

For Hume the bell tolls

Local economic impacts of the Hume Coal project

The economy of the Southern Highlands is focused on agri-tourism and other service industries. The Hume Coal project is contrary to local economic planning and local business owners claim it would have a detrimental effect on their businesses.

Briefing note

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Summary

The Southern Highlands has a diverse economy, with its band of towns and its proximity to major cities giving it an economic structure similar to NSW as a whole, but with a special focus on tourism, agriculture and manufacturing.

Local businesses and community members are concerned about the potential effects of the proposed Hume Coal Project on the region. This report is based on interviews with a range of businesses and other stakeholders in the Southern Highlands region.

These interviews revealed a deep concern that most of the Hume Coal Project's effects will be negative, including threatening the water supply, and that uncertainty around the mine is already reducing business investment.

The Southern Highlands have a tradition of setting out local development frameworks in collaboration between community members, the Chamber of Commerce and the local council. The most recent framework is an ambitious plan for 2031 and beyond, with carbon-neutral energy sources, intensive agriculture and high-quality health care. One idea that emerged from the framework process, for food and wine clusters around each town, has already been implemented. Each cluster provides a distinctive and full experience for tourists, giving them a reason to return to the region to explore a different cluster on each trip.

Coal mining is conspicuously absent from the local development framework.

The Southern Highlands economy depends heavily on groundwater reserves, which would be diminished by the Hume Coal Project. Most businesses we spoke to relied on water, whether for crops, livestock, native vegetation or gardens. Bore water is also useful in times of hardship for drinking water and household use. Of the 14 organisations interviewed, 11 raised water as a specific concern.

The mine also threatens the region's reputation as "clean and green". The Southern Highlands is a "breathing space between Sydney and Canberra", with its agriculture and scenery attractive to residents and visitors alike. Because local businesses and property owners benefit from native vegetation, historic buildings and Indigenous heritage, maintaining these public goods is a core practice of these businesses. Were they to shrink or shut down because of the mine, the region's heritage and environment would suffer. Seven of the 14 interviewees raised amenity as a concern.

Uncertainty around the mine is already causing economic harm to the region. Six of the 14 interviewees had delayed or cancelled plans for tens or hundreds of thousands

of dollars of investments until they know whether the mine is going ahead. Two more referred to other businesses that had deferred investment, with one business owner declaring that he had already “gambled” on the mine not going ahead.

Participation in the mine’s stakeholder dialogue consumes time and energy that could be spent elsewhere. The stress also weighs on the mental health of some community members.

The Southern Highlands’ government, industry and community have a long-term plan for the region’s economy which would take advantage of its environment, location and people, and maintain its natural environment and heritage. Coal is not a part of that plan. It threatens the groundwater that the region depends upon, and the region’s “clean and green” image. Investment in the region will be suppressed as long as there is a possibility that the mine could be built.

The economic impacts discussed in this report are ignored by the economic assessment commissioned by Hume coal. Hume’s assessment is based entirely on desktop analysis. The authors appear not to have visited the region or spoken to any local business owners. The Hume economic assessment is not up to the standard required for planners and the NSW community to plan for the future of the Southern Highlands.

Introduction to the Southern Highlands and Hume Coal project

The Southern Highlands is a region of NSW centred 100 km from Sydney, 140 km from Canberra and 70 km from Wollongong, including towns such as Mittagong, Bowral, Moss Vale, Bundanoon and Berrima. Its rural setting, large stretches of environmentally protected area and proximity to major cities makes it a popular agri-tourism destination. The region's main local government area (LGA) is Wingecarribee Shire.¹

The Hume Coal Project is a proposal for an underground mine in the Southern Highlands. The mine head and mine surface facilities will be within 4 kilometres of the historic village of Berrima and the mine will extend under the Hume Highway and the district of Sutton Forest.

The mine would produce up to 3 million tonnes per annum (Mtpa), 55% soft metallurgical coal and 45% thermal coal for power generation. All coal will be railed past New Berrima to Port Kembla (near Wollongong) and exported.

The project proponent is Hume Coal, a wholly-owned subsidiary of Korean steelmaker POSCO.

The Hume Coal project has been contested by community groups since 2010, when the first legal challenge was brought.² Since then, there have been various protest and legal actions. In August 2016 the area's MP, NSW minister Pru Goward, tabled a 16,000-signature petition calling on the state government to protect the Southern Highlands from mining.³

A key reason for local opposition to the coal project is the impact the mine could have on other industries and the economy of the Southern Highlands. Local businesses

¹ Some of the data referenced in this report is from the Australian Bureau of Statistics' SA3 Southern Highlands region, which overlaps but is slightly different to Wingecarribee LGA.

