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PARLIAMENT OF NEW SOUTH WALES
LEGISLATIVE COUNCIL

STANDING COMMITTEE ON STATE DEVELOPMENT

Report

On

Future Employment and Business Opportunities
in the Hunter Region

and

The Downsizing of the Rack Rite Investment
Proposal

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CHAIRMAN'S FOREWORD

This report contains findings of the Standing Committee on State Development in relation to two inquiries—employment and business opportunities in the Hunter region and the downsizing of the Rack Rite investment proposal.

On 23 June 1997 the Legislative Council directed the Standing Committee on State Development to investigate and report on future employment and business opportunities in the Hunter region, including environmentally sustainable industries, and instructed the Standing Committee to report by 1 July 1998. This inquiry was referred to the Standing Committee in the light of high unemployment in the region and BHP's announcement that it intends to cease its steelmaking activities in Newcastle in 1999.

The Standing Committee advertised for public submissions for its Hunter inquiry on Saturday 4 October 1997. A total of 44 submissions were received from regional organisations, institutions, businesses, community groups and private individuals. The Standing Committee heard evidence from 80 witnesses during eight days of public hearings held between November 1997 and March 1998.

The Standing Committee acknowledges the many positive characteristics of the Hunter region. The Port of Newcastle, the 'lifeblood' of the region, provides competitive access to domestic and international markets. The Hunter also has numerous airports, extensive rail and road systems, abundant natural resources, a reliable and diverse supply of energy, high quality agricultural and industrial land, an adequate supply of water, a strong skills base and beautiful natural attributes.

During the inquiry process, the Standing Committee was impressed with the progressive nature of organisations and businesses in the Hunter region. The Standing Committee noted the leadership and vision shown by the Common Purpose Group in pulling together numerous stakeholders to form a strategy to progress development in the Hunter. The Standing Committee believes that the Hunter region is resilient and prosperous—characteristics that will help the region move forward into the next century. Further, the Standing Committee believes that recent restructuring will ensure that the region's manufacturing industry continues to thrive beyond 1999.

This report does not aim to provide a comprehensive analysis of the region, rather it is a reflection of some of the major issues raised by individuals and organisations from within the region during the inquiry process. The result of the Standing Committee's inquiry is a series of recommendations aimed at assisting the Hunter to continue its successful regional development activities.

On 6 February 1998 the Minister for Regional Development, the Hon. Harry Woods MP, instructed the Standing Committee, in conjunction with its Hunter reference, to inquire into and report on matters relating to the downsizing of the Rack Rite investment proposal. The Standing Committee received two submissions in relation to the inquiry and took evidence from two witnesses at a public hearing on 9 April 1998.

The downsizing of the Rack Rite factory development represents a loss of 500 potential jobs to the city of Maitland, in the Hunter region. The Standing Committee found that a number of factors contributed to Rack Rite's decision to reduce the size of its proposed factory. The Standing Committee believes a major factor was the failure of the federal Department of Immigration to detect the business nature of an immigration application by the owner of Rack Rite, Mr Melvyn Lahner, leading to delays in processing of the application. The Standing Committee urges the federal Minister for Immigration and Multicultural Affairs to review departmental administrative processes to prevent the loss of any future international investment proposals to New South Wales.

The Standing Committee also found that despite the fact Mr Lahner requested assistance with his immigration application from the Federal Member for Paterson, Mr Bob Baldwin MP, in April 1997, Mr Baldwin did not bring this matter to the attention of immigration officials until September 1997. Earlier action by Mr Baldwin would have reduced the delay in processing of Mr Lahner's application and may have produced a more favourable outcome for Maitland.

In my capacity as Chairman and on behalf of the Members of the Standing Committee on State Development, I would like to thank the secretariat staff who worked on the inquiries. Ms Anna McNicol commenced as Committee Director in March 1998, taking over from Mr Stewart Webster, who guided the early stages of the inquiry. Ms McNicol managed the final stages of the inquiry and contributed to the writing of the report. The Standing Committee's Senior Project Officer, Ms Anna George, worked on the inquiry from its early stages through to completion and was responsible for the bulk of the research for and writing of the report. Thanks must also go to the people who have held the Committee Officer position throughout the inquiry process—Ms Annie Marshall, Ms Charissa Lynne-Sanders and Mr Matthew Scott.

Finally, I would like to express my sincere appreciation for all those individuals and organisations who contributed to the inquiries through lodging submissions and appearing before the Standing Committee.

Hon Tony Kelly, MLC
Chairman

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MEMBERSHIP OF THE STANDING COMMITTEE

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ESTABLISHMENT AND FUNCTIONS OF THE STANDING COMMITTEE

In June 1988, the Legislative Council of the New South Wales Parliament resolved to establish two Standing Committees—the Standing Committee on Social Issues and the Standing Committee on State Development. After the 1995 election a third Committee, the Standing Committee on Law and Justice, was established. At that time the Standing Committee on Privilege and Ethics was reconstituted by resolution.

The functions of the State Development Committee, as set out in the Resolutions of the Legislative Council, are to inquire into, consider and report to the Council on:

- options for future policy directions and emerging issues to ensure that opportunities for sound growth and wise development for the benefit of the people in all areas of New South Wales are pursued;
- any proposal, matter or thing concerned with economics and finances, resources and energy, transportation, tourism, public administration, local government, Olympics, primary industry, industrial and technological developments and environmental issues in New South Wales;
- employment practices, issues and conditions; and
- any proposal, matter or thing concerned with the problems or disadvantages uniquely or predominantly experienced in country areas, including the viability of cities and towns in those areas.

OPERATION OF THE STANDING COMMITTEE

Matters for inquiry may be referred to the Standing Committee by a Minister of the Crown or by resolution of the Legislative Council. Additionally the Standing Committee may inquire into and report to the House on any annual report or petition that has been tabled in the Legislative Council that is relevant to the functions of the Standing Committee. The Standing Committee may publish papers and evidence taken in public, as it considers appropriate. In that connection the Standing Committee may prepare and distribute discussion papers as aids to its inquiries.

The Legislative Council resolution enables the Standing Committee to:

- summons witnesses;
- make inspections;
- call upon the services of government organisations and their staff with the consent of the appropriate Minister;
- accept written submissions concerning inquiries from any person or organisation;
- conduct public hearings; and/or
- meet and make joint reports with other federal and state parliamentary committees.

Reports must be tabled in the Legislative Council within ten days of adoption by the Standing Committee. Each report is debated in the House. The Leader of the Government in the Legislative Council is required to respond within six months to any recommendations for Government action that have been set out in Standing Committee reports.

PUBLICATIONS BY THE STANDING COMMITTEE

Discussion Paper 1 May 1989

Public Sector Tendering & Contracting in New South Wales: A Survey

Report 1 August 1989

Public Sector Tendering & Contracting in New South Wales: Supply of Goods and Services

Report 2 October 1989

Public Sector Tendering & Contracting in New South Wales: Local Government Tendering & Contracting

Discussion Paper 2 November 1989

Coastal Development in New South Wales: Public Concerns & Government Processes

Discussion Paper 3 June 1990

Public Sector Tendering & Contracting in New South Wales: Capital Works Tendering & Contracting: Management Options

Report 3 April 1991

Public Sector Tendering & Contracting in New South Wales: Capital Works Tendering & Contracting. Volume A

Report 4 September 1991

Coastal Planning & Management in New South Wales: A Framework for the Future. Vol I

Supplement to 4 September 1991

An Alternative Dispute Resolution Primer

Report 5 December 1991

Public Sector Tendering & Contracting in New South Wales: Capital Works Tendering & Contracting. Volume B

Report 6 December 1991

Payroll Tax Concessions for Country Industries. Volume I

Report 7 June 1992

Public Sector Tendering & Contracting in New South Wales: Supply of Goods and Services: Follow Up Report

Report 8 October 1992

Coastal Planning & Management in New South Wales: The Process for the Future. Volume II

Report 9 April 1993

Public Sector Tendering & Contracting in New South Wales: Local Government Tendering & Contracting: Follow Up Report

Discussion Paper 4 August 1993

Regional Business Development in New South Wales: Trends, Policies and Issues.

Report 10 May 1994

Regional Business Development in New South Wales: Achieving Sustainable Growth: Principles for Setting Policy. Volume I

Report 11 November 1994

Regional Business Development in New South Wales: Achieving Sustainable Growth: Initiatives for Setting Policy. Volume II

Report 12 August 1996

Rationales for Closing the Veterinary Laboratories At Armidale and Wagga Wagga and the Rydalmere Biological and Chemical Research Institute

Report 13 October 1996

Factors Influencing the Relocation of Regional Headquarters of Australian and Overseas Corporations to New South Wales

Report 14 April 1997

Interim Report on the Fisheries Management Amendment (Advisory Bodies) Act 1996

Report 15 April 1997

Waste Minimisation and Management

Report 16 July 1997

The Fisheries Management Amendment (Advisory Bodies) Act 1996

Discussion Paper 5 October 1997

Future Employment and Business Opportunities in the Hunter Region

Report 17 November 1997

Fisheries Management and Resource Allocation in New South Wales

Report 18 March 1998

Operations of the Sydney Market Authority (Dissolution) Bill from Commencement until 31 December 1997

Discussion Paper 6 May 1998

International Competitiveness of Agriculture in New South Wales

HUNTER INQUIRY

TERMS OF REFERENCE

Future employment and business opportunities in the Hunter region

(Reference received 23 July 1997)

1. That the Standing Committee on State Development investigate and report on future employment and business opportunities in the Hunter region, including environmentally sustainable industries.
2. That the Committee report by 1 July 1998.

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RECOMMENDATIONS OF THE COMMITTEE

Recommendation 1

The Standing Committee acknowledges the progress made by key participants in resolving problems in the coal chain and recommends that the relevant Ministers form a coal chain committee to specifically resolve outstanding issues. Membership of the committee should include representatives from:

- Newcastle Port Corporation;
- FreightCorp;
- Rail Access Corporation;
- Port Waratah Coal Services;
- Department of Transport; and
- such representatives as the relevant Ministers consider necessary.

The coal chain committee's primary aim will be to resolve coordination problems from the mines to the ships. The Standing Committee further recommends that the relevant Ministers, on behalf of the coal chain committee, table quarterly progress reports in Parliament.

Recommendation 2

The Standing Committee recommends that the Minister for Ports coordinate a taskforce to investigate developing a container terminal in Newcastle, comprising:

- Newcastle Port Corporation;
- Hunter Economic Development Corporation;
- shipping companies;
- importers and exporters;
- Maritime Union of Australia; and
- such industry and community representatives as the Minister for Ports considers necessary.

The Minister for Ports should table the taskforce's findings in Parliament by 30 July 1999.

Recommendation 3

The Standing Committee recommends that the Regional Co-ordinator of the Hunter and Central Coast in the Premier's Department coordinate state government assistance (from the Hunter Economic Development Corporation, the Department of Transport and other relevant bodies) for Newcastle Airport Limited in relation to:

- renegotiating the joint user agreement with the airforce;
- resolving problems related to computer reservation systems; and
- implementing a plan for future airport operations.

The Standing Committee additionally recommends that Newcastle Airport Limited examine their pricing structure to achieve a balance between attracting industry and being able to provide adequate infrastructure. Further, the Standing Committee recommends that the Minister for Regional Development approach the federal government to secure funds from the federal government infrastructure fund to provide necessary infrastructure at Newcastle Airport.

Recommendation 4

The Standing Committee believes that the rail line into Newcastle Station provides necessary economic and social benefits and recommends that the rail link remain fully operational. However, it is apparent to the Standing Committee that accessibility between Newcastle city and the Honeysuckle/harbour area needs to be improved.

The Standing Committee recommends that the Minister for Transport coordinate a consultative committee to decide how to improve accessibility between Newcastle city centre and the Honeysuckle/harbour area. The consultative committee should comprise representatives from:

- Department of Transport;
- Newcastle City Council;
- Newcastle Regional Chamber of Commerce;
- Honeysuckle Development Corporation;
- Rail Access Corporation;
- CityRail;
- Department of Urban Affairs and Planning;
- Parks and Playgrounds Movement; and

- any other representatives that the Minister for Transport considers necessary.

The consultative committee should consider input from any interested parties, including conservation groups, heritage groups and business representatives. The Standing Committee further recommends that the Minister for Transport table the consultative committee's findings in Parliament by 30 June 1999.

Recommendation 5

The Standing Committee recommends that the Minister for Regional Development coordinate a feasibility study of the proposed rail tunnel through the Liverpool range by October 1998, and that the Minister announce the outcome of the feasibility study by December 1998.

Recommendation 6

The Standing Committee recommends that the Rail Access Corporation and Freight Corp thoroughly assess the Muswellbrook Rail Strategy Study by October 1998.

Recommendation 7

The Standing Committee recommends that the Roads and Traffic Authority initiate forthwith a community consultation process in the Lake Macquarie Council area with respect to road access to the Cardiff Industrial Area.

Recommendation 8

The Standing Committee recommends that the New South Wales government, in particular the Minister for Energy and the Minister for Regional Development, ensure there are environmental requirements considered in the implementation of the national electricity market. This issue should be progressed at a national level, as it is a priority for the continued viability of electricity generators in the Hunter.

Further, the Standing Committee recommends that the Minister for Energy initiate an inquiry into the viability of using methane extracted from coal mines in current generators as a strategy to reduce greenhouse emissions, and that the Minister for Energy table the results of this inquiry in Parliament by November 1998.

Recommendation 9

The Standing Committee recognises the importance of telecommunication services as the Hunter becomes more service oriented and recommends that the Minister for Regional Development initiate a study of telecommunication requirements in the Hunter, with particular reference to the Upper Hunter, and table a report detailing the findings of the study in Parliament by 30 June 1999.

Recommendation 10

The Standing Committee recommends that the relevant state government agencies, including the Hunter Economic Development Corporation and the Department of Urban Affairs and Planning and the Regional Coordinator of the Hunter and Central Coast for the Premier's Department, work in conjunction with local governments and community groups to facilitate the development and marketing of industrial estates in the Hunter region.

Further, the Committee recommends that Macquarie Generation identify surplus land to allow appropriate development of that land.

Recommendation 11

The Standing Committee recommends that the Minister for Urban Affairs and Planning oversee the formation of a stakeholder steering committee to progress the Honeysuckle redevelopment, which should comprise:

- the Newcastle City Council;
- the Honeysuckle Development Corporation;
- the Parks & Playgrounds Movement;
- a conservation group;
- a heritage group;
- the Newcastle Chamber of Commerce; and
- any other representatives that the Minister for Urban Affairs and Planning considers necessary.

The steering committee should progress the consultative process established by the March 1998 workshop to ensure that any revitalisation projects have the support of the community.

Recommendation 12

The Standing Committee recommends that the Hunter Economic Development Corporation consider holding quarterly meetings with councils in the Hunter region for two-way communication purposes.

Recommendation 13

The Standing Committee recommends that the state government, in conjunction with the Hunter Economic Development Corporation, establish a body similar to SAGRIC International in the Hunter region and that the state government provide seed-funding for this initiative.

Recommendation 14

The Standing Committee recommends that Cessnock Council, in updating its local environment plan, ensures that large scale tourism development does not impede the wine industry.

Recommendation 15

The Standing Committee recommends that the New South Wales Department of Tourism, in conjunction with the Department of State and Regional Development, continue to support tourism promotion in the Hunter as an important regional tourist destination for New South Wales.

Recommendation 16

The Standing Committee recommends that the state government, through the Department of State and Regional Development, facilitate the establishment of a boutique glass manufacturing company in the Hunter.

Recommendation 17

The Standing Committee recommends that the Assistant Director-General of the Strategic Planning Division in the Premier's Department provide necessary advice on meeting due process in developing water supply proposals to service the Hunter wine country.

Recommendation 18

The Standing Committee recommends that the Department of Transport prepare an integrated transport plan as a priority. The integrated transport plan should specifically address the issues of:

- public transport (including ferries, buses and trains);
- road transport;
- air transport;
- pedestrian and cycle access;
- freight rail transport; and
- any other transport issues referred to it by the Minister for Transport.

The integrated transport plan should be developed in conjunction with the Hunter community and should be completed by 30 May 1999. The Minister for Transport should table the plan within one month of its completion.

Recommendation 19

The Standing Committee recommends that the Hunter Economic Development Corporation continue to make the attraction of the call centre industry a priority.

Recommendation 20

The Standing Committee recommends that the Hunter Area Health Service promote itself to attract the referral of patients from neighbouring regions. Further, the Hunter Area Health Service, in conjunction with the private health sector, should sell its technical and training services to Asia.

1 THE HUNTER REGION

1.1 The prosperity of the Hunter region

The Hunter region has been regarded as the premier ‘non-capital city’ region in Australia for many years. It is characterised by rich agricultural land, large coal deposits and a restructured industrial environment.¹ The Hunter region has a population of over half a million people and, despite its reputation as an industrial centre, has beautiful natural attributes, including bays, beaches, lakes, national parks and rivers.

The Hunter region is currently a major mineral producer, manufacturer, tourist destination, health care and education provider, equine centre and wine and agricultural producer. It earns 15 per cent of all New South Wales export income with only 9 per cent of the State’s population, and produces 4.3 per cent of Australia’s gross domestic product with only 3 per cent of the nation’s population. It produces 80 per cent of the State’s electricity and all its aluminium.²

In response to changing national and international economic conditions, the regional economy has restructured over the last two decades. There has been an increasing influence of the service industries on the local economy as tourism, health, education and retailing industries have developed. In the manufacturing sector there has been an emergence of small-to-medium sized high technology firms. These changes will be further accentuated by the closure of BHP’s steel making operations in 1999 and the development of the Steel River project and other industrial parks in the Hunter.

The region is serviced by comprehensive infrastructure services, including roads, rail, airports and energy. The Port of Newcastle is the key component of the region’s infrastructure.

1.2 Definition of the Hunter region

For the purpose of this inquiry, the Hunter comprises thirteen local government areas, stretching from the coastal and urbanised areas in the Lower Hunter to the agriculture and resource-intensive areas of the Upper Hunter (see figure 1.1). The thirteen local government areas are:

- Cessnock
- Murrurundi
- Dungog
- Muswellbrook

¹ Hunter Valley Research Foundation (1996), *Newcastle and the Hunter Region 96/97*, Hamilton

² Department of Industry, Technology and Regional Development, Taskforce on Regional Development (1993), *Developing Australia, a Regional Perspective*, Volume Two, AGPS, Canberra

- Gloucester
- Newcastle

- Great Lakes
- Lake Macquarie
- Maitland
- Merriwa
- Port Stephens
- Scone
- Singleton

The Hunter Region



Source: Hunter Regional Development Organisation (1996), *Hunter Advantage – Hunter Regional Economic Strategy*, Newcastle

1.3 The Hunter’s population

In 1996 the Hunter region was home to over half a million people, or 9 per cent of the population of New South Wales (see table 1.1). Over 80 per cent of the Hunter’s population live in the Lower Hunter, which comprises Lake Macquarie, Newcastle, Maitland, Port Stephens and Cessnock, and represents only 10 percent of the total Hunter area.³ Lake Macquarie is the most populated local government area in the Hunter and the fifth largest centre in New South Wales.⁴ The coal and agricultural-intensive Upper Hunter has eight local government areas: Singleton, Muswellbrook, Scone, Merriwa, Murrumbidgee, Dungog, Gloucester and Great Lakes. It covers over 20,000 square kilometres and has 75,000 residents.

³ Hunter Valley Research Foundation (1996), *Newcastle and the Hunter Region 96/97*, Hamilton

⁴ Evidence of Mr Gray, 2 February 1998, p190

Table 1.1 Population and area of local government regions in the Hunter 1996

Region	Population	Area (km²)
<i>Cessnock City</i>	44,362	1951
<i>Dungog Shire</i>	7658	2248
<i>Gloucester Shire</i>	4816	2918
<i>Great Lakes Shire</i>	28,609	3339
<i>Lake Macquarie City</i>	170,495	749
<i>Maitland City</i>	49,941	396
<i>Merriwa Shire</i>	2257	3508
<i>Murrurundi Shire</i>	2166	2471
<i>Muswellbrook Shire</i>	15,562	3402
<i>Newcastle City</i>	133,686	214
<i>Port Stephens</i>	51,288	979
<i>Scone Shire</i>	9518	4028
<i>Singleton Shire</i>	20,133	4810
<i>Total Hunter</i>	540,491	31,015
<i>New South Wales</i>	6,038,696	

Source: Hunter Valley Research Foundation (1998), *The Hunter Region at a Glance, 1998*, Newcastle

2 THE HUNTER'S LABOUR FORCE

2.1 Employment

There are currently around 240,000 people employed in the Hunter region.⁵ Between November 1996 and November 1997, despite reductions in some industries, there was a net increase of 18,000 jobs in the Hunter.⁶ Many of these new jobs were part-time or casual. Over the last two years the Hunter has enjoyed stronger employment growth than the state average.

2.1.1 Employment by industry

In 1996/97, according to the Hunter Valley Research Foundation, the region's three largest employers were:

- the 'retail trade' industry, employing almost 36,000 people;
- the 'manufacturing' industry, employing 34,000 people; and
- the 'health and community services' industry, employing 22,000 people.

In addition, the 'property and business services', 'education' and 'construction' industries each employed over 15,000 people (see figure 2.1).

The following industries provided the majority of new jobs created in the Hunter region between 1995/96 and 1996/97:

- the 'retail trade' industry, increasing employment by 4200, or 13 per cent;
- the 'manufacturing' industry, increasing employment by 3700, or 12 per cent; and
- the 'health and community services' industry, increasing employment by 2300, or 12 per cent.

In addition, the 'communication services' industry increased employment by 32 per cent, or 700 people, while the 'transport and storage' industry increased employment by 20 per cent, or 1400 people, over the period from 1995/96 to 1996/97 (see figure 2.2).

The 'mining' industry reduced employment by 2000, or 17 per cent of its workforce from 1995/96 to 1996/97 while the construction industry reduced employment by 1700, or 16 per cent.

⁵ Australian Bureau of Statistics (1998), *Labour Force, NSW and ACT*, Cat 6201.1, November 1997, Canberra

⁶ Australian Bureau of Statistics (1998), *Labour Force, NSW and ACT*, Cat 6201.0, November 1997, Canberra

Other industries to shed labour over the period were the 'agriculture, forestry and fishing', 'personal and other services', 'electricity, gas and water', 'property and business services'

FIGURE 2.3 Employment by industry, Hunter region, 1996/97

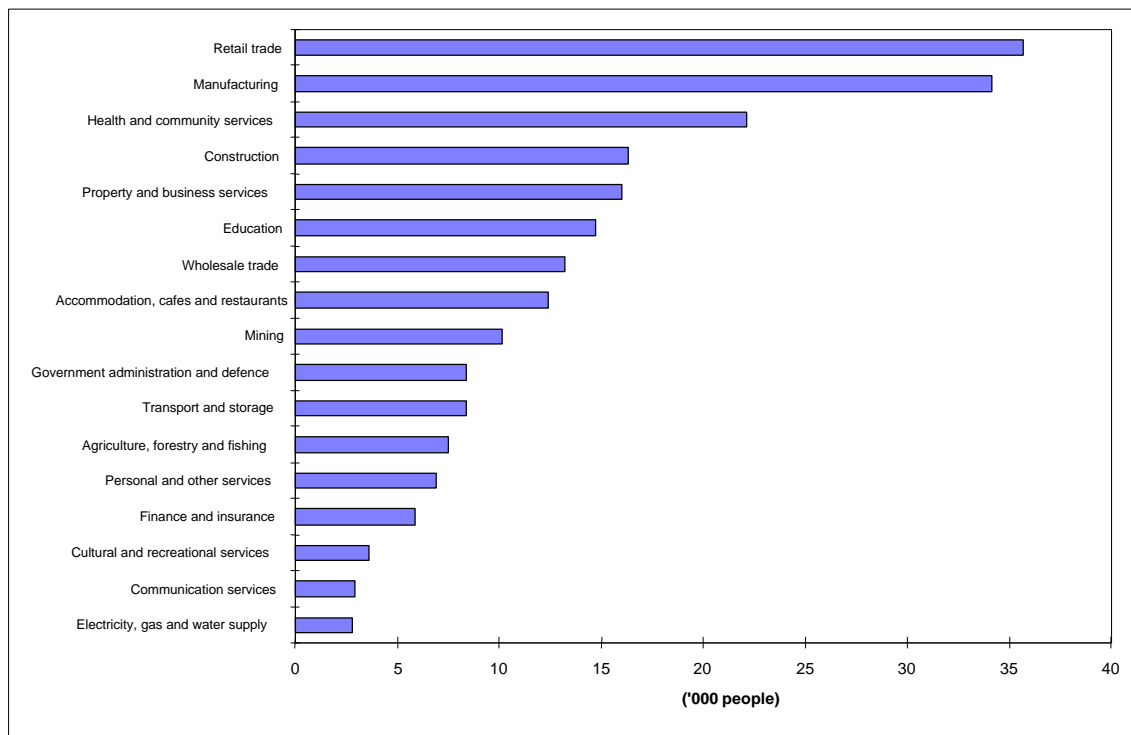
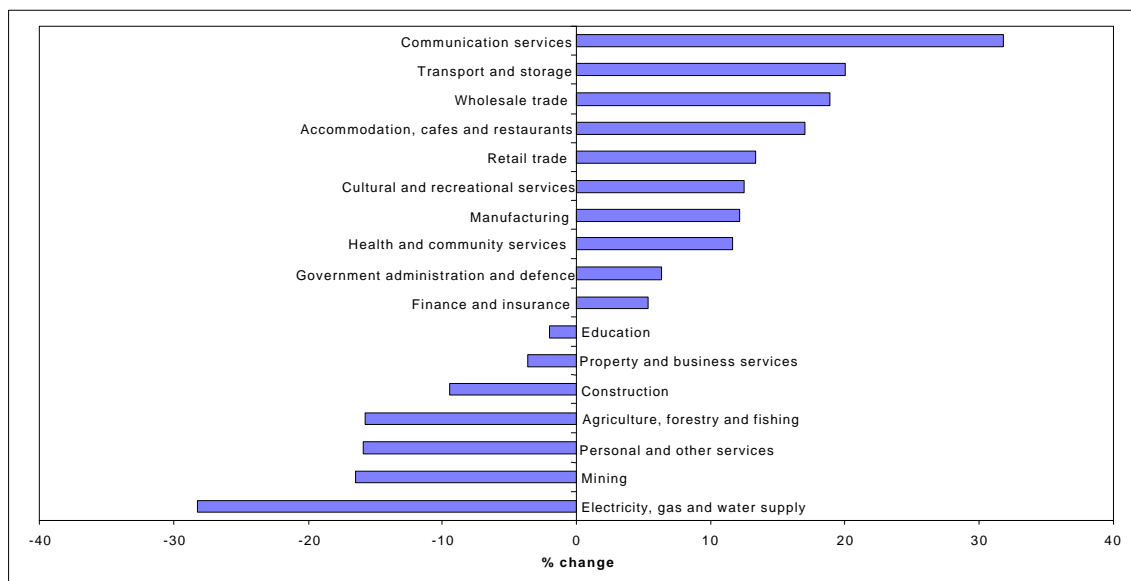


FIGURE 2.4 Employment changes, Hunter region, 1995/96 to 1996/97



2.1.2 Employment by occupation

In 1995 the largest occupation group in the Hunter was 'tradespersons and related workers', followed by 'professionals'. There were proportionally more 'tradespersons and related workers' and 'intermediate production and transport' workers in the Hunter than in New South Wales (see table 2.1). Conversely, there were proportionally fewer 'professionals', 'associate professionals', 'managers and administrators', 'advanced clerical sales and service workers' and 'intermediate clerical, sales and service workers' in the Hunter than in New South Wales.

TABLE 2.3 Employment by occupation, Hunter region, 1996

Occupation	Hunter region (%)	New South Wales (%)
<i>Tradespersons and Related Workers</i>	15.6	12.7
<i>Professionals</i>	15.2	17.9
<i>Intermediate Clerical, Sales & Service Workers</i>	15.1	16.2
<i>Intermediate Production & Transport Workers</i>	11.2	8.5
<i>Associate Professionals</i>	10.8	11.1
<i>Elementary Clerical, Sales & Service Workers</i>	9.6	8.8
<i>Labourers & Related Workers</i>	9.5	8.2
<i>Managers & Administrators</i>	6.7	9.2
<i>Advanced Clerical & Service Workers</i>	3.9	4.8
<i>Not elsewhere classified</i>	2.4	2.6

Source: Australian Bureau of Statistics (1997), *1996 Census of Population and Housing, Basic Community Profile*, Cat 2020.0, Canberra

2.2 Unemployment and Labour Force Participation

In November 1997 the unemployment rate in the Hunter was 10.2 percent, almost 3 percentage points higher than the State average of 7.4 per cent.⁷ Despite a strong increase in the number of persons employed in the Hunter region from November 1996 to November 1997, there were 18,000 additional people seeking work, resulting in an overall increase in the unemployment rate. The proportion of the population working or seeking work is lower in

⁷ Hunter Valley Research Foundation (1998), *Hunter Region Economic Indicators*, December Quarter 1997, Hamilton

the Hunter region (57.3 per cent⁸) than for New South Wales (61.5 per cent⁹) or Australia (63.0 per cent¹⁰).

TABLE 2.3 Labour Force Status, Hunter Region

	November 1996	November 1997
<i>Unemployment rate (%)</i>	8.9 ¹¹	10.2
<i>Unemployed ('000)</i>	22.2	27.2
<i>Employed ('000)</i>	226.2	239.3
<i>Labour Force ('000)</i>	248.4	266.5
<i>Participation rate (%)</i>	59.5	57.3

Source: Australian Bureau of Statistics (1998), *Labour Force, NSW and ACT*, Cat 6201.1, November 1997, Canberra

The level of unemployment differs between age groups. Nationally, young people face high unemployment rates. This is also the case in the Hunter region. The Hunter Economic Development Corporation identified young people and older males as facing higher unemployment than other groups in the Hunter:

... unemployment is systematically higher in both Newcastle and the Hunter as a whole than the State and national average. This applies particularly to young people aged between 15-24 who experience a jobless rate of about 20 per cent - though it must be borne in mind that a large proportion are in full time education.

Unemployment is also a terrible scourge for older, mainly male, workers over 45, who are retrenched from traditional occupations. While they have statistically lower unemployment than younger workers, they tend to remain unemployed for much longer periods - an average of 80 weeks, compared with 35 weeks for those aged 15-24. Some may never work again, despite having much to contribute, and are ultimately forced out of the labour market altogether.¹²

The Hunter Economic Development Corporation outlined contributing factors to the region's high unemployment rate:

There is no single reason for high unemployment in the Hunter. It results from a combination of factors, including (i) the profound compositional change in the region's economic base, (ii) downsizing associated with technological change, (iii) competition from low cost imports, (iv) a mismatch of skills with emerging employment opportunities, and (v) the cumulative impact of deflationary fiscal and monetary policy, which responds less to

⁸ Hunter Valley Research Foundation (1998), *Hunter Region Economic Indicators*, December Quarter 1997, Hamilton

⁹ Australian Bureau of Statistics (1998), *Labour Force, Australia*, Cat 6203.0, March 1998, Canberra

¹⁰ Australian Bureau of Statistics (1998), *Labour Force, Australia*, Cat 6203.0, March 1998, Canberra

¹¹ The November 1996 unemployment rate was an 18-month low.

¹² Submission 19, Hunter Economic Development Corporation, p7

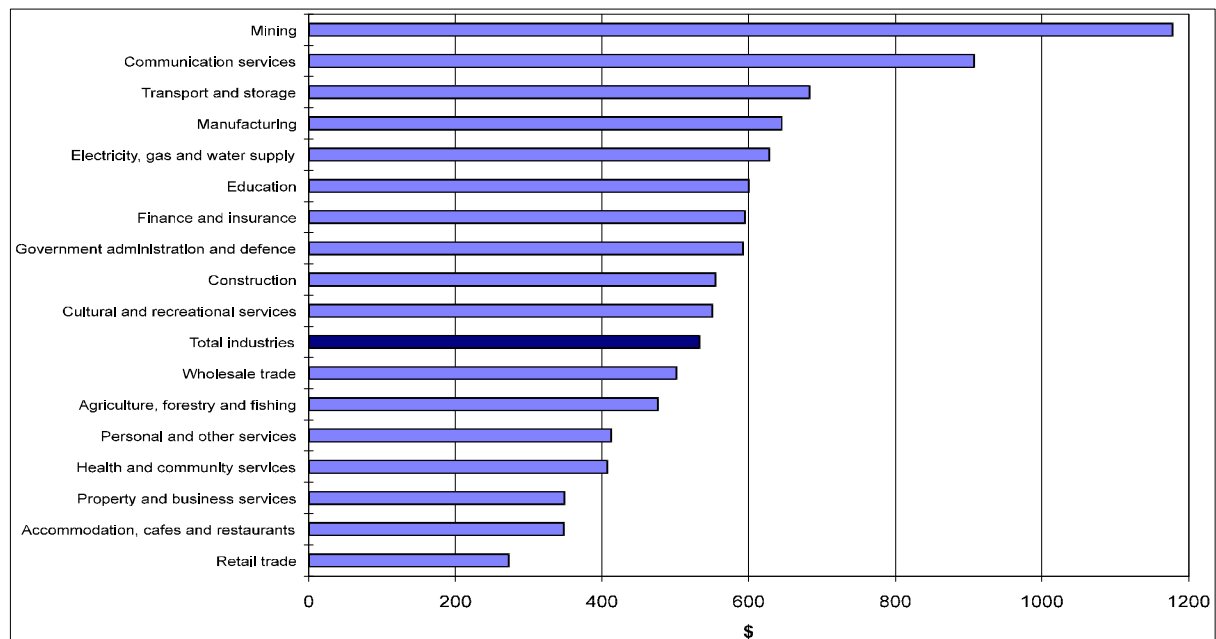
regional conditions than to global financial trends and to the metropolitan residential property and labour markets.¹³

The unemployment rate differs between local government areas within the Hunter. The resource-intensive Upper Hunter faces an unemployment rate of around 7 percent¹⁴ while the populous Lower Hunter faces higher unemployment—for example, Cessnock has an unemployment rate of 13.7 per cent.¹⁵

2.3 Earnings

In 1995 the average weekly earnings in New South Wales was \$583,¹⁶ while the average in the Hunter region was \$533.¹⁷ With an average wage of approximately \$1200 per week, employees in the ‘mining’ industry earned more on average than employees in any other industry in the Hunter region in 1995 (see figure 2.3). The ‘communication services’ industry was the next highest paying industry, although it employed relatively few people. Employees in the ‘retail trade’ industry, the region’s largest employer, had the lowest average weekly earnings in the Hunter region.

