



The Hon. Anthony Roberts, MP  
Minister for Resources and Energy  
Level 37 Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Tuesday, 15 July 2014

Dear Minister,

**RE: NEWCASTLE CITY CENTRE GROUTING STRATEGY**

**ABOUT US**

The Property Council of Australia counts the bulk of the nation's major investors, property owners and developers – as well as the industry's professional service and trade providers – amongst its members.

Our Hunter Chapter comprises key industry leaders with a long term interest in the economic prosperity of the Hunter. Attracting and accommodating growth, delivering infrastructure and achieving planning reform are issues of particular interest to our members.

In December 2012 we formed the Newcastle Renewal Taskforce – a local industry brains trust – to advise government on the city centre's revitalisation. They were resourced to commission independent research and consult widely with business and community leaders.

Above all else, the Taskforce found there was one crucial factor needed to accelerate CBD renewal;

***A level playing field for investors***

**2012 NEWCASTLE URBAN RENEWAL STRATEGY (NURS)**

The Property Council has advocated consistently and scientifically to build a future city which can support NSW's regional economic powerhouse.

- ✓ We believe in the vision to open up ground breaking new connections from the city to the waterfront.
- ✓ We believe the commitment to a CBD light rail system is a generational opportunity for a new city and a new economy.
- ✓ We believe a paradigm shift in approach is required to remove mine subsidence as an economic development constraint.

**The Voice of Leadership**

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Our submission to the NURS recommended a strategic approach to remediating old mine workings that provides “bang for buck” to the NSW Government and sets up a developer contributions system to stimulate new development.

#### **KEY RECOMMENDATIONS**

- 1. A Newcastle City Centre Grouting Strategy that delivers value for money by rejecting the site-by-site approach to remediation and attacks wide areas of the city.**
- 2. A Newcastle City Centre Grouting Fund to seed the cost of remediating key development areas identified by the Newcastle Urban Renewal Strategy.**
- 3. A supportive industry contributions scheme to maintain the fund’s value over time.**
- 4. Take advantage of Hunter Development Corporation’s local expertise and governance structure to implement the strategy.**
- 5. Minister Roberts order an organisational review of the Mine Subsidence Board with a view to improving the efficiency and effectiveness of the agency.**
- 6. Minister Roberts appoint an industry representative to the Mine Subsidence Board for their commercial expertise and key market insights.**
- 7. The NSW Government support Hunter Development Corporation’s proposal to deliver a demonstration project of how wide area grouting can remove development constraints and accelerate urban renewal.**

#### **THE ISSUE**

***‘Failure to fix the mine subsidence problem, once and for all, will mean the fight to reconnect the city with its waterfront was all for nought.’***

*Neil Petherbridge, mine subsidence guru, Newcastle Renewal Taskforce*

- ✓ Mine subsidence is Newcastle’s unique problem child and the CBD’s greatest barrier to investment.
- ✓ Property owners need incentive to take action.
- ✓ Accommodating growth requires increased density and improving commercial feasibility.
- ✓ There is uncertainty in the cost of remediation;
  - \$1 million - \$3 million on typical CBD development site
  - Can run to 50 per cent of land value
  - Often funded at mezzanine finance rates
  - Cost must be carried for the duration of the project

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- ✓ There is inequity in the cost of remediation;
  - Lead developer subsidises works to neighbouring sites
  - No mechanism to recoup costs associated with neighbouring sites
- ✓ **The cost of mine remediation compounds the uncompetitiveness of the city;**
  - Marketown Shopping Centre grouting cost = \$3.5 million
  - Newcastle Courthouse Project grouting cost = \$2.5 million

#### **THE IMPACT**

- ✓ The feasibility of city building projects is trashed;
  - Estimated grouting cost of \$1.5 million on Star Hotel site led to scrapping the development and mortgagee-in-possession sale.
  - Estimated grouting cost of \$1.5 million on 22 Honeysuckle Drive led to scrapping the development and site being handed back to Hunter Development Corporation.
- ✓ Developments are abandoned before assessment lodgement.
- ✓ Investment confidence leaks from the private sector.

