

# Hazelwood Mine Fire

## Economic Recovery Sub-Plan

### Working Document

(For inclusion in the Hazelwood Mine Fire Recovery Plan)

|                |  |
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Regional Recovery Coordinator

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Economic Recovery sub committee  
Hazelwood Mine Fire Recovery Committee  
2014 State Recovery Coordination Team (via State Recovery Coordinator)

**Document Control**

This is version 3 of the Hazelwood Mine Fire Economic Recovery Sub-Plan.

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ENDORSED by: Hazelwood Mine Fire Economic Recovery Sub-Committee DATE: 17 March 2014

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## 1. Background

### Task

The Department of State Development, Business and Innovation (DSDBI) was tasked by the Hazelwood Mine Fire Recovery Committee to coordinate economic recovery planning across state government departments and agencies for the impacts on Morwell.

### Purpose

The purpose of the Economic Recovery Sub-Plan, which will form part of the Hazelwood Mine Fire Recovery Plan, is to identify the economic impacts and consequences of the Hazelwood Mine Fire and outline and enable arrangements to plan, coordinate and deliver business and economic recovery activities around.

### End State

The ultimate goal for the Economic Recovery Sub-Plan is a Morwell business community and local economy that is stronger and more resilient than before the Hazelwood mine fire.

## 2. Overview

### Context

- On 9 February 2014 a fire suspected of having been deliberately lit made its way into the Hazelwood open cut coal mine which is geographically located within one kilometre of the Morwell Central Business District.
- The coal mine fire generated significant smoke and ash impacting on Morwell and other nearby communities.
- The mine is part of a supply chain for essential services and industries and supplies brown coal required for Victoria's essential services electricity supply as well as raw product for manufacture of briquettes, steam and power for use by various key statewide industries including dairy and other key industries.
- Significant business interruption, costs and reputational impacts have been experienced by the Hazelwood mine owners and operators. While the need for considerable recovery activity associated with the mine and its operation is acknowledged, it is part of state level essential services supply considerations and is therefore considered to be outside the scope of this regional economic recovery sub-plan.

### Impacts

Note: While initial impacts and hardship information collation has focussed on individual and particularly small business impacts in the Morwell CBD, much broader reputational damage and economic downturn impacts are projected as a result of the Hazelwood mine fire. Further research work needs to be done to understand predicted economic impacts of the fire on future investment and economic development prospects.

- According to Latrobe City Council, the number of businesses operating within Morwell is 1,023 with over 300 of those located in the central business district. A survey of 194 Morwell Central Business District (CBD) business proprietors was undertaken by Latrobe City Council to determine general, business and employee health impacts arising from exposure to emissions from the Morwell Open Cut Coal Mine Fire. A summary of survey findings provided by Council's Economic Development unit on 27 February 2014 indicated that 50% of Morwell businesses reported a major impact on trade with downturns of up to 80% noted, 30% of Morwell business reported a significant impact on trade while 20% of Morwell business reported little or no impact.
- According to the Latrobe City Business and Tourism Association, the key business issue is the loss of income for Morwell business. The Out of India restaurant in Morwell, for example, normally has 40 bookings on Friday and Saturday but reported only 4 bookings on Friday, 14 March 2014 and none the following Saturday evening. Business traders are telling the business

and tourism association that they are desperate for trade to return to normal. According to the Latrobe City Council Economic Development team, the most common request from business at this stage is for information about State government hardship grants.

