

Wednesday 2 April 2014

Committee Secretary
Ms Christine McDonald
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600
Email: ec.sen@aph.gov.au

Environmental Offsets Inquiry – Submission from RDA Hunter

Dear Ms McDonald,

Regional Development Australia (RDA) Hunter welcomes the opportunity to make a submission to the Environment and Communications References Committee inquiry.

The information contained in this submission has been collected over the past four years through consultations with a broad cross-section of Hunter business leaders and local stakeholders. Consultations have taken place in various formats, including: public meetings; roundtable discussions; expert presentations at RDA Hunter Board meetings; peer-to-peer discussions; industry briefings, and facilitated workshops.

Our submission will summarise feedback and concerns relevant to offsets under three themes that have been consistently raised during our discussions with stakeholders:

1. Certainty;
2. Land use; and
3. Approval timeframes.

Firstly, we feel the Committee may find some background to RDA Hunter and the region useful.

RDA Hunter

RDA Hunter is the peak economic development organisation for the Hunter in New South Wales. We are funded by the Australian and NSW Governments as well as through project grants and contributions from regional partners. Our activities, programmes and initiatives support the strategic themes of Infrastructure, Innovation and Investment.

The RDA Hunter Committee is representative of the region's leaders from industry, business, education, local government and community groups. RDA Hunter leads initiatives and partners stakeholders in activities to deliver:

- Economic growth and Productivity gains;
- Jobs and a Skilled Workforce for the future;
- Federal and State agendas at a regional level;
- A single voice for Australia's most productive region; and
- Independent and impartial advice directly to governments.

The Hunter – A Region of Economic Strength

The Hunter is located north, north-west of Sydney and contains 11 local government areas: Dungog, Cessnock, Gloucester, Great Lakes, Lake Macquarie, Maitland, Muswellbrook, Newcastle, Port Stephens, Singleton and Upper Hunter Shire.

The vision is for a region that continues to grow and be recognised nationally and internationally for high quality products and services, well-connected liveable places and a collaborative business culture that supports innovation to deliver Australia's largest regional economy.

The Hunter is the major region for economic activity in New South Wales:

- Gross Regional Product for 2011-12 of \$36.9 billion, – Australia's largest regional economy;
- Contributing more than 8 per cent of Gross State Product and 2.6 per cent of GDP;
- A population of 651,000 in 2012; projected population of at least 750,000 by 2030;
- In 2012-13, in excess of 148.8 million tonnes was traded through the Port of Newcastle, including 142.6 million tonnes of coal exports, with a total trade value of \$19.10 billion; and
- Annually producing upwards of 60 per cent of the State's electricity.

Last year, RDA Hunter commissioned Deloitte Access Economics to analyse economic data and report on possible impacts of various trends and scenarios on the future of the Hunter. In *Prospects and Challenges for the Hunter Region – a strategic economic study*¹ it is forecast that by 2036, the Hunter's economy will have grown by about 75 per cent, to be delivering a Gross Regional Product of \$64.8 billion.

The basic needs for the future are the same in the Hunter as elsewhere: reliable sources of clean water, sufficient nutritious food, clean air, affordable housing, health services, education, jobs, transport options, personal safety and other people. The Hunter's positive economic development will be built on the region's capacity: to grow through the attraction of investment and talent; to continue to benefit from its comparative advantages; to overcome challenges, be smart and commercialise opportunities; and, to maintain a diversified economic base.

¹ The Deloitte Access Economics report is available at: <http://www.rdahunter.org.au/> under "Initiatives".

Opening statement on environmental offsets

It is this balance between current and future needs for our region that frames our consideration of environmental offsets and our submission.

In general, offsets that are part of a suite of co-ordinated and integrated federal, state and local government policies, supported by practical measures need to enable economic development *and* protect, enhance and manage the nationally significant environmental features across the Hunter region to deliver improvements in biodiversity.

RDA Hunter has, since its inception, undertaken numerous consultations with a wide range of stakeholders from peak body associations, community groups, industry groups and government agencies. Three recurring themes that have been commonly raised at these meetings are listed below.

Certainty for investments and the future

Whether the industry is mining, urban development, viticulture and wine-making, or thoroughbred horse breeding, RDA Hunter has been told on numerous occasions that a high priority for business investment is “greater certainty”. There are some common aspects of ‘doing business with certainty’ that apply across industries and some of these are market controlled, or best left to being market determined and not regulated.

For instance, mining executives have pointed to a number of factors that influence the perception of certainty, including: price for commodities; costs of production; industrial relations; taxes; availability of skilled labour; access to resource-rich lands, and policies that deliver greater certainty of processes to determine EPBC Act offsets.

Urban planners and developers devise project opportunities that are, or may be, impacted by regulations and decisions regarding environmental impacts across three levels of government. Certainty in these circumstances includes receiving approvals at one level of environmental assessment that will not be contradicted or over-ruled by another level. It also involves the practical co-ordination of the delivery of foundation infrastructure for water, sewerage, roads, pavements, power, and telecommunications. These may not be directly related to offsets but should be kept in mind when considering the broad environment for economic development.

Grape growers, wine-makers and horse breeders in the Hunter have long traditions of success, often based on family origins which have formed strong bonds to the land and environment that supports their businesses and play crucial roles in their international recognition for excellence. Leaders from these industries have asked that decisions regarding new developments are tied to processes that deliver certainty, are transparent, based on independent expert research and are not reliant on appeals being finalised by ministerial discretion.

Balanced land use

Certainty for agricultural enterprises and communities has been expressed in terms of continued access to clean water, clean air and the natural amenity of the area without their planning for the future being compromised by the threat of being crowded out by mining or gas extraction.