FIGURE 2.3 Weekly earnings – all employed wage and salary earners in main job, Hunter region, 1995



Source: Statistics supplied by the Hunter Valley Research Foundation

¹³ Submission 19, Hunter Economic Development Corporation, p7

¹⁴ Evidence of Mr Sedman, 3 February 1998, p251

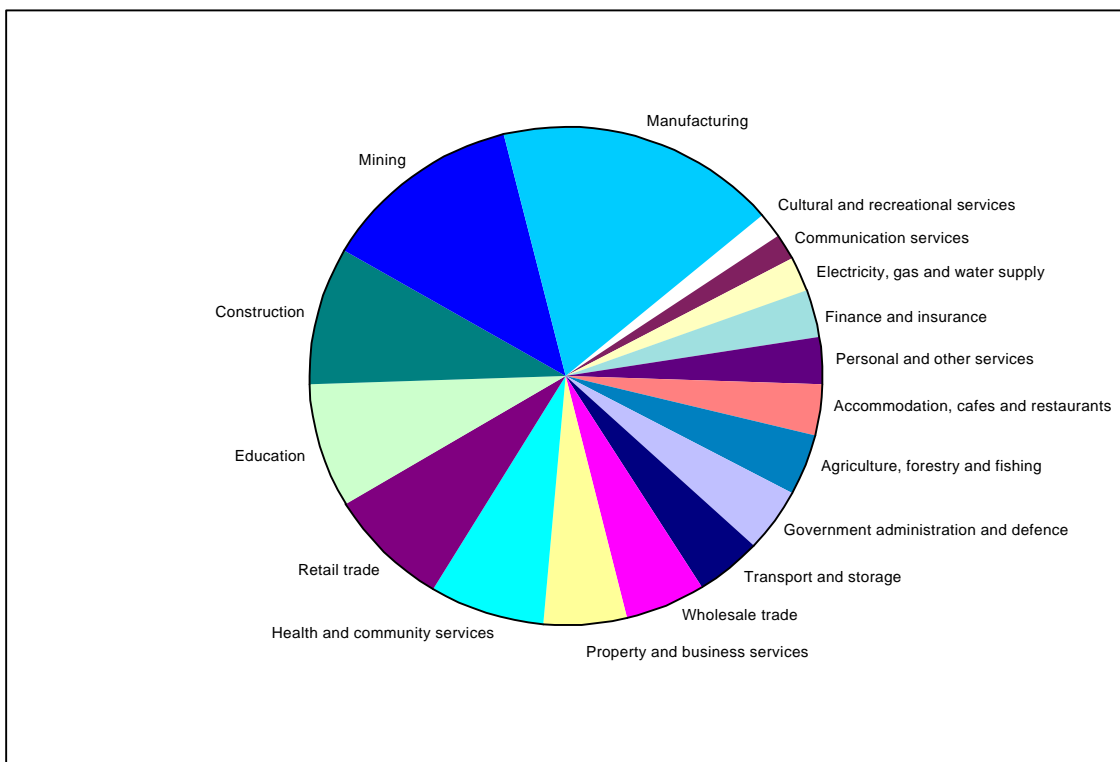
¹⁵ Evidence of Ms Morris, 3 February 1998, p277

¹⁶ Australian Bureau of Statistics (1997), *Average Weekly Earnings, States and Australia*, Cat 6302.0, Canberra

¹⁷ Statistics supplied by the Hunter Valley Research Foundation

In 1995 the 'manufacturing' industry, with over 30,000 employees and an average income of \$645 per week, paid the most wages and salaries to employees in the region (see figure 2.4). Although the 'mining' industry employed fewer people (12,000), its high average earnings made it the second largest contributor to personal incomes in the region. Conversely, low earnings and a high proportion of part time and casual employees in the 'retail trade' industry made it only the fifth largest contributor, despite employing 35,000 people.

Figure 2.4 Total wages and salaries paid by industry, Hunter Region 1995



Source: Statistics supplied by the Hunter Valley Research Foundation.

2.4 Skills and education in the labour force

Dr Paradice, Chief Executive Officer of the Hunter Valley Research Foundation, outlined the link between education and employment in Australia:

... there is a high correlation between education and unemployment. Unemployment, for people who have not finished high school, is in the order of 12.5 or 13 per cent. Also, they have the lowest participation rate in the work force; I think it is around 66 per cent for people not completing high school. People with higher degrees have an unemployment rate of 3.1 per cent, and they have a participation rate in the work force of 93 per cent. ...¹⁸

¹⁸ Evidence of Dr Paradice, 24 February 1998, p326

Relating these general comments to the Hunter, Dr Paradice outlined the lower-than-average high school retention rates within the region:

... probably one of the key things for the Hunter, in terms of this education factor, is that there is a direct relationship between employment and levels of education. In the Hunter the retention rate within high schools is about 10 per cent below that of New South Wales. That has been so for some time. We did some work back in the mid-eighties, and the retention rate then in the Hunter region was only about 30 per cent; that is, people starting in year 7 and finishing in year 12. With changes in government policies at the end of the eighties, that has increased, but we are still about 10 per cent below the State retention rate¹⁹.

Residents of the Hunter are becoming more educated and skilled. The Hunter Economic Development Corporation described the up-skilling of the regional workforce:

The numbers with a skilled vocational qualification have continued their steady rise to reach 56,000, supporting the continuing growth of tradespeople and plant and machine operators and drivers. More dramatically, those with a bachelor degree from university have increased by a third to over 20,000 and those with an associate diploma from TAFE have doubled to around 12,000.²⁰

The education industry is further examined in Chapter 6 of this report.

Despite strong employment growth, the Hunter region faces an unemployment rate higher than the state or federal average. The Committee recognises that the high unemployment rate arises from a number of sources, including structural changes in the regional economy over the last two decades and lower levels of education and retention rates.

The Hunter region has historically played an important role in the state's economy. Although it has been affected by structural change, the regional economy is resilient and has a broad economic base.

¹⁹ Evidence of Dr Paradice, 24 February 1998, p326

²⁰ Submission 19, Hunter Economic Development Corporation, p10

3 INFRASTRUCTURE IN THE HUNTER REGION

3.1 The Port of Newcastle

The Port of Newcastle, administered by the Newcastle Port Corporation, is a major economic and trade centre for the Hunter and surrounding regions. Dr Pattison, Chairman of the Hunter Economic Development Corporation, outlined the port's role in the region:

... the life-blood of this region begins here in the Port of Newcastle. Practically any major activity eventually links back to the port. The flow of goods into and out of the port is a very crucial part of the operations of the region.²¹

3.1.1 Physical characteristics of the Port of Newcastle

The port, protected by two breakwaters, is located on the Hunter River. The approach to the berths is via a dredged channel. Tidal movements restrict access to the berths of cape-sized vessel and above. Dr Oakley, Chief Executive Officer of the Newcastle Port Corporation, described difficulties with navigating ships into the berths:

This port brings some of the largest ships in the world through what is not an easy navigation challenge. It is a narrow channel; it is subject to tidal influence; it is subject to various wave motions and so on which make transit of the channel very difficult. Again, the geography of the port and the way that the river confluences with the ocean have created a 120° bend which large ships have to navigate and negotiate in order to reach the berths.²²

Mr Papaconstuntinos, Deputy National Secretary of the Maritime Union of Australia, outlined the difficult nature of ancillary services in the port:

... you cannot get two ships of reasonable size with one going in and one going out. You just cannot do that. It is one ship at a time. That means that the pilotage operation is fairly crucial to the port. As to the towage operation of large vessels, and the nature of the current that runs in and out of the port, in a lot of cases you need tugs with very high horsepower, and more often than not you need four tugs with very high horsepower because of the size of the vessel.²³

3.1.2 Newcastle Port Corporation

The Newcastle Port Corporation, a state government-owned business entity established on 1 July 1995, administers the Port of Newcastle. The Port Corporation facilitates, promotes and attracts new trade through the port. Dr Oakley outlined the corporation's core business:

²¹ Evidence of Dr Pattison, 18 March 1998, p540

²² Evidence of Dr Oakley, 6 November 1997, p67

²³ Evidence of Mr Papaconstuntinos, 18 March 1998, p529

The port's role ... is to coordinate and manage port operations but also to ensure the safety and efficiency of maritime operations within the port. Overall, however, it all boils back to the fundamental of maximising shareholder returns through commercially sound asset employment and making a contribution towards the economy and employment generation that falls within the economy of the region within which we serve and operate.²⁴

3.1.3 Trade through the Port of Newcastle

Port exports include coal, steel, aluminium and wheat to domestic and international markets. The port receives materials, including alumina, limestone and iron ore for processing in the manufacturing sector. In 1996/97 the port handled a record throughput of 67 million tonnes, mainly comprising coal exports (56 million tonnes²⁵). This record tonnage followed a decade of substantial increases in throughput (see table 3.1).

TABLE 3.3 Total trade through the Port of Newcastle

Year	Tonnage (million tonnes)
1987/88	37.6
1988/89	36.6
1989/90	38.1
1990/91	44.9
1991/92	45.6
1992/93	50.9
1993/94	53.5
1994/95	57.3
1995/96	60.3
1996/97	67.0
1997/98 forecast	76.5

Source: Statistics supplied by the Newcastle Port Corporation

The Port of Newcastle began exporting coal as early as 1799. Today Newcastle is the largest coal port in the world,²⁶ with a nameplate capacity of 66 million tonnes. Further expansions are planned. The Port of Newcastle exported 2.3 million tonnes of grain in 1996/97, triple the throughput of the previous year.²⁷

²⁴ Evidence of Dr Oakley, 6 November 1997, p73

²⁵ Newcastle Port Corporation (1998), *The Access Advantage, Newcastle Port Corporation Annual Report 1997*, Newcastle

²⁶ Evidence of Dr Oakley, 6 November 1997, p73

²⁷ Newcastle Port Corporation (1998), *The Access Advantage, Newcastle Port Corporation Annual Report 1997*, Newcastle

Improvements in general cargo trade included iron and steel exports (up 4.2 per cent), grinding media exports (up 14 per cent) and timber imports (up 13.5 per cent).²⁸ Approximately 4 million tonnes of raw material and finished product associated with BHP's steel making plant was traded through the port in 1996/97. This amount of cargo will cease to be traded when the steel works closes in 1999.²⁹

3.1.4 Expansion of the Port of Newcastle

The Port of Newcastle is undergoing several expansions—the Port Waratah Coal Service is further increasing their coal loading capacity and the Newcastle Port Corporation is facilitating the development of the East Basin to handle more general cargo. The Standing Committee has heard evidence that the Port of Newcastle could potentially see a modern container terminal developed. These expansions are dealt with in the following sections.

3.1.4.1 Coal throughput

Port Waratah Coal Services currently provides the only coal loading facilities in the Port of Newcastle. Port Waratah Coal Services, the largest coal loader in the world, turns around 700 ships a year.³⁰ It is owned by a consortium of industry-related companies, with the two largest investors being Newcastle Coal Shippers Pty Limited and Coal & Allied Industries Limited (Group). Mr Brewer, General Manager of Port Waratah Coal Services, described the company:

Port Waratah Coal Services is a common user facility. It has been built to service the Hunter Valley for a fee. We are really a cooperative, in a sense, of producers, rather than being a private business ...³¹

Port Waratah Coal Service owns two coal loaders in the Port of Newcastle. PWCS-Carrington, located on 40 hectares at Carrington, began operating in 1976 and has a rated capacity of 25 million tonnes per annum. PWCS-Kooragang, which began operating in 1984, is located on 160 hectares of land on Kooragang Island. A recent \$280 million expansion increased the combined rated capacity of the loaders to 66 million tonnes per annum.

3.1.4.2 Coal ship queue

Over the last year the Standing Committee observed large queues of ships waiting to load coal in the Port of Newcastle. Coal companies enter into contracts to sell their product based on their extraction capacity, which is collectively greater than the current rail transport and coal loader capacity. As a result, a queue of ships waiting to load their cargo can form when mines collectively contract to sell more than the coal chain capacity. Coal mines contract on a free-on-board basis with their customers, requiring the exporter to bear the cost of delivering

²⁸ Newcastle Port Corporation (1998), *The Access Advantage, Newcastle Port Corporation Annual Report 1997*, Newcastle

²⁹ Submission 5, Newcastle Port Corporation, p1

³⁰ Evidence of Mr Brewer, 2 February 1998, p180

³¹ Evidence of Mr Brewer, 2 February 1998, p187

the cargo to the ship. This means that if a ship is waiting offshore for supply, the demurrage (or pre-loading) costs must be borne by the exporter (in this case the coal mine). Last financial year demurrage costs at the Port of Newcastle totalled around \$200 million.³²

Mr Porter, Executive Director of the New South Wales Minerals Council, described the causes and consequences of the ship queue:

The Port of Newcastle has become a major problem for the industry over the past 12 months in particular. It has cost the industry a lot of money in terms of demurrage, the cost of ships waiting outside the port, and also in terms of our reputation with customers.

The industry is working very hard to fix those problems. But, to put it into perspective, last calendar year the growth in exports through the port of Newcastle in coal was about 18 per cent, which compared with the historical average of about 7 per cent. So we saw a very strong lift in exports. The industry, both in terms of the rail system but particularly in the port system, did not have the capacity to satisfy that demand efficiently. The queue of ships built up. We still have a queue out there, but it is much smaller than it was a few months ago. But we still have a queue and we still have to grapple with the problem of how to fix it.³³

In their draft report on the Australian black coal industry, the Industry Commission addressed the ship queue at Newcastle. They concluded that the ship queue arises from capacity constraints:

In particular, a current capacity constraint at the Port of Newcastle has led too often to a long queue of ships waiting to be loaded. This imposes a high cost on coal exporters who bear the cost of demurrage while ships wait in the queue. Demurrage substantially offsets the otherwise relatively low cost of shipping coal through that port.

Although the capacity constraint is being addressed through better utilisation of existing facilities, and progress is being made on expanding the capacity of the port, the queuing problem reflects poorly on Australia's reputation as a reliable and timely supplier to the coal export market.³⁴

3.1.4.3 Capacity allocation system

Mr Porter described a capacity allocation system proposed by the industry as a short-term solution to the ship queue:

Through Port Waratah Coal Services, the industry applied to the Australian Competition and Consumer Association for authorisation to implement the capacity allocation system. All that means is that the nominal capacity of the port is about 66 million tonnes of coal per year. If you bring that back to a monthly basis, based on the forecasts of particular companies at any particular time, there may or may not be a need to tell companies, "You

³² Evidence of Mr Porter, 2 February 1998, p158

³³ Evidence of Mr Porter, 2 February 1998, p157

³⁴ Industry Commission (1998), *The Australian Black Coal Industry*, draft report, Melbourne

cannot export one million tonnes of coal this year. You will have to reduce that by 10 or 20 per cent."³⁵

On 27 March 1998 the Australian Competition and Consumer Commission (ACCC) authorised a capacity allocation system for the coal loaders at the Port of Newcastle. The system, allocating a share of the loaders' capacity to each coal mine, is subject to the following conditions:

- that the authorisation expires on 30 September 1998;
- that the capacity allocation system can only be implemented if the vessel queue has been equal to or in excess of 25 vessels for seven consecutive days;
- that Port Waratah Coal Service notify the ACCC of any planned implementation of the capacity allocation system and provide evidence to the ACCC that the condition relating to the size of the vessel queue has been met;
- that the capacity allocation system may only be implemented on a two month basis at any time; and
- that no changes may be made to the way in which the capacity allocation system works without the prior approval of the ACCC.³⁶

3.1.4.4 Industrial relations

Port Waratah Coal Service is attempting to improve throughput with their existing infrastructure through enterprise bargaining. In February 1998 Port Waratah Coal Services was negotiating an enterprise agreement, as described by Mr Brewer:

The situation is that the company has made an offer of a 5 per cent pay increase now, with a 5 per cent pay increase in twelve months time, and some other increases with allowances. Plus Port Waratah Coal Services needs to implement a 24-hour-a-day, seven-day-a-week shift roster because currently it works five days, with weekends on overtime. The 5 per cent and 5 per cent, plus allowances increases, was to encourage the people to accept continuous rosters.³⁷

3.1.4.5 Additional capacity

On a longer-term basis, Port Waratah Coal Service is currently undergoing a further expansion that will add 9 million tonnes to their coal loading capacity. Mr Brewer outlined this expansion:

³⁵ Evidence of Mr Porter, p158

³⁶ Australian Competition and Consumer Commission (1998), *Short-term approval for coal loader capacity allocation system*, Media Release, 27 March 1998, Canberra

³⁷ Evidence of Mr Brewer, 2 February 1998, p179

The directors of Port Waratah Coal Service authorised in December an expansion, which was to build a new berth, which is currently underway. That expansion will add 9 million tonnes per annum of capacity and bring Port Waratah Coal Services up to 75 million tonnes a year from its current rate of capacity of 66 million tonnes per year. ... The additional berth has been fast-tracked. The berth, which has been built for \$89 million, will probably employ upwards of 150 people [in the construction phase]. ... It is scheduled for completion in September 1998.³⁸

Even with this additional capacity, Port Waratah Coal Service is unlikely to meet demand for the remainder of this decade, with industry analysts predicting that by 2000 the port will need to handle 95 million tonnes of coal per annum.³⁹ In anticipation, Port Waratah Coal Services has investigated the possibility of a further expansion, but this expansion will not proceed if an alternative coal loading facility is established. Mr Brewer stated:

There is another company that has made some public statements about setting up another terminal at Kooragang. That company's name is Brambles, and they are in association with Austrack. ... that facility will produce 25 million tonnes of throughput if it goes ahead. The Port Waratah Coal Services Board is currently speaking with Brambles to ascertain whether they are going to create this facility on Kooragang Island.

If it does go ahead, Port Waratah Coal Services will not need to expand because there will be sufficient capacity to cover at least to the year 2000. If it does not go ahead, then Port Waratah Coal Services will need to expand.⁴⁰

Mr Brewer explained the progress of the Port Waratah Coal Services' proposal:

We have done some preliminary engineering work to see what we would need to do. The current plans are to build a new rail receival stream and a new shipping stream that would deliver 25 million tonnes per annum, which is almost the same as the Brambles proposal.⁴¹

The Committee heard evidence relating to improving access to coal deposits in the Gunnedah Basin and exporting this coal through the Port of Newcastle (see section 3.3.2.1). mining activities in the Gunnedah basin increase, there will be further demand on coal loaders in the Port of Newcastle.

3.1.4.6 *Coordination between the port and rail*

Although increasing the rated capacity of coal loading in the Port of Newcastle is essential over the next two to three years, the industry could increase current throughput by improving coordination between coal chain participants, in particular, between rail and port operators. Dr Oakley described coordination problems within the coal chain and what the relevant parties are doing to address the problem:

³⁸ Evidence of Mr Brewer, 2 February 1998, p178

³⁹ Evidence of Mr Brewer, 2 February 1998, p178

⁴⁰ Evidence of Mr Brewer, 2 February 1998, p178

⁴¹ Evidence of Mr Brewer, 2 February 1998, p178

At least some of the difficulties in maximising loader throughput at the present time are related to the system-wide coordination. I understand that there has been an inordinate amount of work done in the last twelve months to improve that system, and I am assured by Port Waratah Coal Services' new General Manager that those coordination problems are very high on the company's agenda at the present time. Clearly, it is within the interest of Port Waratah Coal Services, before they spend any money on infrastructure, to maximise the throughput through their current infrastructure.⁴²

Mr Brewer described Port Waratah Coal Services' response to coordination problems:

Clearly, the bottleneck shifts around, depending on what is happening. To give you an example—and I have only just collected the data—in December 1997 there was significant queuing of trains on Kooragang Island waiting to dump. That is work that FreightCorp and Port Waratah Coal Services must do to resolve that issue.⁴³

Mr Kearney, General Manager of Coal Services for FreightCorp, outlined their response to bottleneck problems:

We have taken the view that FreightCorp does not want to be seen to be the bottleneck in the coal chain. We have worked very closely with the PWCS over the years on what has been termed a step-by-step expansion. Normally, with the PWCS, we see an increase in their capacity that comes as a step function. So the PWCS will go from say its current nameplate capacity of 66 million tonnes up to round 75 million tonnes later this year, when the third berth at Kooragang comes on stream.

By comparison, for FreightCorp the injection of new rolling stock—and this is coming in over time—means that we can be slightly in front. I reiterate that we have taken the commercial position: we want to be ahead. The cost to us is effectively the contract we awarded to Goninans last Friday worth \$16 million.⁴⁴

Recommendation 1

The Standing Committee acknowledges the progress made by key participants in resolving problems in the coal chain and recommends that the relevant Ministers form a coal chain committee to specifically resolve outstanding issues. Membership of the committee should include representatives from:

- **Newcastle Port Corporation;**
- **FreightCorp;**
- **Rail Access Corporation;**
- **Port Waratah Coal Services;**

⁴² Evidence of Dr Oakley, 6 November 1998, p79

⁴³ Evidence of Mr Brewer, 2 February 1998, p181

⁴⁴ Evidence of Mr Kearney, 2 February 1998, p174

- **Department of Transport; and**
- **such representatives as the relevant Ministers consider necessary.**

The coal chain committee's primary aim will be to resolve coordination problems from the mines to the ships. The Standing Committee further recommends that the relevant Ministers, on behalf of the coal chain committee, table quarterly progress reports in Parliament.

3.1.4.7 Other bulk cargoes

The Port of Newcastle has developed markets for new dry and wet bulk cargoes, including mineral sands, wood chips, fertilisers, grinding media, metal concentrates, cement, vegetable oils and tallows.⁴⁵

Favourable conditions in the wheat belt of central and north-western New South Wales resulted in record grain exports of 2.3 million tonnes through the Port of Newcastle in 1996/97.⁴⁶

3.1.5 General cargo

In order to reduce the volatility associated with reliance on a narrow range of commodities, the Newcastle Port Corporation is moving to diversify its cargo base by increasing general cargo throughput. General cargoes include steel, timber, aluminium and other forms of non-containerised, non-bulk cargo.⁴⁷

Cr Heys suggested that links with the Orana region could secure more diverse trade through the Port of Newcastle:

... Dubbo is like an inland freight centre where rural products can be marshalled and value-added, either there or in Newcastle. Those products can be shipped very efficiently to Newcastle and value-added at the Steel River site and then exported. I think that would add value to the port, and I support its diversification.⁴⁸

3.1.5.1 The development of the East Basin of the Port of Newcastle

Existing operations in the East Basin include 5600 square metres of covered storage and a container transport and distribution centre. The Port Corporation is facilitating the development of the East Basin of the port with a plan to develop warehousing, berths, secure storage, rail access and general transport services.⁴⁹ The Port Corporation recently announced

⁴⁵ Evidence of Dr Oakley, 6 November 1997, p76

⁴⁶ Newcastle Port Corporation (1998), *The Access Advantage – Newcastle Port Corporation Annual Report 1997*, Newcastle

⁴⁷ Evidence of Dr Oakley, 6 November 1997, pp75-76

⁴⁸ Evidence of Cr Heys, 5 November 1998, p7

⁴⁹ Newcastle Port Corporation (1997), *The Access Advantage, Newcastle Port Corporation Annual Report 1996*, Newcastle

the \$10 million first stage of a \$30 million redevelopment plan by Toll Port Logistics and R & A Transport.⁵⁰

3.1.5.2 Developing a container terminal

The Hunter Valley Research Foundation has found that the community strongly supports the development of a container terminal in the Port of Newcastle.⁵¹ Newcastle City Council also supports the development of a container terminal in the Port of Newcastle.⁵² In their submission Newcastle City Council outlined the benefits of developing a container terminal in Newcastle instead of Sydney:

It is well known that while the port infrastructure may well fit into Port Botany, the support infrastructure providing landed access to and from the port will create a bottle neck.

Expansion of this infrastructure in Sydney would be extremely expensive and not provide the benefits of decentralisation, such as regional based employment opportunities that would accompany the construction of the container port facility in Newcastle.

The existing road and rail infrastructure would support the distribution of landed product from the Port of Newcastle into the Northern and Western Regions of Sydney.

Further, the addition port handling facilities would provide added capacity to handle exports, which would in turn assist the expansion of manufacturing in the region.⁵³

A study conducted by the Port of Brisbane in 1987 concluded that the relative output and employment impacts were significantly higher for container and general cargo than for bulk cargo.⁵⁴ The Newcastle Port Corporation concluded:

Therefore, the greatest opportunities for the Port of Newcastle's potential contribution to the growth of the city and region's economy would appear to be in building its general cargo base and ultimately develop a modern container terminal.⁵⁵

Dr Oakley identified the site of BHP's steelmaking operations as a potential site for a container terminal, despite the site being contaminated:

If I may concentrate for a moment on the site that will become available once BHP's steel making operations cease. One of its greater strengths may well spring from its current weakness, and that is that it is a contaminated site. That contamination will require remediation in some shape or form. ...

In providing that sealing, it also creates an incredible opportunity for a site to be used and commercially exploited as a container terminal operation. The attributes which complement

⁵⁰ *Newcastle Herald*, "\$30 million wharves project launched", Ian Kirkwood, 16 June 1998, p2

⁵¹ Submission 12, Hunter Valley Research Foundation, p3

⁵² Submission 20, Newcastle City Council, p3

⁵³ Submission 20, Newcastle City Council, p4

⁵⁴ Submission 5, Newcastle Port Corporation, p2

⁵⁵ Submission 5, Newcastle Port Corporation, p2

this sealing are that it has a deep-water frontage, therefore requiring no capital dredging. That deep-water frontage has already had some of the largest bulk ships in the world accommodated within those berths.

It also is arterially rich, with rail, as a consequence of BHP's activities over many years. It is juxtaposed by an industrial-grade road that has only short, seven to eight minute linkages to the major southbound freeway and also the Pacific Highway going north. In addition to that, it is in reasonable proximity to a very capable airport in the form of RAAF base Williamtown ...⁵⁶

This site is, however, privately owned and BHP will act in a commercial manner when determining the future of the site.

3.1.5.3 Current and required container throughput

The Newcastle Port Corporation recognises that their current throughput of around 10,000 containers⁵⁷ per annum is insufficient to sustain a modern container terminal. Currently, around 37,500 containers from the Hunter and Northern New South Wales are exported through Brisbane or Sydney.⁵⁸ The Port Corporation stated that the proposed terminal would interchange a minimum of 150,000 containers per annum, which is substantially more than current demand. The Port Corporation described how they envisage attracting the additional containers:

In addition, a competitive container terminal in Newcastle would be capable of winning market share from both Brisbane and Sydney, and thereby create a lower cost base for importers and exporters. Newcastle Port Corporation, in association with major shipping lines and national transport and logistics firms are thoroughly researching the financial implications of this concept.⁵⁹

While commending the Newcastle Port Corporation for its attempts to diversify its cargo base, the Committee notes that substantial work needs to be undertaken to determine the feasibility of a container terminal.

Recommendation 2

The Standing Committee recommends that the Minister for Ports coordinate a taskforce to investigate developing a container terminal in Newcastle, comprising:

- **Newcastle Port Corporation;**
- **Hunter Economic Development Corporation;**
- **shipping companies;**

⁵⁶ Evidence of Dr Oakley, 6 November 1997, p75

⁵⁷ In this section *containers* means twenty foot equivalent units.

⁵⁸ Submission 5, Newcastle Port Corporation, p2

⁵⁹ Submission 5, Newcastle Port Corporation, p2

- importers and exporters;
- Maritime Union of Australia; and
- such industry and community representatives as the Minister for Ports considers necessary.

The Minister for Ports should table the taskforce’s findings in Parliament by 30 July 1999.

3.2 Airports

The Hunter region has a number of commercial airports. The two largest airports, Williamtown and Belmont, handle the vast majority of passengers (see table 3.2). Scone, Singleton and West Maitland, although small in terms of revenue passengers, handle a considerable number of aircraft movements. In addition, Sydney Harbour Seaplanes offer four services daily each way between Sydney and Newcastle.

TABLE 3.3 Regional airlines, airport traffic statistics, 1996/97

Airport	Revenue passengers	Aircraft movements
<i>Belmont</i>	85,034	7925
<i>Scone</i>	1731	1203
<i>Singleton</i>	2859	2807
<i>West Maitland</i>	1869	3300
<i>Williamtown</i>	108,496	11,977

Note: These figures represent scheduled airline activity and do not include charter or general aviation operations at these airports

Source: Statistics supplied by Department of Transport and Regional Development

Although outside the boundaries of the Hunter, the Committee notes that Wyong Shire Council has accepted a proposal for a private company to develop Warnervale Airport to full regional status with an 1800 metre runway capable of handling up to 90 seater aircraft. This airport could service residents from the southern end of the Hunter, including Lake Macquarie.⁶⁰

The less-populated Upper Hunter does not enjoy airport infrastructure comparable to the Lower Hunter. The Upper Hunter Business Enterprise Centre expressed concerns about the future of Upper Hunter air services:

Newcastle is well serviced by Belmont and Williamtown airports but the Upper Hunter is not so well serviced. In fact the Singleton air service is having difficulties remaining viable.

⁶⁰ Submission 6, Wyong Shire Council, p4

Infrastructure needs must be recognised and put in place to support the sustainability of all Hunter air services.⁶¹

On 28 May 1998 the Minister for Transport, the Hon. Carl Scully MP, instructed the Standing Committee on State Development to inquire into and report on the provision and operation of the rural and regional air services in New South Wales. In the course of this inquiry the Standing Committee will further consider Hunter air services.

3.2.1 Belmont Airport

Aeropelican Air Services, a subsidiary of Ansett Australia, owns Belmont Airport, which is 25 kilometres south of Newcastle city centre. Aeropelican Air Services offer 13 direct flights to and from Sydney each weekday and 8 daily flights during weekends. Around 74 per cent of passengers are business people. Approximately 90,000 passenger movements were recorded in 1995,⁶² although the number of passengers using Belmont Airport has decreased over the last decade.

As a privately owned airport, any changes to Belmont Airport's facilities would be made on a commercial basis.

3.2.2 Williamstown Airport

The civilian facilities at Williamstown Airport occupy 23 hectares, leased on the southern boundary of RAAF Williamstown, 20 kilometres north of Newcastle. Apart from Sydney Airport, it is the only civilian airport in New South Wales capable of accepting wide-bodied jet aircraft.

Newcastle Airport operates on a joint-use basis with RAAF Williamstown, which is a major tactical fighter base for Australia and a key facility in Australia's defence network.⁶³ The Airforce owns and operates the runway and air control functions and provides a number of movements per hour through a joint user agreement with Newcastle Airport. Unlike Sydney Airport, Newcastle Airport is not subject to a curfew.

Vice Marshall Bomball, Chairman of Newcastle Airport Limited, described the company's charter:

Our shareholders are the councils of Newcastle and Port Stephens. The company's charter therefore focuses on the provision of service to the region more than it does on simply the bottom line. We are a company limited by guarantee, and the consequence of that is that our profits or operating surplus must be reinvested in the airport. We pay no dividends to either council. We are, therefore, in a community sense, a community service company.⁶⁴

⁶¹ Submission 9, Singleton Shire Council and Upper Hunter Business Enterprise Centre, p4

⁶² Hunter Regional Development Organisation (1996), *Hunter Advantage—Hunter Regional Economic Strategy*, Newcastle

⁶³ Submission 8, Newcastle Airport Limited, p4

⁶⁴ Evidence of Vice Marshall Bomball, 6 November 1997, p90

Newcastle Airport Limited has two principal development elements: air transport services, and aerospace industry.

3.2.2.1 Air transport services

In terms of air transport, Newcastle Airport services four airlines: Impulse, Eastern, Sunstate and Eastland, which collectively offer passenger services to Sydney, Melbourne, Brisbane, Canberra, the Gold Coast and Northern New South Wales.⁶⁵ Newcastle Airport has seen a large increase in passenger throughput, from 56,000 passengers four years ago to an estimated 130,000 passengers in 1997/98.⁶⁶

Passengers can currently fly directly from Newcastle Airport to a range of destinations, eliminating the need to hub in Sydney. Newcastle Airport could further reduce pressure on Sydney Airport by developing itself as a hub airport. For example, passengers from the North Coast could potentially connect to Melbourne through Williamtown.⁶⁷

Newcastle Airport Limited identified an impediment to developing Newcastle as a hub airport:

There is also little doubt that their development is being retarded by a system in which, in order to survive, the independents must align with either Qantas or Ansett to gain access to loyalty programs and computer reservation systems.⁶⁸

The Committee heard further evidence about problems arising from computer reservation systems. Mr McAndrew, Deputy Chairman of the Hunter Regional Tourism Organisation, stated:

Now, Impulse has a problem. They are linked with Ansett, but not as a subsidiary. So that if you were living in Newcastle and wanted to go to Melbourne, their computer would automatically generate an exit for you through Belmont and you would go on Aeropelican and link up with Ansett in Sydney. ... but if you were going to Port Stephens with Ansett from Sydney, and you were thinking about flying to Newcastle, you would finish up at Belmont and would still have an hour's drive to get to Port Stephens. Impulse Airlines have been working with Ansett to ensure that people making bookings are given a choice.⁶⁹

When questioned about the possibility of direct flights from Williamtown to New Zealand, Air Vice-Marshal Bomball responded:

⁶⁵ Submission 8, Newcastle Airport Limited, p2

⁶⁶ Evidence of Vice Marshall Bomball, 6 November 1997, p90

⁶⁷ Submission 8, Newcastle Airport Limited, p17

⁶⁸ Submission 8, Newcastle Airport Limited, p17

⁶⁹ Evidence of Mr McAndrew, 6 November 1997, pp132-133

We have explored that. Certainly, direct charter flights would be a great step in terms of getting into the tourist market. Again, we have to put it on hold temporarily because we just have not got the apron to do it right now.⁷⁰

Mr White, General Manager of Newcastle Airport Limited, added:

For the Hunter, there are two really good potential markets. One is New Zealand and the other is the United Kingdom. ... some months ago now I had a real attack on Britannia, which is the UK charter airline. They went pretty close to it, but at the end of the day the dollars said no. We have got to try again and get the dollars right.

On the New Zealand link, the classic airline that everybody talks about getting over here is Freedom Air, which is the cut-price charter company. I have made some contact there, and that will be a slow but continuing contact. The message that I have got back is: we have looked at the Hunter, and we've got a better deal somewhere else. So we have got to market against this.⁷¹

Newcastle Airport Limited is seeking to attract airfreight companies to Newcastle. It is, however, difficult to attract international freight as it is mainly carried in the belly holds of passenger aircraft, which are predominantly destined for Sydney Airport. Newcastle Airport Limited is, however, trying to attract international packet carriers. Mr White described their negotiations with one packet carrier:

We are looking at it with them. They are still chasing the main game in Sydney, but DHL at least perceive there is opportunity in Newcastle. They have got a series of triggers that will bring that on, and they tell me that all of those triggers except one have been fired, and that is if the foreign trade zone is permitted here they will immediately start operating packet services in advance of the real need.⁷²

Although negotiations with DHL are continuing, TNT has commenced a daily service out of Newcastle Airport. Additionally, Impulse takes the seats out of its passenger aircraft overnight and carries newspapers for northern New South Wales.⁷³

3.2.2.2 Aerospace industry

Newcastle Airport Limited is actively attracting the aerospace industry to the airport. Impulse Airlines relocated its corporate management and maintenance functions to Newcastle, with assistance from Newcastle Airport Limited. British Aerospace Australia was also attracted with a package that included construction of supporting infrastructure, low land rent and assistance in obtaining necessary applications. Newcastle Airport Limited estimate that these two projects will generate 360 jobs.⁷⁴

⁷⁰ Evidence of Air Vice-Marshall Bomball, 6 November 1997, p96

⁷¹ Evidence of Mr White, 6 November 1997, pp96/97

⁷² Evidence of Mr White, 6 November 1997, p98

⁷³ Evidence of Mr White, 6 November 1997, p98

⁷⁴ Submission 8, Newcastle Airport Limited, pp8-9

3.2.2.3 Capacity constraints

With such a rapid expansion in passenger throughput, Newcastle Airport is facing capacity constraints. There is increasing demand for the scheduled time slots allocated by the Airforce, hence Newcastle Airport Limited has requested a renegotiation of the joint user agreement. Vice Marshall Bomball described the constraints that the airport is facing:

We have, however, outgrown our infrastructure, particularly our aircraft apron and our car parking facilities, more than ten years ahead of the most optimistic forecasts. Aggravating this situation is that our community-service minimum pricing ethos has positioned us poorly to finance the unexpected infrastructure requirement.

We are thus not in a strong position to support recent State and Federal tourism development initiatives. Nor at this point could we, for example, support the Olympics by providing aircraft parking and that sort of thing. We have applied for funds to rectify this situation with the Hunter Advantage Fund.⁷⁵

In order to plan adequately for the future, Newcastle Airport Limited and the Hunter Economic Development Corporation are jointly funding an airport development plan.

The Committee understands increased passenger levels and the attraction of aerospace industries to Williamstown Airport have resulted in the attraction of hundreds of jobs to the Hunter region. The Committee commends Newcastle Airport Limited for its efforts in this regard.

Recommendation 3

The Standing Committee recommends that the Regional Co-ordinator of the Hunter and Central Coast in the Premier's Department coordinate state government assistance (from the Hunter Economic Development Corporation, the Department of Transport and other relevant bodies) for Newcastle Airport Limited in relation to:

- **renegotiating the joint user agreement with the airforce;**
- **resolving problems related to computer reservation systems; and**
- **implementing a plan for future airport operations.**

The Standing Committee additionally recommends that Newcastle Airport Limited examine their pricing structure to achieve a balance between attracting industry and being able to provide adequate infrastructure. Further, the Standing Committee recommends that the Minister for Regional

⁷⁵ Evidence of Vice Marshall Bomball, 6 November 1997, p91

Development approach the federal government to secure funds from the federal government infrastructure fund to provide necessary infrastructure at Newcastle Airport.