- Business operators reported a large drop in trade as residents followed instructions to remain indoors or leave the township in favour of a cleaner environment. Low levels of pedestrian traffic within the Morwell CBD reduced trading income as customers disappeared from the streets. DHS Situation Reports up to 17 March 2014 indicate 674 Morwell households (representing 10% of Morwell's approximate 6,000 households – ABS Census 2011) received \$1,012,000 through 1,050 payments to relocate from the township. Some households received two payments. Further respite grants payments data indicates that many residents, beyond those officially relocating, were leaving Morwell to seek respite from the smoke.
- The business impact of the departure of residents from Morwell was exacerbated by the relocation of school students, pre-schoolers, Early Learning Centres with subsequent reduced expenditure in Morwell township businesses. The relocation of some professional and government workers such as legal precinct workers also impacted as such workers customise local food outlets and provide indirect demand for accommodation in Morwell.
- Destination Gippsland advised on 17 March 2014 that a tour of forty people at Walhalla was cancelled and accommodation providers across the Latrobe Valley, while currently well patronised by fire fighters and other emergency management personnel, were very concerned about the long term impact of turning away regular clients. Direct cancellations due to customers not being able to put up with smoke were also noted while business and government organisations citing occupational health and safety risks for their staff should they remain at Morwell based accommodation facilities.
- Business proprietors reported business income was falling but business costs like rental and Council rates continued and additional costs like cleaning, air conditioning system maintenance, the purchase of specialist cleaning equipment, filters, air purifiers and food wastage were reducing margins further.
- Service industries such as beauty therapy, hairdressing, physiotherapy, accommodation providers and business service providers lost bookings through heavy cancellations. One medical business reported that the refusal of contract clients to travel to Morwell for examinations was placing a major contract in jeopardy. Two Morwell real estate agents, BJ Bennet and Keith Williams reported no enquiries at all over the period of the fire for property sales or rentals. They collectively reported three abandoned property settlements where the mine fire was reported as the reason. The real estate business is still patchy and this will have a big impact in coming months as the loss of rental and property sales bites into business income.
- A hospitality provider told Latrobe City survey staff that a specialist member of staff resigned owing to ill health. Other employers said that they were considering forced redundancy because of the downturn in trade. Significant reductions in productivity were also reported where safety restrictions like reduced outdoor activity were introduced to workplaces to reduce exposure to emissions.
- Business registered within Latrobe City local government area locations are shown below:
  - Morwell - 1023
  - Traralgon – 2063
  - Moe – 631
  - Newborough – 264
  - Churchill – 195
  - Hazelwood and surrounds – 161
  - Yallourn North – 63
  - Hernes Oak – 22
  - Driffield – 18
- Between 50 and 60 larger businesses in the local government area are being surveyed through DSDBI resources over the coming weeks to better qualify existing and potential future impacts of the mine fire.

## Key Considerations

- Impacts, risks and needs of the business community differ to needs of households and the general community in that key response activities such as relocation negatively impact businesses
- Understanding economic impact including the potential for future downturn and disadvantage is a critical need to counter the fears of the business community about future prosperity, negative media messaging about Morwell, the view of Morwell as having a low standard of liveability and, more broadly, the impact on the brand of greater Gippsland, which is based on nature-based lifestyle and tourism experiences.
- Therefore, the nature of the economic recovery is expected to be long term as well as via shorter term enterprise-level recovery activities, due to the nature of reputational impacts
- Smoke and ash from the month-long mine fire has directly impacted on the operation of retail, professional and trade small businesses located in Morwell through increased costs related to smoke and ash damage to infrastructure, fixtures and fittings and stock
- Insurance advice to date is that loss and damage experienced by business may not be covered under normal insurance policies
- Relocation advice for Morwell residents has meant that many local people have moved temporarily away from the town with significant impacts on small to medium businesses due to staff absences and occupational health and safety considerations for staff as well due to reduced customer revenue due to reduced use of local business services by local people
- Business interruption resulting in increased costs to business has been experienced by larger industry businesses forming part of the Hazelwood mine coal supply chain
- More broadly, negative economic impacts on Morwell and the Latrobe Valley are emerging as a result of negative mass and social media attention and increased awareness across the local and wider community of the proximity and risks associated with open cut coal mines in the area.

## Priorities

- Establishment of the Economic Recovery Sub-Committee (the sub-committee) by DSDBI's Regional Development Victoria (RDV) and associated Business Community Recovery Committee by Latrobe City Council
- Endorsement by the sub-committee of the draft Economic Recovery Sub-Plan
- The economic recovery sub-plan will focus on direct recovery activities in the short and medium terms and economic development projects in the longer term beyond direct recovery activities, as follows:

### **Direct Economic Recovery Activities:**

#### Short term –

- Delivery of announced business support activities already commenced – small business mentoring service, mobile business centre, hardship grants and concessional loans (refer Table 1 in Section 4)
- Initial 'Back in business' promotion and marketing package
- Events package focussing on Morwell CBD traders
- Business Recovery Officer for Council to establish and support a Business Community Recovery Committee (BCRC) and project delivery related to BCRC activities and urban renewal/business development program
- Enhanced, targeted business engagement activity by RDV and Council to Morwell and Latrobe Valley businesses

