

Director, Hunter Region
Department of Planning and Environment
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Newcastle NSW 2300

Compass welcomes the opportunity to provide feedback on the Draft Greater Newcastle Metropolitan Plan (GNMP).

Compass is a Tier 1 Community Housing Provider with 30 years' experience and deep roots in the Hunter region and as such has a profound interest in the sustainable development of the region, in particular the availability of adequate and affordable housing. For this reason Compass has restricted the majority of its feedback to that part of the GNMP that relates to housing, with a small number of additional observations on related matters.

Compass welcomes the NSW Government's commitment to the region and offers the following observations and feedback.

HOUSING

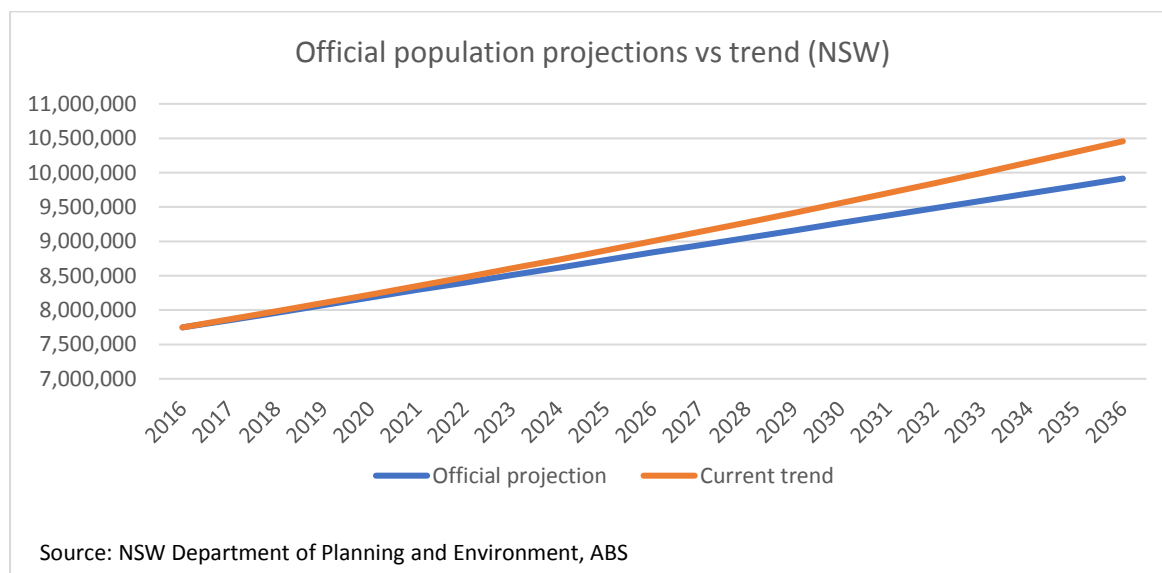
Compass welcomes the Draft Greater Newcastle Metropolitan Plan's objective of creating new housing close to jobs and services. We are concerned however, that while the plan notes the importance of providing social housing for our community's most vulnerable, it contains no detail about how new social housing is to be funded, or where it is to be located. Instead, responsibility for the provision of adequate social and affordable housing appears to have been delegated to the planning departments of the various local government areas that make up the Greater Newcastle Metropolitan Area. This approach is problematic given the State Government's central role in the provision of social and affordable housing.

To ensure low income households in the Greater Newcastle Metropolitan Area are not placed at greater risk of housing stress or homelessness, the Greater Newcastle Metropolitan Plan should include targets for new social housing construction that are sufficient to clear the existing backlog in the relevant allocation zones, and to ensure social housing comprises not less than 6% of all new dwellings projected to be required within each of the LGAs that comprise the Greater Newcastle Metropolitan Area. For example, the Department of Planning and Environment estimates the Lake Macquarie LGA will require an additional 13,700 dwellings by 2036. Compass' view is that at least 822 of those additional dwellings should be provided as social housing.

A complete breakdown of the additional social housing requirements based on projected population growthⁱ and implied dwelling requirements is set out in the table below.

