

# **Centennial Coal Company Pty Limited**

**Submission to the Productivity Commission study  
*'transition of regional economies following the  
resources boom'***

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# Centennial Coal

**This report was prepared on behalf of Centennial Coal Pty Limited by Dr Mark Sargent, Principal Consultant, Aigis Group.**

**AIGIS GROUP**



**AIGIS GROUP  
MARK SARGENT ENTERPRISES  
ABN 41317 992 919  
13 DEBS PARADE  
DUDLEY NSW 2290  
P/F: 02 4944 9292**

E: [msemarksargent@dodo.com.au](mailto:msemarksargent@dodo.com.au)



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## 1. Introduction

Centennial Coal Company Pty Limited (Centennial) operates a suite of underground coal mines in the regions surrounding the township of Lithgow, NSW. These include the Springvale Colliery. Springvale Colliery is managed by Centennial Springvale Pty Ltd under a joint venture arrangement between Centennial Springvale Pty Ltd and Springvale SK Kores Pty Ltd. Centennial Springvale Pty Ltd is 100% owned by Centennial Coal Company Pty Ltd. Centennial Coal Company Pty Ltd is a wholly owned subsidiary of Banpu Public Company Ltd, listed on the Thailand Stock Exchange.

Coinciding with the ‘mining investment boom’, Centennial was investing in approvals for the extension of mining and associated infrastructure works at its Springvale, Angus Place, Clarence and Airly mines, and in infrastructure upgrades at its Western Coal Services Lidsdale Siding site. The latter is the rail-loading facility servicing these Centennial mines, providing logistics service for the component of product sold to distant domestic customers, and to export markets. The continuing operation of the mines remains contingent on achieving relevant consents on an ongoing basis, including consents relating to the development of critical infrastructure.

Given the suitability of the mines’ product and their locational advantages, Springvale Colliery is presently a key source of fuel for EnergyAustralia’s Point Piper Power Station, and also previously the now-defunct Wallerawang Power Station. A proportion of the mine’s output is directed to this customer. As such, the mine serves a critical role in maintaining reliable supply of electricity to the grid.

These mines and their location in the Lithgow region flag some particular, and perhaps atypical, challenges in the context of the study’s terms of reference. These challenges were thrown into sharp relief in the period August to October 2015, when as a consequence of a delay in the approval for extension of mining at Springvale, the existing consent expired, the mine was placed in care and maintenance, and the workforce was effectively stood down for eight (8) weeks, prior to grant of the required consents and resumption of operations.

Contrary to the commonly perceived ‘mining boom’ scenario of non-resident workforces and the effects of their transient presence on regional economies, the workforces at these mines are typically long-term resident, with deep social ties in their communities, and significant economic influence, given the relativities between mine employee incomes and, for example, average incomes in the area. As relatively large businesses in a small economy of limited diversity, the mines themselves are also very significant sources of custom for a range of businesses across the regional economy.

The 2015 stand-down provided a ‘snapshot’ insight into the effects of a significant change of circumstance in a regional economy with a contextually large resource and energy sector presence, featuring a resident workforce. This submission uses data from a recent survey conducted with the Springvale Colliery workforce on its experiences during the stand-down, to illustrate these effects. A range of other illustrative data are also presented. The evidence presented suggests that the effects of the stand-down were severe in personal and household terms for much of the workforce, and, overall, had a perceived negative impact more broadly in the community.

The stand-down and the circumstances which provoked it also emphasise the vulnerability of mining in a regulatory environment that creates some level of ongoing uncertainty. This is due to the necessity for acquiring ongoing consents for a variety of infrastructure works and/or operational changes within the

context of the overall mining consent. This is of particular relevance to the current PC study. Although levels of investment post-‘boom’ might be considered to have normalised, it remains that mining and the supply chains that support it continue in some form of commercial tension, as grant of the ancillary approvals for developments on which continued operations rely, cannot be considered as being assured. Springvale Colliery’s ongoing operations remain contingent on receipt of approvals for ancillary infrastructure required under its existing consent. This remains a source of project risk, and the associated level of vulnerability to which the regional economy is exposed as a consequence. Despite the implied progressive and managed nature of a regional transition, this case study emphasises the presence of constant uncertainty with respect to the longevity of key regional industries, and the impacts this may have on the prospects for an orderly transition.