#### Medium term –

- Urban Renewal place-based project focussing on Morwell CBD
- CBD revitalisation activities including:
  - pop-up shops and sites initiative strategically utilising vacant properties in the CBD
  - street festivals and night markets
  - new tourism signage
  - Morwell town entrances / gateway infrastructure improvement works
  - small scale CBD streetscape improvement works
  - small scale parks and gardens improvement works
- Comprehensive marketing, promotion and events packages to combat negative reputational impacts, encompassing Morwell, Latrobe Valley and broader Gippsland

## **Economic Development Activities beyond direct recovery activities**

Longer term –

- Investment in ‘iconic’ public infrastructure projects in Morwell such as:
  - redevelopment, as a community and education precinct, of the former Kurnai College site in McDonald Street, Morwell (including consolidation of three existing Morwell primary schools and construction of an integrated childrens services centre and community hub/library)
  - Latrobe Regional Hospital redevelopment – Stage 2a of the LRH Master plan to increase the hospital’s physical size and breadth of service. It will generate 60-70 EFT ongoing, 150 construction jobs
- Private investment facilitation projects for key development sites in Morwell such as:
  - attraction of a key private investment and job creation priority project to be located in Morwell or the Latrobe Valley
  - enabling infrastructure (roads) investment at the former Lurgi site
  - enabling infrastructure (sewerage) investment at Morwell North West housing development site

### **3. Leadership and Coordination**

DSDBI is responsible for coordinating economic recovery planning across state government departments and agencies.

The Department of Human Services-led Hazelwood Mine Fire Recovery Committee is responsible for leading activities with oversight of implementation.

DSDBI has primacy in planning local operational activities related to its business, economic development and community infrastructure programs. This planning and associated implementation will be supported by the Hazelwood Mine Fire Recovery Committee.

Individual agencies identified in this sub-plan and other agencies identified through the recovery phase and funded from various sources beyond DSDBI will be responsible for delivery of different recovery activities. DSDBI, RDV as lead agency for the economic recovery stream will monitor and coordinate activities by various delivery agencies.

Latrobe City Council will establish and support a separate Business Community Recovery Committee (BCRC) and access delivery support for projects emanating from the BCRC. Latrobe City Council will plan and coordinate BCRC activities in relation to the Community Recovery Committee also to be established and supported by Council.

Recovery activities and programs identified in the sub-plan will need to be delivered in a coordinated and integrated way with activities in the Social and Community Recovery Sub-Plan and the Communications and Community Engagement Sub-Plan.

### **4. Current Activities**

The Department of State Development, Business and Innovation has commenced business support recovery activities and services to support local businesses in Morwell directly impacted by the smoke fallout from the Hazelwood Mine Fire and subsequent relocation of residents and workers from Morwell.

*Current activities are included in Table 1 – Current Business Support Recovery Activities*

In addition to current business support activities, targeted business engagement activities by Council and DSDBI resources are being undertaken to understand initial and potential future impacts and needs of the business community.

| Activity/Program  | Delivery Agency  | Lead agency                    | Timeframe  | Estimated Cost       |
|---|--|--------------------------------|--|----------------------|
| Small Business Mentoring Service operating from Latrobe City  | Small Business Mentoring Service (volunteer service)         | DSDBI, Small Business Victoria | Ongoing, based on demand   | \$20,000             |
| Mobile Business Centre operating from Latrobe City Council  | Small Business Victoria                                      | DSDBI, Small Business Victoria | Ongoing, based on demand   | \$20,000             |
| VECCI Morwell Business Relief Fund – grants available from \$1,000 to \$10,000                                      | Victorian Employers Chamber of Commerce and Industry (VECCI) | DSDBI, Small Business Victoria | Applications open until 31 March 2014  | \$2 million          |
| Small Business Recovery Support Workshops – incorporating specialist advice from multiple business support agencies | Fee for service consultancy                                  | DSDBI, Small Business Victoria | Held in weeks commencing 2 March, 17 March and 24 March. Ongoing based on demand | \$60,000             |
| <b>TOTAL CURRENT ACTIVITIES</b>   |  |                                |  | <b>\$2.1 million</b> |

**Table 1 – Current Business Support Recovery Activities**

**Other business supports currently available:**

- \$200,000 concessional loans for eligible small businesses relating to direct physical damage – ongoing as needed – jointly funded Commonwealth and State Natural Disaster Relief and Recovery Arrangements (NDRRA)
- \$100,000 concessional loans for eligible small businesses in Morwell – ongoing as needed – jointly funded Commonwealth and State Natural Disaster Relief and Recovery Arrangements (NDRRA)
- Business leaders special Hazelwood Mine Fire breakfast event held 7 March 2014 arranged by Regional Control

## 5. Post-fire economic recovery

A recommended program of recovery activities has been developed and is described in Tables 2 and 3 below.