3.3 Rail

There have been substantial rail reforms in New South Wales during the 1990s, influenced by the competition policy initiatives of the Council of Australian Governments. The New South Wales government has restructured the rail industry, forming four independent businesses:

- *Rail Access Corporation* is ‘owner’ of the rail infrastructure with responsibility for negotiating use of the track by rail operators and funding track maintenance;
- *Rail Services Authority* is ‘maintainer’ of the track under contract to the Rail Access Corporation and responsible for construction services, and rolling stock overhaul and repair;
- *FreightCorp* provides freight services throughout New South Wales and owns and maintains its own rolling stock and locomotives; and
- *State Rail Authority* provides city and country passenger rail services throughout New South Wales and is responsible for train control under contract to the Rail Access Corporation.

The Rail Access Corporation’s three largest customers are the State Rail Authority, FreightCorp and the National Rail Corporation. Austrack, a new market entrant with an interest in the Hunter, has recently signed an access contract with the Rail Access Corporation.⁷⁶

The State Rail Authority operates passenger services throughout New South Wales, including to Sydney, Maitland, the Upper Hunter and the North Coast. FreightCorp’s main business in the Hunter is coal haulage, although it also hauls grain and intrastate general freight services. National Rail Corporation services BHP’s Newcastle operations and runs several freight services through the Hunter.

3.3.1 Passenger services

The State Rail Authority of New South Wales is responsible for all passenger services of the CityRail and Countrylink business units. CityRail provides passenger services as far as Scone and Dungog and connects the Hunter region, through the Central Coast, to Sydney.

⁷⁶ Evidence of Mr Bones, 19 March 1998, p588

3.3.1.1 Rail line into Newcastle Station

The rail line into Newcastle central business district runs from Hamilton through Wickham and Civic stations to Newcastle Station. The line runs between the northern side of the central business district and the harbour/Honeysuckle area. Currently there are two level crossings between Wickham and Newcastle stations. There are several footbridges between Newcastle and Civic stations, but none between Civic and Wickham stations.

In 1996/97 a total of 2.9 million passengers passed through the barriers of Newcastle, Civic, Wickham and Hamilton stations, with most passengers using Hamilton Station (see table 3.3).⁷⁷ Each working day there are a total of 172 train movements at Newcastle Station—86 trains each way.⁷⁸

TABLE 3.3 Newcastle line daily passenger flows

Station	Number of passengers
<i>Newcastle</i>	2740
<i>Civic</i>	2200
<i>Wickham</i>	1860
<i>Hamilton</i>	2980
Total	9780

Source: Statistics supplied by CityRail

Dr Day, General Manager of Rail Development with the State Rail Authority, stated the operating cost for the section of line:

We have some information on the immediate operating costs of the segment of line coming in from Wickham to Newcastle. That is at the present time approximately \$5.5 million a year just for that section of four stations.⁷⁹

3.3.1.2 Government position

From 1990 until 1995 the previous state government's policy was to terminate the rail line at Civic Station. The current Government's position is to retain the rail line into Newcastle Station.

The Rail Access Corporation, as owner of the track, explained their position on the line:

⁷⁷ Statistics supplied by CityRail

⁷⁸ Statistics supplied by CityRail

⁷⁹ Evidence of Mr Day, 2 February 1998, p150

... our approach on the issue of the link into Newcastle is that the SRA ... is our biggest customer there ... and they see Newcastle station as an important business objective of theirs. So, while we have a customer who wants to have a railway service into Newcastle station, the Rail Access Corporation will be providing infrastructure and services.⁸⁰

3.3.1.3 Community debate about the rail line

In the course of this inquiry the Standing Committee heard arguments for and against retaining the rail line into Newcastle Station (see box 3.1). The Committee recognises that, while the rail line is not a new issue, community debate will intensify as commercial, retail and residential development proceeds on the once-industrial Honeysuckle site.

Mr Smith, Director of Planning for the Department of Transport, said that the State transport agencies did not find community consensus on the rail line into Newcastle Station:

It would be reasonable to say that in the period following the previous Government's announcement that it would terminate the railway line at Civic in 1990, right through until the middle or so of 1995, there was considerable community debate about the value or otherwise of that decision.

... the work that was done during that period by a variety of State agencies and ... the Department of Transport, through a lot of community consultation processes including public meeting and submission processes, the release of reports and studies which were out for comment, there was certainly no clarity amongst the community about its view one way or the other, on whether retaining or ceasing the railway line at Civic or Broadmeadow was a preferred solution. ...⁸¹

3.3.1.4 Options to improve accessibility

While the heat of the debate centred on retaining or removing the rail line, the Standing Committee heard evidence about alternatives to improve accessibility between the CBD and the Honeysuckle/harbour area (see box 3.2).

The most frequently raised alternative was to provide more at-grade crossings. Mr Rossely, the then General Manager of the Honeysuckle Development Corporation, stated that at least five additional at-grade crossings would be required to provide adequate connections between the CBD and Honeysuckle:

The position that Honeysuckle has taken is that if the railway line stays—which is the current decision of the Government—then the barrier that the railway line forms needs to be broken down. The position that we are pushing for, as a minimum, is that there be five additional at-grade pedestrian/vehicle crossings across the railway line to enable the city actually to physically connect with itself.⁸²

⁸⁰ Evidence of Mr Bones, 19 March 1998, p601

⁸¹ Evidence of Mr Smith, 2 February 1998, p154

⁸² Evidence of Mr Rossely, 2 February 1998, p133

At a cost of around \$1 million for each at-grade crossing,⁸³ this option to increase accessibility would cost in the order of \$5 million to establish.

There are safety issues associated with at-grade crossings. Dr Day explained the dangers:

Many people, I think, underestimate the risk of accidents with a heavy rail train. They are not the same as trams or buses. They cannot stop at all quickly merely because of the way they are designed. Therefore, we seek as much as possible to minimise the number of potential collision points at level crossings.

We have had very large numbers of pedestrians over the years killed in accidents, particularly when they step out from behind one train and there is another train coming from the opposite direction. So, in almost all cases now we seek to avoid having at-grade level crossings ...⁸⁴

Mr Smith described the position of the Transport Safety Bureau:

... the Transport Safety Bureau is part of the Department of Transport, and the bureau generally provides advice to operators as to legislative responsibilities in respect of rail safety in particular. ... their policy generally is to not favour level crossings, unless there are particular circumstances where it is clearly ineffective or not cost effective to grade separate particular junctions. The paramount consideration in that ... is the safety of pedestrians. That consideration certainly is to the fore in looking at opportunities to decrease at-grade crossings of the railway line running through the central business district.⁸⁵

Box 3.1 Arguments for and against retaining the rail link

... there is no doubt that public opinion is strongly in favour of retaining the railway line.⁸⁶

... Newcastle Greens believe that retaining the rail link to Newcastle Station is an essential component of future sustainable development of the Newcastle CBD, and we are committed to campaigning strongly for its retention.⁸⁷

... if you want to go from Maitland to Newcastle, then obviously the rail line is very important.⁸⁸

... there is enormous support in the city for maintenance of the rail. ... in the course of collecting, along with a number of people, some 20,000 signatures for retention of the rail, we walked the trains. ... it would be absolutely absurd for us to remove the rail infrastructure.⁸⁹

... the most unprofitable and disruptive section of the Newcastle Regional Rail System is the Newcastle spur line from the Main Northern Rail Line terminating at Newcastle Station. ... the

⁸³ Evidence of Mr Rossely, 2 February 1998, p137

⁸⁴ Evidence of Mr Day, 2 February 1998, p150

⁸⁵ Evidence of Mr Smith, 2 February 1998, p150

⁸⁶ Evidence of Cr Sutton, 3 February 1998, p239

⁸⁷ Submission 37, Newcastle Greens, p3

⁸⁸ Evidence of Ms Burgess, 24 February 1998, p378

⁸⁹ Evidence of Cr Henry, 3 February 1998, p247

exclusion of Heavy Rail from Newcastle could facilitate a number of developments in the CBD adjacent to, in close proximity to, the Rail Corridor.⁹⁰

... clearly, in my view, the heavy rail should in fact cease at Broadmeadow. ... all I would like to do is make the point that that is an inappropriate use of heavy rail, and I think it is impeding the growth and development of the city, where there is clearly that separation of the foreshore area of Newcastle. ... But, once you have got that heavy rail barrier, it will potentially impede the revitalisation and the redevelopment of the central business district, as we now know it.⁹¹

... the rail line divides the city and destroys opportunities.⁹²

... it does not please me to see ... a city that is divided by a non-commercial railway and is constricted in the way that it can take opportunities offered by its natural geography, the development of Honeysuckle, and increasingly serious road blockages associated with that railway, including the level crossing issues.⁹³

Box 3.2 A selection of alternatives to improve the rail line

... the community, in trying to address those concerns, has supported narrowing the rail corridor, and lowering the gantries, which are certainly eyesores.⁹⁴

... we need to work with the SRA to find ways of treating that rail corridor immediately, either by narrowing it or by reducing the speed of the trains, so that heavy rail travels as per light rail.⁹⁵

... a change from heavy rail trains to light rail on the Newcastle spur line and the conversion of the usage of some of the existing rail tracks from heavy rail to light rail for the length of the corridor. The removal of the remainder of the tracks for beautification as plazas, parks and parking.⁹⁶

Recommendation 4

The Standing Committee believes that the rail line into Newcastle Station provides necessary economic and social benefits and recommends that the rail link remain fully operational. However, it is apparent to the Standing Committee that accessibility between Newcastle city and the Honeysuckle/harbour area needs to be improved.

⁹⁰ Submission 28, Keech Consulting Pty Ltd, pp1-4

⁹¹ Evidence of Mr Simmons, 6 November 1998, p63

⁹² Evidence of Mr McNaughton, 19 March 1998, p551

⁹³ Evidence of Mr Chenery 25 February 1998, p432

⁹⁴ Evidence of Cr Sutton, 3 February 1998, p240

⁹⁵ Evidence of Cr Heys, 5 November 1997, p5

⁹⁶ Submission 28, Keech Consulting Pty Ltd, p2

The Standing Committee recommends that the Minister for Transport coordinate a consultative committee to decide how to improve accessibility between Newcastle city centre and the Honeysuckle/harbour area. The consultative committee should comprise representatives from:

- **Department of Transport;**
- **Newcastle City Council;**
- **Newcastle Regional Chamber of Commerce;**
- **Honeysuckle Development Corporation;**
- **Rail Access Corporation;**
- **CityRail;**
- **Department of Urban Affairs and Planning;**
- **Parks and Playgrounds Movement; and**
- **any other representatives that the Minister for Transport considers necessary.**

The consultative committee should consider input from any interested parties, including conservation groups, heritage groups and business representatives. The Standing Committee further recommends that the Minister for Transport table the consultative committee's findings in Parliament by 30 June 1999.

3.3.2 Freight services

FreightCorp is the state-owned entity that operates locomotives, wagons and services above track. Mr Kearney, General Manager of Coal Services for FreightCorp, described their Hunter Valley operations:

Our presence within the Hunter Valley is most significant with respect to coal, forming part of the Hunter Valley coal chain, moving coal from the mine loading point to the port for export. We have a work force of nearly 900 within the greater Hunter Valley and across the north west of New South Wales.

Our coal operations are conducted 24 hours a day, seven days a week. ...During 1996/97 a total of 58.7 million tonnes of coal was moved within New South Wales ... 50.3 million tonnes was Hunter Valley coal for export.

... other commodities that we deliver into Newcastle are grain. In a normal year about one million tonnes of grain is exported through Newcastle, delivered by FreightCorp. ...we also deliver minerals and mineral concentrates.⁹⁷

FreightCorp have recognised that some of their locomotives and wagons have noise problems. They have blocked the vents on the sides of the locomotives, modified the bogies

⁹⁷ Evidence of Mr Kearney, 2 February 1998, pp166-167

under a number of wagons and reduced the number of couplers on wagons to make their operations quieter.⁹⁸

3.3.2.1 Rail infrastructure servicing the Gunnedah basin

Steep gradients and tight curves characterise the rail infrastructure over the Liverpool Range, between Muswellbrook and Gunnedah. The maximum-sized train that can pass over the Liverpool Range is 3000 tonnes, compared to the 8000 tonne trains (84 carriages) used in the Lower Hunter.

There are two main undeveloped coal deposits in the Gunnedah Basin—the Maules Creek deposit, owned by Rio Tinto, and the Boggabri deposit, owned by Idemitsu-Muswellbrook Coal Company. If these deposits, potentially producing 6 million tonnes a year, are developed the rail infrastructure over the Liverpool Range will need to be enhanced to facilitate efficient transport of coal to the Port of Newcastle.

The Rail Access Corporation, as owner of the rail line, has examined alternatives for upgrading the line. Mr Bones, General Manager of marketing with the Rail Access Corporation, outlined their support for developing the Gunnedah Basin coal deposits:

From the Rail Access Corporation's perspective, it would be advantageous to see [the Gunnedah Basin] coal deposits [developed] ... for that would mean additional revenues flowing

... the Gunnedah basin is probably the most significant subset of traffic potential in the northwest region.⁹⁹

The Rail Access Corporation has forecast coal traffic and examined options to enhance the rail infrastructure between the Gunnedah Basin and the Port of Newcastle. They concluded that the most economic and lowest cost means of enhancing the infrastructure was to construct passing loops and utilise banking engines, enabling 84 carriage trains to cross the Liverpool Range.¹⁰⁰ Despite several requests, Rail Access failed to provide the Standing Committee with an accurate estimate of the cost of such an upgrade.

The Standing Committee doubts that any government in the foreseeable future would allocate funding for extra loops and banking engines when a less environmentally damaging and appropriately funded alternative is available.

⁹⁸ Evidence of Mr Kearney, 2 February 1998, p175

⁹⁹ Evidence of Mr Bones, 19 March 1998, pp593-594

¹⁰⁰ Evidence of Mr Alchin, 19 March 1998, p594

3.3.2.2 A proposal for a rail tunnel through the Liverpool Range

The Access NorthWest Consortium¹⁰¹ is proposing to build, own and operate a new rail tunnel, approach track and passing loops through the Liverpool Range. After thirty years the infrastructure would be transferred to the state at no cost.

The Maritime Union of Australia believes that the proposed tunnel will deliver substantial benefits to the region. Mr Papaconstuntinos, Deputy National Secretary of the Maritime Union of Australia, stated:

... we could foresee that [the tunnel] would do a tremendous amount of good for the region – not only for Newcastle as a port, but also the Gunnedah area and the Port of Newcastle and the Hunter Valley area generally.

We see that project providing a tremendous amount of opportunity in terms of job creation, not only in the short term but also in the long term, because Newcastle would be linked to the national rail network, which at the moment it really is not. The project itself, in terms of its construction and also the service facilities that will exist after completion of the project, would provide a lot of opportunity for this area.¹⁰²

The Access NorthWest Consortium estimates the cost of the tunnel and rail infrastructure would be \$140 million.¹⁰³ AMP Investments, as manager of the Construction, Forestry, Mining and Energy Union (CFMEU) superannuation funds, have expressed support for the funding of the project.¹⁰⁴ Mr Maitland, General President of the Mining and Energy Division of the CFMEU, described why the CFMEU are contemplating investing their superannuation funds in the Liverpool Range tunnel project:

We have a number of fairly large superannuation funds, of which our members are trustees, and we have attempted to encourage our superannuation funds to look at involvement in investment in the Newcastle and Hunter region.

Things that have concerned us are the transport facilities and arrangements for the coal industry, because the bulk of our members work in that industry, and we have been involved in discussions about two projects, the first being the Liverpool Range project, to allow better rail access through the Liverpool Range, and upgrade the link between Narrabri and Muswellbrook.¹⁰⁵

For the proposed tunnel to proceed, the consortium will require industry-wide coordination, including increased port capacity, more rolling stock and commitments from mine-owners to extract coal deposits from the Gunnedah Basin.

¹⁰¹ The consortium is led by the Concrete Constructions-Kinhill Engineers Joint Venture and the Mine Workers Division of the Construction, Forestry Mining and Energy Union (CFMEU).

¹⁰² Evidence of Mr Papaconstuntinos, 18 March 1998, pp520-521

¹⁰³ Access NorthWest Consortium (1995), *Access NorthWest*, Sydney, p4

¹⁰⁴ Access NorthWest Consortium (1995), *Access NorthWest*, Sydney, p1

¹⁰⁵ Evidence of Mr Maitland, 18 March 1998, p471

The Access NorthWest Consortium has presented their proposal to the Premier and the Treasurer and has had dealings with the Department of State and Regional Development and the Rail Access Corporation. The next stage for the consortium is to develop financial proposals and continue with engineering studies, including a drilling program.

The Committee recognises that the proposed tunnel will aid the Hunter region by increasing coal and agricultural exports through the Port of Newcastle. The tunnel could improve New South Wales' competitiveness in international markets by providing improved transport infrastructure. After thirty years the tunnel will transfer to state ownership without cost to taxpayers. While acknowledging the Rail Access Corporation assessment of the Liverpool Range rail line, the committee notes that the Access NorthWest proposal is a private project. If it is commercially viable and benefits the state at no expense to the taxpayer, then the state government should assist the consortium to progress the proposal.

Recommendation 5

The Standing Committee recommends that the Minister for Regional Development coordinate a feasibility study of the proposed rail tunnel through the Liverpool range by October 1998, and that the Minister announce the outcome of the feasibility study by December 1998.

3.3.2.3 Duplication of rail line in Upper Hunter

Mining in the Muswellbrook area is expected to grow over the next five years and over the next 10-15 years the Ulan and Gunnedah coalfields are expected to be developed.¹⁰⁶ These expansions prompted Muswellbrook Shire Council to commission a rail strategy study. Cr Seymour, Mayor of Muswellbrook Shire Council, outlined the council's concern about the future capacity of the rail line between Muswellbrook and Antienne:

We believe it will be important for the duplication of the rail line between Muswellbrook and Antienne to be completed within the next five years if we are to meet projected coal exports. Duplication of the existing line would minimise delays for coal and other freight trains which currently average 20 minutes per train in each direction. I understand it is presently costing about \$1,040 an hour for a coal train. Early indications are that improved train accessibility and reduced train waiting costs are potentially worth some \$2.7 million annually by the year 2002-03.¹⁰⁷

¹⁰⁶ ERM Mitchell McCotter Pty Ltd (1998), *Muswellbrook Rail Strategy Study*, Sydney

¹⁰⁷ Evidence of Cr Seymour, 24 February 1998, p302

Recommendation 6

The Standing Committee recommends that the Rail Access Corporation and Freight Corp thoroughly assess the Muswellbrook Rail Strategy Study by October 1998.

3.3.2.4 Queensland Rail

The Committee heard evidence that Queensland Rail has proposed running a narrow gauge rail line down to the Moree area to attract around 200,000 tonnes of grain through the Port of Brisbane. Mr Kearney described FreightCorp's position:

In the very short term it may be of benefit to local growers in the region. We believe that in the longer term it will disadvantage that part of New South Wales because ultimately it will be difficult for FreightCorp to ... sustain operations north of Gunnedah ... under those circumstances ... we are of the view, in the post-Hilmer environment, [that] it would be preferable to see a standard gauge link built into the Port of Brisbane for that we at FreightCorp and any other operator that so desired could operate standard gauge trains into Brisbane. So we do not support the extension of the narrow gauge Queensland system into New South Wales.¹⁰⁸

The Standing Committee supports FreightCorp's position that any track laid in New South Wales should be standard gauge.

3.4 Roads

Responsibility for the Hunter's roads is divided between federal, state and local governments. The federal government is responsible for the national highway network, including the Sydney to Newcastle Freeway and the New England Highway, which is the principal link between the Port of Newcastle and the Upper Hunter. The State road network is the primary network of principal traffic carrying and linking routes for the movement of goods and people. Local governments are responsible for the remainder of the Hunter's road network.

Mr Nunn, Development Manager for the Hunter of the Roads and Traffic Authority, described road improvements in the Hunter:

... improvements will be targeted towards making the most of the existing road network as a priority over building new routes within the network. At present, priority is being given to the upgrading of the strategic road network, including: upgrading of the Newcastle to Dubbo link, which is the Golden Highway; upgrading of the New England Highway, including regular overtaking opportunities and the Belford deviation; completion of the Sydney to Newcastle Freeway and links to Beresfield, all current works in progress; completion of the West Charlestown bypass; and upgrading of the Pacific Highway north of Hexham.

¹⁰⁸ Evidence of Mr Kearney, 2 February 1998, p167

Priority is also being given to upgrading other state roads within Newcastle in accordance with agreed route development plans. ... we have prepared route development plans over the last few years for Main Road 217, which is the road from Morisset to Wallsend via Toronto; Main Road 108 from Newcastle to Nelson Bay; and Main Road 588, which is the road from Cessnock to Newcastle via Beresfield.

The Department of Urban Affairs and Planning has also identified a need for a direct link from Stewart Avenue to Hannel Street, which is in the western area of the central business district, and the Roads and Traffic Authority is building that link. This also will remove some heavy vehicles, including coal transport from Hunter Street, and will be a dogleg around Hunter Street into Hannel Street.¹⁰⁹

The Standing Committee heard evidence about access problems to the Cardiff industrial park in Lake Macquarie. Mr Gray, the then General Manager of Lake Macquarie Council, said:

That is probably one of the biggest industrial parks in the Hunter region, containing more than 400 businesses and employing more people than BHP in that it employs about 5,000 people in that area. Many large distribution companies are located in the area. Unfortunately the Cardiff Industrial Park is stymied in its growth now due to problems with access and egress to the centre of the industrial park.¹¹⁰

The Chartered Institute of Transport also raised concerns about Cardiff Industrial Area:

The Cardiff Industrial Area in Lake Macquarie now employs more people than the steelworks site at Mayfield. There is only one road access point into the whole area, and this passes through a residential area and a congested commercial centre.¹¹¹

Mr Gray stated that Lake Macquarie Council is seeking funding to address this problem:

We have approached both the State and Federal governments to construct a bridge over the Newcastle to Sydney corridor to link the State Rail Authority proposed business park with the Cardiff industrial estate, giving businesses a few options on how to get out of that industrial estate. Once they come across the bridge they could go north or west and link with the main road and freeway systems in Lake Macquarie and the Hunter generally. That would provide opportunities for the industrial estate to grow and provide employment opportunities close to the population centre of the Hunter. That bridge would cost about \$9 million to build, along with roadworks, et cetera.¹¹²

Recommendation 7

The Standing Committee recommends that the Roads and Traffic Authority initiate forthwith a community consultation process in the Lake Macquarie Council area with respect to road access to the Cardiff Industrial Area.

¹⁰⁹ Evidence of Mr Nunn, 25 February 1998, p389

¹¹⁰ Evidence of Mr Gray, 2 February 1998, p183

¹¹¹ Submission 16, Chartered Institute of Transport, p2

¹¹² Evidence of Mr Gray, 2 February 1998, p193

3.5 Energy

In 1995/96, in the lead up to the establishment of a national electricity grid, the New South Wales electricity industry was disaggregated and corporatised into eight energy service corporations (six distributors and two generators), a high voltage transmission authority and Pacific Power, which manages some generation, coal and other service activities.

The national electricity grid separates electricity generation, transmission and distribution and allows electricity to be traded between states. Currently it is possible to trade between New South Wales, Victoria and South Australia. Queensland and Tasmania will join the national grid when infrastructure is in place. The Standing Committee notes recent power shortages in Queensland may lead to benefits for the Hunter once a connection to Queensland is established.

3.5.1 Electricity distribution

The energy distribution industry in New South Wales is split between four distributors. EnergyAustralia is the distributor for the Hunter, Central Coast and part of Sydney, with 250,000 customers in the Hunter.¹¹³

By July 1998 New South Wales electricity customers using more than 750 megawatts per annum will be able to choose whether to purchase electricity directly from the wholesale market or from retailers in the retail market.¹¹⁴ By 2001 all of the state's electricity users will be able to choose their electricity provider, but until that time households can only purchase electricity from the distributor servicing their area. Currently there is a review of the boundaries for the state's electricity distributors. The Standing Committee heard evidence that as a result of this review the Hunter would prefer the distributor that will bring the most jobs to the region.

3.5.2 Energy services

The Hunter region is benefiting from its association with energyAustralia. Mr Lillis, General Manager of the Hunter region for energyAustralia, outlined plans to relocate service staff to the Hunter:

It is clearly our intention, over the next twelve months, to relocate that business [Testing and Certification Australia] to Newcastle. The testing and certification business is the largest provider of meter data agency services in the nation, and that is something that did not exist twelve months ago. That has come out of the national electricity market. Our installation at Wallsend handles more data nationally than the whole of the Victorian electricity industry...

¹¹³ Evidence of Mr Lillis, 25 February 1998, p418

¹¹⁴ National Electricity Market Management Company Limited (1997), *Australia's National Electricity Market – An Introduction*, Canberra.

We have a call centre based in Sydney at the moment. There are some 200 staff involved in the [energy call centre business]. Again, it is our intention to relocate that business to the Hunter. That relocation has already commenced with the recruitment of 50 full-time tele-sales operators to run our 160-megawatt marketing campaign.

... [Energy First] is a new energy management business for energyAustralia. It is a national business, again with headquarters and the majority of engineering staff being recruited and operating from the Hunter.

...these are growth businesses. They are not traditional electricity distribution businesses.¹¹⁵

EnergyAustralia also provides energy-related services in South East Asia. With the relocation of its service staff to Newcastle, energyAustralia's success in international markets could benefit the Hunter region. Mr Lillis stated:

The businesses that we are in in South East Asia are the services businesses—the businesses that we are talking about running from Newcastle. Our testing and certification business: we have a very good testing facility ... 80 per cent of the testing turnover in our large-scale power testing group comes from South East Asia.¹¹⁶

3.5.3 Electricity generation

The Hunter produces approximately 80 per cent of the state's electricity at five coal-fired power generation plants.¹¹⁷ In addition, there are several sustainable energy initiatives based in the Hunter.

3.5.3.1 Coal fired generation

Macquarie Generation owns the Bayswater (2640 megawatts) and Liddell (2000 megawatts) power stations in the Upper Hunter. Delta Electricity owns the Munmorah (1200 megawatts) and Vales Point (1320 megawatts) stations south of Lake Macquarie and Pacific Power owns Eraring Power Station (2640 megawatts), situated on the western shore of Lake Macquarie.

As a result of industry restructuring, there has been a reduction in employment in electricity generation, as described by Mr Fisher, General Manager of Muswellbrook Shire Council:

I think our greatest loss has been in the electricity industry. There have probably been something like 800 employees shed from the two power stations [Bayswater and Liddell] in our shire.¹¹⁸

Hunter electricity generators use black coal, which is more expensive than brown coal but has lower greenhouse emissions. The introduction of sanctions on greenhouse emissions would greatly improve the competitiveness of Hunter generators in the national electricity market.

¹¹⁵ Evidence of Mr Lillis, 25 February 1998, p420

¹¹⁶ Evidence of Mr Lillis, 25 February 1998, p424

¹¹⁷ Hunter Valley Research Foundation (1996), *Newcastle and the Hunter Region 96/97*, Hamilton

¹¹⁸ Evidence of Mr Fisher, 24 February 1998, p304

Recommendation 8

The Standing Committee recommends that the New South Wales government, in particular the Minister for Energy and the Minister for Regional Development, ensure there are environmental requirements considered in the implementation of the national electricity market. This issue should be progressed at a national level, as it is a priority for the continued viability of electricity generators in the Hunter.

Further, the Standing Committee recommends that the Minister for Energy initiate an inquiry into the viability of using methane extracted from coal mines in current generators as a strategy to reduce greenhouse emissions, and that the Minister for Energy table the results of this inquiry in Parliament by November 1998.

3.5.3.2 Sustainable generation

Newcastle has positioned itself as a national leader in the application of sustainable energy principles,¹¹⁹ with solar power and wind power (see box 3.3) projects currently operational.

Box 3.3 Wind turbines

A wind turbine is a modern day windmill—the wind force causes the blades to spin, driving a generator, which produces electricity.

The largest single turbine in Australia, owned by energyAustralia, is located on Kooragang Island. The tubular steel tower is 50 metres high and the two turbine blades are each 22 metres long, giving the blades a total sweeping area of 1520 square metres.

The turbine is connected to the electricity grid and forms part of energyAustralia's renewable energy portfolio. The 660kW turbine generates over one million-kilowatt hours per annum, preventing the release of more than 900 tonnes of greenhouse gases annually.

Source: energyAustralia fact sheet, *Renewable Energy: Wind Turbines*

Mr Lillis, described energyAustralia's sustainable energy initiative:

So sustainable energy at this stage we see as establishing energyAustralia's credibility. It is very much in the trial stage. We have a number of installations, with a 600 kilowatt new turbine at Kooragang Island and a 200 kilowatt solar farm at Singleton. Both of those installations, in their own right, are large installations. But, in terms of the overall power supply requirements of energyAustralia, they are very small at this stage.

¹¹⁹ Submission 20, Newcastle City Council, p3

There are many opportunities, however, in this business by supplying particularly remote area power supplies to South East Asia. Largely, though, those deals are centred around manufacture in those countries. There are very few jobs, by definition, available in Australia from those businesses.

There is a slim possibility, however, of the Hunter manufacturing business around environmentally sustainable hot water heating. That will be a business that will not be operated by energyAustralia; it will be a business that will have to stand or fall on its own merits. At this stage there is the possibility that that will be slim.¹²⁰

Mr Lillis described the potential for a large-scale sustainable energy initiative in the Upper Hunter:

There is one possibility for large-scale power generation, and that is using the thermal mass of the earth which is available very close to the surface at Jerrys Plains to generate quite large amounts of steam, and therefore electricity. In fact, 4000 megawatt hours per annum is the projection. We have got some people having a look at that business. It is a large investment business. ...¹²¹

The introduction of a national electricity market has produced significant changes in the electricity industry. The Hunter region, as the state's largest energy producer, has been hard-hit by reductions in employment in power generation. On a more positive note, the Hunter region is leading the way in sustainable energy initiatives, although the Standing Committee recognises that sustainable energy generation is not labour intensive. However, employment opportunities exist in energy services, as described by energyAustralia.

3.6 Telecommunications

Both Telstra and Optus provide telephony services in the Hunter region. Telstra provides local, long distance, international and mobile services while Optus provides long distance, international and mobile services. Other service providers are currently pursuing the Hunter market.

In April 1998 Telstra converted all exchanges in Newcastle and the Hunter to digital technology, replacing analogue equipment that dated back to the 1960s. This upgrade has facilitated a range of telecommunication services, including itemised billing and call diversion.¹²²

Despite these improvements, the Standing Committee received evidence about the inadequacy of telecommunication infrastructure in the region. The Honeysuckle Development Corporation described a lack of adequate broadband optical fibre cabling:

¹²⁰ Evidence of Mr Lillis, 25 February 1998, p421

¹²¹ Evidence of Mr Lillis, 25 February 1998, p421

¹²² Telstra Media Release, *Telstra Completed \$47.6 million Newcastle/Hunter Valley Upgrade*, 24 April 1998

The telecommunications infrastructure in the region is being upgraded. However, there is, as yet, little indication of plans to adequately extend broadband optical fibre cabling. This will limit the potential for the region to access or provide interactive enriched broadband information services. The Region will therefore be locked out of the networks of the future unless this is addressed.¹²³

Mr Sedman, Manager of the Upper Hunter Business Enterprise Centre, described a lack of telecommunications infrastructure in the Upper Hunter:

In Merriwa, only about nine months ago, we were not able to use a mobile phone. We do not have a lot of optic fibres.¹²⁴

Recommendation 9

The Standing Committee recognises the importance of telecommunication services as the Hunter becomes more service oriented and recommends that the Minister for Regional Development initiate a study of telecommunication requirements in the Hunter, with particular reference to the Upper Hunter, and table a report detailing the findings of the study in Parliament by 30 June 1999.

¹²³ Submission 27, Honeysuckle Development Corporation, p4

¹²⁴ Evidence of Mr Sedman, 3 February 1998, p 252

4 LAND USE

4.1 Industrial land in the Hunter

Due to the abundance of resources and infrastructure services available in the Hunter, the region has historically supported large-scale manufacturing industries. However, in recent years, the regional economy has reduced its reliance on heavy industry and is now becoming more diversified. As the number of small to medium sized industries has grown, there has been an increasing demand for small parcels of industrial land in established areas.¹²⁵

4.1.1 Lower Hunter

In 1993 there were around 4800 hectares of designated industrial land in the Lower Hunter. Of this, 2600 hectares were vacant with undeveloped industrial land at Kooragang Island, Tomago, Rutherford, Thornton, Morisset, Redhead and Kurri Kurri-Weston.¹²⁶

4.1.1.1 Kooragang Island

In a 1993 study the Department of Planning identified approximately 1300 hectares of vacant industrial land on Kooragang Island. This finding was recently disputed in the *Upper Hunter Power Stations Buffer Zone Study*, commissioned by the Hunter Economic Development Corporation in conjunction with Pacific Power and Macquarie Generation, which concluded that only around 170 hectares could be considered available on Kooragang Island.

In addition to its strategic importance in terms of industrial and port development, Kooragang Island is home to wetlands of regional, national and international significance. Cr Rene, Newcastle City Councillor, described the various factors that need to be considered in any development of Kooragang Island:

The purpose of the [Kooragang Island development control plan] is to identify proper and appropriate uses of Kooragang Island, one of the last deep-water port areas available for development in Australia. As such, it has significant value in terms of the Australian economy. ...

What has to be recognised ... is that environmental, eco-tourism and educational opportunities have to be seen as significant factors in the assessment of appropriate uses of that land. Disposing of internationally significant areas of environmental land is not equatable to using that land for industrial purposes. ... I think that needs to recognise the environmental significance of this land.¹²⁷

¹²⁵ Hassell Pty Ltd (1997), *Upper Hunter Power Stations Buffer Study*, Sydney.

¹²⁶ Department of Planning (1993), *Lower Hunter Employment Lands 1993*, Sydney.

¹²⁷ Evidence of Cr Rene, 3 February 1998, p243

The Standing Committee recognises the importance of Kooragang Island and encourages careful consideration of its future use.

4.1.1.2 Steel River Industrial Park

In June 1995 BHP announced that they would release a 107-hectare site in Mayfield for industrial development, with an aim to create 2000 jobs. This industrial development is now known as Steel River.

In preliminary studies for the Steel River project, BHP identified three main impediments to international firms establishing industrial developments in Australia—the lack of transparency of government incentives, the lack of foreign trade zone arrangements (foreign trade zones, or manufacturing in bond as it is called in Australia, allows companies to import goods, add value and export them with a minimum of paperwork and no duties) and the uncertainty associated with approval processes.¹²⁸ When developing their Steel River concept BHP sought to address these issues, as outlined below.

Through negotiations with the state government, BHP addressed the lack of transparency of government assistance. Mr Cameron, External Affairs Manager for BHP, described the state's approach:

The New South Wales government, very constructively and proactively, recognised that as an impediment, so we worked with them on a package of State Government incentives. They are no different from the incentives that were available, but now the New South Wales government can offer up to 5 per cent as an incentive on invested capital.¹²⁹

Mr Chard, Regional Coordinator of the Hunter and Central Coast for the Premier's Department, also described the government assistance:

The transparent assistance program—or what we colloquially call the Hunter Advantage Fund—is a package of financial support that was led by the New South Wales government ... whereby the government provided \$10 million to encourage more development into the Hunter region. The challenge was also given to the Federal Government and to BHP to similarly provide \$10 million ... the New South Wales and the federal government funds will be exclusively used ... to support the private developments out there.¹³⁰

Manufacturing in bond provisions were announced by the federal government in December 1997. Manufacturing in bond allows goods to be manufactured in a customs licensed warehouse free of duty and sales tax. If the goods are subsequently exported, either in their original or manufactured form, no duty or sales tax liability is incurred. Imports consumed or sold domestically incur duty and sales tax liabilities at the time they leave the warehouse.

¹²⁸ Evidence of Mr Cameron, 6 November 1997, pp104-105

¹²⁹ Evidence of Mr Cameron, 6 November 1997, p105

¹³⁰ Evidence of Mr Chard, 5 November 1997, p51

Manufacturing in bond is not restricted to the Steel River site—it is available Australia-wide. Thirty-two other countries operate foreign trade zones.¹³¹

Mr Cameron explained the streamlined administrative arrangements for manufacturing in bond:

The reason why manufacturing in bond is going to be a superior administrative process is the use of electronic bar codes. When a component or a good is manufactured now the manufacturer puts a bar code onto that product. So, when that product is shipped to the customer ... the manifest is simply done with the infra-red devices ... this electronic transfer of data will then be made to Customs ...¹³²

The third impediment, uncertainty and delays in development approvals, has been addressed by a 28-day approval process for applications that fit into a predefined environmental envelope. Newcastle City Council, together with BHP, the community and the state government, conducted a strategic impact assessment study and established the criteria (or environmental envelope) for development in the Steel River estate. Applications that do not meet the environmental envelope are not guaranteed the 28 day approval process.