There are difficulties reporting land use figures for the whole of the Hunter region due to inconsistent approaches by different agencies to planning and researching the region. For instance looking at the Hunter as if were divided into the Upper Hunter and the Lower Hunter, or the Hunter Valley excluding Newcastle and Gloucester from the region.

ABARES has looked at most of the local government areas of Cessnock, Dungog, Great Lakes, Maitland, Muswellbrook, Port Stephens, Singleton, and Upper Hunter and found:

- Total land held by farm businesses is estimated to be 1 million hectares;
- Grazing uses 928,766 hectares;
- Cropping, 60,736 hectares; and
- 34,301 hectares of farm business land has been set aside for conservation.²

Hunter vineyards have some of the oldest production vines in the world and a continuous link to some of the original grapevine clones that entered Australia. Grapes are a long-term investment crop that occupies productive land year round. The Hunter vineyard area has a rich cultural heritage that dates back to 1867 and represents the history of agricultural settlement in the region from the 1820s.

There are concerns that productive grapevine growing land is being bought by mining companies, with the effect that this land ceases to produce grapes. The same experience has been reported for other farming land, including beef cattle, dairy, and crop growing farms.

The benefits of a hierarchy for determining what is best for the land that the region relies on for its economic and environmental needs should be assessed. If degradation of unique and significant land can be avoided, then avoid the destruction. If some degradation or destruction is unavoidable, then what steps can be taken to mitigate the total removal of the original environmental features of the site. If environmental offsets need to be used, then the guidelines for proponents of such projects need to be clear, unequivocal and enforceable.

There is an essential role for independent analysis, assessment and reporting of the case made by proponents. Independent reviews should be carried out by suitably qualified and accredited individuals and organisations. Their reviews should include scrutiny of the cost-benefit analyses provided for the alternatives and the preferred options that determine the structure of the environmental offsets as presented by the proponent.

² Australian Bureau of Agricultural and Resource Economics and Sciences. Binks, Martin & Mazure, 2013 *Agriculture and Fisheries in the Hunter Valley excluding Newcastle region of New South Wales, 2013*. Also quoting ABS 2012, *Agricultural Commodities Australia, 2010-11, cat no. 7121.0* Australian Bureau of Statistics, Canberra.

In particular, as it becomes increasingly difficult to identify “like for like” exchanges, careful and detailed assessments of proposed offset sites requiring ecological remediation which promise a long-term return to environmentally significant status will be required. The federal environment offsets policy should clearly define the timeline and communication requirements for public display of such independent assessments, reviews and advice.

An outcome of the current system is that the Hunter is ‘running out of land’. Property that is currently being used for agriculture purposes is being bought for offsets and ‘locked up’.

The agriculture activities that have been undertaken e.g. dairy farming ceases and the farmers leave the area affecting local communities. Additionally, in a worst-case-situation, the ‘locked up land’ does not produce anything and is not appropriately managed. The record of land management by multinational mining companies in the Hunter is generally poor, despite some who have excelled in maintaining farming operations and implemented well-regarded land management practices.

Streamlined processes for faster decisions

A recent public meeting in Newcastle heard local industry leaders from mining, port and supply chain businesses complain about the length of time it takes for approval of infrastructure projects. Environmental assessments were identified as one source of the delays in approvals that drain energy and add to the cost of doing business in Australia.

Work is progressing on strategic assessments for the Hunter, as defined by the EPBC Act³. The joint Commonwealth and NSW initiatives have identified areas within the Upper Hunter⁴ and separately within the Lower Hunter⁵ with the aim to simplify biodiversity conservation protocols for actions requiring both federal and state approval. When strategic assessments are in place for parts of the Hunter, the state will be able to provide the final approval to proceed.

It does not appear that this development will change the need for biodiversity assessments to obtain development approval from local, and/or state governments for the projects that do not trigger an EPBC Act referral. The assessment process is likely to continue to add costs to projects, such as new housing, which impacts on the already strained delivery of affordable housing in the Hunter region.

For genuine strategic outcomes to be delivered from a review of the offsets regime, changes must be considered in line with state and territory government responsibilities and regulations. The move in Queensland to make provision for the use of ‘financial settlement offsets’ is being watched with interest.

³ *Environment Protection and Biodiversity Conservation Act 1999*

⁴ *Strategic assessment of a biodiversity plan for coal mining in the Upper Hunter Valley*. Awaiting release of the draft biodiversity plan and strategic assessments report for public consultation.

⁵ “The next step in the Lower Hunter strategic assessment process is publication by the NSW Government of the draft terms of reference for public comment.” <http://www.environment.gov.au/topics/sustainable-communities/sustainable-regional-development/lower-hunter>

In NSW, and the Hunter, this 'harmonisation' will include finalisation of plans, policies and regulations including: the Lower Hunter Regional Growth Strategy, Hunter Region Conservation Plan and the NSW Biodiversity Offsets Policy for Major Projects and BioBanking Scheme review⁶. Alignment of these state strategies and policies with federal environmental offsets polices will help to deliver their nominated outcomes.

The issues of economic development, investment certainty and management of biodiversity are extremely important for the Hunter's future sustainability and prosperity.

On behalf of RDA Hunter, thank you again for the opportunity to contribute to the inquiry. If you have any questions or would like further information, please call me on 02 4908 7300.

Yours faithfully,



Todd Williams
CEO, RDA Hunter
On behalf of the RDA Hunter Committee

⁶ <http://www.environment.nsw.gov.au/biodivoffsets/>