The key focus of the report is to emphasise the need for policy settings and planning processes that are evidence-based, and which establish the necessary conditions for consideration of all stakeholder positions in the context of the specific region being considered. It is imperative that the lessons of that economic experience be absorbed and those learnings converted into applicable policy solutions, as national, state and regional economies shift almost consecutively into the next, larger and more permanent transition, to an energy economy in which the role of fossil-fuel technologies is vastly reduced.

## **2. A snapshot of the Lithgow region and its economy<sup>1</sup>**

### **2.1 Brief demographic profile**

The vision for the Lithgow LGA was developed in collaboration with the community and adopted by Council in 2006. It set a vision for the subsequent 10 to 20 years for the Local Government Area (LGA). The overarching vision statement is:

*A centre of Regional excellence that:*

- *Encourages community growth and development.*
- *Contributes to the efficient and effective management of the environment, community and economy for present and future generations.*

According to the most recent Australian Bureau of Statistics (ABS) Census (2011), the Lithgow LGA population on Census night was 20,161 which represent a 2.04% increase in population since 2006. The majority of the population live in Lithgow urban area (11,143 people), Wallerawang (1,855 people) and Portland (1,829 people). The remainder of the population (approximately 26%) live across the smaller villages, hamlets and rural localities across the LGA.

The LGA’s population has undergone slight fluctuations since 1996. There was a small decrease in population recorded between the 1996 and 2001 census period and a slight increase in population between the 2001 and 2011 census period. The fluctuating population would be attributed to a number of factors which include:

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<sup>1</sup> Based on Lithgow City Council economic and community planning documents

- the changing employment characteristics of the area meaning that there is constant in/out migration, in particular families with young children;
- a trend for younger people (18 – 24 years of age) to move out of the area to seek lifestyle, education and/or employment opportunities;
- in-migration of mature age people seeking a rural lifestyle (i.e. 'tree change').

The major change in Lithgow's population has occurred in rural areas. Between 1996 – 2009 over 55% (699) of all dwelling approvals have occurred within rural areas, increasing the population in these areas by approximately 1,678 persons. The trend towards rural living is usually from people moving from outside of the LGA, seeking alternative lifestyle choices or securing land to be used as a place to visit (there are a large number of land holders who are not resident in the area). As with most regional areas in NSW and Australia, Lithgow's population is ageing, however at a higher rate than NSW and Australia. As illustrated in Table 2 the median age of the LGA is now 42 years and is much higher in some rural areas (for example Capertee, where the median age is 48 years). The out-migration of young people will exacerbate this trend.

The population are also earning a higher incomes and there is an increase in the amount paid for housing loans and rent. This trend will align with available employment opportunities and wage earnings. The key industry of employment is mining which offers a high wage when compared with other sectors. Retail, manufacturing, power generation, public safety all remain strong employment sectors and there is an emerging growth in scientific and technical services, administration and health and social services. Table 2 summarises population characteristics of the LGA between 2001 and 2011.

**Table 1: Time Series Data (2001 – 2011) – Lithgow LGA**

<b>Selected Medians</b>	<b>2001</b>	<b>2006</b>	<b>2011</b>
Population	19,332	19,756	20,161
Median age of persons	37	40	42
Median total personal income (\$ weekly)	\$295	\$356	\$455
Median total family income (\$ weekly)	\$822	\$1,027	\$1,190
Median total household income (\$ weekly)	\$642	\$751	\$894
Median mortgage repayment (\$ monthly)	\$750	\$1,083	\$1,452
Median Rent (\$ weekly)	\$110	\$135	\$170
Average household size	2.5	2.4	2.3

Source: ABS Census

## 2.2 Local characteristics

The characteristics of the Springvale Colliery and surrounds include the locality of Lidsdale, rural land and isolated rural residents, transport infrastructure and the Newnes State Forest. The town of Wallerawang is located to the south west of the Springvale Colliery pit top, and is the closest retail and commercial centre, however Lithgow remains the main centre meeting higher order retail, commercial and professional service needs. A summary of the key services found in Wallerawang that would meet the day to day needs of residents are:

Community facilities:

- Council library and depot; medical and community health centres; recreational facilities including PJ Hall Memorial Park, Lake Wallace, playing fields and a skate park; police, fire services; the Country Women’s Association; churches; primary school; bowling club.