Cr Heys, Lord Mayor of Newcastle, stated that the Steel River project enjoyed a smooth approval process because there was community agreement throughout the consultation process:

... with the Steel River, we had all the responsible players agreeing that it would happen, and then it was up to a technical subcommittee to work through the details. So you had the Mayfield residents and you had the environment groups in there with BHP, with the Environment Protection Authority and the Department of Urban Affairs and Planning, ...[and] the Total Environment Centre...

but when it got to the decision, that finally was made by Council unanimously, because all those issues had been worked through.¹³³

Mr Chenery, appearing as a private citizen, also noted the inter-governmental coordination in the Steel River project:

... I applaud what has happened with the Steel River project. ... Steel River has made some significant gains because this community has worked together and got the cooperation of federal, state and local government to move that project.¹³⁴

Cr Heys suggested that this approach might be used in other regions,¹³⁵ a view reaffirmed by Mr Chard:

¹³¹ Evidence of Mr Cameron, 6 November 1997, p104

¹³² Evidence of Mr Cameron, 6 November 1997, p107

¹³³ Evidence of Cr Heys, 18 March 1998, p536

¹³⁴ Evidence of Mr Chenery, 25 February 1998, p433

¹³⁵ Evidence of Cr Heys, 18 March 1998, p536

Could I also reflect on the lesson that we learned from the Steel River project? That was so important in terms of lessons for the future for governments about what can be done, because what we had was a shifting of positions of a number of government departments that were prepared to look at something in advance and say, “This is what the Government wants to

¹³⁶

Through identifying and addressing impediments to businesses locating in Newcastle, BHP has been able to put together a very attractive package for its Steel River estate. The Standing Committee commends BHP and the relevant stakeholders on their initiative and consultative approach.

4.1.1.3 Other industrial areas in the Lower Hunter

Although the Department of Planning concluded that there is sufficient industrial land in the Lower Hunter,¹³⁷ there are specific areas that are constrained by a lack of industrial land. Lake Macquarie City Council described the lack of industrial land in their local government area:

Lake Macquarie currently only has a four to five year supply of industrial land in the City. Council is seeking to address this issue through its recently completed Industrial Land Study and its Lifestyle 2020 Strategic Planning Project.¹³⁸

Mr Gray, the then General Manager of Lake Macquarie City Council, stated that the council is closely examining the development of three sites, currently owned by mining companies.¹³⁹ Lake Macquarie’s industrial land problem is compounded by accessibility problems at Cardiff Industrial Park (see chapter 3).

Other Lower Hunter councils, including Maitland and Cessnock, are developing industrial parks to attract employment-generating businesses. Maitland City Council described the availability of industrial land in their local government area:

Maitland has an abundance of quality industrial land in the Racecourse Business Park at Rutherford, and at Thornton Industrial Estate. Both are planned, serviced industrial estates with quality level land and ready access to major highways ...

Council has sought participation in these industrial parks from SME’s [small to medium sized enterprises], particularly in the light industrial and metal fabrication areas, which are among the fastest growing employment sectors.¹⁴⁰

Mr Edmonds, the then Economic Development Manager at Maitland City Council, described Rutherford as one of the most significant developments in the Hunter.¹⁴¹ Demand in the

¹³⁶ Evidence of Mr Chard, 18 March 1998, p547

¹³⁷ Department of Planning (1993), *Lower Hunter Employment Lands 1993*, Sydney

¹³⁸ Submission 33, Lake Macquarie City Council, p6

¹³⁹ Evidence of Mr Gray, 2 February 1998, p193

¹⁴⁰ Submission 26, Maitland City Council, p2

¹⁴¹ Evidence of Mr Edmonds, 3 February 1998, p280

Hunter for industrial land is strong, with Thornton industrial estate in its final stage of development after only 18 months.¹⁴²

Cessnock City Council identified an opportunity to supply industrial land for large-scale developments:

The shortage of industrial land in the lower Hunter, in particular a large parcel of land offering space and isolation was recognised as an opportunity for the Cessnock area. Recent industrial developments in the Hunter have focussed on light industrial/commercial businesses. It is planned to fill a niche in the industrial land market by developing a local heavy industrial park that can cater for the needs of large-scale industrial development that cannot be met by sites such as the Steel River Project.¹⁴³

Cessnock City Council requested state government assistance with the development of their industrial land:

... assistance is required for the development of the land to a stage where it can be actively marketed, and for the task of identifying target industries and attracting them to this area. It is at this stage that the New South Wales Government's involvement in the project can contribute to the future employment in the Hunter.¹⁴⁴

4.1.2 Upper Hunter

Industrial land represents less than 0.02 per cent of the total land in the Upper Hunter. The main land uses in the Upper Hunter are grazing (48 per cent) and timber (42 per cent). Mining consumes 15,000 hectares or less than 1 per cent of the Upper Hunter.¹⁴⁵ Nevertheless, industrial land is important to future business and employment opportunities in the Upper Hunter.

Cr Seymour, Mayor of Muswellbrook, described Muswellbrook Council's success in developing an industrial park:

In the eighties, the Council developed a 67-hectare industrial estate at Muswellbrook. This estate comprises 109 lots ranging from 0.5 hectare to 3 hectares. All but two half-hectare sites have been sold. Some purchasers bought more than one block, and it is pleasing to see about 40 substantial industries on the site ...¹⁴⁶

A report commissioned by the Hunter Economic Development Corporation, Pacific Power and Macquarie Generation identified opportunities for industrial development in the buffer zones around Liddell and Bayswater power stations in the Upper Hunter. While the report concluded that a substantial proportion of the land around the power stations is considered by

¹⁴² Evidence of Mr Edmonds, 3 February 1998, p280

¹⁴³ Submission 4, Cessnock City Council, p2

¹⁴⁴ Submission 4, Cessnock City Council, p3

¹⁴⁵ Department of Urban Affairs and Planning (1997), *Upper Hunter Cumulative Impact Study and Action Strategy*, Sydney

¹⁴⁶ Evidence of Cr Seymour, 24 February 1998, p301

its owners to be integral to their current and future operational requirements, the report recommended that Pacific Power and Macquarie Generation identify land that is surplus to their future requirements. Any surplus land should be developed to complement the power generation activities and comply with international parameters for environmental management.¹⁴⁷

Recommendation 10

The Standing Committee recommends that the relevant state government agencies, including the Hunter Economic Development Corporation, the Department of Urban Affairs and Planning and the Regional Coordinator of the Hunter and Central Coast for the Premier's Department, work in conjunction with local governments and community groups to facilitate the development and marketing of industrial estates in the Hunter region.

Further, the Committee recommends that Macquarie Generation identify surplus land to allow appropriate development of that land.

4.2 Honeysuckle and Newcastle central business district

Newcastle central business district was established two hundred years ago and is characterised by harbour and ocean frontages and a commercial centre. It is a relatively small city that focuses on the port, heavy industry, health, education, public administration and small business.¹⁴⁸

Mr McNaughton, a former Lord Mayor of Newcastle appearing as a private citizen, described the reduction in the number of people working in Newcastle's central business district since the 1960s:

... in the sixties there were 22,000 people who worked in the central business district of Newcastle, in the inner city. By 1986 that had declined to 16,000. ... the [1991] figure was¹⁴⁹

The population has also moved to the newer suburbs and their satellite commercial centres.¹⁵⁰ Mr Rossely, the then General Manager of the Honeysuckle Development Corporation, described the central business district's declining population:

If you take what is called the central area of Newcastle, in 1951 it had over 50,000 people; by 1971 it was about 31,000 people; in 1996, there were about 24,000. There has been a significant diminution in the resident population.¹⁵¹

¹⁴⁷ Hassell Pty Ltd (1997), *Upper Hunter Power Stations Buffer Zone Study*, Newcastle.

¹⁴⁸ Submission 27, Honeysuckle Development Corporation, p2

¹⁴⁹ Evidence of Mr McNaughton, 19 March 1998, p551

¹⁵⁰ Submission 27, Honeysuckle Development Corporation, p2

¹⁵¹ Evidence of Mr Rossely, 2 February 1998, p143

State, federal and local governments have sought to reinvigorate Newcastle's city centre. The major initiative in the revitalisation process is the redevelopment of Honeysuckle and its environs. The Honeysuckle Development Corporation was established in 1992 to renew and encourage the redevelopment of more than 50 hectares of surplus state government property adjacent to Newcastle's central business district. The state and federal governments jointly provided around \$100 million¹⁵² through the Better Cities Program for the redevelopment of dilapidated wharves, neglected buildings, contaminated land, and services (including water and power) in the Honeysuckle area.¹⁵³ Mr Rossely, the then General Manager of the Honeysuckle Development Corporation, described the corporation's roles:

The first one was to assist the revitalisation of the Newcastle CBD as the regional capital for the Hunter. The second was to encourage use of innovative and higher-density housing forms. The next was to expand the employment base of the region, encourage use of other forms of transport, and reduce reliance on the motor car.¹⁵⁴

Honeysuckle is divided into precincts, each with its own development plan. The main precincts are:

- Wickham/Maryville—a medium density residential area with up to 500 dwellings;
- recreational marina—mooring facilities for over 200 berths and service and leisure facilities;
- civic heritage—restoration of six former railway buildings of National Heritage status; and
- central precinct—the main commercial and mixed-use precinct.

Mr Jensen, appearing as a private citizen, described Honeysuckle's attributes:

This section of land is a magnificent stretch of land, a beautiful stretch of land, a piece of land that should be a developer's dream; a piece of land that the New South Wales government should be able to develop successfully and properly—successfully in that it pays a social and urban infrastructure dividend to Newcastle, and profitably in that it returns a financial dividend to Macquarie Street and the people of New South Wales.¹⁵⁵

The Honeysuckle redevelopment project has an estimated life span of 10 to 15 years. To date, Honeysuckle Development Corporation's principal focus has been on infrastructure provision—the port and rail related land has been cleaned up and basic infrastructure such as roads, sewerage and electricity mains have been put in place. Restoration work to historic

¹⁵² The Commonwealth government provided around \$70 million and the state government provided around \$30 million, which includes a \$16 million land transfer.

¹⁵³ Honeysuckle Development Corporation, *The Honeysuckle Redevelopment Newcastle* brochure

¹⁵⁴ Evidence of Mr Rossely, 2 February 1998, pp137-138

¹⁵⁵ Evidence of Mr Jensen, 18 March 1998, p489

buildings has also been carried out.

With the infrastructure now in place, the Honeysuckle Development Corporation is focussing on marketing the developed land:

... the Corporation is now entering a period where the emphasis will be on marketing the improved assets. This stage, if managed strategically, can deliver significant long-term benefits to the city of Newcastle.¹⁵⁶

Last year, after Newcastle City Council delayed approving a hotel development, the Minister for Urban Affairs and Planning, the Hon. Craig Knowles, MP, assumed planning controls for the Honeysuckle project:

Last week I used this Chamber to send a message to Newcastle City Council concerning its performance in assessing a proposal to build a hotel on the Newcastle foreshore. ...

In simple terms I told the council to stop talking and start approving the proposal and allow investment dollars and jobs to flow. I told the council that if it did not, I would. I report that at its meeting last night Newcastle City Council again refused to progress this project. By a decision of seven votes to six the Newcastle City Council quashed the proposed \$43 million waterfront hotel on the Merewether Street wharf by its recession of the rezoning and planning approvals for the Honeysuckle land. ...

As a consequence of the council's inaction I have decided to take control of the issue. The Government has a major interest in, and commitment to, the generation of economic activity, employment, growth and wealth in the Hunter. The Honeysuckle urban renewal site is an important element in achieving the Government's objectives ... I will today issue a section 101 direction under the Environmental Planning and Assessment Act making me the determining authority for the development for the proposed hotel site. ... I will also request the Director-General of Urban Affairs and Planning to prepare a regional environmental plan to ensure that appropriate zoning provisions are put in place to facilitate urban renewal of this important area.¹⁵⁷

The Newcastle Greens expressed concern that the Minister for Urban Affairs and Planning had assumed planning controls:

The Minister's action (which we believe was taken on the basis of partisan advice from the HDC) has done enormous damage to the much vaunted partnership approach upon which the Honeysuckle project was ostensibly based. ...

Unfortunately, the new amendment to the Regional Environmental Plan (REP) for Central Honeysuckle prepared by the Minister has now established a zoning plan which would permit such a hotel development, and there is no doubt that this will once again ignite further community concern when a Development Application is eventually lodged.¹⁵⁸

¹⁵⁶ Submission 27, Honeysuckle Development Corporation, p2

¹⁵⁷ Mr Knowles (14 May 1997), Ministerial Statement, Hansard, p8576

¹⁵⁸ Submission 37, Newcastle Greens, p2

As discussed in chapter 3, accessibility between the city centre and the Honeysuckle/harbour area needs to be addressed.

Cr Heys, Lord Mayor of Newcastle, described efforts to progress the Honeysuckle redevelopment:

We are trying to recover the Honeysuckle situation. We are having a workshop on 27 March, again with a lot of broader stakeholders involved, and this time wanting to look at the rail issue, not just the Honeysuckle and its integration across the rail. ...¹⁵⁹

Mr Gaudry, MP, Member for Newcastle, explained the success of this workshop:

A joint Honeysuckle-Newcastle City Council workshop to discuss the future of Newcastle was held on 27 and 28 March. The workshop involved some 60 community and elected representatives and undertook a significant review of the progress being made in the revitalisation of the city of Newcastle, the role that the Honeysuckle Development Corporation has in that revitalisation and, beyond that, the even greater role of the private investment sector, elected representatives – of the Newcastle City Council and both State and Federal governments – and community members.

I would have to say that the two-day workshop took a positive attitude towards bringing back the population, restoring the commercial viability of the city, maintaining the city's heritage and realising the potential for development, particularly in its west end, and reinforcing the heritage aspects and the built form of the city to the east. ...¹⁶⁰

The Honeysuckle Development Corporation indicated in a letter to the Standing Committee that they were pleased with the success of the workshop.

The Standing Committee notes significant financial contributions from both federal and state governments have been made to the Honeysuckle project. In order to realise the benefits from these grants, it is important for stakeholders to work together and find solutions to the problems that the Honeysuckle redevelopment faces.

Recommendation 11

The Standing Committee recommends that the Minister for Urban Affairs and Planning oversee the formation of a stakeholder steering committee to progress the Honeysuckle redevelopment, which should comprise:

- **the Newcastle City Council;**
- **the Honeysuckle Development Corporation;**
- **the Parks & Playgrounds Movement;**
- **a conservation group;**

¹⁵⁹ Evidence of Cr Heys, 18 March 1998, p536

¹⁶⁰ Mr Gaudry (1 April 1998), Private Member's Statement, Hansard, p3604

- a heritage group;
- the Newcastle Chamber of Commerce; and
- any other representatives that the Minister for Urban Affairs and Planning considers necessary.

The steering committee should progress the consultative process established by the March 1998 workshop to ensure that any revitalisation projects have the support of the community.

5 REGIONAL DEVELOPMENT

5.1 Regional development organisations

There is a strong commitment to progressing regional development within the Hunter, with extensive involvement by individuals and organisations. The Director of the Employment Studies Centre at the University of Newcastle, Professor Green, told the Committee the Hunter has “set the pace for regional development in many areas”.¹⁶¹ Professor Green emphasised the increasing importance of a regional focus:

... international experience and literature on regional development is telling us ... that regions are now a major source of competitive advantage within the world economy. Regions, rather than nation states, generate competitive advantage, particularly through knowledge-based processes and products.¹⁶²

5.1.1 The role of the Department of State and Regional Development and the Hunter Economic Development Corporation

State government support for regional development in the Hunter is primarily provided by the Department of State and Regional Development. The department:

... works with businesses and investors to develop New South Wales as a prosperous and internationally competitive economy. The department seeks to attract and retain investments, boost exports, foster industry skills and innovation and create sustainable jobs.¹⁶³

The department consists of five major divisions: investment, trade and business services, regional development, industry development, and policy and resources. The regional development division has a network of 17 regional offices, 13 regional development boards and a small head office team in Sydney.¹⁶⁴

The Hunter Economic Development Corporation is one of the 13 regional development boards across New South Wales. Regional development boards:

- provide vision, strategic leadership and business support;
- advise government on regional issues;
- pursue economic development opportunities;
- access state and Commonwealth business development programs;
- foster business development in their regions; and

¹⁶¹ Evidence of Professor Green, 24 February 1998, p342

¹⁶² Evidence of Professor Green, 24 February 1998, p341

¹⁶³ Department of State and Regional Development, internet site at www.business.nsw.gov.au

¹⁶⁴ Department of State and Regional Development, internet site at www.business.nsw.gov.au

- provide industry with a direct link to government.¹⁶⁵

Members of regional development boards are appointed by the state government and comprise key regional business leaders and representatives of local government and other stakeholder organisations. Regional development boards draw on resources provided by the Department of State and Regional Development.

Dr Firth, General Manager of the Hunter Economic Development Corporation, described the role of the Hunter Economic Development Corporation and its relationship to the Department of State and Regional Development:

The Hunter Economic Development Corporation has two really important roles: to provide advice up to the New South Wales government on economic matters relating to the Hunter, but also of course to develop the regional economic development strategy. The Hunter does that by extensive links with all the major players in the region.

The work of the board is not in isolation. It is also underpinned by the Department of State and Regional Development.¹⁶⁶

5.1.2 The Common Purpose Group

While the Department of State and Regional Development and the Hunter Economic Development Corporation play a major role in the Hunter, there are many other organisations that contribute to the region's development.

In June 1997, after BHP's April announcement about the closure of its steel making operations in Newcastle, interested individuals and organisations met together to discuss future directions for the Hunter region.¹⁶⁷ Organisations that participated in this meeting included:

- Australian Business Ltd;
- Area Consultative Committees;
- Austrade;
- Beyond 2000 Committee;
- Business Enterprise Centres;
- employee representative bodies;
- employer representative bodies;
- Hunter Area Consultative Committee;
- Hunter Development Board;
- Hunter Economic Development Corporation;
- Hunter Regional Development Organisation;
- Hunter Regional Organisation of Councils;

¹⁶⁵ Department of State and Regional Development, internet site at www.business.nsw.gov.au

¹⁶⁶ Evidence of Dr Firth, 5 November 1997, p23

¹⁶⁷ Evidence of Mr Razborssek, 3 February 1998, p212

- Industry Development Centre;
- local government councils;
- University of Newcastle;
- Upper Hunter Development Team.¹⁶⁸

The outcome of the meeting was the formation of a body, the Common Purpose Group, to represent the common interests of those present at the meeting. The Standing Committee was advised that:

The Common Purpose Group [CPG] was established in June 1997 to improve regional coordination and to develop a strategic response to the closure of BHP steel-making in Newcastle. The CPG is not intended to replace existing regional bodies but to bring together key regional stakeholders and interest groups in a forum where progress can be made through well informed, consensus decision making.¹⁶⁹

The Common Purpose Group currently receives secretariat support from the Hunter Economic Development Corporation, who provided part-sponsorship for the Common Purpose Group's 'Promise of the Hunter Jobs Summit' held on 14 November 1997. The Jobs Summit was a major exercise undertaken by the Common Purpose Group to ensure that the community and businesses are involved in developing a new 'Integrated Regional

¹⁷⁰

Outcomes of the Jobs Summit included the production of action plans for a number of industry clusters in the Hunter and the identification of catalysts related to the development of industries.¹⁷¹

5.1.3 Rationalisation of organisations

The membership of the Common Purpose Group highlights the large number of regional organisations in the Hunter that perform important work for the community. The support and apparent need for the Common Purpose Group suggests that the community may be lacking a common focal point for regional development initiatives. During the course of its inquiry, the Standing Committee heard from a large number of regional organisations. Professor Green described these bodies as:

... an alphabet soup of regional bodies funded and supported by federal, state and local governments, and, to some extent, by industry groups as well.¹⁷²

Comments made by participants at the Jobs Summit identified the need for a peak body to coordinate regional development:

¹⁶⁸ Submission 30, Jobs Summit Committee, p5

¹⁶⁹ Submission 30, Jobs Summit Committee, p5

¹⁷⁰ Submission 30, Jobs Summit Committee, p5

¹⁷¹ Industry clusters are discussed in detail in section 5.3, below.

¹⁷² Evidence of Professor Green, 3 February 1998, p223

The role of strong and effective leadership in economic development should not be underestimated. There is a need for a body to bring together all of the economic development organisations in the Valley, the Councils, government departments and community groups. This coordination group should be formed by merging some of the existing economic development groups in the Valley.

Our greatest need is for a peak body defining regional goals. The body should be derived from our local residents and industry. It should be supported or sustained by a Hunter levy. It should have the power to demand local government areas to observe a set of specific planning objectives.¹⁷³

The Standing Committee explored views within the Hunter about the large number of organisations in the region. Dr Firth told the Standing Committee that:

... whilst there are a large number of organisations, I believe that each of these organisations has a particular contribution to make to the issues at hand ... It would be, I think, not very valuable to do away with large numbers of those organisations.¹⁷⁴

Mr Chard, Regional Coordinator of the Hunter and Central Coast for the Premier's Department, had a different view, although he acknowledged the cooperative approach of the various bodies:

There are a lot of organisations; there is no question about that. If we had our choices, we would try to amalgamate the vast majority of those organisations, because the time that it takes for them to communicate with each other is a burden in its own right. However, my 25 years of experience tells me that the chances of getting a number of those groups to amalgamate are such that it is not going to happen, so we need to work on the best way of getting cooperation and support from all of the agencies. I think we have pretty well got that in the Hunter now.

We have a spirit of cooperation. There is good communication between most of the groups. There does not appear to be too much overlapping of roles and responsibilities.¹⁷⁵

The Standing Committee heard that there is scope for amalgamating a variety of organisations in the Hunter, including economic development bodies, councils and employee and employer representative bodies. A suggestion made by a participant at the Jobs Summit Committee:

... was to amalgamate councils into two or three areas and amalgamate HEDC [Hunter Economic Development Corporation], HURDO [Hunter Regional Development Organisation], ACC [Area Consultative Committee], HDB [Hunter Development Board] and IDC [Industry Development Centre] into one organisation, assisted by a Hunter levy, with a strong enterprise development function.¹⁷⁶

¹⁷³ Submission 31, Jobs Summit Committee, p33

¹⁷⁴ Evidence of Dr Firth, 5 November 1997, p25

¹⁷⁵ Evidence of Mr Chard, 5 November 1997, p59

¹⁷⁶ Submission 31, Jobs Summit Committee, p31

The Standing Committee wrote to the Minister for Local Government, the Hon. Ernie Page MP, and the Shadow Minister for Local Government and Hunter Development, the Hon. Duncan Gay MLC, seeking information about government and opposition policy on the issue of council amalgamations. Both the Minister and the Shadow Minister indicated that while they supported voluntary amalgamations of councils in New South Wales, they were opposed to compulsory amalgamations.

The Standing Committee notes the Hunter Regional Organisation of Councils, comprising the 13 local governments of the Hunter, has recently received a grant of \$70,000 from the Local Government and Shires Association to investigate possible council amalgamations.¹⁷⁷ The Standing Committee believes any move towards council amalgamations must have strong support from the community and existing councils. The investigation will provide Hunter councils with an opportunity to work together to explore the possibility of voluntary amalgamations.

Non-government organisations have been leading the way in voluntary amalgamations in the Hunter. The Standing Committee heard from the Chair of the Jobs Summit Committee (and Industrial Officer of the Labor Council of New South Wales), Mr Razborssek, about plans for trade union organisations to work more closely together, with the co-location of Labor Council and Newcastle Trades Hall Council offices.¹⁷⁸ Employer representative organisations, the Australian Business Chamber and the Newcastle Regional Chamber of Commerce, have also recently announced a merger.¹⁷⁹

The Committee was impressed by the determination of organisations within the region to explore options for the rationalisation of regional development roles and functions. Organisations within the Hunter appear to be highly motivated to work together cooperatively to ensure a prosperous future for the region. The Committee supports voluntary amalgamations but believes rationalisation of regional organisations in the Hunter should be driven from within the region.

5.1.4 Regional focus

Lake Macquarie Council expressed a view to the Standing Committee that:

HEDC [Hunter Economic Development Corporation] seems to have a Newcastle focus rather than a regional one, a view that is shared by adjoining councils.¹⁸⁰

Lake Macquarie Council sought the Standing Committee's support for a greater regional focus for Lake Macquarie. Lake Macquarie Council argued that given the substantial size of Lake Macquarie's population:

¹⁷⁷ *Newcastle Herald*, 'Councils merger study – HROC examines ways to share costs', 29 May 1998, p4

¹⁷⁸ Evidence of Mr Razborssek, 3 February 1998, p214

¹⁷⁹ Evidence of Mr Chenery, 25 February 1998, p434

¹⁸⁰ Submission 33, Lake Macquarie Council, pp8-9

Lake Macquarie's lack of representation on the Hunter Economic Development Corporation (HEDC) is seen as a significant inhibitor to growth. This matter has previously been the subject of correspondence to the Minister and local members.

HEDC and its Board need to have a greater understanding of and commitment to Lake Macquarie's opportunities and ambitions in the interest of regional growth.¹⁸¹

The Standing Committee notes the concerns of Lake Macquarie Council but observes that there are no council representatives on the Board of the Hunter Economic Development Corporation. The Standing Committee encourages the Hunter Economic Development Corporation to work more closely with local councils in the Hunter to improve understanding of regional objectives.

Recommendation 12

The Standing Committee recommends that the Hunter Economic Development Corporation consider holding quarterly meetings with councils in the Hunter region for two-way communication purposes.

5.2 The Hunter Advantage Fund

5.2.1 The establishment of the fund

On 29 April 1997 BHP announced that it intends to close its Newcastle steelworks in late 1999, at a cost of 2500 jobs. The Hunter Valley Economic Research Foundation estimated that another 3500 related jobs would be lost – 1500 among service providers, such as transport, and 2000 related to spending at local businesses.¹⁸²

The New South Wales government established the Hunter Advantage Fund in response to the announcement of the closure of BHP's steel making operations in Newcastle. In his 1997/98 budget speech, the Treasurer, the Hon. Michael Egan MLC, indicated the Hunter Advantage Fund would be used:

... to promote Hunter exports, new business investment, expansion of existing businesses and, most importantly, new jobs for the Hunter.¹⁸³

The state government pledged \$10 million for the fund and indicated that it would be seeking additional funding from the federal government and BHP. The Prime Minister, the Hon. John Howard, MP, confirmed a federal government contribution of \$10 million in July 1997 and BHP also pledged \$10 million.

¹⁸¹ Submission 33, Lake Macquarie Council, p8

¹⁸² *Sydney Morning Herald*, 'A painful transition ahead', Elizabeth Sexton, 30 April 1997, p9

¹⁸³ The Hon. Michael Egan MLC, Treasurer, Legislative Assembly Hansard, 6 May 1997, p8073

The Hunter Advantage Fund partners (the state and federal governments and BHP) are aiming to create 2500 sustainable jobs in the region by the year 2000. Assistance from the fund is generally limited to projects that will realise an overall benefit to both the Hunter and the New South Wales economy. Funding for projects is based on:

- the number of people a business employs;
- the value of capital invested; and
- compatibility with the region's strategic development.¹⁸⁴

The fund provides assistance to new investments for costs in establishing new job-generating investment and infrastructure costs as well as offering payroll tax, land tax and stamp duty relief. The value of assistance packages is determined by the direct employment generated (calculated at up to \$5,000 per job) and consistency with the region's economic development strategies.¹⁸⁵

5.2.2 Beneficiaries of the fund

As detailed above, the primary purpose of the Hunter Advantage Fund is to generate employment in the Hunter region. The Standing Committee was told by Mr Chard that:

... the only way we could effectively create those types of jobs was really backing private sector investment. That is what the New South Wales and the federal government funds will be exclusively used for – to support the private developments out there.¹⁸⁶

While the federal government, the state government and BHP are working together to ensure a successful allocation of the fund monies, final decisions about the allocation of grants rest with each of the three funding bodies.

5.2.2.1 New South Wales government contribution

Out of the \$10 million state government contribution to the Hunter Advantage Fund, grants totalling \$5.15 million had been allocated as of 15 June 1998, with an expectation that approximately 1180 full-time and 70 part-time positions would result from these grant initiatives.¹⁸⁷ The state government had made announcements about grants totalling \$3.8 million and had approved further grants totalling \$1.35 million, with announcements expected shortly.

It is expected that the projects already announced by the state government will generate approximately 740 on-going full-time positions, 36 on-going part-time positions and 1250

¹⁸⁴ Department of State and Regional Development internet site at www.business.nsw.gov.au

¹⁸⁵ Department of State and Regional Development internet site at www.business.nsw.gov.au

¹⁸⁶ Evidence of Mr Chard, 5 November 1997, p51

¹⁸⁷ Information provided by the Premier's Department

short-term construction positions (see table 5.1).¹⁸⁸ Companies that have received grants include a steel mill, a pharmaceutical manufacturer, a tourism developer and an electronics manufacturer. In addition, the Hunter Economic Development Corporation has been allocated \$750,000 to market the Hunter region as a location for potential investors.

The companies that are to receive grants that have been approved, but not yet announced, include a marine manufacturer, a call centre operator, an aquaculture developer and a chemicals manufacturer (see table 5.1). Approximately 450 full-time jobs and 36 part-time jobs will be generated from these initiatives.

The Standing Committee is pleased to note that the initiatives funded to date by the state government are expected to generate nearly half of the 2500 jobs originally hoped to be created by the Hunter Advantage Fund. The Standing Committee commends the state government for these initiatives, and encourages the allocation of the remaining \$4.85 million in a timely manner.

¹⁸⁸ One project that has been granted funding from the state government has also been granted funding from the federal government. The 450 full-time and 1250 construction jobs that related to this project are represented both in this section on state government allocations and in the next section on federal government allocations.

TABLE 5.3 Hunter Advantage Fund grant allocations, New South Wales Government, as at 12 June 1998

ORGANISATION	PROJECT	LOCATION	NO. JOBS GENERATED	GRANT
ANNOUNCED				
Hunter Economic Development Corporation	Marketing	Entire Hunter	-	\$750,000
ANI Ltd (Comsteel)	Steel Mill	Newcastle	450 <i>1250 (construction)</i>	N/A
Jurox Ltd	Pharmaceutical manufacturing	Maitland	95	N/A
Hilton Grugeon	Pipe manufacturer	Maitland	32	N/A
Osborne Amusements	Tourism facility	Port Stephens	30	N/A
Austral Industries	Electronics manufacture	Lake Macquarie	16	N/A
Milltech	Heat treatment	Lake Macquarie	17	N/A
Donhad	Grinding media manufacture	Newcastle	23	N/A
Nu Line Profiles	Building materials manufacture	Newcastle	75 full-time 36 part-time	N/A
Sub-total			738 full-time 36 part-time <i>1250 (construction)</i>	\$3.8 million
APPROVED BUT NOT YET ANNOUNCED				
N/A	Research into composites manufacture	Lake Macquarie/ Newcastle	72	N/A
N/A	Marine manufacture	Newcastle	300	N/A
N/A	Metal manufacture	Newcastle	55	N/A
N/A	Aquaculture development	Port Stephens	7 full-time 8 part-time	N/A
N/A	Call centre	Newcastle	5 full-time 20 part-time	N/A
N/A	Chemicals manufacture	Newcastle	7 full-time 8 part-time	N/A
Sub-total			446 full-time 36 part-time	\$1.35 million
TOTAL TO DATE			1184 full-time 72 part-time <i>1250 (construction)</i>	\$5.15 million

Note: N/A – not available as details restricted due to commercial confidentiality.

Source: Information supplied by Premier's Department.

5.2.2.2 Federal government contribution

Of the federal government's \$10 million contribution to the Hunter Advantage Fund, grants totalling \$5.6 million had been announced as of 15 June 1998.

In early December 1997 the federal government announced it would contribute up to \$3 million for the cost of electricity infrastructure on Kooragang Island. The infrastructure is intended to service the proposed steelworks development by ANI Ltd on the island, as well as encourage further development of industry and jobs on the island.¹⁸⁹ Both the state and federal governments have announced grants to assist the ANI steelworks development, with a total of 450 full-time and 1250 construction jobs expected to be generated by the initiative (see table 5.1).

In mid-December 1997 the federal government made a further announcement, for a grant of \$2 million to shipbuilder Forgacs Engineering Pty Ltd for the expansion of local operations infrastructure. The expansion of Forgacs operations is expected to generate up to 200 positions by December 1998, and an additional 300 jobs (including sub-contractors) in the future.¹⁹⁰

A third grant of \$600,000 from the federal government was announced on 9 June 1998 for the establishment of the Newcastle Stock Exchange, which is expected to specialise in the securities of small and medium regional enterprises. While the stock exchange will only directly employ 10 people, it is expected that it will be used by listed companies to raise equity capital to expand or commence operations, resulting in employment growth for the region.¹⁹¹

The three projects to be funded by the federal government are expected to directly create 750 full-time positions and 1250 short-term construction positions, and indirectly create many more jobs from employment growth linked to the establishment of the stock exchange. The Standing Committee commends the federal government for its job-creation efforts.

5.2.2.3 BHP contribution

Half of BHP's \$10 million contribution to the Hunter Advantage Fund is to be used for infrastructure development at the Steel River site (see chapter 4). The other \$5 million contribution from BHP has been used to establish the BHP Hunter Development Trust (\$3.5 million) and the BHP Newcastle Welfare Trust (\$1.5 million).¹⁹² Allocations from the BHP funds include:

¹⁸⁹ The Hon. Michael Ronaldson MP, Federal Parliamentary Secretary for Transport and Regional Development, 'Electricity infrastructure to assist industry development on Kooragang Island', media release dated 4 December 1997

¹⁹⁰ The Hon. Michael Ronaldson MP, Federal Parliamentary Secretary for Transport and Regional Development, 'Shipbuilding jobs boost for Hunter region', media release dated 12 December 1997

¹⁹¹ The Hon. Michael Ronaldson MP, Federal Parliamentary Secretary for Transport and Regional Development, '\$600,000 sets Hunter up for own stock exchange', media release dated 9 June 1998

¹⁹² Submission 34, Mr Robin Chenery, p5 / Evidence of Mr Cameron, 6 November 1997, p107

- \$250,000 to the Hunter Economic Development Corporation for general marketing of the Hunter region;
- \$100,000 to the Maitland City Council to progress industry investment;
- \$370,000 to the Hunter Regional Development Organisation for cluster development work;
- \$145,000 to the Sirolli Institute for an enterprise facilitation program;
- \$50,000 to the Hunter Export Centre to assist small business exports; and
- \$900,000 to various companies to encourage investment in the Lower Hunter.¹⁹³

5.3 Regional development strategies

5.3.1 Cluster development

5.3.1.1 *The concept of business clusters*

A commonly used definition of 'business cluster' is:

... a geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue, that share specialised infrastructure, labour markets and services, and that are faced with common opportunities and threats.¹⁹⁴

Since the publication of Michael Porter's *The Competitive Advantage of Nations* in 1990,¹⁹⁵ there has been an increasing interest in business clusters as a model for stimulating regional economies. The concept has been adapted for use throughout the United States and Europe, with the Organisation for Economic Co-operation and Development currently involving member nations in the consideration of cluster policies.¹⁹⁶

5.3.1.2 *Cluster development in South Australia and New Zealand*

Considerable work on cluster development has occurred in both South Australia and New Zealand. In September 1995, the South Australian government's MFP Development Corporation (since disbanded with key officers now working in the South Australian Department of Industry and Trade) launched a pilot project to trial and demonstrate the business clusters model. Two potentially strong clusters in Adelaide – 'multimedia' and 'defence and advanced electronics' – were selected for the trial.¹⁹⁷

¹⁹³ Information provided by the Premier's Department

¹⁹⁴ Rosenfeld, S. A. (1996), *Over Achievers: Business Clusters that Work, Prospects for Regional Development*, Regional Technology Strategies Inc, North Carolina, p5

¹⁹⁵ Porter, M. E. (1990), *The Competitive Advantage of Nations*, The MacMillan Press Ltd, London

¹⁹⁶ Internet site of the Organisation for Economic Co-operation and Development at www.oecd.org.

