



Blueprint for the Hunter 2050 Foundation

July 2020



Summary

In addition to the immediate impacts of COVID-19, the Hunter is facing decades of significant economic change driven by power station closures, risks in the mining sector and global economic trends. Decades of experience in Australia and internationally indicate that a region needs to achieve three things simultaneously to successfully navigate major industrial change. These are: new innovation and investment; the development of new capabilities in business and the workforce; and effective collaboration between government, industry and the community. In regions that experience successful transformation, dedicated organisations are generally created to lead transformation efforts.

The scale of changes coming to the Hunter create big questions about the Hunter's economic future. While the closures of power stations and some mines are already scheduled and can be planned for, uncertainty about long term COVID-19 impacts, climate change policy settings, international investment conditions and the ways in which new technology will reshape the economy make it difficult to identify how rapidly and severely change will occur. Alternative local industries that can also make use of the capabilities in the regions changing industries are unclear, as are the best uses of the land that will need to be redeveloped.

Discussions with stakeholders across the Hunter reveal widespread agreement that the Hunter is well positioned to manage economic risks, but only if it acts now. Prior to COVID-19, local economic conditions were strong and the Hunter has a range of short term industry developments to pursue. Importantly, a willingness to collaborate within local industries, community groups and governments is present.

The region is already acting on some fronts, but stakeholders agree that an initiative to connect and accelerate progress is needed. The Hunter Joint Organisation is moving to establish a Hunter 2050 Foundation in partnership with industry, community groups and other levels of government to do this work.

The primary aim of the Foundation will be to drive new investment and industrial redevelopment in the Hunter. The Foundation will establish itself as a specialised local investment and redevelopment agency and take a direct role in the industrial changes needed to transition the economy.

The Foundation will also support businesses and workers impacted by changes in the economy. Dedicated innovation and transition support services, built on successful models deployed in other regions of Australia, will ensure that supply chains and workers can begin to plan their future as key customers or employers close facilities.

Finally, the Foundation will provide a platform for better information, collaboration and agreement on the diversification strategy for the Hunter, building on the partnerships and collaboration that are growing in the region.

Together, these efforts represent an innovative model for economic leadership that is proactive, market driven and locally led. It draws on the best models in Australia, whilst moving beyond the typical suite of government-led structural adjustment policies of the past by focusing on engaging in key markets to accelerate investment and redevelopment.



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Introduction

The Hunter Joint Organisation has identified leadership of economic diversification in the Hunter Region as its highest strategic priority.

Recognizing the need for region wide action as well as some practical ways in which a region wide response could work with its plans for Liddell Power Station, AGL has partnered with HJO in its diversification leadership strategy.

The resulting project has seen the engagement of stakeholders across the Hunter economy and in State and Federal Governments to discuss transformation challenges and the best response. A range of leaders of similar organisations have been engaged as has the literature on economic transitions, placed based policy and local institutional responses.

From this work, the need to establish a regional entity to provide practical leadership and action on diversification issues has been apparent. This document provides the blueprint for establishing the Hunter 2050 Foundation as the key community initiative to lead the Hunter's transformation over the coming decades.

The Hunter's Economic Future and Transformation Challenge

Changes and Challenges

The Hunter is the largest regional economy in Australia. The region has 322,000 jobs and, prior to the COVID-19 economic shock, was projected to have 384,000 by 2036.ⁱ While the economy is increasingly diversified, with strong growth occurring in health care, social assistance, accommodation, food and professional services, a changing industry environment in mining and power generation is a source of serious economic risks for Hunter communities.

Some of the coming changes are increasingly clear. In Electricity Generation, the Liddell and Bayswater power plants in the Upper Hunter will be shut down in 2023 and 2035, respectively. In the Lower Hunter Eraring Power Station is due to close in 2032 and Vales Point in 2029. A series of planned mine closures are also underway or scheduled.

In other areas the scale and pace of change is less certain. The investment environment for new coal mines is increasingly challenging and stronger than currently expected international climate policies, particularly in Japan, could rapidly change the trajectory of the local industry.ⁱⁱ There are also some indications that changing energy supply may bring forward some power station closuresⁱⁱⁱ. Local energy dependent industries such as aluminium smelting and fertiliser production will be very vulnerable to market conditions as these shifts play out.

The job impacts of these changes and risks are significant. For example, it is estimated that over 5,199 direct jobs and \$700M in wages and salaries could be lost if predicted global declines in coal occur.^{iv} While these closing and at risk facilities are concentrated in particular areas, employees and the businesses that supply these major economic engines are based throughout the Hunter making this truly a whole of region challenge. An additional 4,667 indirect jobs are estimated to be at risk across the region due to the supply-chain and consumption effects. Job losses in power stations, smelting and other at risk industries will have significant additional direct and flow on impacts. The global trend towards industry automation will also challenge job growth in mining and other industries, placing further pressure on local job growth. Combined, the scale and high value nature of the jobs at risk represent an enormous diversification challenge for the region.

The Hunters recent economic experience indicates how quickly wider market uncertainties can change economic conditions. For example, when coal prices moved from highs of \$166 in 2008 to lows of \$83 in



2014, employment in the coal mining industry fell by 25%. In the next few months, the region will learn more about what the COVID-19 shock means for the employment and investment in the local economy.