Retail and commercial facilities /services:

- Supermarket; post office (with a pharmacy prescription service (drop in (am) and pick up (pm))); agency for the Commonwealth Bank; newsagent; bakery; butcher; service stations; hotels; takeaway store; hairdresser.

Lidsdale facilities:

- Rural Fire Service; petrol station; tennis courts; Ted Hughes Memorial Park; church.

## 2.3 Economic profile

Lithgow has a long history of mining and power generation as key industries and today the economic base of Lithgow is still recognised as being the energy and resources sector. These sectors are major employers and subsequently make a significant contribution to the overall economy including retail and accommodation via direct and indirect employment opportunities occurring.

The mining and energy sectors also present some challenges brought about by fluctuations in coal prices. However, the importance of the coal mining industry and its related employment is clearly vital to the broader economic wellbeing of the area. The largest sectors in the Lithgow economy by total output include:

- Mining;
- Construction;
- Electricity;
- Public Administration;
- Manufacturing.

**Table 2: Estimated GDP: Lithgow LGA**

Industry Sector	Lithgow LGA Estimated GDP	
	GRP* Value	GRP %

Mining	\$625.3 million	40.6%
Construction	\$186.6 million	12.1%
Electricity	\$110.4 million	7.2%
Public Administration	\$91.6 million	5.9%
Manufacturing	\$63.1 million	4.1%

Sources: ABS Census (2011) ERP (2013), Cat 8731, DEEWR (2014), NIEIR (2014), Housing NSW (2014), A.P.Sheere Consulting (2015)

\* GRP: Gross Regional Product

The main industries by employment in Lithgow are:

- Mining;
- Health care;
- Retail;
- Public Administration;
- Accommodation.

**Table 3: Employment by Industry Sector (top 5)**

Industry Sector	% Employed
Mining	12.4%
Healthcare	10.9%
Retail Trade	9.9%
Public Administration	8.5%
Accommodation	8.3%

Sources: ABS Census 2011, NIEIR (2014), A.P.Sheere Consulting (2015)

LCC website states that the emerging sectors of the LGA include:

- Artisan food producers – saffron, chocolates, baked products, olives, hazel nuts, condiments, fruit and vegetables;
- Creative industries – IT, graphic design, marketing, craft, photography, candles, soaps, music and performance;
- Financial Services, employment and training – accounting and conveyancing, industrial and mining sector labour hire and training services;

- Tourism services – bed and breakfast, short term accommodation, niche recreation providers;
- Independent Main St retailers – homewares, clothing, cafes, lifestyle.

It is noted that there are no significant large-scale industries other than mining and electricity generation in the LGA. For example, as evidenced by LCC information, agriculture is practiced at relatively small scale, although this is more apparent in surrounding LGAs, which form part of the regional context. It should be noted that a factor in this relatively constrained potential for such alternative industry is the topography of the LGA, which is not conducive to large-scale agriculture.

LCC website states that gaps in facilities and services include:

- Mid to large scale bulky goods businesses;
- Patient care options;
- Entertainment and recreation facilities;
- Cafes, quality restaurants, menswear, ladies wear;
- Tradespeople.

This material recognises the importance of mining and energy to the regional economy. As it is largely drawn from local government documents, it carries some weight when assessing the prospects for the region. Perhaps the critical point is that local government will need to play a pivotal role in the future of the regional economy as it transitions away from its long-term core economic bases. That role cannot be fully delegated to other levels of government or the private sector. The earlier this engagement in the process occurs, the more robust is likely to be planning and implementation of strategies for the future regional economy.

### **3. Brief profile of Springvale Colliery**

Springvale Colliery is located to the west of the Blue Mountains in the Western Coalfields of NSW, approximately 10 km northwest of Lithgow and approximately 3km from the township of Wallerawang. The mine commenced operations in 1992. The mine is currently approved to carry out mining operations until 31 December 2028 and permitted to produce up to 4.5 million tonnes of run-of-mine (ROM) coal per annum.

At December 2016, the mine employed 370 personnel in total, with approval to increase this to 450 personnel, including contractors, currently being sought through a consent modification. Based on internal data for the 2014-2015 financial year, Springvale Colliery engaged the services of 52 regionally-based businesses<sup>2</sup> in that year. This level of trade is typical for a normal operating year. In years during which major capital projects are undertaken, commercial activity within the region would ordinarily increase.