¹⁹⁷ Information supplied by the South Australian Department of Industry and Trade

The success of the pilot project resulted in the targeting of additional industries including a spatial information cluster and a water management cluster. The South Australian Department of Industry and Trade is also assisting with the identification of additional potential clusters, including 'agriculture and food', 'sport and recreation', 'education', 'tourism', 'wine', 'business software' and 'health'.

These South Australian initiatives are closely linked to the Mawson Lakes development in the north of Adelaide. At present, 40 high growth electronic and information technology companies, providing employment for 1400 people, are co-located at Mawson Lakes with the Levels campus of the University of South Australia. The completed development is envisaged to provide additional commercial and research facilities, along with 3700 dwellings for 10,000 residents. Mawson Lakes is an extension of the business cluster model, with consideration of lifestyle as well as industry development.

Since 1991, Trade New Zealand, the New Zealand equivalent of Austrade, has been engaged in facilitating the growth of 25 clusters in industries such as seafood, timber, agrifood, tourism, film and metal fabrication. Trade New Zealand have provided information and support to local civic leaders to develop a forestry and related forestry engineering cluster in Rotorua, the marine industry in Waitakere and an ultra-deep-sea fishing cluster in Nelson.¹⁹⁸

In recent years, Wellington and Waitakere (in west Auckland, where television's *Hercules* and *Xena* are filmed) local economic development agencies have worked closely with film industry clusters to cut red tape associated with council regulations in their respective areas. The Wellington initiative involved the appointment of a full-time industry coordinator who assists with council approvals.¹⁹⁹

5.3.1.3 Existing and emerging clusters in the Hunter

In late 1995 the Hunter Regional Development Organisation commenced work on a regional economic strategy for the Hunter region.²⁰⁰ The Hunter Regional Development Organisation's efforts resulted in the publication of *Hunter Advantage* in November 1996.²⁰¹ *Hunter Advantage* identifies 23 clusters in the region, which define areas of potential competitive advantage. Clusters identified in *Hunter Advantage* are:

- agribusiness
- air transport
- biotechnology
- building and construction
- chemical
- environmental management
- equine
- health
- information technology
- marine

¹⁹⁸ Williams, I. F. (1997), 'Local clusters and local export growth' in *New Zealand Strategic Management*, Summer 1997, pp24-30

¹⁹⁹ Williams, I. F. (1997), 'Local clusters and local export growth' in *New Zealand Strategic Management*, Summer 1997, pp24-30

²⁰⁰ Evidence of Mr Murray, 5 November 1997, p40

²⁰¹ Hunter Regional Development Organisation (1996), *Hunter Advantage: Hunter Regional Economic Strategy*, HURDO, Newcastle. Also at the HURDO internet site www2.hunterlink.net.au/hurdo.

- clothing and textiles
- coal
- cultural and recreational services
- defence
- education and training
- energy
- engineering and fabrication
- media services
- metal product manufacturing
- personal and community services
- timber
- tourism
- wine.

Participants at the Jobs Summit believed there was a need to focus on a “smaller number of robust and emerging clusters” in the first instance.²⁰² Eleven clusters were identified at the Jobs Summit as regional priorities. They were:

- tourism development
- agribusiness
- arts/culture
- metal products manufacturing
- information technology
- education and training
- marine
- defence
- mining services
- environmental service
- call centres.²⁰³

The Common Purpose Group meets on an ‘as needs’ basis to monitor work on the individual industry clusters and other initiatives. Individual industry groups are progressing work for the separate clusters, with good progress being made by the information technology and environmental service clusters.²⁰⁴

The Standing Committee commends the Hunter Regional Development Organisation and the Common Purpose Group for their work on cluster development and supports further encouragement from government for this work.

The Standing Committee notes the role of the Regional Coordinator for the Hunter and Central Coast in the Premier’s Department in providing support for industries seeking to establish themselves in the Hunter.

5.3.2 SAGRIC International

During the course of the inquiry it was suggested to the Standing Committee that it might be feasible to establish an organisation in the Hunter region similar to SAGRIC International.²⁰⁵

SAGRIC is an international technology transfer and project management company, wholly owned by the South Australian government. It commenced operations in the early 1970s, providing expertise in agricultural technology to North Africa. Since that time it has

²⁰² Submission 31, Jobs Summit Committee, p11

²⁰³ Submission 31, Jobs Summit Committee, p32

²⁰⁴ Information provided by the Hunter Economic Development Corporation

²⁰⁵ Evidence of Dr Green, 5 November 1997, p22

expanded and now contracts to provide education and training, health, environment and water, land management and supply management services.²⁰⁶

SAGRIC International is a registered company wholly owned by the South Australian government. SAGRIC acts as a broker of both public and private sector expertise, successfully bidding for approximately 120 international contracts per year with a value of around \$180 million. In the past, contracts have been primarily for projects funded through AusAID and more recently the Asian Development Bank and the World Bank. SAGRIC seeks out contracts by monitoring contracts offered by these and other multilateral agencies. The company is currently moving towards increasing contracts for privately funded projects.²⁰⁷

A small sample of projects SAGRIC have been involved in include:

- water resources management and the development of degraded rangelands in North Africa;
- livestock technology transfer in South America;
- development of a commercial seed industry in China;
- development of procurement systems for pharmaceutical supplies in South-East Asia;
- communicable disease control in China;
- development of land information systems in Indonesia, Philippines, Cyprus, Yemen and Namibia;
- development of a primary education curriculum and associated materials in Nepal; and
- English language training in Laos.²⁰⁸

SAGRIC's success is linked to the ability of the South Australian government to gain cross-sector government support for the initiative. The size of the South Australian population has meant that it is possible to coordinate activities across public sector agencies and the private sector to meet contract requirements.

The Standing Committee believes it would be worthwhile for a body similar to SAGRIC to be established in the Hunter, as there is a range of particular expertise in the region that could be exported. Regional development organisations have exhibited the ability to work collaboratively on projects that will further the prosperity of the Hunter region, a trait the Standing Committee considers important for the success of a SAGRIC-like body. The establishment of such a body would result in increased business and employment opportunities in the region.

²⁰⁶ SAGRIC International, *Technology to the World*, information brochure published by SAGRIC International.

²⁰⁷ Information provided by SAGRIC International.

²⁰⁸ SAGRIC International, various information brochures

Recommendation 13

The Standing Committee recommends that the state government, in conjunction with the Hunter Economic Development Corporation, establish a body similar to SAGRIC International in the Hunter region and that the state government provide seed-funding for this initiative.

6 INDUSTRIES IN THE HUNTER

This chapter includes a description of industries that were brought to the attention of the Standing Committee during its inquiry process and is not intended to be a definitive list of industries in the Hunter region. Likewise, the issues addressed within each section are those raised during the inquiry process and the Standing Committee recognises that there are many issues impacting on industries that are not included in this chapter.

6.1 Agriculture

The Hunter has a diverse range of agricultural commodities, including traditional products such as cattle, poultry and dairy and emerging agricultural commodities, including alpacas, ostriches, deer, emus, goats and olives. Mr Flannery, General Manager of Singleton Shire Council, described the agricultural industry in the Hunter:

We see a number of agriculture-based industries [the beef cattle industry, the mushroom industry, the vineyards, and the olive industry] which are probably key drivers in the future of the Hunter because of the richness of our soils and our natural resources ...²⁰⁹

In 1996 there were almost 3000 agricultural establishments in the Hunter region.²¹⁰ That year the region supported over half a million meat-cattle, representing 9 per cent of the state's stock,²¹¹ worth over \$90 million.²¹² Other major income earners in 1993/94 in the Hunter were poultry meat, earning \$87 million, and milk, earning \$74 million.²¹³

Mr Wilson, Hunter Regional Director for NSW Agriculture, expressed concern that the Australian Bureau of Statistics (ABS) estimates of the gross value of agricultural production in the Hunter do not reflect the real value of production:

On the gross value of production in the Hunter, ABS statistics for 1994/95, which are the most recent statistics I have of gross value, come to \$360 million. For various reasons, I believe that the true value is closer to \$550 million.²¹⁴

Over the period from 1990/91 to 1994/95 employment in the state's agricultural industry fell by 1.5 per cent per annum.²¹⁵ Mr Wilson asserted that employment in agriculture is stable:

²⁰⁹ Evidence of Mr Flannery, 3 February 1998, p251

²¹⁰ Number of establishments with agricultural activity with a value of \$5000 and over, Australian Bureau of Statistics (1997), *Agriculture New South Wales 1995/96*, Cat 7113.1, Canberra

²¹¹ Australian Bureau of Statistics (1997), *Agriculture New South Wales 1995/96*, Cat 7113.1, Canberra

²¹² Hunter Valley Research Foundation (1996), *Newcastle and the Hunter Region 96/97*, Hamilton. Note - \$90 million in 1993-94

²¹³ Hunter Valley Research Foundation (1996), *Newcastle and the Hunter Region 96/97*, Hamilton

²¹⁴ Evidence of Mr Wilson, 19 March 1998, p564

²¹⁵ Industry Commission (1995), *The performance of Australian Industry 1994-95*, AGPS, Melbourne

Though I read about how agricultural employment has declined, I calculate it only on a rate of about 0.3 per cent a year. I think you could interpret that as a stabilisation or as a restructure of the industry, rather than the marked and serious decline that appears to be alluded to in the daily press and is often the popular conception of agriculture.²¹⁶

The mining industry, with its high average wages, has attracted labour away from the relatively low-paying agricultural industry. Mr Moore, Operations Manager for the Upper Hunter Business Enterprise Centre, described the movement of labour from agriculture to mining:

When the farmer could make \$14,000 on his property but he could make \$80,000 driving a truck, well, the choice was not all that difficult. ...²¹⁷

The Hunter region has many opportunities in its agricultural industry, including increasing the area available for agricultural activity, developing new and emerging markets and developing the food processing industry.

Newcastle City Markets Pty Ltd, the consortium of fruit and vegetable wholesalers that bought Sandgate Markets from Newcastle City Council, opened in December 1997. It is the only fruit market facility of its type outside an Australian capital city providing jobs for 200 people and a market for agricultural producers in the Hunter and surrounding regions.

The Hunter Regional Development Organisation stated there is a substantial amount of land in the Hunter that is capable of sustaining agricultural production:

A wide range of vegetables and fruit are already grown successfully in the region. However, these plantings are on a very modest scale compared to the area which is now thought to be capable of supporting intensive agriculture: a staggering 500 sq km. Clearly, there is enormous potential for the horticultural industries to expand in the region and to provide export products.²¹⁸

Despite a reduction in agriculture's share of Australia's gross domestic product, the food processing industry has emerged as the largest manufacturing industry in Australia, employing around 17,000 people.²¹⁹ Mr Moore described opportunities in food and beverage processing in the Upper Hunter:

Opportunities for the region exist in a range of industry sectors. The food and beverage production – that is the traditional agribusiness – were a key economic driver pre-1970, but the regions walked away from them because the region was attracted to this new and

²¹⁶ Evidence of Mr Wilson, 19 March 1998, p565

²¹⁷ Evidence of Mr Moore, 3 February 1998, p254

²¹⁸ Hunter Regional Development Organisation (1996), *Hunter Advantage, Hunter Regional Economic Strategy*, Hamilton

²¹⁹ New South Wales Parliamentary Library Research Service, (1998), *Rural Sector: Changing towards 2000*, Briefing Paper No 10/98, Sydney

wonderful coal mining endeavour of the late 60s. ... so we are now seeing a return to this wonderful resource that we have in agribusiness, but resources are required.²²⁰

The Hunter region, with its land, water and infrastructure services, is well placed to explore new and emerging markets for agricultural goods, particularly intensive horticulture. For example, the climatic conditions in the Hunter are ideal for growing green soybeans (edamame) and white radish (daikon). Mr Coogan, Agribusiness Advisor for the Hunter Economic Development Corporation, described opportunities to export these products to the Japanese markets, where there is a particular demand for 'green' products:

... it is our intention to encourage businesses to tap into the organic market. There are large areas of the Hunter which would fit into this category. ...

one is the product of Japanese white radish, or daikon. There has been a lot of work done on that already, and I believe that product has a lot of potential because it is one of the most commonly consumed vegetables, in many different forms, in Japan. ... And the trials of a number of different varieties have been very promising. So, not only can we provide it in counter season, but we can grow it for most of the year given that different varieties perform well in different seasons. ... as a processed and dried product, it has tremendous potential. ...

The second product is edamame, which is green soybean. This product is consumed with beer. ... it is a very healthy product. It performs well in the region, and this product is in several different forms. At the moment, because of the fruit fly problem, we can ship it as a detached pods frozen product, but the real money is in the fresh product, and we could do that but we need to deal with the associated fruit fly problem.²²¹

Olive production is another emerging agricultural industry in the Hunter region. Olive trees use very little water, are relatively pest and disease free and are a low maintenance crop.²²² In February this year there were over 120 people growing or intending to grow around 200,000 olive trees in the Hunter region.²²³

Australian olive producers have a number of advantages over their European counterparts. The long-established European olive groves cannot use modern techniques, including mechanical picking. The new Australian plantings are designed to take advantage of modern practices and have the added advantage of being relatively pest-free.

The recently established Hunter Olive Co-operative Ltd provides strategic planning, marketing, harvesting, processing, packaging, distribution and research services to its members.²²⁴ The co-operative expects a commercial supply of fruit to be available in autumn 2000, and hopes to provide a processing plant, employing up to ten people.

²²⁰ Evidence of Mr Moore, 3 February 1998, p254

²²¹ Evidence of Mr Coogan, 18 March 1998, pp516-517

²²² Submission 7, Hunter Olive Co-operative Ltd, p2

²²³ Evidence of Mr Hatton, 25 February 1998, p405

²²⁴ Submission 7, Hunter Olive Co-operative Ltd, p2

Despite having some difficulties to overcome, Mr Wilson expressed confidence in the viability of the olive industry in the Hunter:

We have talked about the olive industry. The olive industry is a long-term industry. It will not see any immediate returns for some time, that is, in the return of fruit. It is also long term in the sense that it will have to work out its own processing arrangements. But I have every confidence that they can, if they raise sufficient interest, overcome those problems. There is professional and technical advice that they have received from elsewhere in my department, centrally from Orange or from Yanco.²²⁵

The South Australian olive industry is more established than the Hunter's industry. South Australia has some olive processing plants already in place and is currently producing boutique olive oils. The South Australian Olive Association, with 150 members, was granted government assistance to develop a regional strategic plan for the olive industry. The South Australian Government also provides support to the olive industry in the form of two full-time staff in Primary Industries South Australia (the equivalent of NSW Agriculture), as well as research and development assistance at the Waite Agricultural Institute. The Standing Committee encourages communication between the South Australian and Hunter olive growers to progress the industry.

The Standing Committee expects that the Hunter's agricultural industry is well placed to develop new and emerging markets.

6.2 Wine

Wine production was first established in the Hunter Valley in the late 1820s. Mr Barnes, President of the Hunter Valley Vineyard Association, described the origins and quality of the Hunter's wine industry:

What I want you to understand is that the Hunter wine industry is very old. In fact, it is the original commercial wine producing area of Australia. It is not large by national standards, but it is of great significance because of the high quality of the wine.²²⁶

In 1996/97 the Hunter Valley produced approximately 24,000 tonnes of wine grapes, comprising 7000 tonnes of red grapes and 17,000 tonnes of white grapes, on approximately 4000 hectares of land.²²⁷ This represents 14 per cent of the State's wine grapes, or 3 per cent

²²⁸ Mr Barnes outlined the location of the vineyards:

... there are over 10,000 acres of vineyards, the majority being in the Lower Hunter, around the Cessnock and Pokolbin area, but there is a flourishing vineyard area in the Broke area, in the Singleton shire, which is expanding very quickly, and then further north to Denman and

²²⁵ Evidence of Mr Wilson, 19 March 1998, p570

²²⁶ Evidence of Mr Barnes, 25 February 1998, pp454-455

²²⁷ Australian Bureau of Statistics (1997), *Australian Wine and Grape Industry, 1997*, Cat 1329.0, Canberra

²²⁸ Australian Bureau of Statistics (1997), *Australian Wine and Grape Industry, 1997*, Cat 1329.0, Canberra

Muswellbrook shires. In other words, it is a fairly wide-ranging area, some 100 kilometres from north to south.²²⁹

6.2.1 The international market for wine

Australian wine production is a dynamic and export-oriented activity, producing around 2 per cent of world wine production.²³⁰ The European Union is the main market for Australian wine, taking \$330 million or 91 million litres, representing 60 per cent of total Australian wine exports, in 1996/97. The United Kingdom was the largest single importer of Australian wine (73 million litres), followed by the United States of America (23 million litres) and New Zealand (16 million litres).

Australian wines have performed well in international wine shows, heightening world interest and recognition of Australian wine. The Australian wine industry has expanded its strategic position by acquiring wineries in Italy and France and strengthening international distribution networks.²³¹

Mr Barnes described the importance of the expanding export market for Hunter wines:

The export market is, of course, of great consequence to us. I would go as far as to say that exports have increased by between 20 and 30 per cent in the last two years. That is very significant, and of course the next problem is going to be maintenance of supply to all the markets to which we have made promises, because they like our product. In places like London, I understand that some of the bigger wholesalers and companies are now selling more Australian wine than they are French wine for the first time ever. That is very exciting for the Australian wine industry and for the Hunter, but we have got to be able to continue to supply that product, and it has got to be a credible product.²³²

6.2.2 Wine-tourism in the Hunter

The high quality of wine, restaurants and boutique accommodation makes the Hunter wine region an attractive tourist destination, with over 900,000 visitors each year.²³³ Ms Morris, Economic Development Planner for Cessnock City Council, described the extent of wine tourism in the Cessnock local government area:

Tourism is our major growth industry, with over 800,000 visitors to the vineyards each year, and tourism expenditure at \$45 million per year. There are also about 2500 people employed by the tourism industry and in addition to that about 1000 people are employed in the wine industry.²³⁴

²²⁹ Evidence of Mr Barnes, 25 February 1998, p455

²³⁰ Australian Bureau of Statistics (1996), *Australian Wine and Grape Industry, 1996*, Cat 1329.0, Canberra

²³¹ National Farmers Federation (1993), *Australian Agriculture – the complete reference of rural industry*, Moorescope Publishing Pty Ltd, Camberwell

²³² Evidence of Mr Barnes, 25 February 1998, p457

²³³ Evidence of Mr Barnes, 25 February 1998, p456

²³⁴ Evidence of Ms Morris, 3 February 1998, p277

The Standing Committee noted community debate about the development of large tourist facilities in the wine country. Ms Morris described a large tourism development proposal for the vineyard area:

The \$800 million [tourist development] involves a 5-star hotel, four motels, 400 condominiums, a golf course, two vineyards and a shopping complex.²³⁵

Mr Barnes expressed concern about such a large-scale tourism development:

The other point I make is our great concern about the tourist facilities in the lower Hunter particularly, where I think developers would love to see a number of small townships in the middle of the vineyards. We believe that the appeal of the vineyards is of prime significance to the economy of the region and of the State. We believe it would be badly affected by development's interference with the open appearance and the romance of the vineyards. This is one of the greatest concerns to the wine industry at the moment.²³⁶

Recommendation 14

The Standing Committee recommends that Cessnock Council, in updating its local environment plan, ensures that large scale tourism development does not impede the wine industry.

Mr Barnes expressed a view to the Committee that there is a lack of government support for tourism promotion in the Hunter:

The wine industry makes applications for financial support for promotion, which is a very important part of the wine industry. It must be realised that the Hunter is a wine tourism destination, and a lot of the employment and developments that are taking place around the wine industry are associated with tourism. We get some 900,000 visitors per year. We make our applications for support from New South Wales Tourism and from State and Regional Development.

They have been particularly disappointing in their reactions in the past two years. One must say that has been most particularly so in the past few months, because the Director-General informs us that there is no money in the kitty for wine tourism for the Hunter in the next twelve months. ...

But certainly we need to have close ties with Agriculture, Tourism and State and Regional Development [Departments], and we would like some reassurance that for the future there will be financial support for our industry. ...²³⁷

²³⁵ Evidence of Ms Morris, 3 February 1998, p286

²³⁶ Evidence of Mr Barnes, 25 February 1998, p462

²³⁷ Evidence of Mr Barnes, 25 February 1998, p456

Recommendation 15

The Standing Committee recommends that the New South Wales Department of Tourism, in conjunction with the Department of State and Regional Development, continue to support tourism promotion in the Hunter as an important regional tourist destination for New South Wales.

6.2.3 Challenges facing the wine industry

6.2.3.1 *The price of wine bottles*

The wine industry has raised concerns about the price of wine bottles produced in Australia. Mr Barnes stated:

The Hunter wine industry is particularly concerned in regard to the abnormally high cost of Australian glass wine bottles. ... there is no doubt that we are paying a lot more than most other wine producing countries in the world, and a number of Australian wine makers are now going to New Zealand or even Italy to get their products because they want something special.²³⁸

Mr Barnes estimated that Hunter grapes produce over 3.5 million bottles of wine each year. Additionally, some winemakers bottle wine from other regions in the Hunter, effectively doubling the number of bottles used each year in the Hunter region.²³⁹

ACI Operations Pty Ltd, after purchasing its two competitors—Glass Containers of Australia and SCI Operations Pty Ltd (Smorgons)—is the sole glass container manufacturer in Australia.²⁴⁰ This limits the supply of domestically produced wine bottles. As a result of ACI's monopoly position, the Australian Competition and Consumer Commission (ACCC) is monitoring ACI's price, cost and profit data. The ACCC stated:

While winemakers expressed several concerns to the ACCC about the supply of bottles from ACI, including about flexibility in design and the extent of innovation, they were predominately concerned with price ...²⁴¹

The ACCC suggested that wine bottle manufacturing is being cost loaded to cross-subsidise other glass products and found that equivalent wine bottles overseas are 30 to 100 per cent cheaper.²⁴²

²³⁸ Evidence of Mr Barnes, 25 February 1998, p457

²³⁹ Evidence of Mr Barnes, 25 February 1998, p458

²⁴⁰ Australian Competition and Consumer Commission (1997), *Glass containers monitoring report, December 1997*, Canberra

²⁴¹ Australian Competition and Consumer Commission (1997), *Glass containers monitoring report, December 1997*, Canberra

²⁴² Australian Competition and Consumer Commission (1997), *Glass containers monitoring report, December 1997*, Canberra

Mr Edmonds, the then Manager of Economic Development with Maitland City Council, described a glass manufacturing company planned for Maitland:

We are now doing a business plan stage for a boutique glass manufacturing company which will put out [60] tons a day. It is completely aimed at replacing imported glass bottles.²⁴³

Recommendation 16

The Standing Committee recommends that the state government, through the Department of State and Regional Development, facilitate the establishment of a boutique glass manufacturing company in the Hunter.

6.2.3.2 Water supply

Reliable water supply is another concern of Hunter wine producers. To address this problem, the Hunter Valley Vineyard Association, Cessnock Council, Singleton Council and Hunter Economic Development Corporation recently jointly funded a feasibility study into a water pipeline for the wine country. The study concluded that a \$7 million pipeline from the Hunter River would service the both vineyards and hospitality industry in the wine country.

²⁴⁴ Mr Barnes explained that the industry could develop the pipeline with private funding, but would require some assistance from the state government to progress the project:

... water is a very big issue. The feasibility shows that it is viable to bring this water to the Hunter. The wine industry can afford, with a finance company backing it, to own a scheme—the capital for which would probably be paid for over a 20-year period—and maintain the running costs.

...of course, what we are worried about with the pipeline is not so much the mechanics of it all, but getting over the bureaucracy of the water licence laws which were written when we were in pounds, shillings and pence. It could be quite complicated if we wanted to get this thing working by this time next year. We need some departmental help in facilitating a quick but beneficial process.²⁴⁵

The Standing Committee recognises that water supply is an important issue and encourages the efficient use and reuse of water. The Standing Committee urges the wine industry to investigate demand side management and other water technology to pursue an ecologically sustainable water supply to both the vineyards and the tourism industry.

²⁴³ Evidence of Mr Edmonds, 3 February 1998, m p281

²⁴⁴ Evidence of Mr Barnes, 25 February 1998, p461

²⁴⁵ Evidence of Mr Barnes, 25 February 1998, p461

Recommendation 17

The Standing Committee recommends that the Assistant Director-General of the Strategic Planning Division in the Premier's Department provide necessary advice on meeting due process in developing water supply proposals to service the Hunter wine country.

6.3 Equine

In March 1996 there were over 6000 horses in the Hunter region, representing 22 per cent of the state's horses. The equine industry is concentrated around the Upper Hunter areas of Muswellbrook (1900 horses) Scone (1700 horses) and Murrurundi (800 horses).²⁴⁶ According to the Australian Bureau of Statistics, there were 330 horse-breeding establishments in the Hunter as of 31 March 1996.²⁴⁷

The export market for thoroughbreds is promising, with the Hunter region currently supplying two thirds of thoroughbred exports from Australia. If the Hunter region maintains its current market share, thoroughbred exports will reach \$45 million by the turn of the century,²⁴⁸ although this could be affected by the recent Asian economic downturn.

The state government provided funding towards the new equine centre in Scone. It incorporates a world-class racing and training track, a new TAFE college and the Hunter Valley Equine Research Centre. Further developments could include a convention centre, motel and museum. The centre compliments and enhances the existing equine industry and is aspiring to rival the Kentucky Equine Research Foundation and its associated cluster in the United States of America.

In September 1997 the Hunter Valley Horse Expo, incorporating a raft of equine sporting events, was successfully staged in the Upper Hunter and is expected to become an annual event. Dr Firth, General Manager of the Hunter Economic Development Corporation, described support for this new event:

... in the Upper Hunter recently the Hunter Economic Development Corporation gave a great amount of pivotal support to the Hunter Valley Horse Expo.

More than 100 horse sporting events occur every year in six weeks in Spring. No one knows about them. Only the cognoscenti come to the Countess of Dudley Polo Cup; only a few people come to the camp drafting. Let's bundle all of these events together and market these horse sporting events to the outside world. Horse tourism

²⁴⁶ Australian Bureau of Statistics (1998), *Regional Statistics, New South Wales 1998*, Cat 1304.1 Canberra

²⁴⁷ Australian Bureau of Statistics (1997), *Agriculture, New South Wales, 1995/96*, Cat 7113.1, Canberra

²⁴⁸ Submission 24, Hunter Equine Centre, p2

during that six-week period increased by 25,000 people. So that was smart use of government money through the Hunter Economic Development Corporation.²⁴⁹

As described, the Hunter equine industry has formed a strong, collaborative industry, incorporating research, education, tourism, racing and other sporting events. With its significant investment, promising export opportunities and specialised infrastructure and skills, the Standing Committee expects that the Hunter region's equine industry has a strong base for expansion and future success.

6.4 Manufacturing

The Hunter region has historically had a reputation as an industrial city, based on its production of iron, steel, aluminium, zinc and lead. Steelmaking has a long history in Newcastle—BHP commenced steelmaking in 1915 and has provided thousands of jobs since that time. In April 1997 BHP announced that they intend to cease steelmaking in Newcastle by the end of 1999, at a cost of around 2500 jobs. BHP is tempering the closure of its steelworks by a \$5 million contribution to economic development and social welfare initiatives (see chapter 5). Additionally, BHP are attempting to generate 2000 jobs through their Steel River estate, to which they have contributed a further \$5 million for infrastructure development (see chapter 4). The Standing Committee notes that beyond 1999 BHP will still be present in Newcastle, providing around 3000 jobs in various businesses.²⁵⁰

Although heavy industries have played an important role in the Hunter economy over this century, their importance is diminishing as the economy restructures and moves towards the services sector. Within the manufacturing industry there has been a shift to smaller businesses in the last decade, with enterprises under 80 employees now accounting for over 90 per cent of manufacturing jobs.²⁵¹

Despite the announced closure of the steel works, the Hunter's manufacturing industry has performed well over the last year, providing an additional 6900 jobs in the 12 months to November 1997.²⁵² The Hunter Valley Research Foundation concluded:

... despite ... the generally perceived impact on the local economy of the recent BHP announcement ... manufacturing recorded an increase in employment. The number of new jobs created in the manufacturing sector alone has more than offset the jobs at BHP which will be lost by the closure.²⁵³

²⁴⁹ Evidence of Dr Firth, 5 November 1998, p24

²⁵⁰ Evidence of Mr Keogh, 6 November 1997, p102

²⁵¹ Submission 19, Hunter Economic Development Corporation, 1998, p9

²⁵² Hunter Valley Research Foundation, *Hunter Region Economic Indicators*, December quarter 1997, Hamilton

²⁵³ Hunter Valley Research Foundation, *Hunter Region Economic Indicators*, December quarter 1997, Hamilton

Sub-sectors to expand over the period from 1991 to 1996 included ‘chemical, petroleum and coal products’ (which increased employment by 72 per cent), ‘transport equipment’ (which increased employment by 58 per cent) and ‘food, beverages and tobacco’ (which increased employment by 17 per cent).²⁵⁴

Dr Pattison, Chairman of the Hunter Economic Development Corporation, described the continued importance of manufacturing in the regional economy:

I would emphasise that I believe that the future will continue to see a central role in manufacturing industries. These industries will draw on the region’s manufacturing culture, although of course the types of manufacturing industries will, and must, change.²⁵⁵

The region’s industrial estates, including Steel River, will aid the manufacturing industry, as will the federal government’s manufacturing in bond initiative (see chapter 4). The Hunter Advantage Fund will also help develop the region’s manufacturing industry (see chapter 5). Additionally, the Jobs Summit Committee has identified metal products manufacturing as a one of the region’s 12 ‘robust and emerging’ clusters, with an objective of attracting three new metal processors to the Hunter within three years.²⁵⁶ Further, Maitland City Council submitted that they are targeting light industrial and metal fabrication industries for their industrial parks.²⁵⁷

While acknowledging the detrimental impact of the closure of the steel works, the Standing Committee anticipates that the manufacturing industry in the Hunter is well placed to continue its recent strong performance. The Standing Committee is impressed with the structural change that is occurring within the manufacturing industry and the emergence of small to medium sized manufacturing firms in the Hunter.

6.5 Passenger transport

Major infrastructure aspects of the transport industry were discussed in chapter 3. This section will address public transport issues.

The main form of passenger transport in the Hunter is the private motor vehicle. Mr Rossely, the then General Manager of the Honeysuckle Development Corporation, described how the Hunter’s population travels to work each day:

... 1.4 per cent of people use the railway as a method of coming to work; buses about 5.6; pedestrians about 6 per cent and cars 70 per cent.²⁵⁸

²⁵⁴ Submission 19, Hunter Economic Development Corporation, p9

²⁵⁵ Evidence of Dr Pattison, 5 November 1997, p16

²⁵⁶ Submission 31, Common Purpose Group, p18

²⁵⁷ Submission 26, Maitland City Council, p2

²⁵⁸ Evidence of Mr Rossely, 2 February 1998, p137. The numbers in this quote do not add to 100 percent as not all forms of transport are addressed.

The Standing Committee heard evidence about the link between the low level of public transport usage in Newcastle and the deficiencies of public transport in the Hunter region. The Hunter Environment Lobby stated:

Public transport infrastructure within the region is extremely deficient in most areas and does not align with projected urban growth patterns. A regional rethink of urban growth and transport infrastructure is required and this would support sustainable employment.²⁵⁹

Cr Heys, Lord Mayor of Newcastle, offered his view on the problem with public transport:

The problem with public transport is that because we have developed as a scattered city, public transport has not been able to operate viably. Bus services have been long and tortuous, and services have been infrequent.²⁶⁰

Although the community was united in their views about the deficiencies of the public transport system, they were divided in their opinions about how to solve the problem. The Standing Committee heard evidence about a number of possible alternatives, including improving bus services, introducing light rail and extending the heavy rail system.

The state government is attempting to improve public transport provision by building an interchange at Newcastle Station. Mr Smith, Director of Planning for the Department of Transport, described the interchange and other initiatives that the department is introducing:

The interchange at Newcastle Station is designed to provide an interchange both with local and regional buses, and provide for cyclists and walkers, and for people who are transferring from kiss-and-ride activities to rail activities and people who are looking for other means of transport such as taxis.²⁶¹

I think that you can see, by our investment in the interchange and upgrading of station facilities at Newcastle, that we are keen to ensure that we build on what is already in place. In addition, the initiatives to provide for time-based ticketing with State Transit and greater levels of integration between the types of services are other examples of how we are trying to introduce choice.²⁶²

While recognising that the Department of Transport is attempting to improve public transport provision in the Hunter, the Standing Committee questions whether these actions are sufficient to address the Hunter's public transport problems.

Mr Chenery, appearing as a private citizen, described the need for integration between service providers:

We believe that there should be an integrated force coordinating the [bus, train and ferry systems] because even the timetables do not match each other. We believe that there are a lot

²⁵⁹ Submission 15, Hunter Environment Lobby, p1

²⁶⁰ Evidence of Cr Heys, 5 November 1997, p6

²⁶¹ Evidence of Mr Smith, 2 February 1998, p148

²⁶² Evidence of Mr Smith, 2 February 1998, p151

of buses and a lot of trains running around empty. ... the problem with the system at the moment is that it is not attractive to the customers.²⁶³

The Northern New South Wales Section of the Chartered Institute of Transport in Australia expressed the need for an integrated approach to transport in their submission to the Standing Committee.²⁶⁴ Newcastle City Council, supported by the Newcastle Greens, has taken a further step by calling on the state government to develop an integrated transport strategy:

Newcastle Council has recently requested State Government support for developing an Integrated Transport Strategy. We strongly support that request and urge the committee to consider this in its report.²⁶⁵

Dr Pattison, Chairman of the Hunter Economic Development Corporation, also called for a transport study:

... it appears to me that what this community needs overall is a major transport policy and it needs to be done in the framework and context of a major transportation strategy for the region.²⁶⁶

Recommendation 18

The Standing Committee recommends that the Department of Transport prepare an integrated transport plan as a priority. The integrated transport plan should specifically address the issues of:

- **public transport (including ferries, buses and trains);**
- **road transport;**
- **air transport;**
- **pedestrian and cycle access;**
- **freight rail transport; and**
- **any other transport issues referred to it by the Minister for Transport.**

The integrated transport plan should be developed in conjunction with the Hunter community and should be completed by 30 May 1999. The Minister for Transport should table the plan within one month of its completion.

²⁶³ Evidence of Mr Chenery, 25 February 1998, p436

²⁶⁴ Submission 16, Chartered Institute of Transport in Australia Incorporated, p1

²⁶⁵ Submission 37, Newcastle Greens, p3

²⁶⁶ Evidence of Dr Pattison, 18 March 1998, p545

6.6 Trade

The retail trade industry is the region's largest employer, providing work for over 35,000 people in 1996/97 (see chapter 2). The wholesale trade industry employed 13,000 people during the same period. The regional shop-front retail industry generates an annual turnover of \$2.85 billion.²⁶⁷

Dr Green, a board member of the Hunter Economic Development Corporation, described strong growth in the wholesale and retail trade industries:

... in aggregate terms, what we see here is a very dramatic growth in the 'wholesale and retail' category. That is not due simply to changes within what we think of as wholesale and retail, which have been growing, but not at a very rapid rate. What has been growing is the 'accommodation, cafes and restaurants' component of that industry category, which were not previously included in that category.²⁶⁸

The Hunter has a number of large shopping centres, including the Glendale Super Centre, Charlestown Square, Garden City at Kotara and Stockland Mall at Jesmond. Although these centres facilitate growth in the retail trade industry, smaller centres suffer. The Upper Hunter Business Enterprise Centre explained:

Although retailing is a major employer and with the most growth potential, this is not necessarily so in smaller Hunter townships. Increasingly the larger retailers and shopping centres are negatively affecting the smaller retailer's sustainability and therefore job losses are occurring in the more isolated Hunter towns. We obviously need the large retailer as a consequence of consumer demand, but we need to ensure appropriate support infrastructures are in place to diminish the negative economic impact of the closure of smaller retailers in the rural and remote areas of the Hunter.²⁶⁹

While recognising the importance of the retail industry, the Standing Committee urges local councils to ensure that the retail industry expands in an appropriate manner.