Opportunities

The Hunter economy has a series of growth opportunities that can provide short and long term growth to balance these risks. Many of the major players in the Hunter economy have explicitly recognised and begun taking steps to manage these economic changes and risks. Some examples include:

- The NSW Government's Hunter Regional Economic Development Strategy (REDS) prioritises diversification and managing the risks to the Coal Mining and Electricity Generation sectors. This is supported by the Upper Hunter Economic Diversification Action Plan.
- AGL has developed major transition and redevelopment plans as part of its closure strategy for Liddell Power Station.
- A Special Activation Precinct focussed on the defence industry at Newcastle Airport.
- The Newcastle Port container port and wider strategy to diversify its energy and other businesses.
- The development of new hospitals and health economy precincts in Newcastle and Maitland.
- Racing NSW facility redevelopments in the upper and lower Hunter.
- A Hunter BioValley project to connect the economic opportunities in the new energy, agri-food and land remediation sectors in the Upper Hunter.
- A range of renewable energy projects.

This is a snapshot of the development opportunities in the Hunter that provide a short term pathway for investment and growth as well as some long term industry expansion opportunities that could at least partially compensate for the expected closures and industry shifts.

Scenarios for the future

It is clear that much more challenging external economic conditions are now emerging as a result of COVID-19. State and Federal Governments bringing major policy responses online to counter the inevitable economic downturn, but the future employment and investment environment is much more uncertain than it has been. This may accelerate change in vulnerable industries and will certainly challenge the underlying resilience and strength of the local economy and other sectors such as tourism, food services and hospitality which are highly exposed to the crisis.

Beyond this immediate shock, the Hunter's mix of challenges and opportunities creates a wide range of scenarios. Four dimensions of change are important:

1. The nature of external economic conditions and policy settings
2. The pace and predictability of local industrial closures and cut backs
3. The rate and nature of new industry growth
4. The impact of local transformation efforts

The worst case scenario for the Hunter would be driven by poor outcomes across these dimensions of change. In the medium term, the Hunter remains particularly vulnerable to uncertain or poorly implemented energy and climate policy. These settings could drive a less predictable set of closures and cut backs in key local industries. If this is combined with lags in new development and industry expansion and an ineffective local transformation effort, the Hunter could expect to enter a long period of economic stagnation or decline and an economy reliant on population growth and related industries, without the industrial and innovation capacity it currently enjoys. The possible outcomes of this scenario can be seen in 'rustbelt' regions in the US and Europe and also locally in some of the Hunter's previous transitions in the 1990's and in the LaTrobe Valley which has experienced several decades of economic decline and has more challenges to come.



A best case scenario is that the immediate crisis is manageable and scheduled closures occur in an orderly manner within improving external conditions. If accompanied by strong growth in new industries and an effective transformation effort, then the Hunter has every opportunity to avoid the long term challenges experienced in the region in the past.

Inevitably, much of this lies beyond the regions control, but the prospects for better outcomes is reasonable. The imperative is for the region to make sure the fourth dimension – local transformation efforts – which can be influenced – facilitate a strong flow of new investment and orderly, well managed closures.

Building an Effective Local Transformation Effort in the Hunter

At its core, the task of diversification is about successfully repurposing economic resources liberated by industrial change – land, water, workforce, infrastructure and investment capital – into new and productive economic activities.

A successful transformation will see these resources reallocated rapidly to uses that are similarly or more productive than old uses and that have strong prospects for supporting sustainable future growth in the region’s economy. An unsuccessful response will see resources reallocated to lower value uses, the loss of high value but mobile resources such as people and capital from the region and rise in dependence of the economy on welfare payments, government investment and lower value population services industries.

Recent work by the OECD examining the global evidence on industrial transitions, identifies that successful industrial transition requires technological, industrial and institutional change to occur simultaneously.^v While industrial transition provides many opportunities but these can only be seized if the response actively manages the transition process. This includes:

- creating pathways for innovation and investment
- bringing in new business models and workforce capabilities, and
- effective co-ordination of community, government and industry stakeholders.

Over decades, the most sustained, innovative and successful efforts create new economic possibilities that could not have been imagined as the work began. Many ‘rustbelt’ regions are now emerging as hubs for new industry and innovation^{vi}. A key characteristic of these most successful efforts is that they are led by local institutions working collaboratively with major global industries and firms. They are secured by major investments in new industry capacity and developments that build on the regions long term economic capabilities.

Literature and engagement with experts and leaders in other regions also emphasises that local leadership is also crucial for regions in managing industrial change^{vii}. A failure to respond to economic risks is often attributed to failures of local leadership. Higher levels of government typically play a supporting and enabling role, making specific interventions to provide strategic public investments, share risk and create a supportive policy environment that helps to accelerate positive change.

The Hunter currently has motivated local leaders, but the effectiveness of each institution is constrained. For example, while Councils and the HJO can directly play an important role in leading the diversification process through advocacy, local economic development strategies, planning and infrastructure, there are clear limitations to the extent that HJO, Councils (or others in industry and higher levels of government) can act as the platform for sustained transformation effort. Councils are particularly constrained in the roles they can play due to conflicts with their development responsibilities and the legislated limitations to their operations. Long term practical partnerships also need to bring forward resources well beyond those available to HJO and Councils individually by bringing industry and higher levels of government into long term partnerships.



The scale and timeframe of the risks to the Hunter’s economy create a challenge greater than any project or action plan as they reach well beyond the terms of any government. For similar reasons, regions experiencing major economic transition create dedicated institutions to lead and manage the process of change.

The LaTrobe Valley Authority, Upper Spencer Gulf Common Purpose Group, Developing East Arnhem Land and G21 Alliance are all examples of diversification initiatives that have been formed in Australian regions. Diversity is a key feature of these approaches and there is no formula for success than can be transplanted into the Hunter, but a key driver of the Hunter’s approach must be to move beyond the limitations of traditional Australian regional and economic development institutions which are generally severely limited by weak governance and funding arrangements^{viii}.