Local procurement requirements are to be built into the design and delivery of all programs, projects and activities.

A number of activities are extensions of existing state and local government programs and services that are recommended to be enhanced or targeted to give prioritised access for Morwell businesses and communities.

Other activities are recommendations for new programs or projects in response to the Hazelwood Mine Fire Recovery Committee's request for provision of recommended recovery activities.

The estimated costs and potential delivery agencies for delivering recovery activities as a direct result of the Hazelwood mine fire are included in Table 2 – Economic Direct Recovery Activities

| Activity / Program / Project  | New / Existing                      | Estimated Cost *           | Funds Source | Delivery Agency/ies   |
|---|-------------------------------------|----------------------------|--------------|---|
| <b>Support for businesses:</b>  |                                     |                            |              |   |
| Continued delivery of announced business support activities (refer Table 1 in section 4 – Current Activities)   | New                                 | \$2.1 million <sup>^</sup> | TBC          | DSDBI, Small Business Victoria                                      |
| Business engagement and brokerage program – existing DSDBI regional team and extension of Council Small Business Officer (SBO)  | Enhanced/extended existing programs | \$50,000 – SBO             | TBC          | DSDBI, RDV Latrobe City Council                                     |
| <b>Promotion, marketing, events:</b>  |                                     |                            |              |   |
| Initial 'back in business' promotion / shopper vouchers system focussing on Morwell CBD, longer term promotion /marketing campaign for Morwell, Latrobe Valley and broader Gippsland region | New                                 | \$750,000                  | TBC          | Destination Gippsland   |
| Events package  | New<br>Existing programs            | \$50,000<br>\$50,000#      | TBC          | Latrobe City Council  |
| <b>Urban Renewal:</b>   |                                     |                            |              |   |
| Urban Renewal place-based project focussing on Morwell CBD, as follows:   |                                     |                            |              |   |
| ➤ Business Development support program - Business Recovery Officer for Council  | New                                 | \$100,000                  | TBC          | Latrobe City Council  |
| ➤ Urban Design Framework  | New                                 | \$100,000                  | TBC          | DTPLI   |
| CBD revitalisation people-based activities including:<br>➤ pop-up shops initiative<br>➤ street festivals and night markets<br>➤ establishment of trader's association                       | Existing grant programs             | \$300,000#                 | TBC          | Latrobe City Council<br>LCBTA<br>RMIT University<br>Advance Morwell |
| ➤ improved tourism signage  | Existing funding                    | \$20,000#                  | TBC          | VicRoads  |
| ➤ Morwell town entrances / gateway infrastructure improvement works   | Existing funding / grant programs   | \$300,000#                 | TBC          | VicRoads<br>Latrobe City Council                                    |
| ➤ small scale CBD streetscape improvement works   | Existing grant programs             | \$300,000#                 | TBC          | Latrobe City Council  |
| ➤ small scale parks,gardens improvement works   | Existing grant programs             | \$100,000#                 | TBC          | Latrobe City Council  |
| <b>DIRECT RECOVERY ACTIVITIES FUNDING:</b>  |                                     |                            |              |   |
| <b>NEW FUNDING</b>  |                                     | <b>\$1,050,000</b>         |              |   |
| <b>CURRENT ACTIVITIES<sup>^</sup></b>   |                                     | <b>\$2,100,000</b>         |              |   |
| <b>REQUEST FUNDING CONSIDERATION FROM EXISTING PROGRAMS#</b>  |                                     | <b>\$1,070,000</b>         |              |   |

\* costs of existing staff resources absorbed by delivery agencies are not included in this table

# costs marked with a # are eligible for funding from existing grant programs, subject to statewide prioritisation processes