ABS (2016) *National Regional Profile 2014*

² Kennedy and McDonald (ABC News) *Five Southern Highlands families win appeal against Hume Coal accessing their land*: <http://www.abc.net.au/news/2016-05-10/southern-highlands-families-win-appeal-against-hume-coal/7402054>

³ Goward (2016) *No coal mining in Southern Highlands*, <http://www.prugoward.com.au/Media/MediaReleases/tabid/93/articleType/ArticleView/articleId/583/No-Coal-Mining-in-Southern-Highlands.aspx>

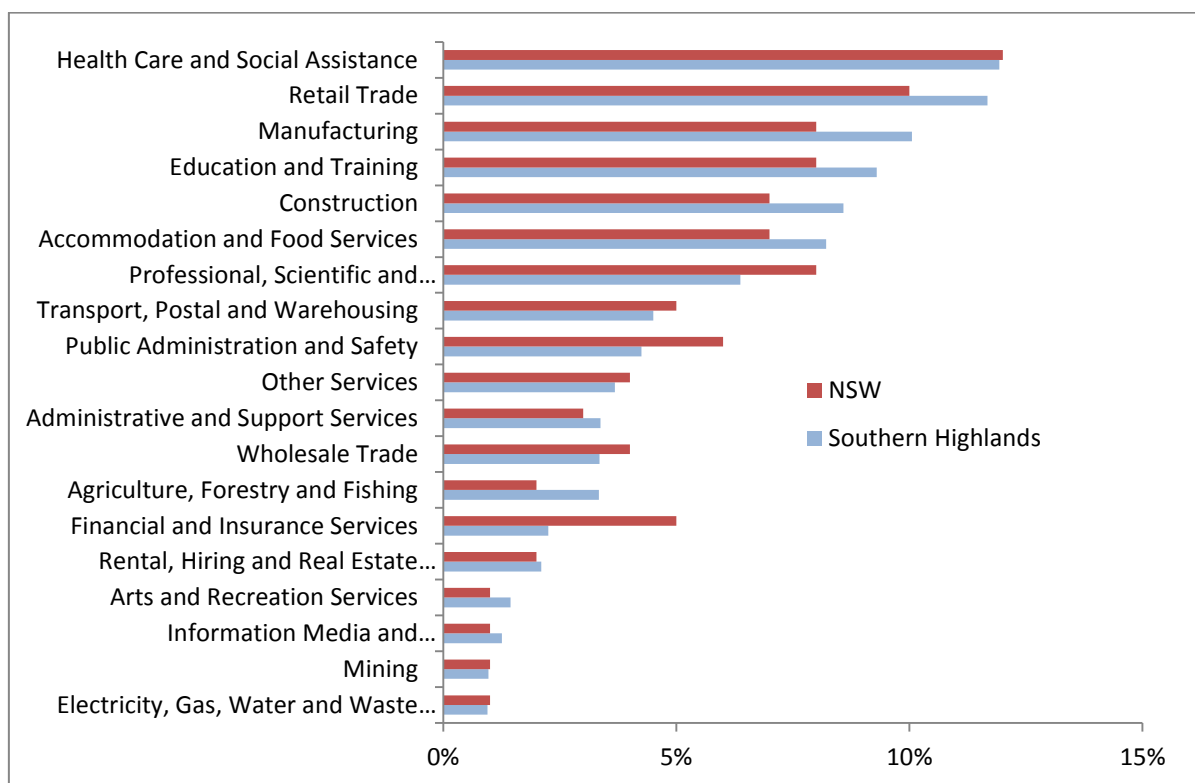
interviewed for this report anticipate that most of the mine’s effects will be negative, including threatening the groundwater resources on which businesses rely, and undermining the region’s reputation as scenic and environmentally rich.

Impacts such as these are rarely considered in economic assessments of coal projects and are not considered in the assessment prepared by Hume Coal.⁴

ECONOMY OF THE SOUTHERN HIGHLANDS

The region’s proximity to major cities and the number and size of its commercial towns provide a range of employment options, resulting in an employment profile very similar to that of NSW as a whole, with health care the largest employer, followed by retail trade, manufacturing, education and construction, shown in Figure 1 below:

Figure 1 Employment in NSW and the Southern Highlands



Source: ABS 2011 Census, accessed through TableBuilder Basic

Figure 1 shows that the Southern Highlands have more employment than the NSW average in Retail Trade and Accommodation and Food Services. These are the ABS

⁴ BAEconomics (2017) Economic impact assessment of the Hume Coal Project, <https://majorprojects.affinitylive.com/public/ae3dde5cb124ded4de87b197405f2132/99.%20Hume%20Coal%20Project%20EIS%20Appendix%20Q%20-%20Economic%20Impact%20Assessment.pdf>

industry categories most closely associated with tourism. Tourism is not separately defined in census data as it draws on several sectors, such as Retail, Accommodation and Food Services and Transport. The strength of these sectors in Figure 1 reflects the strong tourism industry in the Southern Highlands.

Figure 1 also shows the relative strength of agriculture in the Southern Highlands relative to NSW. While this may be expected from a regional area, it is important to note that many agricultural enterprises in the Southern Highlands are closely linked to tourism. Vineyards, berry farms, olive groves and other paddock-to-plate style enterprises represent rural agri-tourism.