Regional NSW LGAs	PROJECTED IMPLIED DWELLING REQUIREMENT ¹					20-year change	Extra social housing dwellings required ²
	2016	2021	2026	2031	2036		
Cessnock (C)	24,000	25,800	27,500	29,250	30,350	6,350	381
Lake Macquarie (C)	87,700	91,500	94,850	98,100	101,400	13,700	822
Maitland (C)	31,650	35,150	38,700	42,400	44,200	12,550	753
Newcastle (C)	75,450	80,150	84,650	89,000	92,250	16,800	1,008
Port Stephens (A)	36,900	40,100	43,150	46,050	47,950	11,050	663
GNMP Area	255,700	272,700	288,850	304,800	316,150	60,450	3,627

It is worth noting also, the population projections produced by the NSW Government, and therefore the implied dwelling requirements, assume an annual growth rate much lower than that experienced over the past five years. The projections assume a state-wide population growth rate starting at 1.37% per annum and declining to 1.12% over the 20-year period. For this to happen, the current rate of population growth in NSW would have to decline substantially. The population of NSW has grown by significantly more than 1.37% in each of the last five years largely due to high levels of net overseas migration (NOM). Actual population growth in NSW for the 2016 calendar year was 1.51%. Population growth for the 16-17 financial year was even higher at 1.57%. If population growth were to continue at its current level, by 2036 the population of NSW would be close to 10.4 million, more than 540,000 above the official projections – a discrepancy roughly equivalent to three times the current population of the City of Newcastle.



While the bulk of NSW's population growth is projected to occur within the Sydney Metropolitan Area, the implications for Greater Newcastle are not insignificant. For example, the Greater Newcastle Metropolitan area is currently scheduled to absorb approximately 5.5% of NSW's total

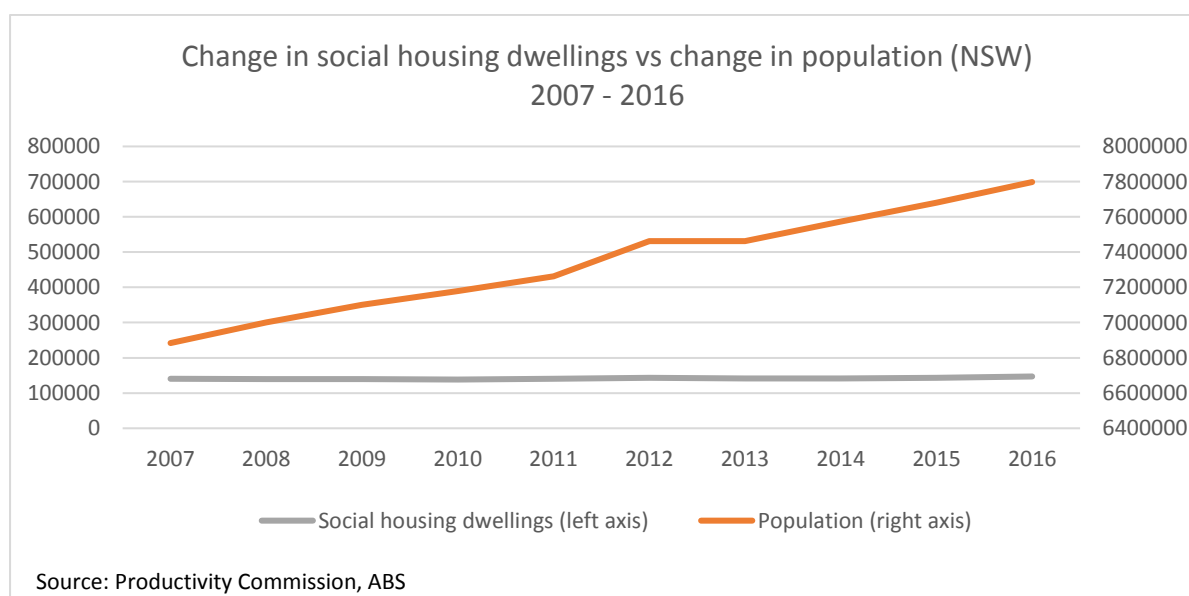
¹ Source: 2016 NSW household and dwelling projections.

