

Upper Hunter Economic Diversification Action Plan: *Implementation Priorities*



Foreword



The Hon. John Barilaro MP
Deputy Premier
Minister for Regional Development
Minister for Skills
Minister for Small Business



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for the Hunter

The Hunter stands out as having significant comparative advantages for economic production – positioning it strongly for long term growth.

These advantages include skilled workforce, major industries, strong research and development capability, highly developed infrastructure including power generation, water distribution and transport connectivity to the globe through coal chain rail infrastructure, the Hunter Expressway, Port of Newcastle and Newcastle Airport.

The Upper Hunter – incorporating the council areas of Dungog, Singleton Muswellbrook and Upper Hunter – has traditionally played a key role in overall economic activity in NSW. The region supplies approximately 60 per cent of the state’s power needs, and is a major supplier of resources, mining expertise and agriculture to markets around the world.

The region is also building upon its advantages to transition toward the sustainable industries and jobs of the future. The knowledge, infrastructure and connectivity of the Upper Hunter are providing a solid platform for building sustained growth and a resilient regional economy over the long term.

The NSW Government has undertaken an examination of future economic development opportunities in the Upper Hunter in the context of a changing industry environment –

providing a valuable understanding of future opportunities, actions and infrastructure to support development in the region.

The Upper Hunter Economic Diversification Action Plan: Implementation Priorities provides the region’s response to the call for action embodied in the NSW Government’s Regional Development Framework. It establishes a guide for sustainable economic transition incorporating economic diversification priorities into regional land use planning.

The Plan’s priorities guide the NSW Government’s commitment to build upon the region’s existing economic strengths while encouraging the growth of new industries required to sustain growth.

Through the Action Plan, Government agencies will put policies in place to facilitate effective implementation aligned with key Government strategies, including the Hunter Regional Plan. The Plan also includes a focus on strong governance and a commitment to ongoing government-industry partnerships and cooperation.

Understanding the Upper Hunter’s regional strengths, and putting these strengths toward new forms of economic production, requires collaboration between government, industry and community. These are key ingredients to ensuring long term economic and employment growth in the Upper Hunter.

Focus Area



Muswellbrook
Gross Regional Product* \$2,435m
Total employed** = 10,017
Singleton
Gross Regional Product* \$4,181m
Total employed** = 16,325
Upper Hunter Shire
Gross Regional Product* \$815m
Total employed** = 5,260
Dungog
Gross Regional Product* \$372m
Total employed** = 2,202

*ABS estimate June 2017
**2016 ABS Census Place of Work data

The case for action

Industry Forum participants told us –

“...Coal mining will remain a major activity in the region, but will operate with lower levels of employment...”

“Access to processing and downstream value-adding... is important if agriculture is to expand in the Upper Hunter.”

“With its energy industries and research base the Hunter has potential as a major hub for next generation power...”

“We need clearer messaging about water... so investors are reassured of what water will be available, its quality, and that there is a management plan in case of drought years.”

“...Industry and government must work together to drive the Upper Hunter strategy – this commenced with the Industry Forums and needs to continue...”

The NSW Government has undertaken an examination of future opportunities for industry in the Upper Hunter in the context of a changing industry environment – providing a valuable understanding of future opportunities, actions and infrastructure to support development in the region.

The Upper Hunter Economic Diversification Action Plan – endorsed for implementation by the Deputy Premier – sets renewed priorities for business growth and sustainable economic transitions in the region.

It represents the Upper Hunter’s local response to the NSW Government’s Regional Development Framework, aiming to harness its skilled workforce, major industries, research and development capabilities, infrastructure and connectivity to build new opportunities for sustainable long term regional development.

The Hunter stands out as having significant comparative advantages when compared with many other regions.

These advantages include skilled workforce, major industries, strong research and development capability, highly developed infrastructure including power generation, water distribution and transport connectivity to the globe through coal chain rail infrastructure, the Hunter expressway, Port of Newcastle and Newcastle Airport.

The Upper Hunter also takes advantage of its proximity to the Sydney basin, and transport networks linking it to large parts of the state.

The Upper Hunter is vulnerable to global and regional shocks

Global, national and regional drivers impacting the Upper Hunter highlight the need for new approach to industry and regional planning:

- Variable trading conditions for the Upper Hunter coal industry over time, reflecting global energy market restructuring.
- Further replacement of jobs through robotics and automated production is predicted.