Figure 1 shows that mining is one of the smallest employers of Southern Highlands residents, with only 186 residents employed in mining in 2011. This is likely to have declined since the census with the closure of Berrima Colliery and downturn in the coal mining industry generally: ABS labour force data suggests the coal industry nationally has reduced employment by around 20,000 over the last two years. The NSW Minerals Council estimated in 2016 that mining employs only 91 residents in Wingecarribee Shire.⁵

Dr Vince Roche has described the attraction of the Southern Highlands for health care. People from the South Coast, Wollondilly and Camden often travel to the Southern Highlands for elective surgery. The region has public and private hospitals and medical centres. Dr Roche is one of the doctors at the Southern Medical Centre, which operates in Moss Vale and Bundanoon. Dr Roche is also the founder of the Berrima Horse Trials, described elsewhere in this paper.

LOCAL ECONOMIC PLANNING

The Southern Highlands Development Framework is an initiative by Wingecarribee Shire Council, the Southern Highlands Chamber of Commerce and Industry and the Moss Vale Rural Chamber of Commerce. Established in 2015 through a process involving 250 community members, it provides an economic framework for the region out to 2031, based on an earlier Community Plan developed in 2011.⁶

⁵ Lawrence Consulting (2016) Economic Impact Assessment 2014/15, http://www.nswmining.com.au/NSWMining/media/NSW-Mining/Economic%20Report%202015/NMC0228_Economic-Impact-Report-2016_Final_HIRes_for-web-1.pdf

⁶ Southern Highlands Development Framework (n.d.) <http://www.southernhighlandsdevelopment.com/>. Other information in this section is from an interview with Councillor and former Mayor Larry Whipper and Council Economic Development Officer Noel Ferguson.

The Framework focuses on ten sectors, water, food, shelter, energy, transport, technology, arts, recreation, business and learning. Business emphasis is placed on tourism development strategy, business start-up initiatives, mentoring and connection for local businesses. The Energy sector focuses on decentralised and carbon-neutral energy sources. The Hume Coal project or other coal mining is not included in the Framework.

The majority of the council opposes the Hume Coal project, fearing damage to water, agriculture and the amenity of the shire. Council sees the area as a “Breathing space between Sydney and Canberra”. They’re supportive of food and wine clusters and are “critically concerned” about potential water impacts.

The council plans to develop the other high-employing industries highlighted in Figure 1 above. Health Care and Social Assistance is a priority, with Bowral hospital to be upgraded. Retirement and aged care are seen as not only social issues but as “growing industries” for the region given its rural setting and convenient location. Several retirement villages and aged care facilities already exist and more could be developed.

The council places a high emphasis on education. Young people generally leave the region for education and some return later in life to have families. The council hopes to work with the existing University of Wollongong and Illawarra Tafe to revamp facilities and develop a nursing course to further develop health and aged care capacity.

Manufacturing is important for employment, with the region containing the Boral Berrima Cement Works, Joy Global’s Australian headquarters, and smaller businesses focusing on construction supplies and engineering, among others. The Berrima Cement Works employ 130 people to manufacture over 60% of the ACT and NSW’s cement products. It was originally powered by a specialised adjacent colliery, but that operation transitioned to care and maintenance in 2013. Joy Global manufactures specialist underground mining equipment for domestic use and export. Its Australian head office is in Moss Vale, where hundreds are employed. Among the smaller businesses are Dux, which manufactures its water heaters in the Southern Highlands.

In addition to these Southern Highlands industries, many residents working in Manufacturing commute outside the area, particularly to Wollongong or Campbelltown.

Over 100 businesses in the region, mostly farmers and producers, have formed the Southern Highlands Food and Wine Clusters. This initiative of the Moss Vale and Rural Chamber of Commerce has the support of Destination NSW (a state government

tourism initiative) and Wingecarribee Shire (the local government).⁷ Each of the nine clusters is centred on a different town, each with a distinct microclimate and environment. Local businesses offer accommodation, dining, shopping, on-farm education and tourist activities.

The hub idea emerged from the work of Brigid Kennedy (whose business, The Loch, is described later in this paper) with Sydney's Vivid Festival. Because tourists can only experience one or two clusters on a holiday, the cluster model gives tourists a reason to return to the Southern Highlands several times. The idea was first presented by Kennedy at the Wingecarribee Economic Summit that developed the 2031+ Development Framework. In the first six months of its operation, the Joadja Cluster created 24 jobs according to Ms Kennedy.

Ms Kennedy says that having the Hume Coal Project operate in the region would undermine the cluster model, which is bringing people to the district for both living and visiting. Destination NSW has given the Moss Vale and Rural Chamber of Commerce a target of doubling overnight stays in the region, which would be impossible if the Hume project proceeds, creating a perception that the Southern Highlands is a "dirty district".

ECONOMIC ASSESSMENT OF COAL PROJECTS IN THE NSW PLANNING PROCESS

Despite local opposition, the Hume Coal Project is advancing through the NSW planning process. Like most coal projects in NSW, Hume is required to prepare an assessment of economic impacts as part of their Environmental Impact Statement (EIS). Since December 2015 economic assessments of coal projects are required to include a Local Effects Analysis (LEA), which requires analysis of local employment and other economic impacts. The relevant guidelines note:

Even where there are no direct links, such as purchases of goods and services or through the spending of additional labour earnings, the development or extension of a mining project can have effects on other local industries. Some of the most important ways in which this can happen are:

- Displacement of a specific land use, where the mining project uses land that would otherwise be used for other purposes;

⁷ <http://southernhighlandsfoodandwine.com.au/whats-on/food-and-wine-festival>

- Where the mining project affects choices by external parties, particularly tourism and business travel.⁸

While the guidelines require ‘qualitative discussion’ of these points, they do not require analysts to visit local areas or discuss the proposal with local businesses when conducting Local Effects Analysis. The LEA prepared by Hume Coal appears to be based entirely on desktop research with no input from local businesses.