6.7 The coal industry

Black coal is Australia's largest export industry, accounting for \$8.8 billion of exports in 1997.²⁷⁰ Australia is now the world's largest coal exporter, supplying almost 30 per cent of the world market for coal.²⁷¹

²⁶⁷ Hunter Regional Development Organisation (1996), *Hunter Advantage – Hunter Regional Economic Strategy*, Newcastle

²⁶⁸ Evidence of Dr Green, 5 November 1997, p18

²⁶⁹ Submission 9, Upper Hunter Business Enterprise Centre, p3

²⁷⁰ Industry Commission (1998), *The Australian Black Coal Industry, Draft Report*, Melbourne

²⁷¹ Industry Commission (1998), *The Australian Black Coal Industry, Draft Report*, Melbourne

The Hunter currently exports more than one third of Australia's coal exports.²⁷² Mr Hawke, Manager of Industry Development for the Department of Mineral Resources, described coal production in the Newcastle and Hunter Valley coalfields:

In the last decade Newcastle coalfield production has fallen, while the Hunter coalfield production had substantially risen. ... the Hunter Valley, which also includes Gunnedah, has gone from 29.5 million tonnes to 46.8 million tonnes, whereas Newcastle in the last decade has fallen from 18.2 million tonnes to 17 million tonnes.²⁷³

6.7.1 Domestic market for black coal

Almost 30 per cent of Australian black coal production is consumed domestically, of which 80 per cent is used to generate electricity. Sales of thermal coal to the domestic electricity industry are projected to grow at an average annual rate of around 3 per cent a year between 1997/98 and 2009/2010.²⁷⁴

The New South Wales Minerals Council submitted that the national electricity market will have a far-reaching impact on the domestic market for black coal as competitive pressures on electricity generators force them to negotiate more flexible, short-term contracts with their coal suppliers.²⁷⁵ Further, the Minerals Council stated that electricity produced from brown coal, a low cost, high-emission alternative, is providing the market with a less environmentally friendly power supply.²⁷⁶ Victorian generators use predominately brown coal, while Hunter generators use predominately black coal.

Although the domestic market for black coal is expected to grow, it is facing competition. In the short term, domestic demand for black coal will not be strong as brown coal fired generators supply cheap electricity to the national market. In the longer-term black coal will face competition from gas-fired generation,²⁷⁷ which has environmental advantages over black coal.

6.7.2 International market for black coal

Despite low spot prices and increasing competition from other coal-producing countries, the international market for black coal remains strong, as described by Mr Hawke:

Forecasts continue to remain strong for export coal usage. In the case of thermal coal, demand is expected to increase substantially over the next five years in Asian markets. However, increasing competition is coming from Indonesia, South Africa and South America, and at the moment there is probably some world oversupply, hence the low spot prices. Forecasts are that supply will become tighter as demand increases – due to mine and infrastructure capacity limitations overseas – and so New South Wales is considered

²⁷² Hunter Regional Development Organisation (1996), *Hunter Advantage, Hunter Regional Economic Strategy*, Newcastle

²⁷³ Evidence of Mr Hawke, 6 November 1997, p116

²⁷⁴ Industry Commission (1998), *The Australian Black Coal Industry, Draft Report*, Melbourne

²⁷⁵ Submission 30, New South Wales Minerals Council, p5

²⁷⁶ Submission 30, New South Wales Minerals Council, p5

²⁷⁷ Submission 30, New South Wales Minerals Council, p5

reasonably well placed to maintain export market share, hence significantly to increase production. ... Any increase in production in New South Wales will predominantly come from the Hunter coalfield.²⁷⁸

The main export markets for Australian coal are Japan, Korea and Taiwan, with India emerging as a promising new market. On the supply side, Indonesia and China have increased coal exports rapidly and now supply more than one third of the thermal coal imported by Asian countries.²⁷⁹ Other coal producing countries include South Africa and the United States of America. Mr Porter described emerging competition from Indonesia:

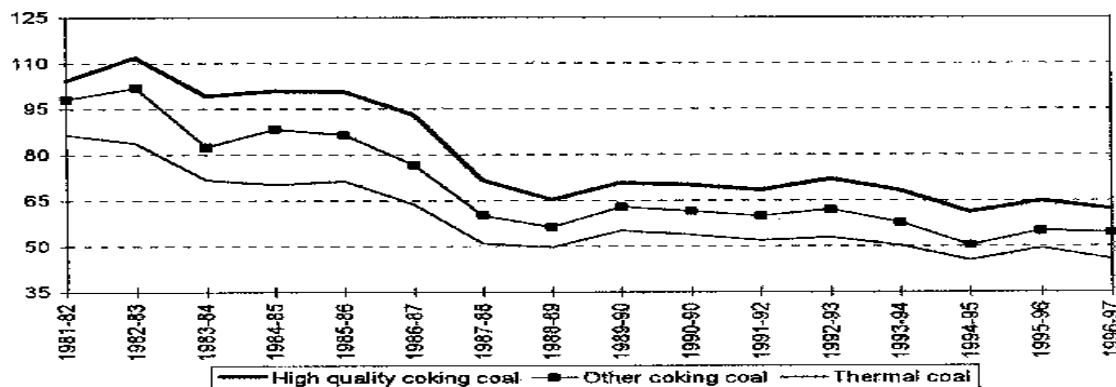
If you look back to the late 1980s, the Indonesian coal industry was exporting perhaps one million tonnes of coal a year. It is now 40 million tonnes per year. Most of that coal is thermal coal, which is competing with the Hunter Valley.²⁸⁰

Australian thermal coal exports are projected to grow at an annual rate of 5.3 per cent (adjusted for the Asian downturn).²⁸¹

6.7.3 Coal prices and company profitability

Until the mid-1980s the Australian black coal industry was insulated from strong competition.²⁸² Since this time, competition in international and domestic coal markets has increased, as described above. Increased competition has led to lower coal prices (see figure 6.1) and has placed pressure on Australian producers to increase productivity in order to remain competitive. The Standing Committee notes that the fluctuating Australian dollar may impact on the prices received for Australian coal, although the coal companies have hedged against currency movements.

FIGURE 6.3 Real prices for Australian coalSource: Industry Commission (1998), *The Australian Black Coal Industry, Draft Report, Melbourne*



²⁷⁸ Evidence of Mr Hawke, 6 November 1997, p116

²⁷⁹ Industry Commission (1998), *The Australian Black Coal Industry, Draft Report, Melbourne*

²⁸⁰ Evidence of Mr Porter, 2 February 1998, p158

²⁸¹ Industry Commission (1998), *The Australian Black Coal Industry, Draft Report, Melbourne*

²⁸² Industry Commission (1998), *The Australian Black Coal Industry, Draft Report, Melbourne*

Mr Hawke described the falling prices and reduced profitability in the New South Wales coal industry:

... the prices for coal have steadily fallen in real terms in recent years. ... the price at the moment for thermal coal on the Japanese benchmark basis is about \$US37. It is predicted to fall slightly again in the round of coal negotiations just starting now. The industry is under considerable financial pressure. Profitability of the industry is historically low, and at the moment many companies would be operating at a loss or at unacceptably low levels of return.²⁸³

6.7.4 Expansion of the coal industry

Despite declining profitability, coal companies are seeking approvals for new mines, as described by Mr Hawke:

There is, however, still strong industry commitment ... as evidenced by several projects currently moving through the approvals process and keen interest in the Mount Arthur North allocation tender, which close[d] in December. We have had five and seven responses respectively to the Saddlers Creek and West Scone allocation tenders recently concluded and there has been some recent active trading in terms of selling coal mines.²⁸⁴

Cr Seymour, Mayor of Muswellbrook Shire Council, described new coal developments proposed for the Muswellbrook local government area:

In coal, the spotlight on new coal development in the next decade will be on Muswellbrook Shire Council, with the Bengalla, Mr Pleasant, Saddlers Creek, Kayuga and Mount Arthur North being new mines proposed in the area.²⁸⁵

As described in chapter 3, new deposits at Maules Creek and Boggabri in the Gunnedah basin could be developed, potentially producing 6 million tonnes of coal each year.

6.7.5 Rationalisation of employment

Mr Maitland, General President of the Mining and Energy Division of the Construction, Forestry, Mining and Energy Union (CFMEU), described reductions in employment in the coal mining industry despite increasing output over the last two decades:

... the number of workers in the industry in 1998 is less than the number who were in the industry in 1980, and we produce four times as much coal. I use 1980 as a comparison because at that stage we were really starting to expand into the major international export market.

²⁸³ Evidence of Mr Hawke, 6 November 1997, p115

²⁸⁴ Evidence of Mr Hawke, 6 November 1997, pp115-116

²⁸⁵ Evidence of Cr Seymour, 24 February 1998, p301

It has been an industry where we have seen quite substantial development, but in which we see decreases in the number of people being employed.²⁸⁶

Mr Moore, Operations Manager for the Upper Hunter Business Enterprise Centre, described the declining employment in the regional coal industry:

The regional coal mining industry employed in excess of 6000 persons in 1990; it is now a little over 4000 and dropping rapidly.²⁸⁷

The mining industry, although expanding its extraction capacity, is unlikely to significantly expand employment in the Hunter region due to the reduction in existing employment through productivity improvements and closures.²⁸⁸

6.7.6 Coal cluster

Within the Hunter, the Common Purpose Group identified ‘mining and related services’ as one of their 12 ‘robust and emerging’ clusters, with an objective to manage the transition from in-house services to outsourced services.²⁸⁹

The Standing Committee recognises that, although coal mines in the Hunter are operating on low margins, reducing the number of employees and facing pressures from the national electricity market and greenhouse gas abatement, the Hunter’s black coal industry is vitally important to the regional, state and national economies.

6.8 Tourism

According to the Hunter Valley Research Foundation, the Hunter is the second most popular destination in New South Wales, after Sydney.²⁹⁰ The Hunter Economic Development Corporation described the increase in tourism in the Hunter region:

... the most rapidly growing component of this industry category is ... accommodation, cafes and restaurants, ... this reflects the explosion of activity associated with tourism and hospitalities in the region since 1991 ...²⁹¹

Domestic tourism accounts for three-quarters of all visitor nights in Australia. Unfortunately, domestic tourism is only growing at around 2 per cent per annum. Inbound tourism (visitors from other countries) is growing at a much faster rate – around 12 per cent per annum for the last ten years. Inbound tourism earnings in 1996/97 were \$15.6 billion, mainly coming from

²⁸⁶ Evidence of Mr Maitland, 18 March 1998, p475

²⁸⁷ Evidence of Mr Moore, 3 February 1998, p253

²⁸⁸ Evidence of Mr Hawke, 6 November 1997, p117

²⁸⁹ Submission 31, Common Purpose Group, p18

²⁹⁰ Hunter Valley Research Foundation (1996), *Newcastle and the Hunter Region, 96/97*, Hamilton

²⁹¹ Submission 19, Hunter Economic Development Corporation, p8

Japanese visitors.²⁹² Mr Deuis, Tourism Manager for Port Stephens Council, described the success of trip operators:

... one particular day trip operator who commenced operating into Port Stephens only four years ago has increased his initial number of yearly passengers from 256 to more than 6000 in 1997. He has now evolved his day trips into optional overnight stays.²⁹³

The company ... is IEC Oceania Pty Ltd, whose headquarters are in Coogee in Sydney. They are Japanese people, a husband and wife team, who are absolutely dedicated to the area. You could say they have a passion for Port Stephens and all things natural, and in particular the Stockton sand dunes, the dolphin population of the harbour, and the wonderful seafood. They sell their day trip in Japan as an option, and most of the big operators use them – JTV, Thomas Cook and so on. They all feature Port Stephens in their brochure, and in particular IEC's day trip.²⁹⁴

6.8.1 Accommodation

The Hunter has a range of tourist accommodation including hotels, motels, guesthouses, holiday flats, holiday units, holiday houses, visitor hostels and caravan parks. 'Hotels, motels and guest houses' provided the most bed spaces in the Hunter, employed more people and had higher takings than other forms of accommodation in the December quarter 1997 (see table 6.1). Tourists visiting the region for longer periods stayed in 'holiday flats, units and houses'. However, short-term accommodation in caravan parks provided the most guest nights and had the highest occupancy rate.

TABLE 6.3 Tourist accommodation, December quarter 1997

	Hostels	Caravan Parks ²⁹⁵	Holiday Flats, Units And Houses	Hotels, Motels And Guest Houses
<i>Establishments (no.)</i>	8	57	2358	179
<i>Bed spaces (no.)</i>	328	8225	12,321	13,814
<i>Employment (persons)</i>	34	288	91	2580
<i>Occupancy rate (%)</i>	25.9	61.7	44.6	54.2
<i>Average length of stay (nights)</i>	1.7	na	6.0	1.7
<i>Takings (\$'000)</i>	130	5265	5924	19,351

Source: Australian Bureau of Statistics (1998), *Tourist Accommodation, New South Wales*, December quarter 1997, Cat 8635.1, Canberra

²⁹² Submission 32, Port Stephens Council, p2

²⁹³ Evidence of Mr Deuis, 3 February 1998, p227

²⁹⁴ Evidence of Mr Deuis, 3 February 1998, p231

²⁹⁵ 'Caravan parks' only include short term residents – long term residents are excluded from this analysis

The Standing Committee heard evidence about a lack of quality accommodation in the Newcastle area. Mr McAndrew, Deputy Chairman of the Hunter Regional Tourism Organisation, stated:

... Newcastle, unfortunately, has not shown any growth at all in quality tourism developments. Newcastle severely lacks quality accommodation.

... Newcastle is falling severely behind in its stocks of tourism bedrooms which are required to service both the business and tourism sectors.²⁹⁶

The Honeysuckle Development Corporation also addressed the lack of accommodation in Newcastle, saying:

... it lacks the accommodation base to generate visitor numbers great enough for viability of attention must ... be paid to ways in which the city can be opened up to showcase its harbour.²⁹⁷

These views were supported by the community—Mr Chenery, appearing as a private citizen, stated:

... we cannot boast an inner city hotel of better than four stars over something like 120 or 150 beds. We cannot hold a national conference in this place without distributing people all over the place ...²⁹⁸

The National Annual Scientific Meeting of the Australian and New Zealand College of Anaesthetists was held in Newcastle in April 1998, with over 400 registrants.²⁹⁹ Dr Ross Kerridge, a private citizen who appeared before the Standing Committee, was convenor of this meeting and described difficulties with the lack of accommodation when more than one major event occurs in Newcastle:

... we are running into real problems with accommodation here. It is just painful that I have booked every accommodation venue in Newcastle but, to rub salt into the wound, the [National Rugby League] scheduled a Knights versus Brisbane match for the same weekend, and as a result pressure on accommodation is dreadful.³⁰⁰

The Standing Committee notes that accommodation shortages in the Hunter are not restricted to Newcastle. However, other areas facing shortages, including the wine country, Port Stephens and Lake Macquarie, appear to be actively increasing accommodation establishments. Port Stephens and the wine country are now providing better quality accommodation and attracting higher takings, as described by Mr McAndrew:

²⁹⁶ Evidence of Mr McAndrew, 6 November 1997, p126

²⁹⁷ Submission 27, Honeysuckle Development Corporation, p4

²⁹⁸ Evidence of Mr Chenery, 25 February 1998, p438

²⁹⁹ Evidence of Dr Kerridge, 18 March 1998, p501

³⁰⁰ Evidence of Dr Kerridge, 18 March 1998, p501

Accommodation takings have risen, which means that rates have gone up. The reason that accommodation takings have risen, apart from inflationary impacts, is that better quality accommodation is now coming to the region. ... I relate that to Port Stephens and the Cessnock [wine] region, where conference-type facilities are being built, and of course they are attracting a higher rate. There is a huge market in Sydney for the Hunter region in tourism. The industry would describe it as the 'escape' market, at weekends, and also of course the corporate conference sector.³⁰¹

6.8.2 Tourism cluster

Tourism is another cluster that the Common Purpose Group identified as a 'robust and ³⁰² Hunter industries that attract tourism include wine and equine (as discussed earlier in this chapter). Additionally, the councils of Port Stephens, Dungog, Great Lakes and Gloucester have, with federal government funding, developed an eco-tourism strategy.³⁰³ The strategy's vision is to establish an industry based on the uniqueness and strength of the natural areas.

The Hunter Economic Development Corporation's Tourism Development Taskforce identified three priorities for developmental issues, which the Standing Committee supports in principle:

- developing Newcastle Port into a cruise ship stopover;
- establishing at least one quality hotel capable of sustaining large conferences; and
- developing strategic marketing programs to attract tourists before and after the Olympics.³⁰⁴

While recognising the lack of quality accommodation in selected areas of the Hunter, particularly in Newcastle, the Standing Committee acknowledges that the Hunter region is well placed to capitalise on its tourism industry. In particular, the Standing Committee commends the Port Stephens, Dungog, Great Lakes and Gloucester councils on their eco-tourism initiative.

6.9 Information technology and telecommunications

Information technology has a diverse presence in the Hunter, ranging from research capabilities, training, consultancy, service provision, and software and hardware retailers and producers.³⁰⁵ For example, an advanced simulation facility at Williamstown will accompany the lead-in fighter project (see section 6.12) and will provide downstream employment within the information technology industry. Additionally, the Australian Computer Services

³⁰¹ Evidence of Mr McAndrew, 6 November 1997, p126

³⁰² Submission 31, Jobs Summit Committee, p19

³⁰³ Evidence of Mr Deuis, 3 February 1998, p226

³⁰⁴ Evidence of Mr McAndrew, 6 November 1997, p128

³⁰⁵ Hunter Regional Development Organisation, *Hunter Advantage – Hunter Regional Economic Strategy*, Hamilton, 1996.

Corporation is to invest around \$6.5 million in a computer technology centre in the Hunter region.³⁰⁶

The information technology industry is present throughout the Hunter region—Mr Uphill, Executive Manager of Technical and Environmental Services for Dungog Shire Council, described the information technology industry in that area:

We are looking at establishing an information technology centre. In fact, we have one very major industry on software doing a lot of work for other people, and we are looking to use that as a base and focus to develop a technology centre.³⁰⁷

The Jobs Summit Committee identified information technology as a ‘robust and emerging’ industry cluster. The Standing Committee believes that this industry will experience strong growth into the next century and encourages the pursuit of this cluster.

The Jobs Summit Committee also identified call centres as a priority cluster. Call centres are centralised banks of telephone operators who often provide around the clock service to customers seeking information, paying bills or requesting service. They can also be used by business for marketing or to conduct customer surveys. The call centre industry employs around 75,000 people nationally and is growing at a rate of around 25 per cent a year.³⁰⁸

Call centres do not need to be located near their customer base because contact occurs via telephones and computers. Thus, regions such as the Hunter are able to compete with metropolitan areas. The Hunter Economic Development Corporation analysed the needs of call centres and concluded that companies establishing in the Hunter can save up to 30 per cent in site and set up costs. In addition, the Hunter offers substantially lower staff turnover rates compared with operators in metropolitan centres.³⁰⁹

A number of organisations already operate call centres in the Hunter, including NIB Health Insurance, AAMI, Telstra, Centrelink, and the Australian Taxation Office.³¹⁰ As mentioned in chapter 3, energyAustralia has announced that it is relocating 200 call centre staff from Sydney to the Hunter.³¹¹

The Hunter Economic Development Corporation is attempting to attract additional call centre businesses to the Hunter region.³¹² Ms Summers, Investment Marketing Manager for the Hunter Economic Development Corporation, described a key project in attracting call centres:

There is a dearth of suitable office space for call centres in the Hunter region, so the Department [of State and Regional Development] and the Hunter Economic Development Corporation are working to have a building constructed specifically dedicated to call centres.

³⁰⁶ Evidence of Ms O’Neil, 18 March 1998, p513

³⁰⁷ Evidence of Mr Uphill, 3 February 1998, p229

³⁰⁸ Evidence of Ms Summers, 18 March 1998, p511

³⁰⁹ Evidence of Ms Summers, 18 March 1998, p512

³¹⁰ *Newcastle Herald*, Wednesday 27 May 1998, p8

³¹¹ Evidence of Mr Lillis, 25 February 1998, p420

³¹² Evidence of Ms O’Neil, 18 March 1998, p511

We call it a smart building – there would be wiring, telecommunications, and customised call centres. The building would also provide appropriate support services, such as 24-hour care.³¹³

In attempting to differentiate the Hunter from other regions seeking to attract call centres, the Hunter Economic Development Corporation is facilitating a centre for excellence in training and education for call centres. Ms Summers described this initiative:

We have been meeting with both public and private education providers in the region, and we are developing a holistic approach, from entry point to management, so that if you want to enter and just get some basic customer service skills, we will be able to offer those right up to training for call centre senior management ... We will be establishing certificate, diploma and degree courses, plus post-graduate degree courses in the call centre area. Further, we will have short courses and conferences, and industry specific research. The centre for excellence therefore should give us that differentiation.³¹⁴

The Hunter Economic Development Corporation recently undertook a targeted marketing campaign to promote the Hunter as a location for establishing call centres. Ms Summers described the level of interest from companies:

The Hunter Economic Development Corporation and the Department of State and Regional Development are currently fielding about one inquiry per month from either a national or international call centre. Potential employment in those has ranged from around 150 up to 500 or 600 people in one business.³¹⁵

Recommendation 19

The Standing Committee recommends that the Hunter Economic Development Corporation continue to make the attraction of the call centre industry a priority.

6.10 Health

Health service provision is a major employer in the Hunter. The Hunter Area Health Service, the public sector organisation managing the Hunter's hospitals and health services, is the region's largest employer, employing 9000 people.³¹⁶ The Health Service's 1997 budget was in excess of \$400 million.

Professor McGrath, Chief Executive Officer of the Hunter Area Health Service, described the diversity of services provided by the Hunter Area Health Service:

³¹³ Evidence of Ms Summers, 18 March 1998, p513

³¹⁴ Evidence of Ms Summers, 18 March 1998, p512

³¹⁵ Evidence of Ms Summers, 18 March 1998, p512

³¹⁶ Evidence of Prof. McGrath, 3 February 1998, p269

[The Hunter Area Health Service is] a very large area health service that is quite unique because it needs the expertise to cover all the metropolitan issues, from a tertiary referral hospital, through tertiary hospitals, through community health services, and it is very experienced in delivering rural health services to regional centres like Maitland and to more remote rural centres like Merriwa and Muswellbrook. We also have a large number of nursing home beds under our control, and a lot of people are experienced in that field.³¹⁷

Although the health industry is a major contributor to the regional economy, the Standing Committee noted that cooperation between the health industry and the Hunter Economic Development Corporation has been slow to progress, as described by Dr Pattison, Chairman of the Hunter Economic Development Corporation:

In terms of our relationships with the health industry, as I understand it, a number of approaches had been made in the days prior to my chairmanship of the Corporation and a good working relationship could not be established. Since I have taken over, we have moved again in that direction, and I think that all the signs are that a much better, productive working relationship in terms of the health industry is likely to eventuate. Clearly, the health industry is one of the regional clusters of industrial activity which deserves our interest and involvement.³¹⁸

The Standing Committee is disappointed there has been a lack of cooperation between in Hunter Economic Development Corporation and the health industry in the past and believes that the Hunter region has a lot to gain from developing its health industry, as described below.

Professor McGrath described a number of opportunities for the health industry:

... I think there are tremendous opportunities for establishing an expanding tertiary industry, if you like, around health for a number of reasons. You have a faculty of medicine and health sciences that is recognised as one of the leaders in the work in terms of its innovative and leading edge approach to medical and health education. ... most of the major universities are now adopting the Newcastle model.

... the area health service, together with the university, I believe is in an excellent position to be able to develop training courses, short courses, interactive media-type education production – in a whole range of issues, including consultancy services.

We are continually being asked about infection control, because our infection control people are recognised the leaders in the state, if not Australia, in some of the models that they have developed.

So I believe that, if we had the resources to do so, we could develop, with the university, and also with the private health industry, which is very strong here in Newcastle. I believe that the three parties, under the right circumstances, could come together and develop quite an industry in terms of training, education, health expertise, with its base here in Newcastle.³¹⁹

³¹⁷ Evidence of Prof. McGrath, 3 February 1998, p269

³¹⁸ Evidence of Dr Pattison, 5 November 1997, p25

³¹⁹ Evidence of Prof. McGrath, 3 February 1998, p269

According to Dr Kerridge, a medical practitioner who appeared before the Standing Committee as a private citizen, the cost of surgery at John Hunter Hospital, a teaching hospital, is less than the average cost at teaching hospitals.³²⁰ The Hunter will be able to attract patients from other areas and obtain funding for doing so under the resource distribution formula, which comes into place this year. Dr Kerridge stated that Newcastle should become a referral centre for patients in surrounding regions:

I think we have got every reason to say that we should be doing everything from Dubbo to the Hawkesbury and ... that everything from that area should be coming here as the default area rather than going to Sydney.³²¹

In addition to the public health service, the Hunter has an expanding private health sector. The Standing Committee notes that NIB Health Funds has announced that it will build a \$35 million, 120-bed private hospital in the Hunter, adjacent to its existing facility at Rankin Park, making the combined hospital the region's largest private facility.³²²

Recommendation 20

The Standing Committee recommends that the Hunter Area Health Service promote itself to attract the referral of patients from neighbouring regions. Further, the Hunter Area Health Service, in conjunction with the private health sector, should sell its technical and training services to Asia.

6.11 Education

Dr Green, appearing on behalf of the Common Purpose Group, described the importance of education in the region:

Our skill base is absolutely crucial to developing the new value-adding knowledge intensive industries and services of the future and the educational institutions in this region will be placing great importance on their co-operation, both between themselves and with industry in the region.³²³

The links between education and employment were discussed in chapter 2.

6.11.1 Educational institutions in the Hunter

In 1996 the Department of School Education and the Catholic Schools Office, the main providers of primary and secondary education in the Hunter, had a combined enrolment of

³²⁰ Evidence of Dr Kerridge, 18 March 1998, pp497-498

³²¹ Evidence of Dr Kerridge, 18 March 1998, p499

³²² *Newcastle Herald*, \$35 million hospital on-line by 1999, Kirsten Mulley, 13 December 1997

³²³ Evidence of Dr Green, 3 February 1998, p217

approximately 99,800 students and employed over 5800 teaching staff across 323 schools.³²⁴ In addition to these schools, there are a growing number of independent schools in the region.

The Hunter Institute of Technology, with a student base of 46,000 and a staff of 2500 full-time equivalent employees, is the third largest TAFE in New South Wales.³²⁵ It is the region's largest provider of vocational education and training and has a budget of \$120 million and assets valuing \$300 million.³²⁶

In 1996 the Hunter Institute of Technology established a business development unit with the aim of strengthening ties with industry. The Hunter Institute of Technology stated:

The Hunter Institute works closely with industry, economic and regional development bodies, peak industry representative bodies, and government agencies to meet demands of regional industries, emerging enterprises and the skills training required by prospective industries entering the region.³²⁷

Indeed, in the last twelve months we have signed memorandums of understanding with energyAustralia to deliver their training on a fee-for-service basis, with Goninans to work with them; and Chickadee on the Central Coast; and Tomago Aluminium, where we actually have staff located.³²⁸

The Hunter Institute of Technology is moving towards more flexible delivery of courses, with four flexible delivery centres—ship and boat building, engineering, transport and rural skills. Ms Hart, Director of the Hunter Institute of Technology, described flexible delivery:

... flexible delivery ... covers all sorts of things. I mean it can be partially what is called the correspondence type mode; it can be workplace assessment, where people are given recognition for skills developed on the job; and it can be using technology. So it is really designing courses to meet the needs of the client group. This has been a major shift in TAFE generally.³²⁹

The University of Newcastle was established in 1965. There are two campuses and eleven faculties, including Architecture; Art and Design; Arts and Social Science; Economics and Commerce; Education; Engineering; Law; Medicine and Health Sciences; Music; Nursing; and Science and Mathematics. The university offers over 150 graduate and post graduate courses to its 18,000 students and employs around 3000 people.³³⁰

According to the university:

The University of Newcastle is ranked fourth among the 12 universities in New South Wales in its ability to attract first preferences for those enrolling in undergraduate programs. Its

³²⁴ Hunter Valley Research Foundation (1996), *Newcastle and the Hunter Region, 96/97*, Hamilton

³²⁵ Submission 25, Hunter Institute of Technology, p1

³²⁶ Evidence of Ms Hart, 24 February 1998, p338

³²⁷ Submission 25, Hunter Institute of Technology, p1

³²⁸ Evidence of Ms Hart, 24 February 1998, p336

³²⁹ Evidence of Ms Hart, 24 February 1998, p333

³³⁰ Evidence of Dr Green, 5 November 1997, p20

success in winning major government research funding is also significant, ranking 9th out of the 36 public universities in Australia.³³¹

Mr Simmons, General Manager of the Newcastle Regional Chamber of Commerce, commented on the lack of overseas students at the university:

I understand the university has got less than 5 per cent of its students as overseas students. We should be doing better.³³²

The Standing Committee notes that the proportion of international students at the University of Newcastle is significantly lower than the Australian average.

As described in section 6.10, the university has an innovative medical school. Dr Kerridge, a private citizen, suggested that medical students should be moved out of metropolitan medical centres to the University of Newcastle, as students trained in Newcastle are more likely to move to rural areas, where doctors are needed.³³³

6.11.2 Contribution of education to the region

The Hunter Valley Research Foundation described the spill-over effect that investment in education has on the economy:

Investment in education is not only an investment in the future it also has the highest employment multiplier impact of the 29 industry sectors studied by the Foundation as part of its Input-Output model of the Hunter Region economy. Application of the above model suggests that for every \$1 million invested in education a total of 31 jobs are created (initial effect and flow-on impacts). ...

Investment in education ... is important not only as a potential economic advantage by exporting such services elsewhere, but it also serves the dual purpose of improving important lifestyle factors within the Region.³³⁴

The Standing Committee is convinced that the education industry has the potential to significantly expand by developing partnerships with industry and by exporting education services. The Standing Committee commends the Hunter Institute of Technology for its initiatives with industries in the region and suggests that other educational institutions look at the leadership offered by the Hunter Institute of Technology.

³³¹ University of Newcastle Internet site at <http://www.newcastle.edu.au>

³³² Evidence of Mr Simmons, 6 November 1997, p64

³³³ Submission 29, Dr Kerridge, p3

³³⁴ Submission 12, Hunter Valley Research Foundation, p4

6.12 Defence

Defence plays an important role in the Hunter economy—the Australian Army has a significant presence in the Upper Hunter; the Navy uses Newcastle Port as a facility for ship repair; and the Royal Australian Air Force has a major base at Williamstown.³³⁵ Surrounding the defence forces is a cluster of support companies.

There are a number of major defence projects currently underway in the Hunter region, including construction of offshore minehunter ships by ADI, module construction for ANZAC frigates by Transfield Construction and assembly, testing and support of the lead-in fighter aircraft (Hawke 100) by British Aerospace.³³⁶

Further defence-related industries could potentially be established in the region. Projects currently under negotiation include: an upgrade of the FA 18 Hornet fighter (estimated at \$700 million); long term maintenance of the airborne early warning and control aircraft; an upgrade of the guided missile frigates; and attracting the joint command headquarters to Newcastle. The Common Purpose group identified defence as a ‘robust and emerging’ cluster, with an objective to attract Project Wedgetail (the airborne early warning and control project).³³⁷

6.13 Arts and culture

The Hunter region has a rich cultural history, with strengths including performing and visual arts, libraries, museums, art galleries and theatres.³³⁸ Arts and culture impact on the quality of life of the Hunter’s population and has the potential to attract tourism.

The Common Purpose Group has called for culture and the arts to be formally recognised as a part of the cluster development strategy.³³⁹ The Standing Committee supports the development of such a cluster.

³³⁵ Hunter Regional Development Organisation (1996), *Hunter Advantage – Hunter Regional Economic Strategy*, Newcastle

³³⁶ Hunter Regional Development Organisation (1996), *Hunter Advantage – Hunter Regional Economic Strategy*, Newcastle

³³⁷ Hunter Regional Development Organisation (1996), *Hunter Advantage – Hunter Regional Economic Strategy*, Newcastle

³³⁸ Submission 43, Newcastle Greens, p1

³³⁹ Submission 31, Common Purpose Group, p4

Statement of Dissent by The Hon Jenny Gardiner MLC The Hon Dr Brian Pezzutti MLC

CHAPTER 3 INFRASTRUCTURE IN THE HUNTER REGION

3.3.1 Passenger Services

3.3.1.1 Rail line into Newcastle Station

During the last few years there has been a large amount of debate over the cost and effectiveness of heavy rail into Newcastle and its serious impact on the CBD and Honeysuckle redevelopment.

The majority recommendation lacks vision and places serious constraints on the future development of the city of Newcastle.

The present rail line into Newcastle obstructs community and business activity between the CBD of Newcastle and Honeysuckle development. Honeysuckle is now a marketable entity which was not the case during all previous investigations into the viability of the rail line. Since these studies and investigations do not take into account the reality of Honeysuckle and the redevelopment of the foreshore, they are meaningless. The State and Federal Governments have invested \$100 million into the Honeysuckle redevelopment. We must now secure a return from this large investment of tax payers money for the people of the Hunter. The opportunity to sell property in the vicinity and for the burgeoning business sector to progress is seriously diminished by the presence of this ugly ‘Berlin Wall’.

The ‘heavy rail’ corridor into the inner city is a people mover but it is not necessary to use heavy rail. There are a number of options to replace the present heavy rail with something more appropriate, less disadvantageous and at less cost.

The cost-effectiveness of the current situation asserts a heavy burden on the cost side of the ratio. Total Community Service Obligations (CSO’s) performed by CityRail in the Hunter is around 63% of total expenditure. This indicates a massive subsidy to maintain the current infrastructure which includes the segment from Hamilton to Newcastle station. The operating cost for the section of the line:

We have some information on the immediate operating costs of the segment of line coming in from Wickham to Newcastle. That is at the present time approximately \$5.5 million a year just for that section of four stations.³⁴⁰

Table Newcastle line daily (week day) passenger flows

³⁴⁰ Dr Day, General Manager of Rail Development with the State Rail Authority

Station	Number of Passengers
Newcastle	2740
Civic	2200
Wickham	1860
Hamilton	2980
Total	9780

Source: Statistics supplied by CityRail

The Hon Dr B Pezzutti: There are 172 trains coming in and out of Newcastle every day. Is that correct?

Dr Day: Yes, 172

The Hon Dr Brian Pezzutti: That would give an average of 16 people per train. Would that be correct?

Dr Day: That would be correct.³⁴¹

Each day there are 172 train movements at Newcastle station - 86 trains in and 86 trains out. (Expanded below)

... in my view, the heavy rail should cease at Broadmeadow. We have already about 1,100 buses operating up and down Hunter Street daily, many of which run empty when there must be other ways and means by which the Government can better utilise public transport.³⁴²

Between Hamilton and Newcastle access to cross the line is poor. In fact between Civic and Wickham stations there is only one crossing at Wickham station.

³⁴¹ Evidence of Dr Day, General Manager- State Rails, 2 February 1998

³⁴² Evidence of Mr Simmons, 6 November 1997

Comments against the present rail link

NEWCASTLE 6/11/97

Mr SIMMONS: The community has some very strong views about the railway line. Most of those people whom I asked about the railway line, and who are passionate defenders of the railway line, I find rarely use it. Often, as you are constrained at the Merewether gates you can count on one hand the number of people in those six-car trains that go past and have fingers left over.

Clearly, in my view, the heavy rail should in fact cease at Broadmeadow. We have already about 1,100 buses operating up and down Hunter Street daily, many of which run empty, when there must be other ways and means by which the Government can better utilise public transport. I understand that there is something of the order of \$20 million in potential savings to government from a rationalisation of that heavy rail between Broadmeadow and Newcastle station.

All I would do is make the point that is an inappropriate use of heavy rail, and I think it is impeding the growth and development of the city, where there is clearly that separation of the foreshore area of Newcastle, which is a spectacular area, an area that causes thousand of people on a weekly basis, but particularly on weekends, to spend time with their families. A lot of functions are held there. But, once you have got that heavy rail barrier, it will potentially impede the re-vitalisation and the redevelopment of the central business district as we now know it.