These insights about the nature of the challenge and best response to industrial change as well as the insights from key local leaders have shaped the blueprint for the Hunter 2050 Foundation.

The Hunter 2050 Foundation

The establishment of a Hunter 2050 Foundation provides an opportunity for the Hunter to be innovative in its approach and to build something that uniquely reflects the Hunter’s needs. Given the insights above, the blueprint is designed to create a Foundation focussed on leading practical, long term interventions in the economy that align with local needs and international evidence about what works. To achieve this, the Foundation will:

- Develop and invest a series of impact investment funds and lead land redevelopment projects to catalyse significant new investment in the Hunter economy
- Create and deliver programs to support business innovation and the development of new workforce capabilities, and
- Provide a long term platform for government-industry-community collaboration.

The Foundation will be a not-for-profit, company limited by guarantee that is dedicated to working for the benefit of the Hunter community. Its objectives will be to:

1. Secure new investment and employment opportunities in the Hunter Region.
2. Support businesses and workers in the Hunter Region affected by economic changes.
3. Ensure governments, industry and the community work together on the transition.

The Foundation will be created with the support of a range of members and partners including the HJO and its members, key companies in local Hunter industry such as AGL, State and Federal Governments, Universities and other local institutions such as RDA, Committee for the Hunter, HunterNET and others.

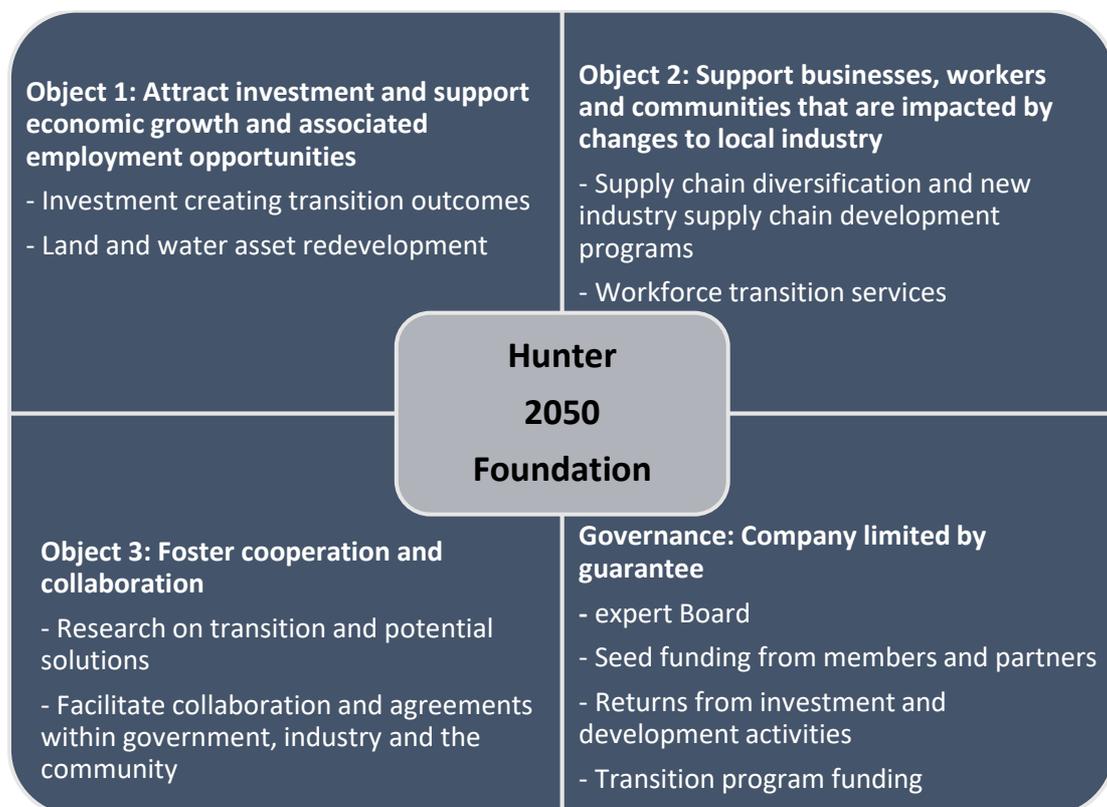


Figure 1: Overview of the objectives, activities and governance of the Hunter 2050 Foundation



Object 1: Securing New Investment and Jobs

The Foundation will play a direct role in bringing forward new investment and development in the Hunter economy. This strategy is an alternative approach to traditional government led approaches that have been pursued in Australia. These typically focus on partnerships, facilitation and short term programs that respond to changes such as job losses as or after they occur.

Two areas of activity are the priority to create a direct and enduring impact and to provide the Foundation with a sustainable operating model. These include the Foundation becoming:

- A specialist investment manager to connect significant capital with local investment opportunities
- A development/asset manager for land and new precincts

Both of these areas of activity will position the Foundation as a key player in the practical effort of diversification. The rationale, approach and current development work is outlined for each below.

A specialist investment manager dedicated to the Hunter

The decline of traditional industry investment and its flow through support for economic activity and growth in the Hunter is the most immediate diversification challenge for the region. With power stations moving towards closure and investment support for coal mining increasingly challenged, the Hunter must secure alternative investment to maintain and grow the local economy and local jobs. Building a pipeline of new investment in the Hunter is the region's most pressing challenge.