Worse still, the Department of Planning and Environment guidelines permit consultants to use economic models that omit these sorts of negative impacts. In particular, “input–output” models are accepted by the Department despite these models being described as “biased” by the Australian Bureau of Statistics⁹ and “abused” by the Productivity Commission.¹⁰

Hume Coal’s economic assessment uses input–output modelling in the LEA of the project and presents a misleading analysis of the local economy. That modelling exercise will be further examined in The Australia Institute’s submission on the Hume EIS.

As Hume Coal’s consultants did not discuss the impacts of their project with local businesses in the Southern Highlands, Coal Free Southern Highlands commissioned The Australia Institute to conduct interviews with a range of local businesses.

⁸ Department of Planning and Environment (2015) *Guidelines for the economic assessment of mining and coal seam gas proposals*, <http://www.planning.nsw.gov.au/Policy-and-Legislation/Mining-and-Resources/~media/C34250AF72674275836541CD48CBEC49.ashx>, p23

⁹ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/5209.0.55.001Main%20Features4Final%20release%202006-07%20tables?opendocument&tabname=Summary&prodno=5209.0.55.001&issue=Final%20release%202006-07%20tables&num=&view=>

¹⁰ <http://www.pc.gov.au/research/supporting/input-output-tables>

Interviews with Southern Highland businesses

THE LOCH

Interview with proprietor Brigid Kennedy

The Loch is a guesthouse near historic Berrima, which offers accommodation, high-quality dining, on-farm grown produce and restored antiques and furniture.

Brigid Kennedy, a professional chef and author, and her partner, Kevin Nott, a landscaper and furniture restorer, established the Loch in 2013. It caters for farm stays and small conferences, with dining, farm produce and antique side of the business open to house guests and walk-ins alike. The farm produces meat, egg, berries, dam trout and yabbies, flowers and vegetables.

Key to Ms Kennedy and Mr Nott's decision to set up in the Southern Highlands is the region's character, and access to water, and the clean image of being in a water catchment area that makes the farm business possible. They have heard of many businesses in the area that are thinking of selling or are putting off expansions due to the uncertainty the Hume proposal is creating in relation to water supply and amenity around Berrima.

Ms Kennedy is also the driving force behind the Southern Highlands Food and Wine Clusters and Chair of the Moss Vale and Rural Chamber of Commerce, discussed elsewhere in this paper.

BERRIMA HORSE TRIALS

Interview with founder and president Doctor Vince Roche

The Berrima Horse Trials is an equestrian club that has operated on the Roche family property since 1989. It caters to dressage, cross country and show jumping with two to three major events a year, each bringing around 350 competitors over a weekend. As each entrant brings one or more grooms and family members, and with spectators and officials also attending, each event brings 1,500 to 1,800 people to the Southern Highlands for a weekend.

The Trials also host smaller fundraiser weekends two or three times a year, with around 150 people, and the grounds are used by the local horse and pony clubs and schools. The Trials are used for equestrian training, including for Olympians: most people who ride for Australia have trained at the Berrima Horse Trials. Horses are typically stabled at the Moss Vale Showgrounds, with owners paying between \$100 and \$300 (for stabling) and each horse bringing (on average) about \$850 into the district each event in terms of accommodation, stabling, meals, shopping, fuel, entries etc. The Trials make a substantial contribution to Australian sport and society.

The Trials depend on water for washing down horses, for drinking by horses and for water obstacles. Most of this is drawn from groundwater. The Trials have already suffered water shortages in El Nino years, which have affected jumping areas and trees. Water drawdowns by the coal project could exacerbate these problems.

Uncertainty around the mine has led the Trials to delay investment. Plans to laser level a dressage area of five to six hectares, a \$20,000 to \$30,000 investment, were put off. For three or four years, top equestrian coaches have been moving to the Southern Highlands for coursing and training, but the development of the Hume Coal Project might jeopardise that.

The founder of the Trials, Dr Roche, works as a doctor, and some of his comments about health care in the Southern Highlands are provided elsewhere in this paper.

COMFORT HILL HISTORIC PROPERTY

Interview with manager Doug Graham

Comfort Hill is a historic, 200-hectare Sutton Forest farm, with a heritage listed residence that was built in the 1830s. It was sold to the Grundy family in 2007 for \$15 million, which remains a record for the region.

Comfort Hill operates as a cattle farm, with 150 breeders and calves. It also has areas of native vegetation, including endangered ecological communities where koalas can be found. Both the cattle and the native vegetation depend on water, and the property has two bores with drinkable water. Mr Graham is concerned that global warming will affect the region's long term environmental, agricultural and tourist viability, even without the mine's additional drawdown on water supplies.