² Based on 6% of total implied dwelling requirements, excluding dwellings required to clear existing waiting lists.

population growth over the period in question. If population growth continues at the current higher rate, rather than falling to the levels assumed in the official projections, and if intra-state population flows remain consistent, the Greater Newcastle Metropolitan Area will see its population grow by an additional 30,000 on top of the official projection of 116,100. As noted in the table above, the projected population growth should, at a minimum, require the construction of an additional 3,627 social housing dwellings. A conservative estimate of the cost of supplying those dwellings would be in the vicinity of \$725 million³. An extra 30,000 residents would push the requirement for new social housing dwellings above 4500 and the total cost of construction to approximately \$900 million.

The construction of much of the infrastructure required to accommodate population growth is these days funded, at least partially, by the private sector. When it comes to social housing however, Australia is yet to develop a model capable of attracting meaningful private investment, largely because the returns available from below-market rents do not compare favourably with other investments with similar risk profiles. While not-for-profit community housing providers will continue to make a substantial contribution, primary responsibility for providing social and affordable housing is likely to continue to rest with the state for the foreseeable future. It is therefore crucial that governments give serious consideration to how they propose to deliver sufficient social housing for that segment of the increased population that will require it.

Over the past decade, the rapid increase in the population of NSW has not been matched by a commensurate increase in the supply of social housing. While the population boomed by almost a million people, the supply of social housing dwellings barely moved. In fact, were it not for some federal investment during the GFC, the supply of social housing in NSW would most likely have declined over the period in question.



The failure of social housing supply to keep pace with population growth has resulted in growing numbers of households on the waiting list and more households experiencing housing stress. In the Greater Newcastle Metropolitan Area alone, there are approximately 3900 households on the

³ Based on construction cost per dwelling of \$200,000.

waiting list for social housing⁴. This represents approximately 6.5% of the state-wide waiting list. Households experiencing housing stress inevitably cut back expenditure in other areas which in turn has a detrimental effect on the local economy.

The provision of sufficient social housing to service the growing population is likely to have serious implications for both government budgets and the broader economy and would therefore benefit from more detailed consideration as part of the GNMP.

OTHER OBSERVATIONS

The potential impact of high-speed rail

While the GNMP refers to the need to leverage Newcastle's relative proximity to Sydney, and the importance of creating higher speed connections between the two cities, further consideration should be given to the potential impact of a high-speed rail connection between the two cities. Strategy 4.2 indicates Transport NSW will work with the Australian Government, Greater Newcastle councils and the NSW Department of Planning and Environment to investigate a range of potential initiatives to reduce journey times in the Sydney to Newcastle corridor. The plan notes that "any significant reduction in travel time will require line duplication which will come at an immense cost". This is doubtless the case, however it would be beneficial for additional thought to be put into the broader social and economic challenges and opportunities arising from a significantly reduced travel time between the two cities. While the draft GNMP does include reference to a potential HSR link in the map on page 63 of the document, the implications are left largely unexplored. The [High Speed Rail Study Phase 2](#) report produced by the Department of Infrastructure, Regional Development and Cities estimates the travel time between Newcastle and Sydney via HSR to be less than 40 minutes. Were it to eventuate, the implications for the Greater Newcastle Metropolitan Area would be profound. If nothing else, transforming a daily commute into a viable option, would likely generate a substantial increase in the local population over and above official projections as Sydneysiders migrate north in search of more affordable housing and less congestion. Such a development would necessitate a substantial revision of projected demand for housing as well as a range of other infrastructure.

