

Transitioning Regional Economies Study

Productivity Commission
February 2017

Introduction

The Hunter Business Chamber is the largest regional business chamber in Australia and was established in 1886. The Chamber independently represents almost 2,000 member organisations to all levels of government and is the peak industry association in the region, reflecting the interests of all business sectors.

The Hunter Business Chamber works as an integral part of the Chamber network in NSW and represents business at local, state and federal level to advocate for an improved operational climate for businesses in this region.

The Hunter is well recognised as the home to Australia's most resilient and diverse regional economy. The Hunter region in NSW just north of Sydney covers over 31,000 square kilometres and has over 660,000 people or 9% of the state's population.

An unparalleled cross section of industry calls the Hunter region home. Newcastle is the eighth largest city in Australia and is renowned for being the world's largest coal export port. The contribution to the region, state and nation from the port's operation has grown exponentially over the past ten years.

Newcastle, as the second largest city of NSW and the capital of the Hunter, has the ability to be a world class city, given its coastal location and close connections to the resource engine room of the Hunter Valley. A range of complementary and emerging industries, such as renewable energy technologies, medical research, the defence industry, tourism and the digital economy also have a bright future with the right platform for growth in place.

Key points

The Hunter is Australia's largest regional economy and mining has been a crucial part of the region for many years. The sector has historically been the top contributor to Gross Regional Product (GRP), and that continues to be the case today. Recent data published by the NSW Department of Industry states that mining makes up more than 14% of the region's GRP, including significant royalty contributions.¹

Over \$14 billion in coal was exported through the Port of Newcastle in 2015 and the sector provided employment of up to 11,000 direct jobs and 40,000 indirect jobs.²

In 2014/2015, the mining sector in the Hunter spent \$4.8 billion on goods and services, wages and salaries, local councils and community groups. Although significant, the spend in 2014/2015 was \$1.1 billion less than the previous year's spend of \$5.9 billion. Further, when the most recent mining investment phase started to decline in 2012, coal production employment contracted accordingly, resulting in numerous job losses throughout the region.³

These reductions in spending and employment are examples of the negative impacts that a contraction of the sector has on the Hunter's economy and wellbeing.

If there are further downturns in mining, other sectors may make up these shortfalls, but there is a risk that skilled workers and their families will leave the region which will make it difficult to reach growth goals highlighted in the NSW Government's Hunter Regional Plan 2036.

2016 saw record figures of coal exported through the Port of Newcastle and mining will continue to feature significantly in our region's economy into the future. The Hunter Research Foundation also reported employment growth trends in the March 2016 quarter and figures are starting to emerge on improved apprenticeship rates toward the end of that same year.

It is important however to note that while the Hunter is a diverse economy, towns and communities that are at the interface of mining activity have felt a contraction over prior years particularly in the services, contracting and manufacturing sectors and now is the time to boost this economic activity through strategic investment.

This might not be the impression of some when the activity in Newcastle City is noted. This activity is not stretching into the region and there is a delineation west of Maitland whereby towns like Singleton and Muswellbrook have not seen the same growth.

Furthermore, smaller towns like Gloucester, Dungog and Merriwa have not witnessed growth in non-mining to the extent that it balances the gains previously seen. They now seek to leverage tourism and the visitor economy to assist with maintaining the fabric of these communities.

Opportunities exist for Government to invest in infrastructure/projects in other sectors to boost the non-mining sector and these include but are not limited to:

- Investment in road and rail infrastructure to enhance connectivity and improve productivity and operational costs - Muswellbrook to Singleton Bypass, Newcastle Freight Rail Bypass, Blackhill to Raymond Terrace M1 roadworks
- Continued investment in health care and support services to match growing population centres
- Stage 3 expansion to Newcastle Airport and continued investment in Newcastle Port to leverage existing and future capacity
- Stronger focus on training/education opportunities and advanced research to improve youth employment and provide skills that contribute to regional innovation and advantage
- Investment in tourism that supports the region's visitor economy

The Hunter is a drive in/drive out community which can contribute to a redistribution of economic contribution across the region and while we accept that, work could be done to better understand this and develop measures to mitigate impacts on those communities.

Innovation green shoots in the region such as at Muswellbrook with the Hunter Innovation Project and the framework for Cities Deal have potential to accelerate initiatives. This could offset the loss of skills from the region and broaden the endeavour to offer alternative skills, pathways and knowledge.

The Hunter Business Chamber has long advocated for the economic growth and development of the Hunter Region. The businesses and people that make up the mining sector here are – and should continue to be – key participants in our significant regional economy. Any leakage of skilled workers will dampen Australia's largest regional economy and will have adverse effects on the wider community throughout New South Wales and Australia.

Conclusion

The Chamber welcomes this opportunity to provide comment on the Transitioning Regional Economies study and would equally welcome further engagement with the Productivity Commission around development of the study and further strategies.

It is imperative that a strategic approach to infrastructure investment in centres such as Newcastle/Hunter become a much higher priority for government. The competitive advantage that this region offers is self-evident due to existing infrastructure and key economic assets already in place.

Our supply chains; port capacity (both air and sea); energy and water security; telecommunications availability; education and research facilities (such as the prominent Newcastle Institute of Energy and Resources NIER within the University of Newcastle) and the ability to house a much larger population should be of significant interest to both the Australian and NSW Governments as they grapple with the growth projections and demand on areas across the State.

Strategies that support transitions and growth in this region will further promote the Hunter's ability to support state and national economies.

Contact

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 2. 2017 Hunter Investment Prospectus, Regional Development Australia - Hunter, January 2017, www.rdahunter.org.au/hunter-region/hunter-investment-prospectus
 3. 2014/15 Expenditure Survey, NSW Minerals Council, February 2016, www.nswmining.com.au/menu/media/news/2016/february/2014-15-nsw-minerals-council-expenditure-survey