A flora and fauna study of the property held in 2007–2008 found Indigenous groove stones and historical quarry sites. Part of the maintenance of Comfort Hill includes protecting and preserving the significant environmental, Indigenous and historical sites on the property.

The Grundy family have considered diversifying by growing crops on site, including potatoes, but won't do so while the mine proposal makes their water supply uncertain. Community engagement regarding the mine carries an opportunity cost, with letter writing, participating on the water committee and other activism taking time that could be spent developing the property and its agricultural potential.

Mr Graham is not convinced that the mine will have many positive impacts on the region. He has worked in coal mines in the Appin and Hunter regions and believes the geologically difficult nature of the mine means that it will require experienced staff that cannot be recruited locally. He gave the example of the Boral factory in the region, which hired few locals – most employees were drive-in drive-out from Wollongong.

Mr Graham expressed disappointment with the way that the Hume Coal Project has treated the agricultural land that it acquired. He claims there was no tender process for managing the land, and locals working on the farms were sacked in favour of managers brought in from Goulburn.

ESCHALOT RESTAURANT

Interview with proprietor Richard Kemp.

Eschalot is well-known restaurant in the town of Berrima, attracting around 10,000 visitors per year to dine in the restaurant and attend functions at their venue. The business has been growing at a rate of 10–15% per annum consistently over the last 10 years as Berrima has come to prominence as a tourism destination. Mr Kemp describes his business as a “destination restaurant” that is important for attracting visitors to the village of Berrima.

Eschalot has a focus on local produce, with its own garden providing some ingredients and spending around \$250,000 per year on local produce. The business employs 10 staff and three apprentices, all local people. Mr Kemp estimates spending around \$260,000 per year on wages.

Located in the middle of Berrima, Eschalot is approximately 4 km from the proposed mine head. Mr Kemp has concerns around air quality and the possible effect of coal dust on his garden, but is far more concerned about the impact on the character of the town and tourism numbers. He estimates that one in three out-of-town diners asks about the mine proposal.

Mr Kemp has been running the Eschalot business for 13 years and says that if the mine is approved he will consider selling the business, but if it is rejected he will stay. He is

delaying a decision on expanding the restaurant and investing in a new kitchen due to the uncertainty around the Hume proposal.

Eschalot is located in an historic building dating to the 1850s. The owner of the building has an interest in heritage and collaborates with Mr Kemp to ensure the heritage values of the buildings are maintained. Mr Kemp feels that the ongoing success of Eschalot is important for the maintenance of the buildings.

BENDOOLEY ESTATE

Interview with proprietor Paul Berkelouw

The Berkelouw family have expanded a long-established book retailer into a major local business employing 60 people, around half of which are full time. In addition to the bookstore, the estate also has an a la carte restaurant, a vineyard and function facilities. The estate has several historic buildings and attractive gardens that are important for functions.

Since hosting their first wedding 4 years ago, weddings have become the central focus of the business. They host three to four per week with a total of around 300 visitors, who stay in Berrima and utilise accommodation, food, hairdressing and other services. Mr Berkelouw is clear about the importance of weddings for Bendooley:

The business is built on weddings. And we have weddings because we have water. Weddings are all about photos, and if the setting can't provide the perfect backdrop for those photos, then they'll go somewhere else.

The gardens at Bendooley Estate feature perennials, large European trees, a rose garden and manicured lawns, all of which require water, much of which comes from an on-site bore. Without access to the same volume and consistency of water supply, Mr Berkelouw says the gardens could not be maintained.

The importance of the water resource goes beyond the wedding side of the business. The profit centre of the business is in weddings, supporting the vineyard, cellar door, café and a la carte restaurant. While less profitable, these parts of the business are important for providing full time jobs to key staff. Mr Berkelouw says that the Southern Highlands labour market is difficult for hospitality businesses because there are few university students, backpackers, etc., for work that is transient and physical. The non-wedding parts of the business allow them to offer full time employment to keep reliable staff.

While unemployment can be high in the region, Mr Berkelouw says that responses to job advertisements vary depending on the type of job being offered. When they advertise for low-skilled jobs, such as Monday to Friday cleaners, there are many applicants. Gardener and administration positions are also easy to fill. Skilled hospitality positions, however, attract few responses. Unskilled positions for just weekend shifts also do not attract many jobseekers. Keeping good staff is contingent on offering well-paid full time work, which requires running lower-profit businesses to provide the skilled hospitality staff to host the profitable weddings. Which in turn depend on the water for the gardens.

Mr Berkelouw says that being around 6 kilometres from the mine site he is not particularly concerned about air quality changes or other impacts. He is not delaying any particular investments as he feels he has already “gambled” on the Hume project not going ahead.

In addition to the gardens at Bendooley Estate, the property also has the historic farmhouse, which has been restored. Mr Berkelouw says “I desperately wanted to restore and maintain my family’s farm to the extent it needs, but there was no way we could afford to pay the hundreds of thousands of dollars required without commercialising the property”. Without the business that Bendooley Estate is now bringing in, this historic building would become dilapidated.

