



Part 5: Future of the Goldfields-Esperance

Summary of proceedings

Tuesday 7 July 2015

8.30am to 5.00pm

WA School of Mines, Kalgoorlie

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Regional Overview

Western Australia's largest region, the Goldfields-Esperance, has established access to markets, a myriad of globally focussed industries exporting across the world, spectacular natural resources and alternative energy options that position the region for a prosperous and sustainable future.

The region has an estimated population of 61,000 people, forecast to grow to around 66,000 by 2026 (WA Tomorrow – 2015, Department of Planning).

The region recorded its highest level of employment at around 37,400 persons in 2013-14. However, employment has decreased steadily over the past two years. The mean taxable income for the Goldfields-Esperance region was estimated at \$76,000 in 2011-12 and represents an annual average growth rate of 6 per cent over 10 years.

The economy of the Goldfields-Esperance

- > The estimated value of gross regional product for the region was \$10.1 billion in 2012-13, growing at a rate of 9.4 per cent, which is marginally lower than the average state growth of 10.8 per cent.
- > Total value of agriculture in the Goldfields-Esperance (predominantly crops-related) has increased 103 per cent from \$317 million in 2001-02 to \$646 million in 2012/13.
- > The value of Goldfields-Esperance mineral production has varied over the last decade, with peaks in 2006-07 (\$10.2 billion), decreasing to \$6.3 billion in 2008-09, with current estimates of value at around \$9.1 billion.
- > Tourism attracted an average of 293,600 overnight visitors annually from 2010 to 2012, of which 88 per cent were domestic tourists. In the same period, turnover is estimated at \$327 million per annum.
- > The retail trade industry experienced ongoing growth over the last 10 years, increasing 65 per cent from an estimated \$467 million in 2002-03 to \$770 million in 2012-13.

Summary of Proceedings

Session 1: Vision for the Goldfields-Esperance

Blueprint for the Goldfields-Esperance region

Chairman of the Goldfields Esperance Development Commission (GEDC), Tony Crook, gave an overview of the characteristics of the Goldfields-Esperance region and of the GEDC's main activities. The GEDC is a WA Government agency responsible to the Minister for Regional Development. The aim of the GEDC is to make the region an even greater place to live, work and invest. Its aim is to encourage sustainable development in the region.

Mr Crook highlighted the main elements of the Regional Investment Blueprint (Blueprint). The Blueprint is a planning and investment document that identifies social and economic development strategies for the region and provides a framework for sustainable growth for the next 35 years to 2050.

The intention of the Blueprint is to develop the long-term vision, initiatives and strategies for the region based upon socio-economic research and analysis together with inputs from existing planning frameworks and stakeholder feedback, to identify our regional strengths and opportunities, issues and challenges. Future trend analysis and stakeholder consultation will identify our region's competitive advantages and key areas of opportunity for investment for the future.

In addition Mr Crook gave an overview of the key expenditure items under the Goldfields-Esperance Revitalisation Fund, which has been allocated \$198 million in Royalties for Regions funding for 2013-18. Funds allocated to-date under the Revitalisation Fund includes:

- > \$38 million Great Eastern Highway Passing lanes
- > \$45 million Kalgoorlie-Boulder High School
- > \$6.2 million Goldfields Arts Centre
- > \$4.62 million Regional Office Accommodation Centre, Leonora
- > \$2 million Hopetoun Community Centre
- > \$3.7 million Golden Mile Loop line Railway
- > \$6 million Ray Finlayson Sporting Complex

State Government's vision

Minister for Regional Development and Lands, the Hon. Terry Redman MLA, began with a brief overview of the Regional Development portfolio and history of the Royalties for Regions (RfR) program, which notionally receives 25 per cent of Western Australia's mining royalties. The program grew from \$278 million per annum initially in 2008-09, to having a \$1 billion per annum cap placed on it as State mining royalties increased during the mining boom. However, this figure has since decreased to \$918 million per annum under the 2015-16 State Budget, as a result of the slowdown in the mining industry.

The Minister said the original focus of the Royalties for Regions program was on the Pilbara, as the Government had recognised the Pilbara accommodation shortage caused by the mining construction boom. The RfR program also concentrated on where there were previous gaps in infrastructure provision.

The focus of the RfR program is now to identify strategic investment programs that will drive the regions forward, especially those identified through the Regional Investment Blueprints. For example, the Minister stated that \$280 million had been allocated to the Goldfields-Esperance region, part of which comprised \$60 million being allocated to health and \$78 million being allocated to education and training.

The important message the Minister conveyed was that Royalties for Regions is intended to enable regional WA to access comparable standards of infrastructure and levels of service to those that are available in Perth.