NEWCASTLE 2/2/98

Mr ROSSELY:... If you take the Wickham Station to Merewether Street, which is just to the east of Civic Station, there is no vehicular connection, nor is there a pedestrian connection across the railway line, which is a length of about two kilometres. From Merewether Street through to Watt Street, which is the street outside this building in which we are right now, there are a series of pedestrian connections, provided you are healthy and relatively good at going up and down about 40 stairs. So it is not a particularly easy connection, with the exception of one linkage into the Queens Wharf Brewery, which, if you are in a wheelchair, you can just about get across. It is a ramp-way system that goes across. But it is a fairly tortuous route.

The Hon. Dr B. P. V. PEZZUTTI: But, for the disabled who might want to go and have a look at the Honeysuckle site, they have a fair walk down there, have they not?

Mr ROSSELY: For the disabled who want to go, there is extreme difficulty, because the only way they can get through is either at Merewether Street or by going across the overhead at Queens Wharf.

The Hon. Dr B. P. V. PEZZUTTI: If the railway line was to be removed tomorrow, would your ability to market those sites be improved?

Mr ROSSELY: And the appropriate connections put in? Yes, it would.

Mr Rossely later described how the Hunter's population travels to work each day:

...1.4 per cent of people use the railway as a method of coming to work; buses about 5.6 per cent; pedestrians about 6 per cent and cars 70 per cent.

THE HUNTER ENVIRONMENT LOBBY:

Public transport infrastructure within the region is extremely deficient in most areas and does not align with projected urban growth patterns. A regional rethink of urban growth and transport infrastructure is required and this would support sustainable employment.³⁴³

Dr DAY: Eighty six [train movements] both ways [each day].

... the number of passengers, done by barrier counts at each [Hamilton, Wickham, Civic and Newcastle] station are fairly significant. That does not include people at Hamilton who are changing from one service to another. These are people who actually leave the railway at one of those four stations. ... it equates, altogether, to about 2.9 million people per year. I was doing one or two sums, and it means that is an average of about 110 people on every train coming in and getting off at those stations.

Dr DAY: The four stations into Broadmeadow.

The Hon. Dr B. P. V. PEZZUTTI: Is that \$5 million the net cost?

Dr DAY: That is the gross cost.

The Hon. Dr B. P. V. PEZZUTTI: Minus income?

Dr DAY: Yes.

The Hon. Dr B. P. V. PEZZUTTI: This is the accrual accounting cost or is it a cash cost?

Dr DAY: It would be cash.

³⁴³ Submission 15, Hunter Environment Lobby, p 1

The Hon. Dr B. P. V. PEZZUTTI: The accrual accounting cost would be bigger than that, would it not?

Dr DAY: It definitely would be bigger.

The Hon. Dr B. P. V. PEZZUTTI: I notice that there are 2,740 people getting in or out of the railway station at Newcastle. Is that correct?

Dr DAY: I believe so, yes.

The Hon. Dr B. P. V. PEZZUTTI: There are 172 trains coming in and out of Newcastle every day. Is that correct?

Dr DAY: Yes, 172.

The Hon. Dr B. P. V. PEZZUTTI: That would give an average of 16 people per train. Would that be correct?

Dr DAY: That would be correct.

The Hon. Dr B. P. V. PEZZUTTI: How many carriages are there on that train?

Dr DAY: It varies. It would be between two and eight.

The Hon. Dr B. P. V. PEZZUTTI: What would be the capacity?

Dr DAY: That can vary. The smallest would be 100, and the biggest would approach 1,000. But I would point out that would depend upon the functions of the train and the route.

The Hon. Dr B. P. V. PEZZUTTI: I accept that. But given that Mr David Simmons said in evidence to this Committee said, "Most of those people whom I asked about the railway line, and who are passionate defenders of the railway line, I find rarely use it. Often, as you are constrained at the Merewether gates you can count on one hand the number of people in those six-car trains that go past and have fingers left over." The figures would support that observation by Mr Simmons, would they not?

Dr DAY: Yes...

...

Dr DAY: As you quite correctly say, the numbers are fairly small and they are lightly loaded. If the service was actually terminated at Broadmeadow, in seeking to predict what would happen, the first question would be: how many of those people would continue to travel by train into that area? That, in part, depends on where they are coming from. If they are coming from central Sydney to Newcastle, there is a fair chance they will still travel to Broadmeadow and change. If they are coming from the Maitland line, there is a reasonable chance, depending partly on local bus services, they could cease to travel by train at all.

I agree that buses could handle the current load fairly easily, but if the service was cut back a very large amount of that current load - and you would have to do considerable research to be sure how much, but I guess to Broadmeadow it would be at least half and it could be half of the current load, would cease to travel altogether.

NEWCASTLE 25/02/98

Mr CHENERY: There is more than just the railway. We believe in this area that running a bus system and a train system and a ferry system from departments in Sydney is too remote. We believe that there should be an integrated force co-ordinating the whole thing, because even the timetables do not match with each other. We believe that there are a lot of buses and a lot of trains running around empty. In a lot of cases they are running empty back to terminuses which are in the wrong places.

There is subsidy in railway, there is subsidy in buses, there are subsidies everywhere. If you had that amount of money and you said, "Give it to a corporation within the Hunter Valley to do it better" I think the first aim of that corporation ought to be to do it better with the same money and doubling or even quadrupling the amount of public transport, or people on public transport. The problem with the system at the moment is that it is not attractive to the customers. People do not get on that transport, and a lot of the routes are not to where the people want to go. I do not think it is being dealt with properly out of the Sydney corporation or departments within Sydney because they do not relate to the issues.

From my perspective, it is an integrated development, and there are substantial environmental and commercial and landscaping opportunities along the railway which would make it much more favourable than the current situation, and it involves real estate development worth tens of millions of dollars which go a long way towards paying for any conversions.

NEWCASTLE 18/4/98

Mr JENSEN: Inner-city Newcastle is being so devastatingly constrained and adversely affected by this small section of above-ground rail.

The Hon. Dr B. P. V. PEZZUTTI: At the moment, according to the article by Australian Business, \$50 million a year is used to subsidise public transport in Newcastle, which is something that other major cities like Wagga and Tamworth simply do not get. If your proposal went ahead, could there be some rationalisation of the 1,100 buses that go up and down Hunter Street, Newcastle, which is again a blight on the main city, to use this corridor?

Mr JENSEN: Certainly, there have been a lot of people who have spent a lot of time looking at the overall public system in Newcastle, and I know that Mr Chenery and also Dr Pattison are very keenly interested in this issue, and they certainly believe that some rationalisation of what is there could save the people of New South Wales quite a lot of money.

I believe that a lot of the problems that have occurred in Honeysuckle have in fact been caused by the heavy rail. I have had that view for a long time, and I have spoken to a lot of people about it. I have been chided by Councillor Sutton and Councillor Parsons that they were going to rename the Merewether Street crossing the Clive Jensen railway crossing. So I understand, to some extent, the point of view that you are putting.

NEWCASTLE 19/03/98

Dr McNAUGHTON: What I want to particularly address is one thing that can be done. I know this is unpopular, and I have been implored not to mention it to you. The rail line divides the city and destroys opportunities. We have had study after study in this city - and they are all available to you - that show that, unless Honeysuckle and the central business district of Newcastle work in concert, and work closely together, at worst they will both fail, and the best one of them will linger on. Of course, that will be the CBD, because there is no chance of a major investment in Honeysuckle while the risk is that will be knocked over by competition through the existing parts of the city. That just will not happen.

The point I want to make is that have got this rail line. Now, you could have fixed in your mind, oh, gee, we shouldn't take out a rail line that goes into the middle of the city. It is not in the middle of the city. And nobody uses that line. The trains come in here with nobody on them.

You get 10 or so on a train of eight carriages that could carry about 400. When I was Lord Mayor, for six years I had a bet with my driver that if he ever saw 10 or more people on the train after 6 o'clock at night coming into the city I would buy him a lottery ticket. And I never had to buy him a lottery ticket. And believe me, we stood at those gates very regularly.

It is a standing joke in the city. You go down to one of those railway crossings at Merewether Street or Hannell Street, and you end up with 10 times as many people sitting in cars waiting for the gates to go up as there are on the train. I know the Lord Mayor is a great proponent of it; he is the one who supported the ALP policy which say the rail must stay. I will be excommunicated from the Labor Party and all fro saying such things, but you have got to face facts and do what is best for the city, and the best for the city is a decent public transport system.

I came home on the *Newcastle Flyer* a few months ago - that is, the 5 o'clock express from Sydney - and by the time I got to Fassifern I thought, there's nobody on this train. That's funny. I'll look and see who gets off it.

I looked out at Booragul when we stopped there, and two people got off the train. At Cockle Creek nobody got off it. At Cardiff two people got off it. At Kotara nobody got off it. At Adamstown three people got off it. At Broadmeadow, the big station, where they all get off, four people got off. I thought, that is interesting. I'll continue to look out. We got to Hamilton, and two people got off at Hamilton. When we got to Civic, five people got off. I thought, well, everyone else will get off at Newcastle. I got my bags ready so I would not miss anybody, and I stepped off the train, looked up and down, and I was the only one on the station. And this was the 5 o'clock express on a Tuesday afternoon. By the time I walked down to the end of the station the crew of the train had got off, and the cleaning gang had walked onto the platform. But I was still the only passenger. And that is par for the course.

... I have been told by my ALP colleagues to shut up about taking that railway line out, because it is too inflammatory. I am told, 'Leave it there, and put in crossings.' Now, anyone with an ounce of realism knows that you are not going to get crossings. We have not had a death on the railway for about three or four years, but we regularly get people killed on that railway at the crossings that we have got now. People will not walk up over the top; they walk across the line, and they get hit by trains.

The department has told the Minister that if he will accept the responsibility and liability of at-grade crossings, they will put them in. The Minister says, 'I cannot do that. I have no budget for that. Talk to an insurance company.' The insurance company says, 'Sure we will. The premium is \$400 million a year,' or something or other, because they know that they cannot accept that liability. Consequently, I believe the at-grade crossings are a monumental red herring. They are not going to happen.

...if you put an interchange in there [Woodville Junction] that would service the main rail centres, it would not service a lot of people but you would service 50,000 to 100,000 people from it. The point is that the buses will take people where they want to go. People do not want to go to Newcastle railway station; they want to go to Newcastle court house, Newcastle Hospital, and the medical centres and so on. They want to go from where they are to a whole range of things in this area, and they cannot do that by heavy rail.

The Hon I COHEN: Surely they could do that by heavy rail if you had an integrated transport system set up properly so that it is people friendly.

The Hon Dr B P V Pezzutti: The point is that if you spend the money on the rail, and you subsidise the rail to the tune of something like \$5 million or \$20 million, you have no money left. If you kept that \$5 million or \$20 million, or whatever it costs - and we will find out this afternoon what that amount is - that money could be diverted to free ranging buses, and we could have free buses all over Newcastle with that same money.

Comments for the present rail link

The Hon. Dr B. P. V. PEZZUTTI: Do you not think it would be a good idea, for the last kilometre or so, which is from Civic to Newcastle Station, it would be a good idea to cut out the service and, for example, replace it with a bus service, with bus-only lane?

Ms BURGESS: People will not get off a train and get on a bus.

The Hon. Dr B. P. V. PEZZUTTI: They do in Sydney all the time. My children do it every day.

Ms BURGESS: Yes, they do in Sydney. But they are on the train for an hour, they get off the train to get on a bus for another 20 minutes. You are asking people to get off a train and get on a bus for a two-minute trip.

The Hon. Dr B. P. V. PEZZUTTI: The issue is that, if you do not think people will use bi-modal transport, then have a look at Sydney, where people often use three modes of transport.

Ms BURGESS: Sydney is completely different ... people of Sydney are travelling much greater distances.

The Hon. Dr B. P. V. PEZZUTTI: No, they're not.

Ms BURGESS: I cannot travel for an hour in a train and still be in Newcastle, not unless I go round and round and get off a train and come back.

The Hon. Dr B. P. V. PEZZUTTI: How long does the trip take from Maitland to Newcastle?

Ms BURGESS: About 20 minutes.

NEWCASTLE 2/2/98

Mr SMITH: If I could answer through you, Mr Chairman. One of the issues that does come into play when one considers changing from one mode to another mode, or changing the travel patterns and travel habits of public transport users is the question of interchange. If, for example, as has been suggested, rail passengers from Maitland district were required to change mode of travel at Broadmeadow in order to access the services and facilities at

Central Newcastle, then international studies would tend to tell us very clearly that passengers do not like that, and they value it very lowly. They value their time very highly.

NEWCASTLE 3/2/98

Mr SUTTON: I believe the Minister did it because he heard from the Honeysuckle Development Corporation a view that the Council was not looking kindly at its proposal to develop a waterfront hotel, and I think the Minister has a significant conflict of interest in this issue. He is the Minister responsible for the Honeysuckle Development Corporation and also the Minister charged with the responsibility of properly administering the planning system. I think that is an untenable position.

It is a reasonable point. I think yesterday Dr Pezzutti portrayed it as an over-supply of public transport. I would rather portray it as an under-utilisation of public transport. If you have a business, you have two options: you can either pack up and go home if it is going bad, or you can try to do something that will improve it. We have tried on a number of occasions to get State Rail to engage in activities that will improve that service and market it better. It is one of those things that requires an integrated approach. Because it is the end of the line, obviously there are economies of scale that relate to the use of that line that mean we will not save a lot of money by cutting out Newcastle station. A number of years ago a community group did a survey, I think involving more than 3,000 people.

What do the Papers say?

“A light rail plan for Newcastle that could be running within 12 months of construction was given strong support this week by a Sydney-based transport company. The managing director of Bishop Austrans, Mr John Flick, said his company could help provide a \$100 million light rail system with operating costs of \$4.5 million a year. Mr Flick said a comprehensive feasibility study for a light rail network in Newcastle had been prepared for the company by a consulting engineering company, Sinclair Knight and Merz.”³⁴⁴

“...the Newcastle government bus service might already have lost up to \$7 million last financial year. Inquires by the *Newcastle Herald* have revealed that the combined Newcastle bus and ferry services to June 30, 1997, had a deficit of \$6,009,000.”³⁴⁵

³⁴⁴ *Newcastle Herald*, 6 December 1997

³⁴⁵ *Newcastle Herald*, 13 January 1998

“The multi-million-dollar investment made in the Honeysuckle area was being thwarted by the persistent obstacle formed by the rail line to Newcastle...”³⁴⁶

“A call yesterday by the Newcastle Lord Mayor, Cr Greg Heys, to retain the inner-city rail link met with a lukewarm to hostile reception from many Newcastle businessmen. Cr Heys said that if the rail line was cut at Civic, he thought commuters would be unwilling to then get on a shuttle bus for an 800 metre trip to the top of town. City businessman Mr Chris McNaughton agreed with the Lord Mayor that thousands of people were in Newcastle during Australia Day, but the two trains he saw were empty. ‘And for safety, State Rail doesn’t want any more rail crossings,’ he said. Later Mr McNaughton said he believed that only 200 people a day, on return trips, used the inner-city line. He said he had also been told that the new pedestrian crossings would cost \$1 million each.”³⁴⁷

“The Rail Access Corporation has told the ALP that additional level crossings over the Newcastle city rail corridor would be inadvisable and dangerous. The information is contained in a letter replying to the Merewether West Branch of the ALP and dated December 4 last year. The information is a blow to the Lord Mayor of Newcastle, Cr Greg Heys (ALP), who is trying to revitalise the inner-city by opening more pedestrian crossings between The Foreshore and central Newcastle. ‘The RAC has no plans, however, to increase the number of level crossings across the line,’ he wrote. ‘The RAC believes that level crossings in an area such as Newcastle are an unacceptable safety risk and given the relatively high volumes of both rail and vehicular traffic in the corridor, would cause unacceptable road congestion in the adjacent road network.’ Political observers say that any costly rail re-signalling, including an overhaul of the Newcastle branch line, might sound the death knell for the branch line.”³⁴⁸

“Members of the Legislative Council Standing Committee on State Development including ALP member Mr Tony Kelly, Liberal Mr Brian Pezzutti and Greens Mr Ian Cohen, supported the railway line’s removal. They called on that State Government and Newcastle City Council to attack the issue as a matter of priority. Mr Kelly said, ‘A consistent problem that has come up is the CBD of Newcastle and the fact that the railway line has been likened to putting a railway line with two big steel mesh fences down the bottom end of George Street, cutting off Circular Quay from the rest of Sydney. No-one would entertain that in Sydney and certainly there’s a lot of concern about that in Newcastle. Mr Pezzutti said the railway was strangling the city and Honeysuckle. Mr Cohen agreed the line should go. ‘It’s really important the railway infrastructure gets sorted out because that’s cutting through the heart of any potential development there and it won’t be feasible until they resolve the problem,’ he

³⁴⁶ *Newcastle Herald*, 3 February 1998

³⁴⁷ *Newcastle Herald*, 4 February 1998

³⁴⁸ *Newcastle Herald*, 6 February 1998

³⁴⁹ *Newcastle Herald*, 7 November 1997

“The Public Transport Advisory Council noted that a light rail network would provide a number of opportunities for Newcastle, including the removal of a physical and psychological barrier between the city centre and the foreshore redevelopment sites, chiefly the Honeysuckle precinct. And the ease of access to the light rail cars and the greater frequency of stops would provide more user-friendly transport than trains.”³⁵⁰

“The general manage of Newcastle Regional Chamber of Commerce, Mr David Simmons, and Newcastle Mainstreet chairman Mr Paul Murphy are among those calling for its removal to help improve public access, promote foreshore development and generate greater business activity in the city’s heart. On Thursday the three visiting members of the Legislative Council Standing Committee on State Development, Mr Brian Pezzutti (Lib), chairman Tony Kelly (ALP) and Mr Ian Cohen (Greens), all called for the rail line issue to be addressed with Mr Pezzutti describing it as an ‘abomination’ that should be removed to free up the city’s

³⁵¹

“A world-renowned French architect who worked on the original Honeysuckle master plan still favours cutting the railway line at Civic. Mr Phillipe Robert was speaking in Newcastle yesterday before addressing a luncheon meeting of the Hunter chapter of the Property Council of Australia. ‘The trend throughout the world now is to remove the barrier between a city and its harbour or sea,’ he said.”³⁵²

“As the NSW Legislative Council Standing Committee on State Development noted in Newcastle last week, the rail line into Newcastle station is not well-patronised. That is obvious to anybody who cares to look. As a consequence, the committee heard, keeping in line open costs NSW taxpayers about \$20 million a year. The foreshore is bringing people into town, but the rail line is preventing the city from harnessing this phenomenon to generate economic activity. The State Government should heed its State Development Committee and terminate at Civic Station. Civic should be upgrade as the new rail gateway to the city, incorporating a transport interchange linking trains and buses.”³⁵³

“After two days of listening to issues concerning the development of the Hunter the [Standing Committee on State Development] expressed bipartisan support for the removal of the railway line that divides inner Newcastle. Which is bloody cheek, members of those three political groups coming to Newcastle and agreeing on anything. Doubtless they’ll have been on the receiving end of some pretty hot phone calls since from their political fellows in Newcastle. Newcastle’s Labor, or at least the Labor faction currently in power, and

³⁵⁰ *Newcastle Herald*, Editorial, 28 November 1997

³⁵¹ *Newcastle Herald*, 8 November 1997

³⁵² *Newcastle Herald*, 8 November 1997

³⁵³ Editorial, *Newcastle Herald*, 10 November 1997

Newcastle's Greens oppose, naturally, the removal of the line...Then their political fellows blow in from Sydney and have enough front to state the obvious, that the rail line must go. One of the blow-ins was a Greens member of the Upper House, Ian Cohen, who has found himself opposed, naturally, by a fellow green and the noisiest leader of the push against something happening, Margaret Henry."³⁵⁴

³⁵⁴ Jeff Corbet, *Newcastle Herald*, 10 November 1997

Recommendation

It is recommended that urgent consideration be given to ameliorate the current sabotage of the Honeysuckle development and to improve the cost-effectiveness of the transport corridor between Hamilton and Newcastle stations.

The rail corridor should be maintained as a public transport only corridor, including buses.

A community consultation should be a priority in considering this recommendation.

CHAPTER 5 REGIONAL DEVELOPMENT

The Standing Committee on State Development received much evidence regarding a significant lack of leadership on the Hunter.

The Newcastle Council was singled out for such criticism.

Pertinent comments regarding this matter, not addressed in the report:

Dr McNAUGHTON: I was Lord Mayor of this city for nine years - the longest serving Lord Mayor in a continual line in the history of the city. Of course, I have got a very keen knowledge of the city and how it works, and more particularly of the region and how it works. I have been a director of the Hunter Valley Research Foundation for some considerable time, I think approaching 20 years. One of the achievements whilst I was Lord Mayor of which I am proud was the revitalisation of the Hunter Region Organisation of Councils, of which I was chairman. That is the background to why I speak as I do.

The Hon Dr B P V PEZZUTTI: Mr McNaughton, yesterday I was raising the issue of the need for a unified and leadership approach, and an all-singing, all-dancing Mr Newcastle. In the days when you achieved this turnaround, you were seen as the Mr Newcastle and you were the face of Newcastle. I suggested yesterday that there is a real leadership problem in the city at the moment, that there is a vacuum of leadership.

Dr McNAUGHTON: If you read the Newcastle Herald you would get that impression.

The Hon Dr B P V PEZZUTTI: I do, and that makes me wonder about this issue. What can be done to encourage these disparate groups that have come before us, with all their hard

work and well-meaning and good ideas, to come together, and adopt not a wanky sort of vision but a practical approach to get this city back to where it should be?

Dr McNAUGHTON: I have obviously got a lot of experience in that sort of thing, but I do not want to go into that.

The Hon Dr B P V PEZZUTTI: Do you believe that if we could get some collective or unified leader that is an essential feature of making the CBD work?

Dr McNAUGHTON: Yes, of course.

Submission of Mr Robin CHENERY

Sadly Newcastle lacks a unified and strong political leadership.

Most Local Government areas of the Lower Hunter are expanding but Newcastle is not.

- Newcastle is the principal regional city at the hub of the Hunter River. Its role is strategically important. My perception is that its political leaders are still struggling with the change in role in the post heavy (and unionised) industry area.
- Newcastle's future role needs to be promoted better. Strong Sydney political support would help. While the politics supports the development in all the Hunter (13 LGAs) there are political sensitivities within Newcastle that have the effect of being not pro-business. This is despite or because the seat of Newcastle is so strongly Labor.

I concur that the region lacks true political leadership.

Make no mistake! The calls about the need for improved political leadership was not about party politics, it was about delays - delays that are costing our city and region jobs and investment.

Newcastle, 25 February 1998

Mr CHENERY: I think there is a case to remove narrow politics from the decision-making in this town, particularly relating to the railway, and in particular relating to some of the internal agendas of the people in councils.

The Hon Dr B V P PEZZUTTI: You identify knowledge, management and leadership as the three key targets for any changes that happen to Newcastle. Could you indicate a view on leadership, particularly your criticisms in a November newsletter of Newcastle City Council's inability to lead?

Mr CHENERY: I think the issue in that attachment refers to some questions of our leaders.

The Hon E M OBEID: You place a lot of emphasis on lack of leadership and the politics, which I understand exist. I am not denying that. But what I am then saying to you is, is it the case that people such as yourself in your organisation should be working much harder to sell these ideas directly to the public, to force a bit of change on whoever the problem might reside in?

Mr CHENERY: You could take it from me that we do. It is a constant task. We are part of the Common Purpose Group, and we actively do that.

The Hon E M OBEID: I think it is important that you must have a culture change, and that requires a lot of energy and a lot of marketing for the average person out there to see your ideas. I do not deny there has been a lot of hard work and a lot of positive thinking that has gone into that, but the reality of the situation is that you must carry the public with you.

Mr CHENERY: Absolutely.

MEDIA

“As many as four other members of Newcastle City Council are tipped as preparing to quit if Cr Phil Jackson (ALP) carries out his threat to leave. An ill Cr Jackson, in an outburst in the council chamber last week, accused fellow councillors of endless bickering and point scoring. Several council sources confirmed later that they had heard four councillors were dissatisfied enough with the council’s direction and level of debate to quit. The strain of the present council restructuring, recent senior staff resignation and ALP factional fighting were also blamed for the bickering.”³⁵⁵

“A disciplinary arm of the ALP is expected to hear complaints against four Newcastle city councillors in Sydney tomorrow night. Th charges are believed to date back to voting patterns on the controversial Honeysuckle hotel development last year. Labor’s Local Government Disputes Committee will hear the charges, which

are understood to relate to Caucus solidarity in Newcastle City Council. The long-simmering internal dispute within the council’s ALP ranks is expected to be brought to a head. The *Newcastle Herald* was unable to obtain comment yesterday from the assistant general secretary, branch, Mr Eric Roozendaal, in Sydney. Mr Roozendaal, was invited to Newcastle last September to attend a special meeting of the Newcastle Local Government Committee to discuss concerns about ALP solidarity on Newcastle council.”³⁵⁶

³⁵⁵ *Newcastle Herald*, 15 December 1997

³⁵⁶ *Newcastle Herald*, 19 March 1998

WITNESSES BEFORE THE STANDING COMMITTEE

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
5 November 1997	001	Cr. Greg Heys Lord Mayor Newcastle City Council
	002	Dr Beverly Firth General Manager Hunter Economic Development Corporation
	003	Dr Allan Pattison Chairman Hunter Economic Development Corporation
	004	Dr Roy Green Board Member Hunter Economic Development Corporation
	005	Mr Michael Murray Executive Officer Hunter Regional Development Organisation
	006	Mr Ben Chard Regional Coordinator, Hunter & Central Coast Region Premier's Department
	007	Mr David Simmons General Manager Newcastle Regional Chamber of Commerce
6 November 1997	008	Dr Glen Oakley Chief Executive Officer Newcastle Port Corporation

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
6 November 1997	009	Mr Sandy White General Manager Newcastle Airport Limited
	010	Air Vice-Marshal Richard Bomball Chairman Newcastle Airport Limited
	011	Mr Greg Cameron External Affairs Manager BHP Ltd
	012	Mr Steve Keogh Human Resources Manager BHP Ltd
	013	Mr Jon Hawke Manager Industry Development, Resources Planning and Development Branch Department of Mineral Resources
2 February 1998	014	Mr Ian McAndrew Deputy Chairman Hunter Regional Tourism Organisation
	015	Mr Jeff Rossely General Manager Honeysuckle Development Corporation
	016	Mr John Smith Director of Planning Department of Transport
	017	Dr Dick Day General Manager City Rail

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
	018	Dr Denis Porter Deputy Director NSW Minerals Council
	019	Mr Terry Kearney General Manager - Coal Services FreightCorp
	020	Mr David Brewer General Manager Port Waratah Coal Service
	021	Mr Robert Gray General Manager Lake Macquarie Council
3 February 1998	022	Cr. John Kilpatrick Mayor Lake Macquarie Council
	023	Mr Ernie Razborsek Convenor Jobs Summit Committee
	024	Dr Roy Green Jobs Summit Committee
	025	Ms Gillian Summers Jobs Summit Committee
	026	Mr Neville Deuis Tourism Manager Dungog, Gloucester, Port Stephens & Great Lakes Shire Councils
	027	Cr. John Sutton Councillor Newcastle Greens

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
	028	Cr. Liz Rene Councillor Newcastle Greens
	029	Cr. Margaret Henry Councillor Newcastle Greens
	030	Mr John Flannery General Manager Singleton Shire Council
	031	Mr Rod Moore Operations Manager Upper Hunter Business Enterprise Centre
	032	Mr Warren Sedman General Manager Upper Hunter Business Enterprise Centre
	033	Professor Katherine McGrath Chief Executive Officer Hunter Area Health Service
3 February 1998	034	Ms Lesley Morris Economic Development Manager Cessnock City Council
	035	Mr Steve Edmonds Economic Development Officer Maitland City Council
	037	Mr David Uphill Executive Manager of Technical and Environmental Services Dungog Shire Council
	038	Cr. Allan James Fairhall Mayor Dungog Shire Council

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
24 February 1998	039	Mr Lou Fisher General Manager Muswellbrook Shire Council
	040	Cr. Ian Seymour Mayor Muswellbrook
	041	Mr W.E.J Paradice Chief Executive Officer Hunter Valley Research Foundation
	042	Mr Andrew Searles Research Economist Hunter Valley Research Foundation
	043	Ms Robin McDonald Research Economist Hunter Valley Research Foundation
24 February 1998	044	Ms Gay Hart Director Hunter Institute of Technology
	045	Mr John Townsend Deputy Director Hunter Institute of Technology
	046	Professor Jenny Graham Pro Vice-Chancellor (External Relations) University of Newcastle
	047	Prof. Scott Holmes Director Graduate School of Business University of Newcastle
	048	Dr Roy Green Director Employment Studies Centre

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
		University of Newcastle
	049	Mr Geoff Cox Managing Director Crighton Properties Pty Ltd
	050	Mr Doug Lithgow President Parks & Playgrounds Movement
	051	Ms Cathy Burgess Spokesperson Hunter Greens
25 February 1998	052	Mr Colin Nunn Development Manager Roads and Traffic Authority
	053	Mr Greg Hatton Secretary Hunter Olive Cooperative
	054	Mr Geoff Lillis General Manager - Customer Service energyAustralia
25 February 1998	055	Mr Rob Chenery Private Citizen
	056	Mr Glen Handford Director of Planning Great Lakes Shire Council
	057	Mr Chris Barnes President Hunter Valley Vineyard Association

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
18 March 1998	058	Mr John Maitland General President Construction, Forestry, Mining and Energy Union
	059	Mr Michael Watson Northern District President Construction, Forestry, Mining and Energy Union
	060	Mr Clive Jensen Private Citizen
	061	Dr Ross Kerridge Private Citizen
	062	Mr Rod Coogan Agribusiness Advisor Hunter Economic Development Corporation
	063	Ms Nicole O'Neill Telecommunications Advisor Hunter Economic Development Corporation
	064	Ms Gillian Summers Investment Marketing Manager Hunter Economic Development Corporation
	065	Mr Barry Robson Assistant Branch Secretary Maritime Union of Australia
	066	Mr James Boyle Assistant Branch Secretary Maritime Union of Australia
067	Mr Tony Papaconstuntinos Deputy National Secretary Maritime Union of Australia	

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
	069	Dr Beverley Firth General Manager Hunter Economic Development Corporation
	070	Dr Allan Pattison Chairman Hunter Economic Development Corporation
	071	Mr David Simmons General Manager Newcastle Regional Chamber of Commerce
	072	Mr Ben Chard Regional Coordinator, Hunter & Central Coast Region Premier's Department
	073	Cr. Greg Heys Lord Mayor Newcastle City Council
19 March 1998	074	Mr John McNaughton Private Citizen
	075	Mr John Wilson Regional Director of Agriculture - Hunter NSW Agriculture CB Alexander Agriculture College
	076	Mr Steven Bargwanna Senior Planner Kinhill Engineers Pty Ltd
	077	Mr Gary Ash Engineering Manager Concrete Construction Group Ltd

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
19 March 1998	078	Mr Tim O'Hearn Branch Manager - Engineering Concrete Construction Group Ltd
	079	Mr Terry Bones General Manager - Marketing, Rail Access Corporation
	080	Mr Steven Alchin Infrastructure Planning Manager Rail Access Corporation

SUBMISSIONS TO THE INQUIRY

SUBMISSION NO	AUTHOR / SIGNATORY
001	Mr John McAuley Private Citizen
002	Mr John McMahon Group General Manager - Government Relations ADI Limited
003	Mr Ian Kilpatrick Private Citizen
004	Ms Lesley Morris Economic Development Planner Cessnock City Council
005	Dr Glen Oakley Chief Executive Officer Newcastle Port Corporation
006a	Mr Kerry Yates Director Strategic Planning Wyong Shire Council
006b	Ms Bronwyn Rumbel Financial Planner Wyong Shire Council
007	Mr Greg Hatton Secretary Hunter Olive Co-operative Ltd
008	Mr Sandy White Airport Manager Newcastle Airport Limited

SUBMISSION NO	AUTHOR / SIGNATORY
009a	Mr Warren Sedman General Manager Upper Hunter Business Enterprise Centre
009b	Mr John Flannery General Manager Singleton Shire Council
010	Mr Gordon Hinds Managing Director Gordon Hinds Advertising Pty Ltd
011	Assoc. Prof. Philip Laird <i>PhD Comp IE Aust MCIT</i> Department of Mathematics and Statistics University of Wollongong
012	Dr W.E.J Paradice <i>PhD</i> Director of Research & CEO Hunter Valley Research Foundation
013	Cr Ian Seymour <i>OAM</i> Mayor Muswellbrook Shire Council
014	Prof. Roger S Holmes Vice Chancellor The University of Newcastle
015	A M Kearney Secretary Hunter Environment Lobby
016	Mr Len Regan Chairman Chartered Institute of Transport in Australia Inc.
017	Mr Merv Church Program Manager, Minehunter ADI Ltd

SUBMISSION NO	AUTHOR / SIGNATORY
018	Mr Geoffrey J Cox Managing Director Crighton Properties Pty Ltd
019	Dr Allan Pattison Chairman Hunter Economic Development Corporation
020	Cr Greg Heys Lord Mayor of Newcastle Newcastle City Council
021	Mr Michael John Murray Executive Officer Hunter Regional Development Organisation
022	Mr Ian McAndrew Deputy Chairman Hunter Regional Tourism Organisation
023	Mr Barry Goldstiver Plant Manager Tomago Aluminium
024	Mr Bill Rose Hunter Equine Centre
025	Dr John McCrum Manager, Educational Planning Hunter Institute of Technology
026a	Mr Noel Chesterfield Advisor, Economic Development Maitland City Council
026b	Mr Steve Edmonds Manager, Economic Development Maitland City Council

SUBMISSION NO	AUTHOR / SIGNATORY
027	Mr Coral McDonnell Administration Manager Honeysuckle Development Corporation
028	Mr Bruce Keech Director Keech Consulting Pty Ltd
029	Dr Ross Kerridge Private Citizen
030	Ms Jane Robertson Executive Director NSW Minerals Council
031	Mr Ernie Razborsek Convenor Jobs Summit Committee Common Purpose Group
032	Mr Neville Deuis Tourism Manager Port Stephens Council (Joint Submission for Dungog, Gloucester, Great Lakes and Port Stephens Region)
033a	Mr Robert Gray General Manager Lake Macquarie Council
033b	Cr J Kilpatrick Lake Macquarie Council
034	Mr Lex Thomas Director Lex Thomas Management Services Pty Ltd

SUBMISSION NO	AUTHOR / SIGNATORY
035	Cr Liz Rene Councillor Newcastle Greens
036	Mr Robin Chenery Private Citizen
037	Cr John Sutton Councillor Newcastle Greens
038	Mr Clive Jensen Private Citizen
039	Ms Cathy Burgess Spokesperson Hunter Greens (Joint Submission for Newcastle Greens, Lake Macquarie Greens, Maitland Greens and Cessnock-Kurri Greens)
040	Mr Douglas J Lithgow President Parks & Playgrounds Movement
041	Mr Colin Nunn Development Manager Roads & Traffic Authority - Hunter Region
042	Mr Chris Barnes President Hunter Valley Vineyard Association Inc
043	Cr Margaret Henry Councillor Newcastle Greens
044	Joint submission from the United Mine Workers Federation of Australia (a division of the Construction Forestry, Energy & Mining Union), The Australian Manufacturing Workers Union and The Maritime Union of Australia

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RACKRITE INQUIRY

TERMS OF REFERENCE

The downsizing of the Rack Rite investment proposal

(Reference received 6 February 1998)

That the Standing Committee on State Development, in conjunction with its Hunter reference, inquire into and report on the matter relating to the downsizing of the Rack Rite investment proposal.

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RECOMMENDATION OF THE COMMITTEE

The Standing Committee recommends that the Minister for Regional Development urge the Federal Minister for Immigration and Multicultural Affairs to conduct an internal investigation into the processing of Mr Lahner's visa applications to ensure that mechanisms are put in place to prevent the loss of any future investment proposals to New South Wales.

1 THE DOWNSIZING OF THE RACK RITE INVESTMENT PROPOSAL

1.1 Background

In early 1996 the head office of the New South Wales Department of State and Regional Development requested its Newcastle regional office to assist a South African manufacturing company, Rack-Rite Shelving (Pty) Ltd, to identify an appropriate location for a major factory development in New South Wales.

