN Corporation, Property Council, Destination Wollongong, Illawarra Pilot Joint Organisation, RDA – Illawarra and the University of Wollongong. Government support for the upgrade is currently being sought.

b) Government Decentralisation

The Illawarra region is ideal for the relocation of government departments and agencies from Sydney. Decentralisation initiatives align well with Wollongong's current capability and continuing growth. It provides government with lower cost options for basing services to the Australian community.

Lease costs are typically 50% less than Sydney (\$375-\$450/m²). An example of success is the relocation of the Australian Taxation Office (ATO) with over 400 employees working in Wollongong. Over 20,000 workers currently commute to Sydney. Relocation would assist the transition of the Illawarra's economy to a diverse, service-based one and achieve government objectives for jobs growth.

c) Knowledge Services

The professional services/knowledge services sector is important to the Illawarra. In terms of employment numbers, the sector has grown by an average of 1.4% per year over the last 15 years. While the professional services sector in the Illawarra remains nascent, the sector has a potentially important role to play in the continuing diversification of the region's economy.

A knowledge future report commissioned by the Illawarra Business Chamber ([Knowledge Future. Supercharging Illawarra's Professional Services, May 2016](#)) concluded:

"There is a compelling case for building our professional services capability here in the Illawarra. Our region has significant natural advantages, cost competitive operating conditions and a world class university educating our next generation of business leaders." (p 3)

Despite these advantages, the study revealed the region was underperforming in this sector against the NSW state average by over 25%. Achieving the state benchmark would mean another 300 businesses and 3,000 jobs.

Knowledge services growth could occur if Government viewed the Illawarra region as contiguous with Sydney and effectively promoted metropolitan Wollongong as a satellite to Sydney and provided sufficient transport infrastructure connectivity.

d) Education

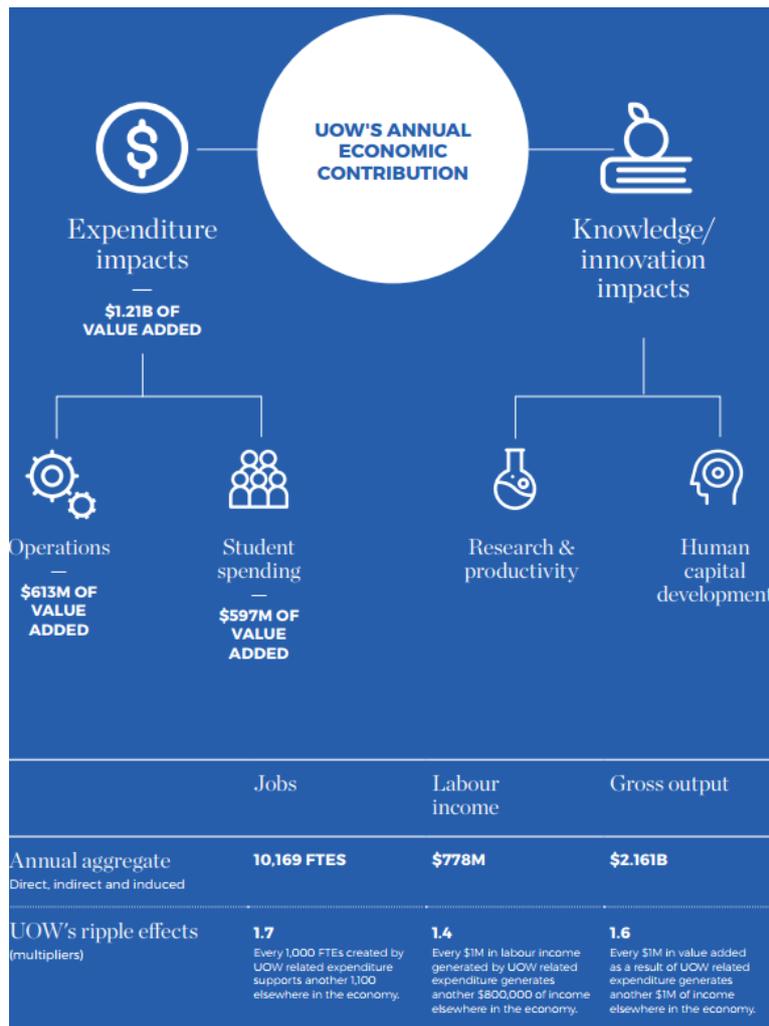
The University of Wollongong (UOW) is a key source of strength for the Illawarra economy. As the Illawarra's economy transitions, the University's role is to continue to develop the skilled human capital of the region. Furthermore, UOW provides economic leadership to enable the region to reach its full potential and be a globally competitive region.