He then highlighted a number of elements of the Goldfields-Esperance Blueprint, and stressed the importance of the Regional Blueprints, announcing that \$362 million of unallocated Royalties for Regions

funds will now be allocated to the Regional Blueprints project.

The Minister also announced that in addition to the previously-announced Supertowns project, the Government will be implementing the Regional Centres Development Plan Phase Two, with initial planning centring on four regional centres: greater Geraldton, greater Bunbury, greater Kalgoorlie and Broome.

Economic and demographic profile

Director of the Bankwest Curtin Economics Centre, Professor Alan Duncan, spoke of the “Regional Dashboard” application and website that the Centre is developing, which will provide a snapshot of a wide range of economic data. This will range from population statistics, to the industry profile of the region, the employment profile and other things. He also highlighted a number of demographic trends occurring in the Goldfields-Esperance region, such as:

- > Like many regions, the Goldfields-Esperance region experienced a loss of population in the 15 to 24-year-old age cohort from 2005 to 2011 according to the Census, but has a strong representation in the 25 to 40 year cohort, reflecting a young workforce with young families being attracted to the region.
- > The region has a low unemployment rate, with the second lowest youth unemployment rate in the State.
- > Mining activity provides 75 per cent of the value added for the region. However, the employment profile is quite evenly distributed across the region, even if the wealth generated is heavily skewed towards mining; for example, mining accounts for 20 per cent of the workforce. The rest of the workforce is found in industries such as retail (8 per cent), manufacturing (7 per cent), construction, or government health services.
- > There has been a decline in businesses in the Goldfields-Esperance region across all business sizes.

Regional forecast

Chief Executive Officer of the Regional Australia Institute (RAI), Jack Archer, provided information on the role of the RAI and the studies it has conducted in WA. In particular, he drew attention to the report, *Cities Beyond Perth*, which concluded that the mining boom is over and the regions need to adapt their economies to prosper.

Centres such as Kalgoorlie and Esperance have sufficient size and “critical mass” of population to weather change; however Mr Archer said future action for regional growth would rely on five key pathways:

1. Changing demand for services in, and to, the region;
2. Encouraging specialist business groups, particularly for mining;
3. Linking regional producers and local companies to external markets via telecommunications;
4. Improving the skill level of the workforce;
5. Taking advantage of lifestyle opportunities and improving liveability.

Mr Archer also drew attention to the need for leadership to drive change and build capacity to increase resilience, and to be innovative in the use of assets.

Finally, he added that there are three key products that RAI is rolling out this year that would be useful to the Goldfields-Esperance region:

1. Innovation watch (for regional industry – who is innovating and where)
2. Pathfinder (migration tracker to and from regional areas)
3. Social Infrastructure (gaps and best practice examples within regional areas)

Session 2: Services in Goldfields-Esperance

Education services

Curtin University Director, External Relations, Jane Coole, spoke about the history of the Western Australian School of Mines (WASM), its contribution to the region and the contribution of tertiary institutions to Australia in general. She mentioned that:

- > Research in mining being undertaken at WASM is world class, leading to innovations in the mining industry.
- > 30 per cent of mining professionals in Western Australia studied at WASM.
- > Universities directly employ 10,000 people in regional Australia, enrolling over 100,000 students and directly contributing \$2 billion dollars annually to the economy.
- > In 2014, the value of educational services exported by Australia was \$15.8 billion; second only to the mining industry.

The future of tertiary education is through the mechanism of Massive Online Open courses (MOOCs).

Curtin University is partnering with some of the world's most prestigious universities, including Harvard University, Berkley University of California and the Massachusetts Institute of Technology, to provide MOOCs. WA is ideally situated to provide these courses to Asia, with 621 million people living in the same time-zone as Perth; the largest concentration of people in any time zone.

Ms Coole also mentioned that WASM is undergoing a \$40 million refurbishment, with \$20 million matching funding from both Curtin University and Royalties for Regions.

Health services

Kalgoorlie Hospital Operations Manager, and representative of the WA Country Health Service (WACHS), David Bowdidge, gave an overview of WACHS operations in the Goldfields. Some interesting observations were:

- > WACHS has a budget for 2014-15 of \$1.593 billion.
- > Goldfields-Esperance is the largest WACHS region geographically, with an annual budget of \$137.2 million (2014-15) and 900 staff.
- > Health provision relies on the "hub and spoke" model, with major health facilities in Kalgoorlie and Esperance providing all services, and three multipurpose sites in Norseman, Leonora and Laverton. Smaller satellite communities provide fewer services.

The WACHS has the following core values:

- > Community – country hospitality where there is openness, generosity and cooperation. Building healthy and empowered communities and teams; being inclusive, working together, valuing each other and the difference we can all make. A 'can-do' attitude.