The need to prepare workers for the new economy

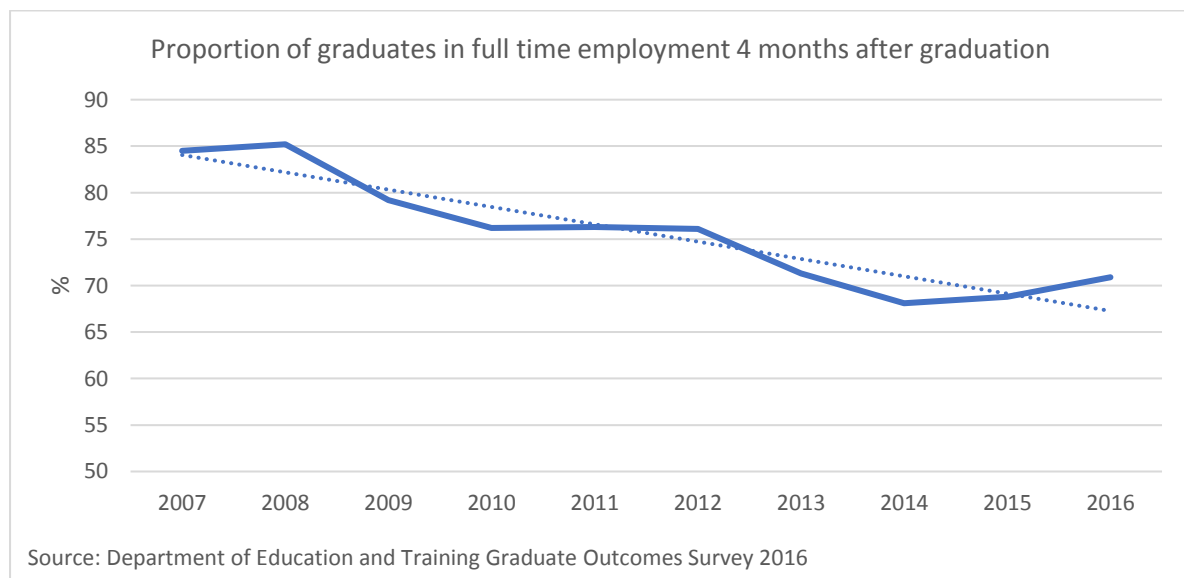
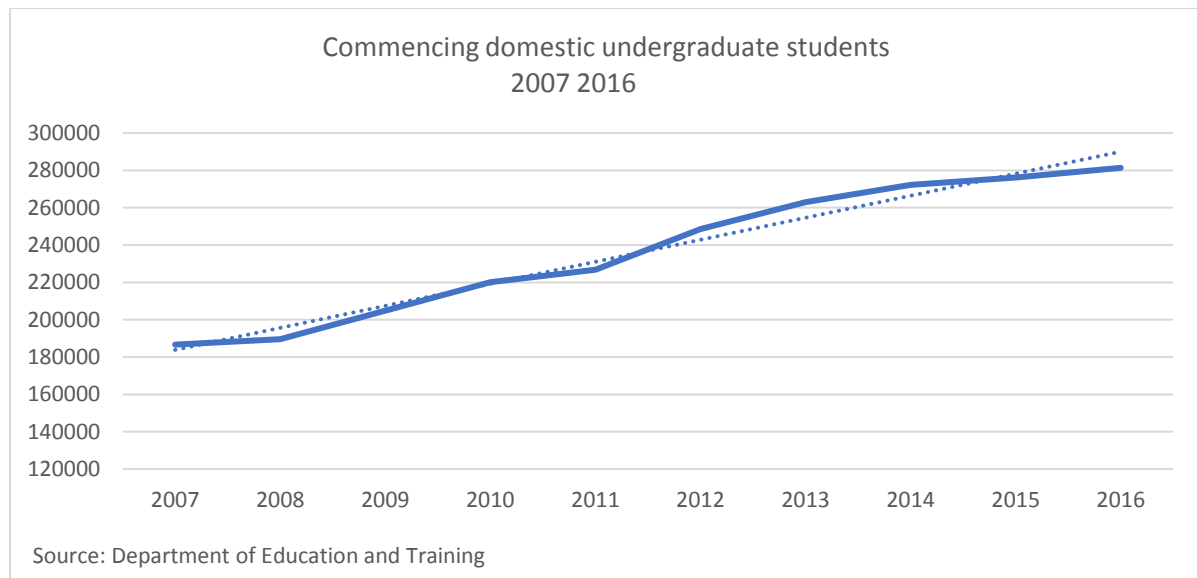
Despite multiple references in the GNMP to the new economy, little consideration appears to have been given to the potential for automation and artificial intelligence (AI) to remove significant numbers of jobs from the economy, the attendant risks to the broader economy flowing from that loss of earning power, or how to re-skill those people who find themselves displaced.