UOW creates knowledge and innovation that supports the wider economic growth and development of our community. In its [Leading Locally, Competing Globally Economic Impact Report 2016](#), UOW quotes Ronald Dearing on the role of universities:

"Just as castles provided the source of strength for medieval towns, and factories provided prosperity in the industrial age, universities are the source of strength in the knowledge-based economy of the 21st century."

The Leading Locally, Competing Globally report also outlines the total economic contribution to Gross Domestic Product of UOW, which was \$1.2 billion in 2015. Furthermore, UOW creates 10,169 full time equivalent jobs (direct, indirect and induced). A diagram of UOW's annual economic contribution is provided in Figure 6 below.

Figure 6: UOW annual economic contribution



An example of the UOW creating economic benefit is their award-winning iAccelerate. iAccelerate is located at UOW’s Innovation Campus, a \$600 million master planned community designed to encourage the creation of networks and interaction among like-minded entrepreneurs, mentors and advisers.

iAccelerate, the regions first purpose built business incubator provides a permanent home for 280+ start-up companies. It utilises a multi-faceted approach to accelerating sustainable business growth to deliver the greatest economic impact. It also offers access seed funding via the \$10 million iAccelerate Seed Fund.

iAccelerate captures the intellectual capital of the Illawarra by retaining the University’s high-quality graduates while making the Illawarra a destination for innovators and investors.

The iAccelerate Centre brings new investments into the Illawarra region, creates diverse and sustainable employment opportunities and attracts new resources to the Illawarra.

e) Aviation

Illawarra Regional Airport (Wollongong Aerodrome) is a security controlled, licensed airport that is owned and operated by Shellharbour City Council. It is the base for a growing Light Aeronautics Industry, which provides maintenance and engineering services for aircraft ranging from ultra-light to medium size turbo prop and jet aircraft.

The Airport provides a cost effective alternative to the Sydney basin airports. It is not encumbered by restricted airspace or air traffic controls, which cause costly delays for aircraft movements. The airport has direct freeway access to Sydney and is adjacent to the South Coast Railway Line to Sydney.

The Historical Aircraft Restoration Society (HARS) museum and workshop located at the airport is an internationally acclaimed tourist attraction and just one of the many tourist activities that the airport has to offer.

In February 2017, Shellharbour Council considered a business case for Regional Passenger Transport (RPT) flights to and from the airport at Albion Park and take the necessary steps to support the service.

The airport catchment area for the service is a population of approximately 300,000 and includes the Illawarra, South Coast and Southern Highlands regions, which is the largest regional area in Australia currently without regular passenger flights.

Shellharbour Council has agreed to invest \$770,000 in the project and a purpose built terminal building will be built in the next couple of years. Council staff have initiated discussions with airline companies and will provide a report to Council to appoint the operators in the near future.

A Regional Passenger Transport service could assist both the aviation industry which is already operating at the Illawarra Regional Airport, as well as support tourism industry growth in the Illawarra.

Figure 7: Illawarra Regional Airport



Collaboration framework for the Illawarra

RDA Illawarra is charged with the responsibility for developing a long term Regional Plan. The Regional Plan sets the economic development strategic direction of the region and needs to be done in consultation with all regional stakeholders. If there is an absence of collaboration, the regional plan will be nothing more than a 'dust collector' that sits on a shelf.

Stakeholders in the Illawarra work collaboratively, as evidenced above re the Convention Centre upgrade project. It is in the Illawarra's DNA to be collaborative and we generally stand united on economic development initiatives.

The federal government has introduced City Deals as a collaborative framework that goes across all levels of government to drive a long term strategic agenda with agreed commitments based on economic outcomes.

Metropolitan Wollongong has a working group, which is facilitated by RDA Illawarra and has been meeting for around 6 months, who are positioning for the next tranche of City Deals. The working group has a terms of reference and senior management of all the relevant Illawarra stakeholders are represented. The City Deals methodology would support solid economic outcomes for the Illawarra.

Recommendation 4:

Collaboration between all levels of government, non-government and private sectors is driven through the RDA Illawarra economic development activities, in consultation with regional stakeholders (in the near term), and a City Deals framework (in the medium term).

Recommendations

- 1 Government acknowledges the Illawarra as a unique region, contiguous with global Sydney, that can both benefit from and contribute to Sydney's economic growth through improved connectivity.

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