The Rack-Rite company manufactures shelving for supermarkets and hypermarkets and is the largest private steel user in South Africa. The company indicated it was seeking to find a strategic manufacturing base on the Pacific Rim from which to target Asian markets. Rack-Rite was considering the possibility of setting up operations in New Zealand, the west coast of Australia or the east coast of Australia.³⁵⁷ The company's owner, Mr Melvyn Lahner, indicated the project would generate around 600 full time jobs.

In late January 1996 the Maitland City Council was approached by the Department of State and Regional Development and asked whether it would meet with the company "to discuss the relocation of their operations to Australia".³⁵⁸ Mr Martin, former Mayor of Maitland City Council, advised the Committee that:

... within a couple of days [of the initial meeting with Maitland City Council] they [Rack-Rite] made the decision to relocate to Maitland and purchased the land on offer.³⁵⁹

Once Mr Lahner purchased the land for the factory development, he then proceeded to:

- lodge a development application for the factory;
- apply to migrate to Australia; and
- purchase land for his residential requirements.

During the period from January 1996 to early 1998 Mr Lahner and the Rack-Rite company sought to progress the establishment of the factory. While matters associated directly with obtaining development approval for the factory were dealt with expeditiously, Mr Lahner encountered a number of problems relating to his application to migrate to Australia and his plans to build residential accommodation. Sections 2, 3 and 4 of this report detail events relating to the development of the factory, dealings with immigration processes and Mr Lahner's proposed residential arrangements.

³⁵⁷ Evidence of Mr Edmonds, 3 February 1998, p91

³⁵⁸ Evidence of Mr Martin, 9 April 1998, p22

³⁵⁹ Evidence of Mr Martin, 9 April 1998, p22

In December 1997 Mr Lahner contacted the Maitland City Council and advised that he had decided to set up a large factory in Ireland and, as a consequence, would be down-sizing the original proposal for the Maitland factory.³⁶⁰

In January 1998 Mr Lahner's decision became publicly known, attracting media and community attention. On 6 February 1998 the Minister for Regional Development, the Hon Harry Woods MP, referred the matter to the Standing Committee on State Development for consideration and asked that the Standing Committee report on the matter by 1 July 1998, in conjunction with its Hunter inquiry.

The Standing Committee received evidence during its inquiry from a number of sources including the Rack-Rite company, the Department of Immigration and Multicultural Affairs and individuals associated with the Maitland City Council. The Standing Committee was unfortunately unable to speak with Mr Melvyn Lahner, Director of the Rack-Rite company, as he did not visit Australia during the period of the inquiry.

³⁶⁰ Evidence of Mr Edmonds, 3 February 1998, p92

2 FACTORY DEVELOPMENT

In early February 1996, Mr Lahner purchased industrial land at the Rutherford Industrial Park on which he indicated that he intended to build a substantial manufacturing factory. The then Economic Development Planner of Maitland City Council, Mr Steve Edmonds, took responsibility for facilitating the development and assisted the Rack-Rite Company with a number of matters including the development application, factory design, local suppliers and labour market requirements.³⁶¹

A sub-division creating the allotment of land for the factory was lodged on 12 February 1996 and approved by the council on 26 March 1996. Subsequently, a development plan for the factory was lodged with the council on 20 May 1996 and approved on 20 August 1996.³⁶²

As detailed above, in December 1997 Mr Lahner advised the Maitland City Council he would be down-sizing the original factory proposal. The Standing Committee understands that at the time of reporting to Parliament no plans had been lodged with the council to effect this change.

³⁶¹ Evidence of Mr Edmonds, 3 February 1998, pp91-92

³⁶² Submission 2, Maitland City Council

3 APPLICATIONS FOR VISAS

There are a number of options for non-Australians who wish to come to Australia to set up a business. Options that are relevant to the current inquiry are briefly detailed in section 3.1 below, with Mr Melvyn Lahner's specific dealings with immigration officials outlined in section 3.2. Factors that contributed to immigration delays are considered in section 3.3.

3.1.1 Entry options

Options for non-Australians who want to work on an on-going basis in Australia include:

- entry under a long stay temporary visa, which allows residency for up to four years; or
- permanent migration as a family migrant (people sponsored by family members already in Australia) or a skilled migrant (those who gain entry essentially because of their work skills).

Four options for individuals who do not qualify for family-related entry are briefly detailed below.

3.1.1.1 *Independent skilled migration*

Around one fifth of all current Australian migrants gain entry under the independent skills category (visa sub-class 126s).³⁶³ Eligibility for this category is assessed by a points test that assesses applicants under the following factors:

- skill (qualifications and experience in the applicant's occupation);
- age; and
- language skills.³⁶⁴

Points are allocated for each factor, with a maximum possible score of 120 points. Applicants must gain enough points to score a pass mark, currently set at 110 points.³⁶⁵

Currently, only applicants who meet the following requirements are considered for migration under the independent skills category:

³⁶³ The Federal Minister for Immigration and Multicultural Affairs has set a limit of 35,000 places for permanent migration under the skills category for 1998-99. Department of Immigration and Multicultural Affairs (1998), *1998-99 Migration Program planning levels*, Fact Sheet 20, DIMA, Canberra

³⁶⁴ Department of Immigration and Multicultural Affairs (1997), *Independent skilled migration – the points test*, Information Form 958i I, DIMA, Canberra

³⁶⁵ The Hon Philip Ruddock MP, Minister for Immigration and Multicultural Affairs, *Changes to skilled Independent category*, media release dated 3 March 1998

- hold a trade certificate, degree, diploma or associate diploma; and
- are between 18 and 44 years of age.³⁶⁶
-

3.1.1.2 Temporary business entry (long stay)

Temporary business entry (long stay) visas provide streamlined entry arrangements for business entry of up to four years for a variety of business people, including independent executives seeking to establish a new business or join an existing businesses in Australia (sub-class 457 visa).³⁶⁷

Temporary business entry (long stay) visas can only be applied for outside Australia and applicants must:

- have a genuine and realistic commitment to get into business in Australia;
- start their own or join an existing business;
- conduct their own business as principal;
- have direct and continuous control over their business;
- be a decision maker at the overall direction and performance level on a day to day basis;
- have net assets of at least A\$250,000;
- have nothing adverse known about them by the decision maker;
-
- introduce, use or create new or improved technology or business skills; and
- have a satisfactory record or demonstrated commitment towards training Australian citizens and permanent residents in the proposed business.³⁶⁸

i

3.1.1.3 Permanent residence in Australia – Business skills migration

The business skills visa class of Australia's migration program encourages successful business people to settle permanently in Australia and develop new business opportunities. Business people may make an application for a business skills visa overseas or in Australia.³⁶⁹

Different application processes exist for various classes of business people. These classes include business owners, senior executives, investment-linked applicants and applicants operating and owning (or part-owning) established businesses.

³⁶⁶ The Hon Philip Ruddock MP, Minister for Immigration and Multicultural Affairs, *Skilled migration changes to boost economy*, media release dated 1 June 1998

³⁶⁷ Department of Immigration and Multicultural Affairs (1997), *Temporary Residence in Australia*, Fact Sheet 53, DIMA, Canberra

³⁶⁸ Department of Immigration and Multicultural Affairs (1998), *Getting into business in Australia*, Information Sheet, The Rocks Business Centre, DIMA, Sydney

³⁶⁹ Department of Immigration and Multicultural Affairs (1997), *Business Skills migration*, Fact Sheet 24, DIMA, Canberra

Business owners are required to demonstrate an overall successful business career and that for two of the four fiscal years preceding application they have:

- had net assets in business of not less than A\$300,000;
- been involved in and responsible for the overall management of a business in which they have at least 10% ownership; and
- have employed no fewer than five people.³⁷⁰

Applicants are also assessed using a points test that considers:

- business attributes (number of employees, turnover, annual labour costs and total assets) – maximum 80 points;
- the age of the applicant – maximum 30 points;
- the applicant's language ability – maximum 30 points; and
- the applicant's net assets – maximum 15 points.³⁷¹

A minimum score of 105 out of a possible 155 points must be obtained for consideration of an application.

Business skills migrants receive visas which give them the right to travel into and out of Australia as they wish. These visas are usually valid for four years. At the end of this period, business skills migrants can apply for a further multiple re-entry visa.

3.1.1.4 Regional Headquarters Program

The federal government's Regional Headquarters (RHQ) program promotes and facilitates the establishment of regional headquarters and regional operating centres by international companies. The program offers both immigration and tax incentives for companies considering Australia as their regional location and is jointly administered by the Federal Department of Industry, Science and Tourism and the Federal Treasury.³⁷²

The immigration incentives offered to RHQ companies provide a fast tracked immigration process for key expatriate employees essential to the establishment and management of Australian based regional operations. In addition, these employees are exempted from many of the usual migration tests. Visas issued under the RHQ program can be either permanent or long stay temporary.

RHQ tax incentives include a wholesale tax exemption for imported computer and computer-related equipment, owned or leased by a company for a period of nine months before local

³⁷⁰ Department of Immigration and Multicultural Affairs (1997), *Business Skills migration*, Fact Sheet 24, DIMA, Canberra

³⁷¹ Department of Immigration and Multicultural Affairs (1995), *Business Skills (Migrants) Class*, Information Form 962i, DIMA, Canberra

³⁷² Information provided by the Department of Industry, Science and Tourism

entry. In addition, certain costs (including expenditure of a revenue or capital nature) associated with establishing a regional headquarters in Australia are tax deductible.

3.1.2 Mr Lahner's migration and visa applications

3.1.2.1 Visa subclass 126s (independent skills visa)

On 28 May 1996, Mr Lahner sent a letter to the Australian Embassy in Pretoria enclosing applications for migration to Australia for himself and his wife, and his two adult daughters and their husbands. The covering letter stated:

Mr Lahner the group chairman has already established a company in Australia Rack-Rite Shelving (Pty) Ltd and acquired industrial land for the erection of a factory complex.

As can be seen from excerpts (attached) from local newspapers, the project is receiving a good response.³⁷³

A copy of the application form completed by Mr Lahner indicates he originally intended to apply for migration under sub-class 127 (business skills).³⁷⁴ The application form was amended at the time of lodgement by Mr Lahner, for assessment under sub-class 126s (independent skills).³⁷⁵

On 23 July 1996 Mr Martin, then Mayor of Maitland City Council, wrote to the Australian High Commissioner in Pretoria detailing the importance of Mr Lahner's business proposal and requesting expeditious processing of Mr Lahner's visa application. He wrote:

The factory, known as Rack Rite Shelving, will directly employ 600 people and indirectly an additional 1600 jobs through multiplier effects. Maitland's unemployment rate is at 9.6%. The creation of these jobs is a critical factor in reducing unemployment in our region. In addition the management skills possessed by Mr Lahner will assist other Maitland Companies in their efforts to expand new businesses.

On 15 August 1996, a representative of Rack-Rite wrote to the Department of Immigration's Newcastle office requesting assistance in expediting the visa process. The letter stated:

Mr Lahner has acquired industrial property in Rutherford, a suburb of Maitland. The Development Application has been approved in principal by the Maitland City Council.

The Mayor, Cr John Martin, has faxed a letter to the High Commissioner requesting the expedition of the applications.

On 16 September 1996, Mr Zimmerman, Australian Managing Director of Rack-Rite Shelving Pty Ltd, wrote to the Rocks' Department of Immigration Office forwarding a copy of the letter of 15 August 1996. Mr Zimmerman stated:

³⁷³ Submission 1, Mr Lahner

³⁷⁴ Submission 1, Mr Lahner

³⁷⁵ Information provided by the Department of Immigration and Multicultural Affairs

Mr Lahner would like to start building operations in Maitland as soon as possible and would therefore appreciate your looking into this matter, as it appears the visa section of your South African office is awaiting your further instructions.³⁷⁶

On 31 October 1996 a representative of Rack-Rite wrote to the High Commission providing a copy of the letter dated 15 August 1996 from Rack-Rite to the Newcastle Immigration Office and a copy of the letter dated 23 July 1996 from Mr Martin to the High Commissioner.³⁷⁷

On 4 August 1997 the High Commission advised Mr Lahner of its decision on 18 July 1997 to refuse a subclass 126s visa for Mr Lahner and his wife.³⁷⁸

The Standing Committee was advised by Mr O'Callaghan, Director Business Skills, Department of Immigration and Multicultural Affairs, that:

- the Department of Immigration did not have a record of the two letters sent to the Newcastle and Rocks Department of Immigration and Multicultural Affairs offices; and
- the High Commission in Pretoria did not have a record of the three letters sent to the migration office and High Commission in Pretoria.³⁷⁹

Mr O'Callaghan advised the Committee that January 1997 was:

... the first time that the Immigration Department [received] any advice from the Lahner family that there [was] a business dimension to his intent to go to Australia.³⁸⁰

3.1.2.2 Visa sub-class 457 (long-stay temporary business visa)

A combined application for the grant of a visa in sub-class 457 (long-stay temporary business visa) for Mr Lahner, his wife, his two adult daughters, their husbands and their children was lodged on 17 January 1997. Attached to the application was a letter from a representative of Rack-Rite to the Pretorian High Commission providing information about Mr Lahner's financial commitments in Australia.³⁸¹

On 30 January 1997 a representative of Rack-Rite wrote to the Pretorian High Commission seeking confirmation of telephone advice that the application for a temporary residence permit would take about three weeks.³⁸²

On 14 March 1997 Mr Lahner wrote to the High Commission providing details about his family's involvement with the proposed Australian factory, in support of his application of 17

³⁷⁶ Information provided by Maitland City Council

³⁷⁷ Submission 1, Mr Lahner

³⁷⁸ Submission 1, Mr Lahner

³⁷⁹ Information provided by the Department of Immigration and Multicultural Affairs

³⁸⁰ Evidence of Mr O'Callaghan, 9 April 1998, p8

³⁸¹ Submission 1, Mr Lahner

³⁸² Submission 1, Mr Lahner

January 1997. The letter also indicated that Mr Lahner was hoping to obtain an entry visa without delay so that he could commence activities to progress the building of the factory in Maitland.³⁸³

On 9 April 1997 the Australian High Commission in Pretoria wrote to Mr Melvyn Lahner advising that his two daughters and their families had been refused dependency status for the purposes of the application for a sub-class 457 visa. The High Commission requested that Mr Lahner provide x-ray reports for himself and his wife.³⁸⁴

On 30 June 1997 and on 9 December 1997 the High Commission requested further medical information in relation to the sub-class 457 visa application.³⁸⁵

On 2 March 1998 the High Commission advised Mr Lahner of its decision to grant him a temporary residence – sub class 457 visa. The visa allows Mr Lahner to travel to, enter and remain in Australia until 5 February 2002.³⁸⁶

3.1.2.3 Regional Headquarters Company application

The Standing Committee was advised that Mr Lahner made contact with Mr Bob Baldwin MP, Federal Member for Paterson, on a number of occasions between April and August 1997.³⁸⁷ On 3 September 1997 Mr Baldwin's office made contact with the Manager of the Department of Immigration's Parramatta Business Centre and arranged for Mr Lahner to meet with departmental officers that day.³⁸⁸ At that meeting Mr Lahner was advised by the departmental officers that a Regional Headquarters Agreement was the most appropriate avenue to facilitate his proposed business arrangements. The departmental officers indicated they would provide any assistance necessary to expedite a regional headquarters application.

On 16 September 1997 Mr Baldwin wrote to the Hon John Moore MP, Federal Minister for Industry, Science and Tourism, seeking the Minister's support with an application for regional headquarters company status for Rack-Rite.³⁸⁹ On the same day, Mr Martin, then Mayor of Maitland, also wrote to the Minister endorsing Mr and Mrs Melvyn Lahner's application for permanent residency.³⁹⁰

On the following day, the Assistant Director of the Regional Headquarters Group of the Department of Industry, Science and Tourism, Mr Mitchell, sent a facsimile to Mr Lahner in South Africa. The facsimile provided information about the Regional Headquarters process and offered Mr Lahner support in developing an application.³⁹¹

³⁸³ Submission 1, Mr Lahner

³⁸⁴ Submission 1, Mr Lahner

³⁸⁵ Submission 1, Mr Lahner

³⁸⁶ Submission 1, Mr Lahner

³⁸⁷ Evidence of Mr Martin, 9 April 1998, pp24-25

³⁸⁸ Evidence of Mr O'Callaghan, 9 April 1998, p11

³⁸⁹ Submission 1, Mr Lahner

³⁹⁰ Submission 1, Mr Lahner

³⁹¹ Submission 1, Mr Lahner

Mr O'Callaghan advised the Committee that:

from 3 September 1997 ... through till January 1998 ... [departmental officers] sought to follow up that 3 September meeting on a number of occasions ... on a monthly, and sometimes weekly and fortnightly basis, they were contacting the Lahner household in South Africa ... seeking to offer further assistance.

At no time since 3 September has the Immigration Department, through these offers ... received any response from Mr Lahner.³⁹²

3.1.3 Factors that contributed to immigration delays

The Committee received evidence that suggests a number of factors contributed to delays in Australian immigration officials realising the nature of Mr Lahner's business proposal.

At the time Mr Lahner first lodged his application there was considerable political and social upheaval in South Africa. Mr O'Callaghan told the Committee that:

there was an enormous flight of people ... this application was lodged ... amid enormous uncertainty ... There was a 30 per cent increase in applications the year before this, and a 50 per cent increase in applications this year ...

this was one of many thousands of routine applications coming in that were given absolutely no priority, just put on a shelf and not looked at for 12 months ...³⁹³

Mr O'Callaghan also indicated his surprise that Mr Lahner lodged an independent class application as Mr Lahner's age precluded him from obtaining this visa. Mr O'Callaghan told the Committee that:

The surprising thing is Mr Lahner did not have any information – there is no record of any advocates, or agents, or anyone like that giving him advice ... there is no record on the papers in South Africa of the family approaching the Immigration Office for advice ... In South Africa the overwhelming majority of applicants for permanent entry use migration agents ... among that group of middle class business people, almost 90 per cent of them use migration agents ... With someone of his business background I find this very surprising.³⁹⁴

Mr Martin shed some light on Mr Lahner's apparent lack of consultation:

One of the problems we had was that Mel Lahner was an Afrikaner. If you remember what it was like in 1994-95, Afrikaners were being encouraged by their own people not to leave the country. There was a very strong social pressure on them to keep their investment in South Africa ... He did not want to be seen as a business migrant at that time.³⁹⁵

³⁹² Evidence of Mr O'Callaghan, 9 April 1998, p15

³⁹³ Evidence of Mr O'Callaghan, 9 April 1998, p6

³⁹⁴ Evidence of Mr O'Callaghan, April 1998, pp6-7

³⁹⁵ Evidence of Mr Martin, 9 April 1998, pp22-23

The Standing Committee was surprised to note a report in the *Maitland Mercury* on 15 January 1998 stating that both immigration officials and the Federal Member for Paterson, Mr Bob Baldwin MP, had asserted they had done as much as they could to entice Mr Lahner's business to Maitland. Mr Baldwin is quoted as saying that when he was made aware of the immigration problems he "moved on them straight away".³⁹⁶ A letter from Mr Martin to the Editor of the *Maitland Mercury* on 16 January 1998 also indicates that Mr Baldwin made statements in radio and television interviews on 15 January 1998 that he had no knowledge of immigration problems until September 1997.³⁹⁷

The statements attributed to Mr Baldwin conflict with evidence provided to the Standing Committee by Mr Martin that Mr Baldwin was informed of the immigration problems in April 1997. The Standing Committee is of the view that if Mr Baldwin had taken a greater interest in Mr Lahner's development proposal in April 1997, Mr Baldwin may have been able to alert high-ranking Australian immigration officials to Mr Lahner's problems sooner than September 1997.

The Standing Committee is also of the view that the failure of departmental officers to respond to, or subsequently locate, any of the five letters written to immigration officials in 1996 detailing Mr Lahner's business intentions, was a major contributing factor to the visa processing delays. These failures suggests less than satisfactory departmental administration processes, both in Pretoria and Australia.

³⁹⁶ *Maitland Mercury*, 'Immigration 'bent over backwards' for company', 15 January 1998, p. 2

³⁹⁷ *Maitland Mercury*, 'Martin defends Rites of passage', letter to the Editor from John Martin, Allandale, 20 January 1998, p. 8

4 RESIDENTIAL DEVELOPMENT APPLICATION PROCESS

The Committee also heard evidence about problems encountered by the Lahner's with respect to their proposed residential arrangements in the Maitland local government area:

On 10 April 1996 Mr Mel Lahner purchased Lot 9 DP 553872, New England Highway, Rutherford, a 20 acre property zoned as Zone No 1(b) – Secondary Rural Land. Mr Lahner intended to obtain council approval to subdivide the land to provide residential accommodation for himself and his wife, and for his children and their families.³⁹⁸ The previous owner of Lot 9 had been advised by the Maitland City Council in May 1994 that rezoning of the land to allow small lot rural subdivision could not be recommended.³⁹⁹

In June 1996, the Maitland City Council received correspondence from the Department of Urban Affairs and Planning raising concerns about the lack of a strategic approach to rural residential settlement in the Maitland local government area. The Department of Urban Affairs and Planning sought a commitment from Maitland Council to address this issue by undertaking to develop a rural residential strategy.⁴⁰⁰

In August 1996, in response to the Department of Urban Affairs and Planning correspondence, the Maitland City Council resolved to develop a Rural Lands Management Plan to provide a strategy for the location and form of rural residential subdivision (the August resolution). At the same time the council also resolved, until the council adopted a Rural Lands Management Plan, to restrict approval for amendments to Rural 1(b) zones to applications that:

- were seen to be a logical extension to existing developments;
- could be connected to existing sewer mains; and
- would not jeopardise the potential future development of land.⁴⁰¹

In early November 1996 a rezoning proposal was lodged by Gutteridge, Haskins and Davey (GHD), on behalf of Mr Lahner, to change the zoning of Lot 9 to 1(c) – Rural Small Holdings. Such a rezoning would have allowed the subdivision proposed by Mr Lahner. In mid-November 1996, Maitland City Council advised GHD that due to the August council resolution, it was unlikely the proposal would be considered by the Council until mid-1997 (when it was expected a Rural Lands Management Plan would be in place).⁴⁰²

On 22 July 1997, GHD wrote to the then Mayor of Maitland City Council, Mr Martin, seeking council consideration of the rezoning application at a council meeting to be held that

³⁹⁸ Evidence of Mr Martin, 9 April 1998, p23

³⁹⁹ Submission 2, Maitland City Council

⁴⁰⁰ Submission 2, Maitland City Council

⁴⁰¹ Submission 2, Maitland City Council

⁴⁰² Submission 2, Maitland City Council

night. The Mayor did not place the matter before the council and a letter was sent to GHD on 13 August 1997 reiterating the council's position on rezoning applications and indicating that the Rural Lands Management Plan was now likely to be completed by mid-1998. The letter of 13 August also highlighted concerns about the rezoning application relating to lack of access to a reticulated sewerage system, the visibility of the site from the New England Highway and the proximity of the land to an airport runway.⁴⁰³

GHD wrote again to the council in September 1997 and was once again advised by Council that the August 1996 council resolution continued to prevent consideration of the proposal.⁴⁰⁴

The Lahner's rezoning proposal remained undetermined at the time the Standing Committee reported to Parliament, pending completion of the Rural Lands Management Plan.

⁴⁰³ Submission 2, Maitland City Council

⁴⁰⁴ Submission 2, Maitland City Council

5 COMMITTEE FINDINGS

5.1.1 Department of State and Regional Development

The Standing Committee was somewhat concerned that, once initial introductions were made to the Maitland City Council, the Department of State and Regional Development appeared to have little involvement in furthering the Rack-Rite business proposal. However, Mr Chard, Regional Manager of the Department of State and Regional Affairs at the time Rack-Rite purchased the industrial land at Maitland, told the Standing Committee:

The inquiry came through the Department of State and Regional Development, and it was introduced into this region by State and Regional Development. Certainly there was great support provided by the State Government and indeed by the Maitland Council in terms of winning the development here initially.

After that, Maitland Council tended to take on the responsibility of trying to work through the different government issues and, in spite of the fact I said to them, “Look, if you are having problems with any of the links in the federal government, you should come back and we will happily support you in terms of approaches to the federal government.” They chose to run it on their own, and I think that was a little unfortunate, because we see the end results of potentially losing a substantial development for the area.⁴⁰⁵

The Standing Committee notes the offer of assistance made by the Department of State and Regional Development. The Committee further notes that the decision by the Maitland City Council and Rack-Rite to manage the project without departmental assistance was made in full knowledge of this offer.

5.1.2 Maitland City Council

The Maitland City Council’s enthusiasm and willingness to provide assistance in relation to all aspects of the Rack-Rite development proposal appear to have been instrumental in Maitland winning the Rack-Rite development.

The Standing Committee understands that Maitland City Council is continuing to seek to attract international investment to the area. The Standing Committee was told the council has formed a network of businesses, ranging from an employment agency to a removal company, to provide support to future potential developers from South Africa.⁴⁰⁶

The Standing Committee commends the Maitland City Council for its handling of the Rack-Rite factory development and notes the comprehensive service provided by the council in relation to the factory development, including assistance with the development application, factory design, local suppliers and labour market requirements.

⁴⁰⁵ Evidence of Mr Chard, 18 March 1998, p533

⁴⁰⁶ Evidence of Mr Edmonds, 3 February 1998, p93

In relation to the immigration problems encountered by Mr Lahner, the Standing Committee notes that the Maitland City Council wrote to the Australian High Commission in Pretoria on 23 July 1996 seeking to expedite Mr Lahner's visa application. While in hindsight it may also have been useful for the Maitland City Council to contact the Department of State and Regional Development or the Minister for Immigration and Multicultural Affairs in relation to the immigration delays, the Committee notes it is not the role of local councils to facilitate immigration processes.

The Standing Committee finds it difficult to assess the relative importance of the delays in processing of the Lot 9 rezoning application in the overall context of the down-sizing of the Rack-Rite investment proposal. While it is unlikely these delays were the major factor in Mr Lahner's decision to down-size the proposal, they may have contributed in some way to the decision.

The Standing Committee is concerned to note that the Maitland City Council has still not finalised its Rural Lands Management Plan, almost a year after the original target completion date. While earlier finalisation of the plan may not have resulted in a favourable response to the Lot 9 rezoning application, it would have allowed the Lahners to give consideration to other residential options. An early decision in relation to Lot 9 may have resulted in the Lahners committing to another option that could have tied them more closely to Maitland.

The Standing Committee urges the Maitland City Council to give urgent attention to the finalisation of their Rural Lands Management Plan.

5.1.3 Immigration delays and incentives from Ireland

The Standing Committee heard evidence that at the time Mr Lahner made known his decision to down-size the proposed Rack-Rite development in Australia:

... he did say that the immigration procedures had been slow and delayed ... he also said he got a better offer from Ireland ... if there had not been a delay, they would not have had that opportunity of making the counter-offer ... I got the impression it was the price of the land and the tax incentives that made the offer very attractive.⁴⁰⁷

The Standing Committee is of the view that the primary factor that contributed to the immigration delays was the failure of immigration officials both in Pretoria and Australia to recognise the business nature of Mr Lahner's visa application earlier than January 1997. The Committee recognises that Mr Lahner's failure to obtain advice in relation to his immigration options was also a contributing factor. However, the Committee believes that the various letters sent to immigration officials during 1996 should have alerted them to Mr Lahner's business intentions and resulted in an approach of assistance to Mr Lahner.

⁴⁰⁷ Evidence of Dr Firth, 18 March 1998, p533

The Standing Committee further notes Mr Lahner indicated that incentives offered by the Irish government also contributed to his decision to base his factory in Ireland. The Committee was told that:

... many business migrants who have substantial investments in a particular country and strong track records and are looking to locate to another country do shop around ... astute business people keep a whole range of options going ... it is not uncommon to find that a company putting a proposal to Australia is often putting proposals to other countries as well.⁴⁰⁸

Despite this claim, the Committee is of the view that if there had been no delay with the immigration process, Mr Lahner may have committed himself to a factory development in Australia before Ireland had the opportunity to make an offer. It is apparent to the Committee that Mr Lahner's decision not to respond to efforts made by immigration officials from September 1997 onwards indicates Mr Lahner was no longer interested in pursuing major development options in Maitland.

⁴⁰⁸ Evidence of Mr O'Callaghan, 9 April 1998, p16

Recommendation

The Standing Committee recommends that the Minister for Regional Development urge the Federal Minister for Immigration and Multicultural Affairs to conduct an internal investigation into the processing of Mr Lahner's visa applications to ensure that mechanisms are put in place to prevent the loss of any future investment proposals to New South Wales.

**Statement of Dissent by
The Hon Jenny Gardiner MLC
The Hon Dr Brian Pezzutti MLC**

Mr Bob Baldwin MP and the Rack Rite Proposal

Mr Bob Baldwin MP, Federal Member for Paterson, was not invited nor given the opportunity to appear before the Committee regarding Mr Lahner and the Rack Rite proposal, in spite of his request to do so.

We believe this is a significant departure from standing committee practice.

We append Mr Baldwin's statement.

**NSW Legislative Council Standing Committee on State Development
Inquiry into Rack Rite**

**Statement by Bob Baldwin MP, Federal Member for Paterson
Monday 22 June 1998**

I seek to address three matters in relation the above mentioned Committee of Inquiry into the reason for South African Firm Rack Rite (Shelving) Pty Ltd, and its decision to opt for a proposed streamlined \$2.5 million production facility at Rutherford, instead of a mooted larger scale development.

I am raising these points in the knowledge that the Inquiry Report is due to be tabled in the very near future, to which I seek to address a number of anomalies likely to be reported therein.

The principle matters relate to:

1. My willingness to appear before the Inquiry
2. Details of my personal phone contact and meeting with Mel Lahner
3. Clarification of events transgressed between April and September 1997, and the implication that I and my office did not effectively assist Mel Lahner, Chairman of Rack Rite, in his ability to successfully meet visa and immigration requirements to facilitate a business investment within the Maitland area.

Point 1

On my willingness to appear and address the inquiry, I would be more than happy to do so at a conveniently mutual time. I must point out that at no time have I been requested or afforded the opportunity to add to or repudiate allegations and assertions made at the inquiry.

Point 2

The matter of Mr. Lahner and Rack Rite was not brought to my attention until the former Mayor John Martin set up an urgent meeting for assistance in April 1997 after he complained in the media about the Dept. of Immigration's rejection of the application. I contacted Mr Lahner by phone later that day and as a result of those discussions he faxed information in relation to his visa application and the rejection letter. A further 3 or 4 phone contacts continued, mostly with a phone message left for Mr. Lahner to return my call. The result of these discussions was that a meeting was set up when Mr Lahner next came Australia. Whilst Mr Lahner indicated a great deal of urgency in the matter, it was the delay in his responses to the department (see point 3) that have contributed to the outcome. I urged Mr Lahner to comply with the Departments requests without delay, but to no avail.

Point 3

My role from the time of my knowledge of the development proposal and the desire for Mr Lahner to meet standard immigration requirements is very clear cut.

Mel Lahner, lodged his original visa application (under the General Residency Visa Category) in South Africa last year. Under a points system this was rejected, but at the time it was indicated he could be eligible and encouraged to apply under the Business Skills category. The Department of Immigration as was my understanding forwarded subsequent information to him.

The Inquiry clearly should be aware that Mr Lahner's original application for the pit of a visa in sub-class 457 was made on 23 January 1997 to the Australian High Commission in South Africa. His application included a number of attached dependents.

The dependents, numbering eight, were refused, because they did not meet the criteria set in the visa application. Similarly the High Commission's written response to Mr Lahner of 9 April 1997 requested x-ray reports for both he and his wife to assess their level of health before being granted medical clearance.

At my meeting in April '97 with then Mayor of Maitland, John Martin and Maitland City Council's then Business Development Officer, Steve Edmonds, I was informed of the rejection of the Visa application. It should be noted that this was some 15 months after Mayor Martin announced the project. My office undertook repeated dialogue with the newly formed Department of Immigration Business Centre, based in Parramatta. The sole motive for these inquiries was to facilitate assessment of Mr Lahner's immigration status via the Business skills program

During a personal meeting [held with Mel Lahner in August, I indicated to him that I would do all I could as a local member to assist his firm in its bid to establish a production facility in the Maitland area.

On 3 September Mel Lahner met with Immigration officials from the Department's Business Centre in Sydney, which stemmed from the prior activities of both my office and the Department of Immigration.

At the 3 September meeting, Mel Lahner was offered a business visa, which I am informed he collected the following day, and Was advised that officials from the Federal Department of Industry, Science and Tourism would meet with him, in part to offer tax concessions and assist with a business plan to bring a Rack Rite investment project to Rutherford.

After that meeting Mel Lahner proved almost impossible to contact by Federal Government officials to her pursue both his visa application and offer of consideration for business assistance.

Further to this, in other endeavours on 16 & 17 September 1997, I wrote to the Federal Minister for Industry, Science and Tourism, Hon. John Moore MP to seek his support over possible Regional Headquarters Company Status (RHQ) for Rack Rite. DIST officials had requested Mel Lahner make application for RHQ Tax Status and the RHQ Immigration Agreement.

It is noteworthy that the Minister confirmed to me in writing on 23 October 1997 that his department had prepared an application for RHQ support to Rack Rite, and was awaiting the application being received back for prompt consideration by the South African businessmen.

During the remainder of 1997, my office, DIST and Immigration officials made repeated efforts to contact Mel Lahner, by phone or fax, to pursue matters pertaining to Rack Rite's investment proposal. Indeed so frustrated was I at my many attempts to further speak to him that I addressed a personal letter dated 24 October 1997, urging him to meet the open-armed considerations of the Federal Government to offer possible support for Rack Rite.

It should be noted that Mr Derek Ziman, a 50% owner of Rack Rite Australia, on 20 January 1998 confirmed to the Maitland Mercury, that immigration red tape claims by former partner Mel Lahner, were a cover up to stall the mooted large scale investment proposal, and that an incorrect application for & visa by him was originally lodged.

On my last conversation in early February 1998 with Mel Lahner he did confirm with me that he intended to construct a \$2.5 million factory at Rutherford, envisaged to employ up to 100 people. Construction has still yet to occur despite the amount of consideration on offer from the Federal Government.

I have been informed that Mr. Lahner has still not completed the purchase of the land at Rutherford Industrial Estate as the community has been led to believe. Mr. Lahner has only placed a deposit in the amount of \$30,000, which still resides in the bank account of Maitland Council.

Given the reluctance of Mr. Lahner to engage in further discussions with Australian immigration officials, it is my belief that Mr. Lahner was simply used Australia as a bargaining instrument to obtain favourable consideration from the Irish Government for the establishment of a factory in Ireland.

STATEMENT OF DISSENT

Again, I would like the opportunity to provide the committee with evidence at a mutually convenient time.

Bob Baldwin MP
Federal Member for Paterson

WITNESSES BEFORE THE COMMITTEE

DATE OF APPEARANCE	WITNESS	NAME, POSITION AND ORGANISATION REPRESENTING
3 February 1998	001	Mr Steve Edmonds Economic Development Officer Maitland City Council
18 March 1998	002	Mr Ben Chard Regional Coordinator, Hunter & Central Coast Region Premier's Department
	003	Dr Beverley Firth General Manager Hunter Economic Development Corporation
9 April 1998	004	Mr James O'Callaghan Director Business Skills Section Department of Immigration and Multicultural Affairs
	005	Mr John Martin Private Citizen (Former Mayor Maitland City Council)

SUBMISSIONS TO THE INQUIRY

SUBMISSION NO	AUTHOR / SIGNATORY
001	Mr Mel Lahner Managing Director Rack Rite Pty Ltd
002	Mr David Evans General Manager Maitland City Council

REFERENCES

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- Department of Immigration and Multicultural Affairs (1997), *Business Skills migration*, Fact Sheet 24, DIMA, Canberra
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- Department of Immigration and Multicultural Affairs (1997), *Temporary Residence in Australia*, Fact Sheet 53, DIMA, Canberra
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- Maitland Mercury*, 'Immigration 'bent over backwards' for company', 15 January 1998, p. 2
- Maitland Mercury*, 'Martin defends Rites of passage', letter to the Editor from John Martin, Allandale, 20 January 1998, p. 8
- The Hon Philip Ruddock MP, Minister for Immigration and Multicultural Affairs, *Changes to skilled Independent category*, media release dated 3 March 1998
- The Hon Philip Ruddock MP, Minister for Immigration and Multicultural Affairs, *Skilled migration changes to boost economy*, media release dated 1 June 1998