MONTROSE BERRY FARM

Interview with owner Bruce Robertson

Montrose Berry Farm is a diversified business farming berries and apples over 13 hectares and with development approvals for a sheep-dairy and cheese shop on a larger 67 hectare site. All of these activities rely significantly on groundwater resources. In berry picking season the berry farm brings significant family visitations to the farm site and region.

The berry farm also has heritage-listed gardens, a homestead and a wedding reception venue which hosts weddings on a weekly basis. Mr Robertson estimates that each week wedding receptions generate between 150–180 bed nights for local hospitality businesses. He estimates that 60 to 70 percent of other services such as flowers, catering, decorating, hairdressing, car and taxi hire are sourced from local businesses. Mr Robertson estimates that weddings and the agri-tourism business at his venue generate around \$8 million of economic value per year within the local economy.

Mr Robertson is a former supervising geologist of coal operations in the Bowen Basin, Queensland and has worked in both open cut and underground mines. A veteran of the industry, he has major concerns about the mine's impact on water resources:

I strongly support the mining industry, but I also think that just because it's there, doesn't mean it needs to be mined, especially where the proposed Hume Coal Development has substantial inherent economic and operational risks. The piezometric head in the operation will likely be around 150-200 psi and the mine will undoubtedly be connected to the world class aquifer immediately above the coal measures by either undetected low angle reverse thrust faults or transcurrent faults. Neither style of faulting has significant displacement of the coal. As there is no substantial displacement of the coal seam these styles of faulting cannot be detected from surface but offer extraordinary conduits with significant head pressures from the aquifer to the mine.

Mr Robertson believes the Hume project would result in a loss of water for his business. He believes the mine would have a negative impact on the value of his business both due to water impacts, and by "changing the look and feel of the area significantly."

Mr Robertson believes that an increasing number of people are moving to the Southern Highlands from the Hunter Valley because of the impact coal mining has had on air quality, groundwater and noise pollution up there. As the first major mine in the Southern Highlands, Hume's project would have an impact on the area far more than that of an incremental mine in regions with established coal industries, like the Hunter or Bowen Basin. He believes this would "seriously impact" the Southern Highland's agri-tourism industry.

FOOD AND WINE ASSOCIATION

Interview with wine distributor Robert Kay, former president of Southern Highlands Food & Wine Association

Robert Kay is a wine distributor and former president of Southern Highlands Food & Wine Association. He has a keen understanding of the region's agricultural and tourist profile.

The region's agricultural industry consists mostly of small landholdings of 25 to 100 acres, which are best used for intensive, high-value crops which require irrigation from reliable groundwater. A combination of hobbyists, semi-professionals and fully

commercial operations work well together, with businesses often shifting from hobby farm to commercial farm depending on the owner.

The region's ecology and agriculture are different from even nearby areas, which makes it attractive to tourists – as does its proximity to major population centres. This tourism supplements many agricultural operations in the Southern Highlands.

In Mr Kay's assessment, the Hume Coal project threatens the region on two grounds: water issues and perception.

Intensive crops on small holdings, the kind of agriculture that suits the region and the interests of tourists, depend on groundwater. Any threat to groundwater would undermine this development.

The Southern Highlands are also perceived as “nicer than the Hunter”, according to Mr Kay, which draws investors, residents and tourists. The ambience and the ecology of the region reinforce this perception.

REAL ESTATE

Interview with real estate agent and auctioneer Tony Fountain

Tony Fountain is a real estate agent and real estate and cattle auctioneer in the Southern Highlands. He says that the Southern Highlands depend on their natural beauty and good agricultural soil, a reputation that is threatened by the Hume Coal project.

Buyers in the Sutton Forest/Berrima area always ask where the mine is in relation to the property on sale. Unfortunately, the region's most valuable properties are also nearest the proposed mine head, and typically downwind from the proposed mine during the south-westerly winter winds, according to Mr Fountain.

He estimates that transporting the coal would require four trains per day in each direction, which risk causing a rail bottleneck on the Southern Highlands line.

The mine's effect on groundwater concerns prospective buyers. The region's crops depend on reliable groundwater.

The region is actually benefiting from coal mining in other regions, with horse studs moving from the Hunter Valley to the Southern Highlands in part because the Southern Highlands are perceived as less polluted.

Properties may also be affected by mine subsidence, a problem that affected the region when the Berrima colliery operated.

SUTTON FOREST OLIVES

Interview with proprietor Kym Burrows

Kym Burrows and her husband Matt run Sutton Forest Olives, the largest olive grove in the Southern Highlands. The business produces around 15 tonnes of oil a year from trees that have been growing for up to 16 years. Apart from pressing the olives, which is done in Collector, all other steps to process or up-scale the oil are done on site, including bottling, labelling, soap making and cake making. Mrs Burrows is also a member of the Olive Association and a judge of olive oil competitions.

Year round, Sutton Forest Olives employs Mrs Burrows full time and four other staff part-time. Many more staff are brought on for harvest time, assisted by harvesting machines. The products are sold in local shops and the IGA, to tourists who visit the grove, and – pending negotiations – in a major supermarket. Southern Highlands groves are smaller than the big Victorian groves, and therefore more dependent on sales to tourists.