- Compassion – commitment to caring for others with consideration, appreciation, understanding, empathy, kindness and respect. Listening and being heard.
- Quality – always striving to provide the best possible care and service through questioning and review, high standards, innovation, creativity, learning and improving. All of us being part of the solution.
- Integrity – building trust based on openness, honesty and accountability, valuing and respecting others' opinions and points of view. Demonstrating the values. Respectful communication and relationship building. Being mindful of the legacy we hand on to future staff and communities.
- Justice – achieving equity and fairness, showing cultural respect, valuing and embracing diversity and respecting confidentiality. Treating everyone equally.

Mr Bowdidge said that families make decisions on where to live on the basis of the availability of good schools and quality healthcare; and the quality of care at Kalgoorlie hospital is as good as at Perth. Both Kalgoorlie and Esperance hospitals are undergoing major upgrades, with a large proportion of the funding being provided by RFR.

WACHS is facing a number of challenges, including attraction and retention of staff, and growing expectations about the level of health care it should provide. However, it sees opportunities in the areas of e-Health, particularly e-Records and Telehealth.

Roads in Goldfields-Esperance

Royal Automobile Club of Western Australia, Executive General Manager Advocacy and Members, Patrick Walker, said that WA was lagging behind in improving road infrastructure, and it has gone from having one of the lowest fatality rates in Australia to one of the highest. Two thirds of car crashes in the country involve only one vehicle. Road improvements such as rumble strips on the roadside in country areas can help reduce these types of crashes.

The 2014 RAC Risky Roads campaign identified the Great Eastern Highway from Coolgardie to Kalgoorlie as the second worst road in regional WA, with the Harbour and Pink Lake Roads crossing near Esperance the 10th worst intersection in regional WA, both requiring a safety upgrade.

Session 3: Infrastructure in Goldfields-Esperance

Energy

Andy Kondola, Head of Network Planning and Standards at Western Power, gave an overview of South West Interconnected System (SWIS). The SWIS is a huge network covering an area over 250,000 square kilometres with 100,000 kilometres of power lines and 800,000 power poles. This gives an idea of the difficulty in maintaining and upgrading the system.

The SWIS has multiple generation sources with a mixture of fossil (Muja, Collie – coal) and renewable (Colgar, near Merredin – wind) energy sources. The challenge for Western Power is that the network must evolve and remain relevant, integrating these different sources plus individual household electricity generation and micro grids into the overall system. The other major issue Mr Kondola identified is that network costs must be recovered through customer tariffs. Regulations prevent making large investments in infrastructure prior to customer commitment, therefore making it necessary to rely on a range of future demand scenarios.

Rail infrastructure

Paul Hamersley, General Manager Commercial, Brookfield Rail, gave an overview of the company's operations as well as its activities in the Goldfields-Esperance region. The Brookfield Rail network extends from Geraldton in the north, to Leonora and Kalgoorlie in the east, and south to Esperance, Albany and Bunbury. The network covers 5,000 kilometres and consists of standard, narrow and dual gauge rail infrastructure.

Currently, the rail network transports over 70 million tonnes of freight each year, transporting a wide range of commodities including grain, iron ore, coal, alumina, bauxite and interstate freight. The Eastern Goldfields Railway, connecting WA to the rest of the country, moves 80 per cent of all general freight from the east coast of Australia. Brookfield also provides passenger services on the Prospector, Avon Link and Merredin Link services.

Brookfield Rail sees growth potential with the expansion of mining activity, particularly if new magnetite mines come on-stream in the Goldfields, and over the last 15 years has invested \$2 billion in the network, especially in the Goldfields to Esperance link. It also sees growth potential from the Kalgoorlie Intermodal facility that will support the region and make it grow, and through continued growth in interstate freight volumes.

Mr Hamersley said that that privatisation of Government assets can be a good thing, as the experience of Brookfield Rail demonstrates.

Esperance Port

Nicolas Fertin, Chief Executive Officer of the Southern Ports Authority which controls the ports of Bunbury, Albany and Esperance, said that each port handles different volumes and a different mix of products:

- > Bunbury exports 15 million tonnes, mainly alumina and woodchips, and imports 2 million tonnes;
- > Albany exports 5 million tonnes, mainly woodchips and grain, and imports 0.5 million tonnes; and
- > Esperance exports 13 million tonnes, mainly iron ore, and imports 1 million tonnes.

The port of Esperance receives 70 per cent of its freight by rail and the rest by road, and is one of only five Australian ports that can accommodate Cape Size Vessels (largest cargo ship classification), giving the port tremendous growth potential, particularly in the context of the PortLink concept. It also has considerable capacity to ship and store sea containers with room for more expansion.

In addition, Esperance Port has the potential to attract more cruise ships, which could help to boost the region's tourism industry.