While most people would recognise the threat to relatively unskilled occupations like janitorial work or professional drivers, recent advances in AI and machine learning suggest even highly skilled workers like accountants and data analysts could soon find themselves under threat. Re-skilling impacted workers is likely to present an enormous challenge, so it will be critical to ensure the

⁴ Source: FACS Expected Waiting Times for Social Housing June 2016 - Overview

education system is equipped to respond appropriately by offering education at affordable prices and ensuring graduates are appropriately equipped for the new economy.

There is reason to suggest the uncapping of university places in Australia has caused suboptimal outcomes in this regard. Data released by the Department of Education and Training shows the number of domestic students entering university on a sharp upward trajectory, while the number of graduates finding full-time work is trending strongly in the other direction.



The prolonged tendency of employers to recruit large numbers of skilled workers from overseas also suggests there is an ongoing disconnect between what the private sector needs and what the education sector is producing.

While it is heartening to see the GNMP recognise the need to create a skilled workforce, the relevant section appears heavily weighted towards renovating the built environment, expanding the

influence of existing job hubs around the hospital, port and aerospace precinct, and attracting more international universities to the region. Missing however are actions focused on ensuring the education system produces graduates capable of succeeding in the new economy.

While education policy is heavily influenced by the federal government, there are ways state and local authorities can contribute to improved outcomes, for example by fostering meaningful links between local employers and education providers to ensure providers are cognizant of the needs of employers and can take those needs into consideration when planning curricula.

As technology transforms our economy at an astonishing pace, the concept of lifelong learning will become increasingly important. The idea of education as something that you acquire in your youth then deploy throughout the course of your working life, is already an anachronism. In the 21st Century, remaining relevant and employable will likely involve a process of ongoing education and upskilling. However, despite rapid advancements in technology, a good deal of tertiary education is still based on old-fashioned face-to-face delivery models that often aren't suitable for people already juggling work and family commitments. Face-to-face education is also extremely expensive which is a further disincentive for workers, few of whom are likely to have the ability to pay tuition fees up-front, or the inclination to add to existing student loans incurred in the process of obtaining undergraduate qualifications.

Therefore, in addition to expanding the number of international education and research institutions in the area, locally based institutions may find comparative advantage in leveraging their highly regarded brands via massive open online courses (MOOCs), or competency-based programs that offer a customisable, flexible and affordable education experience for people with adult responsibilities who are nevertheless eager to ensure they remain relevant and employable in the new economy. Likewise, employers in the region could improve the way in which they provide training and professional development opportunities by fostering a culture of lifelong learning. This is another area in which linkages between employers and tertiary educators, facilitated by local and state governments, could deliver significant benefits to the region.

Compass once again wishes to thank the NSW Government for the opportunity to provide feedback on the Draft Greater Newcastle Metropolitan Plan and looks forward to continuing our productive relationship in the years ahead.

Yours sincerely,

Martin Kennedy

National Communications Manager

Compass Housing Services

For and on behalf of Compass Housing Services' Greater Newcastle Metropolitan Plan Workgroup

ⁱ **N.B.** *There appears to be a discrepancy between the population data quoted in the Draft GNMP, and the data contained in the official projections from which the plan is supposed to have sourced its figures. According to the 2016 NSW State and Local Government Area Household & Dwelling Projections, between 2016 and 2036 the population of the LGAs that comprise Greater Newcastle will increase from a total of 575,800 to 691,900, a change of 116,100. However, the Draft Metropolitan Plan suggests the population as at 2016 was 540,000 and will grow to 700,000 by 2036, a change of 160,000.*

The population and projected dwelling data in this submission have been sourced from the 2016 NSW State and Local Government Area Household & Dwelling Projections produced by the NSW Department of Planning and Environment and therefore may differ slightly from those set out in the Draft GNMP