### **4. Origins of the 2015 Springvale Colliery stand-down**

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<sup>2</sup> More detail on these commercial engagements is provided in Section 5.2.

In response to notification by Springvale Coal Pty Ltd of its intention to seek approval for the extension of mining at Springvale Colliery in 2012, The NSW Department of Planning and Environment issued Director General's Requirements for the Environmental Impact Statement for the project on 6 November 2012, thus initiating the approval process. For approvals purposes, the mine is assessed as a State Significant Development (SSD). The existing consent was due to expire on 30 September 2015. Coinciding with this regulatory process, Springvale Colliery was also seeking federal approval under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) for extraction of longwall mining panel LW418, to allow continuation of mining.

Consequent to the application, on 27 April 2015, the Minister for Planning requested the Planning Assessment Commission (PAC) to conduct a public hearing and review the merits of the Springvale Mine Extension Project, paying particular attention to subsidence impacts on upland swamps, and impacts on the region's water resources, particularly discharges of mine water to the Coxs River catchment. In accordance with the Commission's Terms of Reference, a public hearing was held on Wednesday 27 May 2015 at the Lithgow Workmens Club, Lithgow.

On 13 August 2015, the Minister requested the PAC to carry out a second review of the project and hold a second public hearing as part of this review. The Terms of Reference for the Second PAC review requested consideration of the Mining SEPP Amendment that took effect on 2 September 2015. The Amendment repealed clause 12AA of the SEPP, which required that the consent authority provides principal consideration to the relative significance of the resource and the economic benefits of development of the resource, both to the State and the region in which the development is proposed to be carried out. As the concurrent EPBC approval was contingent on finalisation of the SSD consent, and this delay meant that the latter consent was not granted in time to allow approval of extraction of LW418, on 21 August 2015, Springvale Colliery temporarily ceased production, and the workforce was stood down.

The second public hearing was held on Thursday 3 September 2015. The Springvale Mine Extension project was approved on 21 September 2015. Following works to prepare for resumption of mining, full operations and return of the workforce occurred on 16 October 2015.

## **5. Effects of the stand-down**

As is presently the case with most energy resources projects, there was and remains some contention around the scale and scope of the role that Springvale Colliery plays in the Lithgow regional economy<sup>3</sup>. The findings of the Springvale mine employee survey and other data provide a perspective on these issues.

### **5.1 The Springvale Colliery employee survey (2016)**

Following the stand-down, it was recognised that this event presented a rare opportunity to gauge the effects on employees, their households, and the perceived effects on the region of such an event. In terms of process, a number of key themes surrounding the stand-down were developed. These were

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<sup>3</sup> Refer, for example, to the following article: < <http://mobile.abc.net.au/news/2017-02-23/future-of-coal-fired-power-generation-in-lithgow-under-spotlight/8296162?pfmredir=sm> >

then discussed with employee focus groups (both management and operations personnel) in August 2016. The focus groups involved approximately 5% of the workforce. Based on the key issues raised in these sessions, a survey instrument was developed, based on the most important issues raised by employees. Following internal approvals, the survey was administered in December 2016, with responses received from approximately 71% of the Springvale workforce. Some key data on the survey sample are as follows:

- Approximately 77% of respondents reside within 15 kilometres of the mine site;
- The remainder live in other regional townships, the most distant of these being Kandos (approximately 65km, one employee);
- 48% of employees lived in Lithgow and its immediate suburbs;
- On average, respondents had been resident in the region for 31 years;
- Over 93% of respondents either owned or were purchasing their place of residence;
- The 259 respondents' households accommodated 849 people in total, these being principally family households.
- Respondents and their households are engaged in a wide variety of social and community groups and activities, with 161 respondents (62% of the sample) reporting 288 involvements with such groups.

This information emphasises the resident nature of the workforce, and suggests the particular challenges that such an economy in transition presents, when compared to other resource sector-dominated regions that commonly feature largely transient workforces. In either case for example, effects on housing affordability and availability, are likely to be concentrated in the affected region, as property values, rental housing availability, etc. adjust to altered circumstances. However, effects such as those relating to redeployment, unemployment or underemployment of transient workforce members are likely to be realised beyond the usually more geographically remote regions in which 'boom' activity has characteristically occurred. The data above indicate that this is unlikely to be the case in a region such as Lithgow, which emphasises the need for context-specific policy approaches.