#### **THE MINE SUBSIDENCE BOARD (MSB)**

The Mine Subsidence Board (MSB) was first established in 1928 to administer the Mine Subsidence Compensation Act and consists of;

- ✓ Two ex officio members appointed by the Act
  - Director-General of the Department of Primary Industries
  - Chief Inspector of Coal Mines
- ✓ Four members appointed by the Governor for a period of three years as nominees for;
  - Colliery Proprietors
  - Minister for Local Government
  - Minister for Resources and Energy
  - Minister for Finance and Secretary

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The Mine Subsidence Board, its CEO and staff lack the skills and experience to understand the commercial feasibility of property development in Mine Subsidence Districts.

It makes the industry experience of dealing with MSB to agree site specific grouting programs on developments over 3 storeys convoluted, costly and frustrating.

**The failure has been to not provide development industry representation on the Mine Subsidence Board.**

The Act makes MSB responsible for;

- ✓ Payment of compensation for damage to improvements on land anywhere in NSW caused by mine subsidence
- ✓ Controlling (restricting) building and other surface development in Mine Subsidence Districts, including the setting of building and construction requirements.

These responsibilities make MSB a critical interface between the NSW Government and investors considering development opportunities in the Newcastle CBD. Unfortunately, the organisation has earned a reputation among industry stakeholders as an inefficient government agency that lacks effective administration.

This reputation can manifest as excessive time delays in the approvals process;

- ✗ 6 Unit residential development– 6 month approval period
- ✗ Gibson St Car Park lodged in November 2013 still waiting on approval

It can also manifest via inconsistent grouting programs and non-aligned concurrence periods with The City of Newcastle.

In each case, **MSB is directly contributing to the escalation of development finance costs.**

Moreover, consistent feedback from our membership has provided an overwhelming mandate to seek meaningful reform of MSB. A new direction is required - one that will bring commercial nous to MSB's operations and see them work cooperatively with industry partners to mitigate the risk of mine subsidence.

#### **MINE SUBSIDENCE TASKFORCE**

Attempts have been made to resolve industry concerns through the Mine Subsidence Taskforce managed by the Department of Premier and Cabinet. Unfortunately, it too has been a frustrating and futile exercise.

- ✗ The March 2014 Mine Subsidence Taskforce meeting was convened only after several industry requests.
- ✗ MSB did not provide a representative to the March 2014 Mine Subsidence Taskforce meeting.
- ✗ Meetings are sporadic (July 2013, March 2014, August 2014).
- ✗ Milestone dates for achievement pass without action (Green Paper & White Paper submissions).

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- ✗ Reluctance by agencies to take responsibility (3 of 14 action items completed in 9 months).
- ✗ No accountability for completing agreed tasks (maps, costings, levies).

#### THE LONG TERM FIX

- ✓ Treat the remediation of old mine workings as essential infrastructure.
- ✓ Underpin the State Environmental Planning Policy (SEPP) for Newcastle City Centre with a Newcastle City Centre Grouting Strategy, adequately funded to remove mine subsidence as an economic constraint forever.
- ✓ Give responsibility for oversight of the strategy and allocation of funding to UrbanGrowth NSW's Urban Renewal Advisory Board.
- ✓ Resource the Mines Subsidence Board (MSB) to complete investigations of affected areas and set grouting standards for wide areas.
- ✓ Give responsibility to Hunter Development Corporation for coordinating wide-area remediation works to MSB standards, with all affected sites then deemed to comply.
- ✓ Recover the cost of works through the Regional Infrastructure Contribution (RIC) mechanism proposed by the White Paper to maintain the fund's value over time.
- ✓ Calculate the RIC towards remediation works as a unit charge based on site size as a proportion of the wide area.
- ✓ Defer payment of the RIC until Occupation Certificate stage.

#### THE SHORT TERM WIN

Hunter Development Corporation's proposal to deliver a demonstration project of how wide area grouting could act as a catalyst to remove development constraints and accelerate urban renewal has the **full support of industry**.

The Property Council believes such a project would;

- ✓ Represent a sound investment to stimulate growth and investment in The Hunter
- ✓ Unlock the next phase of urban renewal
- ✓ Reinforce the NSW Government's vision for Newcastle
- ✓ Support jobs, housing and growth

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Yours sincerely,



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Cc: The Hon. Gladys Berejiklian MP, Minister for The Hunter  
The Hon. Pru Goward MP, Minister for Planning  
Tim Owen AM MP, Member for Newcastle  
Andrew Cornwell MP, Member for Charlestown

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