- The planned closure of Liddell and Bayswater power stations in 2022 and 2035 respectively will have long term implications for land, water and jobs – one quarter of region’s licenced water, 10,000 hectares of strategic land and infrastructure
- Significant water and energy security issues were identified in 2007. Coal production almost doubled since that time.
- Open cut mining operations are fragmenting highly productive industries and lands.
- Land use uncertainty is impacting on investment in diversified industries.

New opportunities are emerging for the Upper Hunter

The NSW Government also sees significant new opportunity areas for the region building upon its strengths and harnessing global directions. Opportunities include:

- Supporting transition into agribusiness production, building on regional advantages in commodity exports (infrastructure, logistics, expertise) and economic agreements with Asian trading partners.
- Working with power asset owners, industry and research partners to foster growing renewable energy capacities and support agribusiness development.
- Developing a robust water security planning framework, including resilience in drought conditions, based on deeper understanding of industry futures.
- Working with existing sectors to encourage further investment and growth.

Leaders from government, industry and experts across coal, power generation and agribusiness have identified common ground through a focus on regional job creation and proactive industry transition.

Regional advantages

The Upper Hunter has a combination of advantages providing new opportunities to diversify into new areas of agribusiness, resources and energy and various ancillary services sectors. These are resource based; locational; infrastructure linked; knowledge based; and production process related.

Resources: productive rural and resource lands; experienced and adaptable farmers; leading mining and energy expertise; water availability (with potential additional supply if changes in the coal and electricity sectors reduce their medium and long term requirements).

Locational advantages: proximity to a major regional city – Newcastle; accessibility to food, energy and mining supply chain partners on the Central Coast and in Greater Sydney; access to major metropolitan markets (eg. Sydney and Brisbane); access for skilled professionals to global gateways; liveability of the Hunter region.

Infrastructure advantages: efficient road transport with the Hunter Expressway, M1 Pacific Motorway and New England Highway (to Brisbane); Newcastle Airport with new international passenger facilities and the potential for commercial freight capacity being investigated; rail freight access the Port of Newcastle.

Knowledge and skills: education and training facilities to support agribusiness, mining engineering and energy expertise (Tocal College, University of Newcastle, Hunter TAFE); commitment of learning institutions to commercialise R&D; industry take-up of innovative production opportunities.

Production practices: world leading practice in mineral resource and energy efficiencies; the highest levels of biosecurity, food safety and animal welfare practices in all sectors.

Expanding Agribusiness

INDUSTRY FEEDBACK

UPPER HUNTER OPPORTUNITIES

- **Expansion of existing industries:** dairy, beef, cereals, oil seeds, wine and equine
- **Emerging industries:** industrial hemp and protected cropping
- **New industries:** processing plants – dairy, pork, poultry and hemp

INDUSTRY DRIVERS

- **Growth in food demand:** export and domestic markets
- Clean and green reputation
- Relocation of processing plants

REGIONAL ADVANTAGES

- Proximity to major markets
- Logistics infrastructure
- Industry clusters
- Productive land
- Climate and water
- Biosecurity
- Industry education and training

CONSULTATION OUTCOMES

- Industry expansion
- Local processing plants
- Increase in exports
- Growth in support services
- Increase in regional income
- Jobs growth (processing)

HOW TO ACHIEVE OUTCOMES

ON FARM

- Productivity improvement
- Product development
- Innovation
- Investment in farms
- Consolidation – larger operations

INDUSTRY

- Investment in new processing operations
- Viable producer prices
- Development of export markets
- Market Access – Free Trade Agreements
- Adoption of circular bioeconomy principles

REGIONAL

- Water availability/quality
- Land availability for expansion
- Labour supply



A Continuing Mining and Engineering Services Sector

INDUSTRY FEEDBACK

UPPER HUNTER OPPORTUNITIES

- Coal industry remains a major export industry

INDUSTRY DRIVERS

- Strong coal demand
- Future coal prices
- Economic growth – China, India, Asia
- New power plants and clean coal technologies
- Closure of major power plants

REGIONAL ADVANTAGES

- Coal resources and quality
- Coal supply chain – rail and port
- Ownership by global resource companies
- Support industries
- Resources research centres

CONSULTATION OUTCOMES

- Coal sector stable – export driven
- Lower employment (with on-site productivity improvements)
- Innovation – technology adaption
- Potential lower water use
- Site rehabilitation and productive future re-use

HOW TO ACHIEVE OUTCOMES

MINE

- Productivity improvement
- Innovation – mine operations
- Investment
- Water – improved efficiency
- Mine site rehabilitation plans

INDUSTRY

- New market development
- Investment in operations
- Investment clean coal technologies
- Support for R&D
- Commitment to site rehabilitation