A number of the issues canvassed in the survey are relevant to regional transition, particularly against the backdrop of the specific circumstances of the Lithgow region. Material that may be considered relevant to the current study is presented below. The responses report employee experiences, and indicate perceptions of the community reaction to the stand-down.

***Question 3(e): How did the community react to the stand-down?***

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**Statement: There was some concern about the effects it would have on the town.**

<i>Very relevant to me<sup>4</sup></i>	<i>Somewhat relevant to me</i>	<i>It was not relevant to me</i>
82%	16%	2%
<b>Statement: I know some businesses that were affected.</b>		
77%	21%	2%
<b>Statement: There were some people who were against the mine who thought the stand-down was good.</b>		
42%	33%	25%

Given the relatively small size of Lithgow and surrounding areas, the likelihood of employees being engaged with local businesses and commonly, acquainted with local SME business people, is to be expected. The responses indicate that the effects of the stand-down were apparent to parties beyond the immediate employees. Comments made in the focus group stage of the research identified specific businesses that were affected by the stand-down. As may be anticipated, some of the businesses identified had direct commercial relationships with the mine. However, specific examples of retail businesses and the effects on them were also described. For example, one piece of anecdotal evidence gathered reported a local retailer questioning whether to commit to a further 5-year lease on their business premises, due to the economic uncertainty prevailing in the region. Such latter effects are related to the comparatively high incomes of mine employees, which could be expected to exacerbate these effects, compared to the impacts that might result from other local industries experiencing significant disruption.

The data also indicate that employee engagement in the community extends to contact with parties which opposed the extension of mining at Springvale. Three-quarters of employees experienced some exposure to such resistance. Evidence gathered during the focus group stage indicates that these pre-existing divisions were exacerbated, at least temporarily, as a consequence of the stand-down.

**Question 4(a): Can you describe the feeling when you heard that the project had been approved and you could return to work?**

**Statement: It was good news, but it's left me thinking about whether I should start considering alternative employment etc.**

<i>Very relevant to me</i>	<i>Somewhat relevant to me</i>	<i>It was not relevant to me</i>
52%	37%	11%

Through responses to other parts of the survey instrument, and in the focus groups, it was apparent that the stand-down was to varying extents, traumatic for most employees, with continuing effects still being felt at the time of administration of the survey (more than a year after the stand-down). The statement above was structured to gauge the level of uncertainty that these events had caused. Evidently, this is significant based on these results. It is also demonstrative of an awareness amongst employees that their industry is in transition, albeit with some uncertainty that is perhaps uncharacteristic of an orderly transition, and that mining has a finite 'life'.

<sup>4</sup> Percentage of respondents

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**Question 5(a): Do you think the future of coal mining is secure?**

<b>Yes</b>	<b>No</b>
29%	71%

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**Question 5(c): Do you think there are opportunities for alternative employment in the Lithgow area?**

9%	91%
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These responses provide an important statement on the perceptions of generally long-term residents of the future of their industry and of the prospects for the region more generally. As is the case with the responses to Question 4(a), there is a recognition that the industry, particularly in this region, is in a transitional stage. Critically, at present the very strong perception is that the solutions to the disruption caused by this transition are unlikely to be found in the local/regional economy as it is presently structured.

Question 5 also sought feedback on the likelihood of employees moving from the region, assuming that they were no longer employed at Springvale.

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**Question 5(d): If you were to consider other options for employment outside of Springvale (even if you remain in the mining industry) would you be willing to relocate from where you currently live or would you want to remain living where you are?**

<b>Yes</b>	<b>No</b>	<b>Possibly</b>
32%	45%	19%

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Explanatory qualitative information sought in response to this question and evinced during the focus groups reiterates that the main reasons for reluctance to move from the area was the duration of residence, and the resultant ties developed in the local community.

## **5.2 Trade with local and regional suppliers/contractors (FY2015)**

Table 4 displays an overview of Springvale Colliery's engagements with suppliers and contractors based in the region over a 12-month period (as above). The data may be considered as illustrative of a typical year of trade for the mine in the region.