Fortunately, the Hunter is well positioned. The region has a large, growing population and skilled workforce. Investment opportunities in renewable energy projects, the development of defence, health and port precincts and the redevelopment of lands used by mines and power stations are becoming available. Invest NSW advises that there are currently 55 active investment leads currently being facilitated in the Hunter across a range of industry opportunities. There are also unmet capital needs for local business expansion and diversification.

Consultation with industry and innovation players in the Hunter has emphasised the needs and opportunity here. Local organisations have identified a lack of local capacity and capital in latter stage funding for businesses. Feedback from some large companies currently advocating internally for new investment indicates that a local investment partner with a strong reputation and deep local knowledge would greatly assist in securing further investment for the region. Others have identified early signs of investors developing perceptions of risks to the long term future of the economy based on limited information and media conversation about industrial change in the Hunter.

By bringing good information and strong local investment opportunities to national and international markets, a sophisticated local investment partner would help to counter the perceptions of the Hunter as a risky investment destination and accelerate the success of new businesses and developments in the Hunter.

Operating model

The Foundation would be established to operate as a specialist investment manager in the Hunter economy. To support diversification, a co-mingling of large and small investments, debt and equity in appropriately managed investment vehicles will be required. To achieve this, the Foundation would look to draw on a mix of capital from private, philanthropic and government partners.

The model will integrate commercial investment activities into the not-for-profit goals of the Foundation. It will aim to support the development of new local industries and businesses, whilst also generating competitive financial returns for investors.



Existing impact investment models in Australia and overseas provide key precedents for the Foundation. The Clean Energy Finance Corporation is the most relevant local example. Since its establishment, the CEFC has deployed \$5 billion in investment in renewables with 2:1 leverage of private sector investment, receiving support and finance from both Labor and Coalition Governments and accelerating the development of this industry and new energy sources in Australia. Useful international examples of place based impact investment such as Bridges Ventures in the UK also provide insights into how the Foundation model can be developed. The prospects for scale and success in the Hunter even stronger than many typical impact investment strategies which target places experiencing entrenched disadvantaged and economic decline.

As well as delivering returns for investors and increasing the scale of new investment in the Hunter, the Foundation would receive income through management fees and a share of profits from these activities. This will provide a long term revenue to sustain the Foundation and to develop the capacity to invest in other diversification initiatives.

Investment scope

The following scope provides a starting point for development of the investment scope and mandate for the Foundation:

1. The Foundation will invest in Hunter-based projects. The Hunter is defined as the areas within the local government boundaries of the members of the Hunter Joint Organisation.
2. The Foundation will invest in projects that create positive economic, social and environmental benefits for the Hunter community as well as financial returns for investors. The Foundation Board will develop specific impact criteria during the establishment of the Foundation's investment activities.
3. The Foundation will focus its investment efforts in specific areas it judges crucial to supporting the future of the Hunter economy and its communities. Based on consultations, areas of focus should initially include:
 - a. A Hunter New Energy Fund to facilitate investment in new energy supply and related projects.
 - b. A Hunter Industry Land Funds to invest in the acquisition, rehabilitation and/or development of mining, industrial and other land in the Hunter to ensure future supply for job creating industries and enterprises.
 - c. A Hunter Business Innovation Fund to provide equity or debt investment into Hunter based businesses that are diversifying in response to industry change or seeking to tap into new industry opportunities.

Next Steps

Partnerships with leaders in the finance sector will be crucial to develop the approach and these discussions have commenced through the Australian Sustainable Finance Initiative. The start-up phase of the organisation will bring investment expertise and resources in to build initial investment products to commence this area of effort for the Foundation.

Land and Precinct Development

The diversification of the Hunter's industrial land assets into new uses is crucial to creating new jobs and building alternative industries. With a range of mine and power station closures scheduled, as well as existing opportunities that could be pursued on mining buffer lands, significant land redevelopment will be a feature of the Hunter economy's transformation.

The Foundation will offer a new development pathway for land redevelopment that works alongside private developments and those facilitated directly by local or State Governments. Consultations have



indicated that the Foundation, acting as a community development corporation, would have the opportunity to unlock developments in the Hunter that may otherwise be constrained.

A range of Australian and international models offer precedents for this role. Invest Logan in Queensland has recently been set up to redevelop local government and other local land to support growth south of Brisbane. Discussions with Toowoomba and Surat Basin Enterprise have also provided insights from the development of Wellcamp airport and industrial precinct.

Redevelopment of the AGL Site

The Foundation will seek to establish its land redevelopment operating model in partnership with AGL. AGL is considering transitioning several significant parcels of land on the Liddell site into the management and ultimately ownership of the Foundation, with other opportunities to be discussed in the longer term as the transition plan for Liddell is progressed. This partnership with AGL would provide an initial land development project and asset base that the Foundation can leverage to build its capabilities for other developments in the region.

Other Precinct Opportunities

Over the next 30 years, there are an enormous number of opportunities for the Foundation to support the redevelopment of industrial land and the development of other new job precincts. The Foundation will provide a unique partnership opportunity for these developments, particularly if its activities are supported by an investment fund that can help to provide capital to support projects.

A range of other precincts and land redevelopment opportunities are currently being progressed in the Hunter. There are also significant State, Federal and local government land holdings in the Hunter that will need to be developed in the coming decades where the Foundation could potentially play an important role in accelerating beneficial developments and facilitating better outcomes for Hunter communities from these development activities.