The grove depends on water from an 80-metre bore on their property. Because the bore's water is of drinking quality, it can also provide for the family – during the last drought, the Burrows directed bore water to their house.

If Hume Coal's proposed mine affected groundwater, Sutton Forest Olives' grove would become unviable. Five years ago, the Burrows joined several other local families to blockade their private road, keeping Hume from accessing their properties. Their blockade was overruled in the courts, and years of fighting Hume Coal and worrying about their business' water supply has affected the family's morale.

While the threat to water is the Burrows' greatest concern, the mine has already affected their business in other ways. Hume Coal's heavy trucks damaged the property's private road by using it during rain. Legal action eventually forced Hume Coal to compensate the Burrows for the damage done to their road.

The Burrows have built up Sutton Forest Olives with a shopfront, sheds, housing, machinery and the olive trees. They were planning to build a showroom and work shed, plant more trees, and employ more staff in higher-skill roles, but will not do so while the coal mine remains a possibility. Instead, they built a much smaller shed and sales area and would expand "straight away" if the mine were cancelled.

ROSCOE PARK LIMOUSIN STUD

Interview with proprietors Margaret and Ross Alexander

Roscoe Park is a cattle stud, breeding Limousin cattle, a muscular beef cattle breed, for sale to other farmers or as veal meat. They also run a commercial herd of 80 to 100 cross bred breeding cows. The stud's 26 paddocks each have water troughs fed by a water bore drilled by the Alexanders.

Other improvements from the 15 years the Alexanders have owned the property include more fencing, a farmhouse, electricity, expanding the farm's original three dams to eight and extensive pasture improvement – which requires laying 250 cubic metres of turkey manure at a time.

Hume Coal's proposed mine is already affecting the Roscoe Park stud through damaging exploration processes and lowering property prices, and the Alexanders are worried that if the mine goes ahead it will drain their groundwater and damage the endangered ecological communities that are present on their property. The Alexanders have worked hard to restore the endangered shale woodlands.

Roscoe Park is a target of Hume Coal's exploration plans. At one point, the company wanted to drill 25 holes on the property, although they currently only plan to drill six. Hume Coal did not explain to the Alexanders why this figure seems to change year by year. Exploration would see noisy trucks cross the stud, causing erosion and damage to pasture and disturbing the cattle, which are easily stressed by noise, a particular concern for a stud farm.

According to the Alexanders, the proposed mine has lowered property prices in the area. This has not yet affected them personally, as they have no plans to sell, but they claim that older people in the area are struggling as they retire or pay bonds to enter age care.

The property is on a hill, so any effect on groundwater levels from the mine would make their bore inoperable and, by extension, make it impossible to keep the stud in its present condition. The Alexanders put it more bluntly: without the bore, "we're finished".

Concerns over the coal proposal have stopped the Alexanders from investing further in their property. They have cancelled plans to build a farm stay property, more cattle shelters, bring on more cattle and employ more people for pasture improvement, aeration and fencing. They know of neighbours who have also stopped other construction projects unless the mine is cancelled.

TRUFFLE FARM

Interview with owner Peter Martin

Peter and Kim Martin own a property in Sutton Forest directly above the proposed mine. They have planted a commercial scale truffiere covering 6 hectares with a total of 2,400 oak trees. They plan to produce Perigord black truffles. The trees were planted 7 years ago and have been available for harvesting for the past 2 years. However, their intensive involvement in community opposition to the coal mine proposal has resulted in the harvest being deferred until the coal mining issue is resolved. The Martins are registered as primary producers by the ATO and currently grow and sell Lucerne.

The property has a large dam which holds approximately 45 megalitres of water and which is used to irrigate the property, particularly the truffiere. The property also has bore fed dams and decorative ponds acting as a natural filtration system. The water is pumped from the highly productive Hawkesbury sandstone aquifer 80 metres underground. The coal seam sits right under the aquifer, approximately 150 metres under the ground in that location.

The Martins have been told by Hume Coal that their bore would be drawn down significantly if mining were to occur and it would not recover for many years. Hume proposes drilling a new bore to a lower level. Company representatives stated that if that failed, water would be 'piped' into the property. Given the uncertainty as to how this would occur and whether it is plausible, the Martins fear that the loss of groundwater would be unable to be rectified and would have a major impact on the productivity of the property, destroy the truffle production business and significantly diminish the value of the property.

The property has been extensively improved over the past 15 years with the planting of over 30,000 native trees. A critically endangered segment of Southern Highlands shale woodland is also on the property and is being restored. The Martins built what was intended to be temporary weekend accommodation but have had plans for a number of years to build a farm house on the property. These plans were put on hold in 2010 when they became aware of the proposed Hume Coal mine in the area.

SOUTHERN HIGHLANDS CHAMBER OF COMMERCE AND INDUSTRY

The Southern Highlands Chamber of Commerce and Industry (SHCCI) is the main organisation representing local businesses. It has 198 members, including Hume Coal, from among the 5,000 businesses registered in the local government area.¹¹ The SHCCI supports all its members including Hume Coal, with former chair Mr Kurt Newman citing the potential for 400 jobs at the mine as a key point for support during a phone interview for this report.