REGIONAL

- Water availability
- Regional research centres
- Mine sites future uses
- Engagement with agribusiness

A Transitioning Power and Energy Sector

INDUSTRY FEEDBACK

UPPER HUNTER OPPORTUNITIES

- **New generation capacity:** gas and renewables
- Local smart energy hubs
- Energy research and innovation centre
- Advanced manufacturing

INDUSTRY DRIVERS

- Emissions targets
- Age of coal fired plants
- **New technologies:** renewables, gas generation, smart grids
- Increase in renewable supply
- National energy policy
- Hunter Energy Transition Alliance

REGIONAL ADVANTAGES

- Existing grid
- Major energy generators
- Renewable projects
- Research centres – resources and energy
- Experienced energy professionals
- Linked support industries

CONSULTATION OUTCOMES

- New generation capacity
- Expansion of renewables industry
- Increase in research and innovation
- Growth in support businesses
- New jobs
- New uses for power generation sites

HOW TO ACHIEVE OUTCOMES

BUSINESS

TRANSITIONS

- Generation Capacity
- Existing workforces
- Future site use
- Dispatchable renewable power
- Circular bioeconomy

INVESTMENT

- Existing capacity
- New facilities
- Renewables
- R&D/innovation

INDUSTRY

- **Maintain required generation capacity:** regional, state, national grids
- **Investment:** renewables and smart technologies
- **R&D:** support for Hunter research centres
- Orderly national market transitions

REGIONAL

- Transitions – plant closures
- Expansion in renewable projects
- Growth of research centres
- Future uses on major generation sites

Local growth projections and enablers

The Hunter Regional Plan 2036 sets out strategic priorities to promote diversified growth within the local communities of the Upper Hunter.



POPULATION



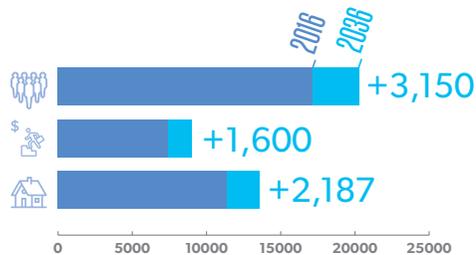
EMPLOYMENT



DWELLINGS

and Projected Increase in 20 years

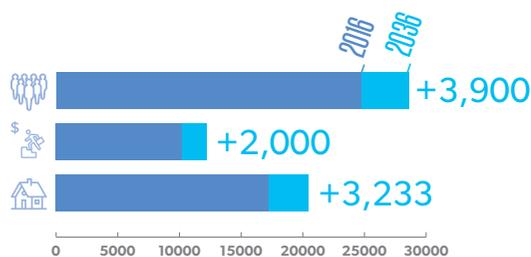
Muswellbrook



Regional priorities

- Conduct an assessment of land use compatibility.
- Support diversification of the energy and agricultural sectors.
- Undertake a land use assessment of the Viticulture Critical Industry Clusters to align planning controls to achieve a balance between scenic amenity and ongoing growth in tourism.
- Protect the Equine Critical Industry Cluster and allow for expansion of the industry.

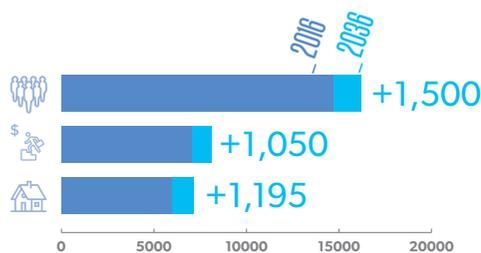
Singleton



Regional priorities

- Investigate the region-shaping potential of the Hunter Expressway.
- Support tourism and agriculture by conducting a land use assessment across the Viticulture Critical Industry.
- Cluster to align planning controls that balance scenic amenity with ongoing growth in tourism.
- Conduct an assessment of land use compatibility.
- Support the visitor economy by enhancing viticultural and nature-based tourism and associated infrastructure.
- Manage productive landscapes that sustain important agricultural sectors.

Upper Hunter



Regional priorities

- Protect the Equine Critical Industry Cluster and allow for expansion of the industry.
- Protect Biophysical Strategic Agricultural Lands and other important agricultural lands.
- Support the tourism economy by investigating ways to leverage agriculture and equine industry strengths to attract food-based and equine-related visitors.
- Support the diversification of the energy sector and ongoing extractive industries, being part of the Upper Hunter Green Energy Precinct.
- Encourage the establishment of employment-generating rural industries, value-adding industries and intensive agriculture in appropriate locations.