Next Steps

During the start-up planning and execution phase, the HJO will work with AGL to firm up plans for a role in the management and redevelopment of the Liddell Site as well as seeking other partnership opportunities with companies in the Hunter transitioning land into new industrial or economic uses.

Discussions about potential collaborations with the Hunter Central Coast Development Corporation are also in progress. The HCCDC legislative mandate and ability to work with government on planning and other issues important for land redevelopment makes this a priority partnership for the Foundation.



Object 2: Supporting Business and Workforce Transition

As well as facilitating new investment, the Hunter needs to work to accelerate change in businesses and workforces that currently depend on industries at risk. The Hunter 2050 Foundation will develop a set of interventions that begin as soon as possible and operate consistently over the coming decades. These will include a supply chain innovation and development programs and worker transition services. The scope and intent of each is described briefly below.

Supply Chain Diversification

Supply chain diversification can ameliorate much of the wider downside risk from transitions for economies like the Hunter. It is an effective way to contain flow on job losses and wider economic effects whilst also positioning the region and key firms for future growth.

Learnings from the decades long car industry transition in Australia provide a solid source of lessons and experience the Foundation can leverage in an approach for the Hunter, and confirm many of the findings of the extensive body of regional transition and development policy undertaken by the OECD^{ixx}. Some key learnings that should inform approaches in the Hunter^{xixii} include:

- The most effective interventions are collaborative, avoid duplication and encourage cooperation across all levels of government, and include contributions from affected firms.
- Local community needs to be engaged and take ownership of its future economic viability.
- Supply chain firms that receive transition support generally fare better
- Early diversification assistance contributes to firm survival, but expect businesses to downsize as they adjust to the transition
- Transition support is more effective if provided continuously rather than in rounds
- A combination of assistance for activities such as new market identification, strategy development, early-stage commercialisation, pre-production development, guidance and mentoring, as well as investments in capital equipment/upgrades appear to be more effective than funding capital equipment alone.
- Diversification for supply chain firms is a major and difficult undertaking, and takes years.

Well-planned, consistent and collaborative activities have proven effective in more efficiently reallocating business and labour resources during economic transitions. These interventions improve productivity and competitiveness, boost worker and community wellbeing, and save taxpayer expenditure on social services or misplaced training and business support. The LaTrobe Valley Supply chain diversification approach provides a solid foundation for this work. This targets:

- Businesses with greater than 20% business income exposure to a closing facility or clearly declining industry
- Grant funding business diagnostics, business planning and then subsequent product development, planning, financial management, and marketing activities

The Foundation will also offer opportunities to access much larger investments in transformation via debt/equity finance via the Foundations investment funds and management activities

Next Steps

These activities will be developed during the start-up phase in collaboration with the existing leaders of the Hunter entrepreneurial ecosystem and be ready to be scaled up as required to support local industries.



Workforce Capability and Transition Services

As the Hunter economy changes, significant parts of its workforce will need to move into new roles and industries. Many hundreds of millions of wages and salaries to the Hunter economy and the future of many Hunter families rely on getting this part of the diversification right.

Experience in Australia has shown that poor approaches can lead to a significant loss of wages and workforce capacity if not supported effectively. For example, the Mitsubishi closure in Adelaide led to only a third of workers finding similar opportunities with a third settling for work in much lower paid and less secure jobs and a further third exiting work altogether. In contrast, examples overseas such as closures in Birmingham in England demonstrate that up to 80% of workers can successfully transition with the right mix of proactive support and local leadership^{xiii}.

Some key learnings that should inform approaches in the Hunter^{xivxv} include:

- Lack of support towards employee skills and retraining undermines transition.
- Tailored, case managed, and expert career and labour market advice is critical for best practice workforce transitions.
- Dedicated hubs offering ‘wrap around’ services are critical in addressing information and service access problems for workers.
- Early notification of restructures allows workers to adapt and employers and other stakeholders to plan.

The Foundation will work with other key players in this area to enable better results for workers. Currently in the Hunter, the available support services include the range of contracted outplacement services companies temporarily engaged to support cohorts of retrenched workers, and the baseline set of employment and training support provided by the national Job Active system, related Commonwealth programs and through Training Services NSW. Education providers such as the University, TAFE and other Registered Training Organisations (RTOs) are also key players.

Some formal and informal mechanisms exist for coordination between relevant NSW, Australian, and local government agencies in relation to worker retrenchment events, although capacity is limited. Labour market vulnerability and change issues also receive attention, although this is often restricted to event, place, or program specific activities.

These efforts at coordination, deeper service provision, or proactively addressing worker vulnerability are constrained by a lack of durable capacity focused on the Hunter’s specific regional economic circumstances.

At root, these workforce change issues are structural and driven by external forces that are accelerating over time. Addressing these issues is also practically challenging in implementation, and consequently benefits from experience and the development of region-specific institutional knowledge.

The most effective responses, therefore, will require longer term capacity that can be deployed strategically to leverage local advantages and capacity to respond to these external pressures.^{xvi}

Fortunately, the Hunter region has several advantages that provide a strong springboard for launching these critical services, notably:

- (1) A relatively extensive ecosystem of commercial, government and not for profit service providers in related fields such as workforce transition planning, outplacement, career advisory, retraining, and business development that can be leveraged through effective coordination and collaboration.
- (2) Increasing stakeholder and employer awareness of the value of best practice workforce transition activities



There is an opportunity for the Foundation to leverage these advantages by focusing on coordination and service provision activities known to be highly effective, but are currently limited and/or are unlikely to be consistently available through other actors:

1. Provide an on-going support service to enable worker transitions. Unlike most services, this service will be available to workers transitioning at any time. Such a service can provide additional supports beyond those provided an employer or baseline programs, such as navigating access to the range of available services.