<sup>^</sup> some current activity costs have already been announced

**Table 2 – Economic Direct Recovery Activities**



*Broader economic development projects to address potential, future economic downturn risks as a result of the Hazelwood mine fire are included in Table 3: Economic Development Beyond Direct Recovery Activities.*

| Activity / Program / Project  | New / Existing  | Estimated Cost | Funds Source | Delivery Agency/ies                                  |
|---|---|----------------|--------------|--|
| <b>Public Infrastructure projects:</b>  |   |                |              |  |
| Investment in key or 'iconic' public infrastructure projects in Morwell such as:  |   |                |              |  |
| ➤ redevelopment of the former Kurnai College site as a community and education precinct including consolidation of 3 x Morwell primary schools onto the one site  | Existing funding brought forward, existing grant programs | TBC#           | TBC          | DEECD<br>Latrobe City Council                        |
| ➤ Latrobe Regional Hospital redevelopment – Stage 2a of the LRH Master plan to increase the hospital's physical size and breadth of service. It will generate 60-70 EFT ongoing, 150 construction jobs                        | Existing grant/funding programs                           | \$65 million#  | TBC          | Latrobe Regional Hospital                            |
| <b>Private Investment Facilitation projects:</b>  |   |                |              |  |
| Private investment facilitation projects for key development sites in Morwell such as:  |   |                |              |  |
| ➤ attraction of a key private investment and job creation priority project to be located in Morwell or the Latrobe Valley   | Existing grant programs                                   | TBC#           | TBC          | Private investor<br>DSDBI, Investment Attraction/RDV |
| ➤ enabling infrastructure (roads) investment at the former Lurgi site   | Existing grant/funding programs                           | \$5 million#   | TBC          | Latrobe City Council<br>RDV                          |
| ➤ new sewerage infrastructure for Morwell North West housing development  | New   | \$1 million#   | TBC          | Gippsland Water                                      |
| Other investment attraction activities such as:   |   |                |              |  |
| ➤ Gippsland Logistics Precinct – support Latrobe City Council and the private sector to identify an appropriate terminal operator to provide local freight access for high capacity bulk and container rail freight services. | Existing grant/funding programs                           | TBC^           | TBC          | Latrobe City Council                                 |
| ➤ Investment Prospectus – website and prospectus document developed to market the Latrobe Valley region and attract investment  | Existing grant programs                                   | \$400,000^     | TBC          | Committee for Gippsland                              |

# costs marked with a # are eligible for funding from existing grant programs, subject to statewide prioritisation processes

^ some current activity costs have already been announced

**Table 3: Estimated costs for economic development beyond direct recovery activities**

## 6. Communications

The Department of Human Services and Latrobe City Council will coordinate communications and public messaging through the communications and community engagement sub-committee and sub-plan. To ensure continuity with communications and provide a consistent and accurate message, information about the economic recovery, activities will be communicated through channels already established. Communication pathways include:

- The Department of Human Services Recovery website
- Latrobe City Council website
- Existing forums such as the Emergency Management Joint Public Information Committee

Additional public information will be developed as required to support the economic recovery activities. This will include:

- Media releases for business recovery activities and programs handled through normal communications channels within portfolio agencies
- Promotional flyers for business recovery activities provided to Council for promotion by the Economic Development unit

Additional engagement with the Morwell business community will be delivered as required to support the economic recovery activities. These will include:

- Engagement with Morwell small business community through a new Business Community Recovery Committee to be established and supported by Council – **refer Hazelwood Mine Fire Economic Recovery Framework at Attachment 1**
- The Economic Recovery Sub-Committee includes members from business representative bodies and networks
- Existing DSDBI and Council services for individual business engagement will be increased and targeted to Morwell and Latrobe Valley businesses to ensure impacts and needs information continues to be accessed and to connect businesses to government services and assistance

## 7. Reporting and Monitoring

The main effort will be to reinforce existing reporting methodologies, as outlined in the Hazelwood Mine Fire Recovery Plan, allowing issues and risks that cannot be treated at appropriate levels to be immediately escalated.

This will be undertaken by the Hazelwood Mine Fire Recovery Committee to the State Recovery Coordination Team. A parallel stream built within the same reporting methodology focussing on reporting financial expenditure (or projected expenditure) across a range of criteria will also be established to ensure clear and accurate reporting for the state, in line with agreed requirements particularly in relation to NDRRA.

### Attachment 1 - Hazelwood Mine Fire Economic Recovery Framework