In more recent correspondence with the Chamber, it notes that Mr Newman is the former chair and that his opinions held in 2016 may not reflect the opinions of all SHCCI members or board. The SHCCI wrote an open letter to NSW Premier Gladys Berejiklian and other state leaders in April 2017. It was critical of what it considered the Government's favourable treatment of Hume during the planning process and asked for a longer EIS submission period. The letter noted the "bitter" divisions within the Chamber.¹²

ARGYLE PROFESSIONALS

Phone interview with Suzie Oukes, Human Resources professional

Argyle Professionals is a Chartered Account, Business Advisers and HR Specialists firm, with Mrs Oukes providing HR services relating to training, coaching, leadership and advice on recruiting. Argyle's accountancy practice clients are mainly Southern Highlands businesses, while Mrs Oukes works mainly with firms in Sydney and some local manufacturing, electrical and hospitality businesses.

Mrs Oukes said that Hume could be a good client for her HR practice although firms as large as Hume usually have their own HR departments and may not use Argyle's services.

Recruiting staff in the Southern Highlands region can offer "slim pickings". When Argyle has tried to recruit accounting staff suitable applications were mainly from

¹¹ Australian Bureau of Statistics (2014) *Wingecarribee Regional Profile*, http://stat.abs.gov.au/itt/r.jsp?RegionSummary®ion=18350&dataset=ABS_REGIONAL_LGA&geoco ncept=REGION&maplayerid=LGA2014&measure=MEASURE&datasetASGS=ABS_REGIONAL_ASGS&datasetLGA=ABS_REGIONAL_LGA®ionLGA=REGION®ionASGS=REGION

¹² Horton and Campbell (2017) *A 'fair go' for the Highlands*, <http://www.southernhighlandnews.com.au/story/4587960/whats-on-your-mind/>

other areas, including some from interstate. Local applications largely lacked the right qualifications.

Hume could have similar trouble recruiting, according to Mrs Oukes. Hume could recruit 400 staff within 45 minutes of the site, although she is not sure how many people are looking for jobs in Southern Highlands at the moment.

Mrs Oukes is from a mining region in Quebec, Canada, so has experienced life and work in a mining region and has seen the employment benefits. She says the project would be a good thing for local employment, particularly younger generations – there are a lot of retirees in the region, younger people often have to leave the area. Hume would provide reasons for them to stay.

Mrs Oukes feels that the project could be like a “refresh” of the local jobs market re-invigorating the local employment market, but points out that agriculture, manufacturing and tourism businesses could lose employees. This comes at a cost to these businesses who lose trained, experienced employees. There are some costs to employers of recruiting and training someone new after losing experienced staff. The project could cause issues like this locally according to Mrs Oukes, who has seen a similar process in Canada.

HUME COAL AND JOY MINING

Hume Coal did not participate in this research, despite several invitations from The Australia Institute. We asked Hume to suggest businesses in the local economy that they currently work with, or would like to work with if the project proceeds. Hume suggested we speak to Joy Mining, an international mining equipment manufacturer with some local operations. Joy Mining representatives did not return our calls.

Conclusion

During the writing of this report, the Environmental Impact Statement (EIS) for the Hume Coal Project was published. The Economic Impact Assessment commissioned by the proponent concludes that the project will bring net benefit to the local economy.

The economic assessment contains numerous misinterpretations of the Southern Highlands economy. These will be addressed in submissions on the EIS, but one point is important to make here – the Hume economic assessment is based entirely on desktop analysis. The authors have not been to the region or spoken to local business owners. There is no mention of the Southern Highlands Development Framework, the Wingecarribee Economic Summit or any other aspects of local economic planning.

Perhaps most revealingly, the EIS discussion of local tourism states that there are only 20 tourism establishments in Wingecarribee and just four in Berrima. This error is apparent from an internet search. The EIS claims that the mine would generate:

*additional demand for short-term accommodation...and would benefit local accommodation providers.*¹³

There are many problems with the authors' reasoning, not least the assumption that tourism is only related to accommodation, excluding hospitality, retail and transport. More importantly, this shows a fundamental misunderstanding of the local economy, perhaps inevitable without talking to anyone who runs a business in the region.

This report shows that there would be considerable negative economic impacts from the Hume Coal project, particularly if it impacts water resources. Local businesses intend to reduce or delay investment if the project goes ahead, or remains a possibility. The EIS ignores this reality.

The disconnect between economic assessment and economic reality is a problem not just for the Southern Highlands and the Hume Coal project, but also for the wider NSW planning system and economic consulting industry. Economic assessments of coal projects have been heavily criticised, prompting NSW Planning to rewrite economic assessment guidelines. The material in this report and in the Hume Coal EIS show that the new guidelines are failing to deliver the standard of assessment that decision makers and the NSW community requires to plan for the future of the state.

¹³ BAEconomics (2017) *Economic Impact Assessment of the Hume Coal project*, <https://majorprojects.accelo.com/public/ae3dde5cb124ded4de87b197405f2132/99.%20Hume%20Coal%20Project%20EIS%20Appendix%20Q%20-%20Economic%20Impact%20Assessment.pdf>