It can also assist local workers who are simply looking to be proactive in seeking new opportunities in other industries. Currently, there is little support, other than digital tools or limited age specific programs, for workers in industries subject to change to reduce their vulnerability and widen their options. Creating visible, accessible, and free or nominal-cost career counselling services helps address the information and access gaps that result in less resilient and adaptable workforces. The social and efficiency costs of such failures have driven the development of lifelong, tailored career advisory services in, for example, Singapore, the United Kingdom, and Victoria.

There may also be opportunities for local companies to contract the Foundation's services for worker support, for example if large cohorts create peaked demand for services or to invest in a workforce transition support service through partnerships or donations. Conversely, opportunities are likely to be generated for uptake of government programs and the use of more extensive commercial career services as workers become aware of their options and the value of assistance.

2. Support good practice by companies in managing worker transition by seeking company input and agreement to a baseline standard of local practice. There is significant variability in the quality and scope of support provided to different workforces in the Hunter – from abrupt closures with essentially no support, to very basic resume workshops and transition payments, to comprehensive suites of personalised support via contracts with local or national outplacement services and career transition firms. The Foundation will work with local employers to lift the baseline standard.
3. Add a durable capacity to support, create and grow collaborations to better connect the local network of public and private providers that can be accessed and quickly ramped up in response to changing economic conditions. This will ensure the region is well placed to respond to rapid or unexpected retrenchments.

These activities have relatively low set up costs, can leverage and add value to 'baseline' regional capacity, and can be effective at smaller scales while also being able to be scaled up in response to events or future investment opportunities.

The La Trobe Valley Authority's Work Transition Service^{xvii} provides a key precedent the Foundation will look to in designing its approach. This service provides a practical and personal point of connection and engagement for transitioning workers in the La Trobe region of Victoria to assess worker employment, training, financial advice, small business assistance and personal (e.g. mental health) needs and then refers workers to the right mix of specific services.



Next Steps

The team is working closely with the Hunter Region Employment Facilitator, Warrick Jordan to develop this area of services. The aim is for the Mr Jordan to shift his role to work wholly within the Foundation to lead the development of the wider services outlined above.

Objective 3: Connecting Government, Industry and Community

The need for collaboration and coordination is a consistent message across the relevant literature and experience of economic transitions in Australia and internationally. A key objective is to better connect government and industry and better inform the diversification efforts taking place across the Hunter. This is an area where the Foundation will work alongside the HJO and other local organisations to provide successful local leadership to the local economic transformation effort.

Industry and Government Collaboration

The Foundation will promote connections and collaboration between the key players in the Hunters economic diversification. The foundation will bring together key players to discuss and agree on approaches to diversification issues in partnership with other key players in the Hunter including the HJO, Hunter RDA, and Committee for the Hunter and State Government.

This is a relatively crowded space with a range of Committees and less formal meetings between key players existing already. Resources (dedicated team members with an events budget) will be included in the operating to facilitate this work with specific opportunities and needs identified over time.

Hunter Industry Transformation Research Fund

Good information about the economy is essential to good decision making. The Foundation will seek to establish or coordinate the development of a 'Hunter Industry Transformation Research Fund' that can invest in long term research projects related to the Foundation's objectives and the Hunter's economy. It will bring together and leverage research funds from corporate and government sources to provide a long term program of research on diversification issues.

The Foundation will not create its own research capabilities but will commission research to be conducted by relevant experts in partner Universities and other research organisations. The Foundation's role will focus on establishing partnerships and securing funding, leading the definition of research needs, coordination of research effort and development of research capabilities and communication of results to key stakeholders in the Hunter and State and Federal Governments.

A research prospectus detailing needs, existing work and gaps to be filled will be developed as a first step early in the Foundation's establishment phase to provide a Foundation for securing investment and guiding research effort.

Governance and Finance

The Foundation will be established as a company limited by guarantee to be known as the Hunter 2050 Foundation Limited. The key aspects of its governance are discussed below.

Objects

The legal purpose of the Foundation is directly expressed in the objects identified in the Constitution. These objects provide the capacity for the Foundation to undertake a broad range of roles related to economic change and diversification in the Hunter.

The objects of the Corporation are primarily to:

1. Develop and facilitate initiatives to attract investment and support economic growth and associated employment opportunities in the Hunter Region.



2. Develop and facilitate initiatives to support businesses, workers and communities in the Hunter Region that are impacted by changes to local industry.
3. Facilitate partnerships and foster cooperation and collaboration between governments, industry, academia and the community, in support of our objects.
4. Exercise, at its discretion, such other functions as may be delegated to it by members not inconsistent with the above objects.

Members

Membership provides the primary avenue for the Foundations partners and investors to be involved and shape the governance of the organisation.

Three types of members are provided for in the Constitution. These include:

- The Foundation Member. This will be the Hunter Joint Organisation.
- General Members. This will include the other organisations who substantially fund or otherwise support the Foundation's operations and wish to have a formal role in its governance.
- Associate Members who are organisations or individuals who have a significant interest in the operations of the Foundation to participate in meetings of members.

The Foundation Member and General Members have voting rights at members meetings, with the Foundation Member and each Member having one vote. Associate Members may attend and speak at the meetings of members but cannot vote.

Board and Management

The Foundation is intended to be governed by a Board consisting of 5 to 7 Directors. A majority of Directors will be independent and skills based rather than being representative of the membership (although individuals who are members or hold offices or interest in member organisations may be appointed Directors based on their skills and potential contribution).