Dungog



Regional priorities

- Support the growth and diversification of the agricultural sector.
- Expand the tourism sector by leveraging its strengths, including growing of fresh produce and nature tourism.
- Protect the water supply.

Strategic Priorities from UH Economic Diversification Action Plan

The Upper Hunter Economic Diversification Action Plan identified five core strategic themes for joint government and industry action to facilitate new long term regional economic opportunities for the Upper Hunter, allowing it to build upon its known competitive advantages:

- 1. Driving land use certainty**
Economic development and jobs growth in the region will be underpinned by planning frameworks delivering certainty of land use.
- 2. Encouraging new industry investment**
A focus on better land use planning and improved access to land fosters improved certainty for industry investment across industry sectors.
- 3. Developing new market opportunities**
There are major opportunities to expand industry in the region to service national and international market needs.
- 4. Planning for water security**
Key industries in the Upper Hunter and new targeted industries and activities will require access to water and future water security.
- 5. Establishing appropriate governance**
Targeted and connected governance is critical to successful industry transition, involving collaborative dialogue, planning and funding through partnerships between government, industry and the community.

Implementation priorities

Agribusiness, resources and mining, tertiary and vocational education, and freight and logistics industries are 'engines' of the Hunter economy. Expertise and infrastructure developed to support their growth also positions the Upper Hunter to capture emerging industries in technology-enabled primary industries, advanced manufacturing, renewable energy, and tourism and hospitality.

The economic enablers government can use to encourage growth are: infrastructure; investing in skills; advocacy and promotion; providing a growth-conducive business environment.

Effective communication amongst stakeholders, investors, researchers and innovators, and connection to government support are further critical success factors.

Immediate priorities (up to 2 years)

- Deliver online communication channels to promote catalyst projects, facilitate partnerships, share information and build an economic diversification network for the Upper Hunter (Hunter JO, DPC).
- Deliver online information mapping tools to support decision-making and promote land use certainty, including the Upper Hunter Important Agricultural Land Mapping Project (NSW DPI), Employment Lands Monitor and Mine Rehabilitation GIS Project (DPE).
- Deliver planning support and community information tools to promote certainty for post-mining landscapes in the Hunter Valley (DPE).
- Facilitate vocational training in the agribusiness, energy generation and tourism sectors for school leavers and workers in career transition (DoI, Hunter TAFE, councils, DPC).
- Deliver strategic business cases to deliver the water security infrastructure options for connecting Lostock and Glennies Creek dams, and a potable water pipeline to Singleton, as identified in the State Infrastructure Strategy 2018-2038 (DoI, HWC).
- Finalise the Hunter regional water strategy and work with Councils to achieve longer-term water security for the region (DoI).
- Deliver information events introducing business to exporting (DoI, Austrade).
- Deliver annual updates of the Hunter Employment Land Monitor, detailing the supply of employment land stocks across the Hunter (DPE).

- Support grant funding applications for enabling infrastructure aimed at growing the engine and emerging industries as identified in the Hunter Regional Economic Development Strategy (DPC, councils).

Short to medium term priorities (up to 4 years)

- Explore opportunities to lever investment the new University of Newcastle Upper Hunter Energy Research Hub in Muswellbrook for skills development, industry research and innovation.
- Support the establishment of the Upper Hunter Equine Innovation Precinct (UoN, Hunter TAFE, Upper Hunter Council).
- Identify the opportunities and barriers to facilitate productive economic uses for mine buffer and rehabilitation land (HDC).
- Deliver an agribusiness investment portfolio to develop and promote a Hunter biofuel sector, in support of the University of Newcastle's Hunter BioValley initiative (HDC, Muswellbrook Council, UoN).
- Partner with the Hunter JO to progress strategic economic diversification priorities identified in its Strategic Plan 2018-21.

Long term priorities (up to 10 years)

- Work with industry to lever bioeconomy investment and employment linked to the Hunter Pilot Biorefinery Plant (Muswellbrook Council, UoN).
- Support new investment, employment and skills development at the Liddell and Bayswater power station sites through the Hunter Energy Transition Alliance.
- Examine opportunities to reintroduce a sheep industry to the region (Hunter LLS).
- Support delivery of strategic socioeconomic priorities in Singleton by reinvesting mining contributions into catalyst growth and transition projects (Singleton Council).
- Showcase the Upper Hunter as a region of excellence in agribusiness and energy innovation, and work proactively with industry to attract new investment in these sectors.

Progress against these priorities is reported:

- Quarterly to the Parliamentary Secretary for the Hunter and the NSW Government's Hunter Regional Leadership Executive.
- Biannually to the Deputy Premier.



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