**Table 4: Springvale Mine local or regional contractor & supplier engagements FY2015**

<b>Measure</b>	<b>Total</b>
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Number of firms engaged	52
Number of service events	7,139
Total hours	50,746
Total days @ 7.6 hours	6,677
Total weeks @ 38 hours.	1,335

The total number of 38-hour weeks implies a total of 35 FTE positions supported in the regional economy over the year, in addition to direct mine employment. However, given that the data relate to 52 different firms, the effects, although perhaps not as ‘deep’ for any particular business, are more widespread across the regional economy than such a figure might suggest, perhaps indicating an increased level of impact.

On a pro-rata basis using these data, the 2015 stand-down may have deprived local goods and services providers of the equivalent of 205 weeks of work. It is noted that a majority of these businesses are SMEs, which may not be as robust in absorbing the effects of the loss of a regular source of work as may be large businesses. Again, in the context of a relatively small economy, the loss of this work for other industries would place significant pressure on businesses to find alternative sources of work to maintain employment levels and business performance, in an economy that the LCC economic profile and some survey evidence discussed previously suggest may be difficult to achieve.

Conversely however, when compared to mining projects in more remote areas, the locally-based nature of some reasonable proportion of these businesses may be a source of some resilience in any future transition from reliance on local mining operations. For example, excess capacity created by the cessation of mine development and operations in services such as civil and earthmoving contracting, mechanical services, cleaning and security services, may be otherwise sold to alternative customers or clients, notwithstanding the initial effects of a loss of business. The challenge to all levels of government, in conjunction with industry, is to facilitate the relevant, alternative industries in their continuing development and progress.

## 6. Discussion

There remains some level of contention over the economic influence of Springvale Colliery, which canvasses some points that bear consideration by the Commission. In terms of employment, arguments that the mining boom neither decreased nor increased unemployment in the Lithgow region<sup>5</sup> are based in a backward-looking and quite narrow perspective on the effects of the boom, which ignores the reality that the effects of the boom were modest in the region in terms of investment levels. This also does not recognise that one of the outcomes of the suite of consent processes undertaken by Springvale Colliery during this time was to increase employment at the mine. Conversely, the survey of Springvale employees provides input to a prospective view on employment effects, in terms of future policy considerations. It demonstrates that the industry, and many of those employed in it, are cognisant of the eventual obsolescence of the industry. This pragmatism is more likely to facilitate the management

<sup>5</sup> Refer to the article cited in Section 5.

of an orderly regional transition that does not comprise the economic interests of the regional, state and national economies during the transitional period.

The stand-down of all employees demonstrates what the longer-run consequences of an unmanaged industry phase out might look like. It is acknowledged that a final transition to a post mining/generation economy in Lithgow would be more progressive. However, effects on the regional employment market are a salient example of an industrially established region such as Lithgow as it transitions to a future without these large foundational industries, compared with regions that feature less established resource industry bases.

Unlike regions in which mines employ FIFO/DIDO workforces, the Lithgow area will to some reasonable extent be unable to 'export' the consequences of increased unemployment, and equally, underemployment. The evidence from the Springvale employee survey indicates that a significant proportion of the workforce is unlikely, or reluctant to, move from the area, despite recognition of labour market constraints in the region. It is acknowledged that some proportion of the consequent redundancy would be in the form of retirements from the workforce. However, there remains the potential for increases in unemployment, greater competition for available positions in the area, and the potential for displacement of some employees in other firms, as a consequence of the availability of more skilled, former mine workers actively entering the regional labour market. Given the flow-on effects on other firms, the ability of businesses in the regional economy to create and/or sustain new positions would also be called into question, unless alternative industries with similar skills requirements were successfully established and/or developed.

As has been suggested throughout this submission, the perhaps commonly perceived 'typical' region affected by the prospects of structural transition post the mining boom, is one in a comparatively remote area. Such projects ordinarily feature non-resident workforces, which may have significant short- and long-term effects on the regional economy, but which also carry off some effects with them at the end of their deployment. The case of the Lithgow LGA examined in this submission presents an example that might be considered as different from the norm, but nonetheless one in respect of which a flexible, nuanced policy approach is required to ensure that this and similarly potentially vulnerable regions are each considered in their contextual detail and any transition managed accordingly.