Appointment of a Board with the following skills and experience will be the priority:

- Hunter experience and professional networks
- experience in development and management of investment funds and exemplary networks/reputation in the institutional investment community in Australia and internationally
- experience in industrial land development
- experience in business and workforce transition
- experience in regional development and advocacy, and
- experience in the governance and financial management of similar organisations.

Once the Foundation is operational, Members will appoint Directors who are nominated by a Selection Committee. This Selection Committee will be appointed for a three year term and will include the Chair and CEO of the Hunter Joint Organisation on an on-going basis. This provides the HJO with a leading role in shaping the Foundations governance whilst keeping its leadership independent and skills based. The Board will then appoint a Chief Executive Officer to lead the work of the Organisation, hire a highly skilled team and implement the strategy described above.

The governance of the Foundation will be consistent with best practices for not-for-profit organisations in Australia with a focus on transparency and accountability to the Hunter community it serves. A community reference group will provide a tangible process for a diverse set of local voices to provide input to the strategy of the Foundation and its management over time.

The Foundation will publish annual reports including audited financial statements, these will detail its activities and ensure the wider community can understand how it is meeting its objectives and mandate.



Start-up Strategy

This section provides a summary of the strategy and budget for the start-up period which will commence with the establishment of the organisation by the Hunter Joint Organisation in 2020.

Driving diversification in a region the size of the Hunter requires the building of an organisation with significant scale and capability. The Hunter 2050 Foundation will be tasked with enabling billions of dollars in investment in local industries, providing targeted innovation support for many hundreds of local businesses and offering targeted support to the many thousands of workers who will make big career shifts in the coming three decades.

The organisation is designed to undertake a set of activities that will fund its operations and impact over the long term. In particular, the revenues from investment and land development activities have the potential to provide an on-going source of sustainable funds including surpluses that can be reinvested in transition programs.

The Foundation will also become a preferred delivery platform for significant government programs and investments in supporting businesses, workforces and others in the region to deal with economic change. These partnerships, as well as contributions from industry for specific services will underpin the viability of supply chain innovation and worker transition services.

A total of \$15m is being sought from industry and government partners to provide for the start-up of the Hunter 2050 Foundation. This funding provides for:

- The establishment of three substantial investment funds targeting new energy, industrial development and business innovation.
- A business innovation program supporting 300 local SME's and an annual new industry capability program
- A career transition program to provide support to 6000 workers in the region looking to pursue new opportunities
- A modest research fund to undertake detailed studies of industrial change issues, and
- The establishment of the organisation, its Board and management.

The COVID-19 pandemic and resulting economic crisis, which has occurred in the midst of the project to design and establish the organisation has had an impact on immediate priorities.

Prior to the economic impacts of COVID-19, it was anticipated that the business and workforce support programs would initially be modest, growing as the organisation and needs did in the Hunter's economy. These activities have now shifted into being the largest area for expenditure in the early years so the Foundation can assist directly in the recovery from the crisis.

The sections below provide further details on the strategy for each major area of operations and the summary startup budget detailing allocations to each area.

Establishing the Investment Facility and Redevelopment Initiatives

The Hunter has a range of investment and development options that the Foundation, as a sophisticated local investor, can help to accelerate and bring to fruition. Three funds will be established during the startup period with the aim of securing hundreds of millions of dollars of investment in the region.

The Funds

Firstly the Foundation will work to accelerate a series of significant new energy projects being developed by companies in the region. These will provide initial project options for the *New Energy Fund* with the goal of maximising the Hunter's future position as an energy industry hub and supplier of energy to local industry and the national grid post scheduled coal fired power station closures.



The redevelopment activities of the Foundation will commence with a detailed audit of industrial development opportunities in the region, focusing on the repurposing of mining and other industrial lands. This work will identify a strategy for the Foundation in targeting the redevelopment of the most important areas for the Hunter economy.

Alongside this, the Foundation will also pursue the opportunity to play a leading role in the redevelopment of the land and water resources associated with the Liddell Power Station. The potential to work with other mining and energy companies looking at the future use of their buffer and rehabilitated land holdings will also be pursued.

The *Land Redevelopment Fund* will then enable the Foundation to bring resources to bear to secure ownership and finance development initiatives.

Businesses in the region in need of capital to grow will be the target of the final fund, with local feedback identifying the gap in the local market that restricts business success in the region. A partnership with Hunter Angels, who had already begun work to develop a *Business Innovation Fund* is being progressed to secure local investment and support and identify the first group of local businesses who can benefit from this Foundation investment fund.

Fund Development Strategy

Engagement of an investment specialist to undertake a next phase of detailed scoping work prior to the establishment of the Foundation is currently being initiated. This work will validate the opportunities further, provide an assessment of the scale of capital required, and identify options for fund design and the best firms to engage with to seek partnerships.

Negotiations with State and Federal Government will seek an upfront investment into the balance sheet of the Foundation. This would be an investment rather than a grant. The Foundation will also look to develop partnerships with established investment firms to accelerate development and pathway to successfully securing private capital.

Funding for the recruitment of a small team of highly skilled professionals and a supporting budget for the anticipated research, legal and other costs has been allocated in the startup budget. The team will be challenged to initiate the funds as early as possible within the three year period to begin the acceleration of local projects in new energy, land redevelopment and business innovation.

Business Innovation Programs

Business innovation programs will be modelled on those utilised in the La Trobe Valley with adaptations to leverage the existing ecosystem of support and capability in the Hunter.

Provision has been made in the startup budget for supporting 100 SMEs a year to receive individual advice and support on growing new markets or moving away from areas of declining demand. This will target local firms that are heavily impacted by the COVID-19 crisis in the short term and move to supporting diversification amongst the energy and mining supply chain businesses and new industry development once the immediate COVID crisis has passed.

The Foundation will leverage partnerships with service providers rather than developing capability in house, with the team focusing on connecting businesses with the right advice and financing opportunities.

An immediate opportunity to partner with HunterNET's Hunter Defence and Goal Group to deliver a targeted defence industry readiness program to Hunter SMEs has been included in the model for the first year of operation. Allocations to support similar targeted industry capacity programs in years two and three have also been made.



Workforce Support

The options for providing workforce support have been assessed in partnership with the Hunter Region Employment Coordinator, Warwick Jordan. Warwick intends to integrate his industry engagement capacity into the Foundation team as an in-kind contribution to the capacity of the Foundation.

Start-up funds will be used to establish a regional service providing widely-accessible career counselling and related worker transition assistance. This type of service is crucial for workers looking to successfully shift into new opportunities and is currently not available in the Hunter.

The Hunter Career Counselling Service will provide individually-tailored, fee-free career assistance that:

- a) Reduces risks of lasting unemployment for individuals who lose work
- b) Efficiently directs unemployed labour to productive uses
- c) Transitions workers to new opportunities in times of crisis and structural change
- d) Provides vulnerable workers with help to adapt to change and stay in work

Modelled on a successful Victorian service, counsellors will provide one-on-one tailored career counselling services through mobile, digital, and phone methods as well as face-to-face at community and council facilities throughout the region. It is expected that up to 2000 people in the region will receive support on an annual basis.

Diversification Research Fund

Provision has been made for a research function including one team member and a small \$0.5m annual diversification research fund. The fund is intended to be delivered in partnership with the University and focus on targeted studies into new local industry opportunities and industry transition challenges.

A small supporting communications and events function will provide opportunities for the Foundation to communicate its work, outcomes of research and initiatives and connect with the Hunter community and industry and professional groups.

Organisational Establishment

The Hunter 2050 Foundation, as a company limited by guarantee governed by an independent Board of Directors and working on behalf of the communities will need to maintain high quality governance and management to ensure strong accountability and transparency.

In addition to the resources for the initiatives above, the start-up plan provides for the recruitment of a high calibre CEO to lead the organisation with support from a senior and experienced investment and innovation focused executives as well as the usual costs of financial management, office rental etc. that an organisation like the Foundation will incur.



Start-up Budget

A summary startup budget detailing proposed seed funding and estimated seed expenses in each program area is provided below. This summary does not seek to forecast additional income and expenses from investment and redevelopment projects and additional industry and government program partnerships that will be established during the initial three years to moves beyond seed funding investments to its long term, self-funding operating model.

		Financial Year			
		2020-21	2021-22	2022-23	Total
Income		'000's	'000's	'000's	'000's
Seed Funding	Total Seed Funding	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 15,000.00
Total		\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 15,000.00
Expenses					
Seed Programs	Total Program Delivery Costs	\$ 4,019.95	\$ 4,467.23	\$ 4,521.98	\$ 13,009.16
	Investment and Redevelopment Establishment Costs	\$ 1,280.51	\$ 1,578.90	\$ 1,633.65	\$ 4,493.06
	Business and Workforce Support	\$ 2,002.58	\$ 2,106.60	\$ 2,106.60	\$ 6,215.78
	Research and Collaboration Program	\$ 736.86	\$ 781.73	\$ 781.73	\$ 2,300.32
Operations	Total Operational Costs	\$ 745.59	\$ 643.25	\$ 593.25	\$ 1,982.09
Total Expenses		\$ 4,765.54	\$ 5,110.48	\$ 5,115.23	\$ 14,991.25



End Notes

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ⁱⁱ International Energy Agency, Coal 2019 Analysis and Forecasts to 2024 <https://www.iea.org/reports/coal-2019>

ⁱⁱⁱ <https://www.newcastleherald.com.au/story/6642285/pressure-on-governments-over-eraring-power-station-closure-date-questions/>

^{iv} Neil Perry and Gillian Hewitson, 2019, Weathering the Storm, Hunter Renewal, Newcastle.

^v OECD (2019), Regions in Industrial Transition: Policies for People and Places, OECD Publishing, Paris, <https://doi.org/10.1787/c76ec2a1-en>.

^{vi} Van Agtmael A. and Bakker F 2016, The Smartest Places on Earth: Why Rustbelts are the emerging hotspots of global innovation

^{vii} Beer A, 2019, Agency, structure, discourse and entrepreneurship: Understanding the transition of former auto regions, Paper presented to the School of Management The University of Bath

^{viii} Eversole, Robyn ; Walo, Megerssa ; 2019. Leading and Following in Australian Regional Development: Why governance matters, Regional Science Policy & Practice (2019)

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^{xiii} Beer A, 2019, Agency, structure, discourse and entrepreneurship: Understanding the transition of former auto regions, Paper presented to the School of Management The University of Bath

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^{xv} Department of Employment, Skills, Small and Family Business 2019, The Transition of the Australian Car Manufacturing Sector, outcomes and Best practice Summary Report

^{xvi} Beer and Clower 2019, Globalisation, Planning, and Local Economic Development, Routledge

^{xvii} For more information on the LaTrobe Valley Authority see <https://lva.vic.gov.au/>