Session 4: Future Industries in Goldfields-Esperance

Tourism

Tourism Council of Western Australia President, Manny Papadoulis, gave an overview of how tourism in the Goldfields-Esperance region was badly affected by the mining boom that resulted in a high Australian dollar (AUD) and dramatic price increases across all services. These factors were exacerbated by the lack of accommodation available in Perth during the boom, which meant that there was no place for interstate and international tourists to stay before setting off to regional WA. However, the end of the boom has seen

increased accommodation availability and a much lower AUD, which are providing good opportunities to regrow the tourism industry.

Mr Papadoulis highlighted that as a labour intensive industry, tourism provides great potential for employment. The industry currently provides 94 000 jobs and injects \$8.6 billion into the WA economy. He also drew attention to other benefits of tourism, such as improving transport infrastructure, providing an incentive to protect the environment, diversifying industry and providing opportunities for Aboriginal tourism enterprises.

Mr Papadoulis sees the best growth potential in catering for 'Grey Nomads' with a motorhome or caravan; Baby Boomers heading into retirement; 'Experience Seekers' (aged from 30-50 seeking Aboriginal cultural and environmental experiences); conferences and events; as well as international tourists from countries with air links to WA such as Singapore and Malaysia with strong growth potential from China.

As a final message, Mr Papadoulis said to be successful in attracting tourists, the regions need to be mindful of the "five A's of Tourism" – accommodation, attractions, amenities, advertising and access.

Uranium

Cameco, Managing Director, Brian Reilly is responsible for developing Cameco's mining and exploration projects, including Kintyre and Yeelirrie in Western Australia. He spoke about the potential of uranium mining to become a major new source of income for the Goldfields region, with six uranium mining projects in the pipeline in WA, including two in the Goldfields-Esperance region, particularly in the context of China and India's huge growing demand for energy to fuel their economic growth.

Mr Reilly also said that if there was the political will, there was also huge economic potential in becoming involved in storing nuclear waste, as Western Australia has stable geological formations and vast expanses of unpopulated land.

Gold

Kalgoorlie Consolidated Gold Mines (KCGM), Mine Technical Services Manager, Tim Berryman, gave an overview of his company's gold production and operations. He said the Goldfields-Esperance region still had good reserves of gold, citing the high gold production of particular mines such as the Northern Star-Pegasus which produces 1 million ounces of gold per year, and significant gold reserves both in Kalgoorlie and nearby.

Mr Berryman discussed the long term fluctuations that had occurred in the gold price, and said that despite the gold price noticeably falling in US dollars, the depreciation of the Australian dollar meant that the price in AUD remains relatively steady. He also mentioned how gold producers were using innovation and efficiency measures to adapt to the current unstable market to remain viable.

Session 5: Opportunities for the Future

Agriculture

Federal Member for O'Connor, Rick Wilson MP, spoke about agricultural opportunities in the Goldfields-Esperance region. Mr Wilson said there were a number of challenges in the pastoral north of the region, including lack of profitability and lack of investment due to issues such as wild dogs. Attracting and retaining skilled labour, security of land tenure and distance to markets were also impediments. However,

Mr Wilson said there are opportunities for pastoralists, such as contracting land out to mining companies, and a Wild Dog Action Plan and Camel Strategy that were being developed to address those issues. There is also some potential for niche industries such as sandalwood, organic beef and on-station tourism.

In the south of the region closer to Esperance, Mr Wilson said there are limited expansion opportunities and managed investment schemes occupying good quality agricultural land. In addition, there is a lack of mobile and internet availability. However, there are still 500,000 hectares of unallocated Crown Land that could be put to use, and 55,000 hectares of blue gum plantations are being wood-chipped and could be returned to agricultural use. There are opportunities to improve farm productivity and expand fisheries and aquaculture, as well as the potential in improving mobile and internet access.

In terms of Commonwealth support for agriculture in the region, the Federal Government is spending \$700 million on rural research and development, including the Grains Research Development Centre. The Federal Government has also signed Free Trade Agreements with China, Japan and Korea, as well as expanded livestock exports to new markets such as Egypt, Iran and Thailand. Other initiatives include the *Agricultural Competitiveness White Paper* (focused on farm-gate profitability), and within in the 2015-16 Federal Budget there is an initiative to enable farmers to write off the cost of new fencing against their tax immediately, as opposed to in 30 years' time which was the case previously.

Global economic landscape and opportunities

ANZ Bank Co-Head of Australian Economics, Cherelle Murphy, gave an overview of the Australian and world economies. The Greek debt crisis and instability in China's stock market are causing general uncertainty and undermining confidence. Australia's Terms of Trade have deteriorated with a softening of demand for mineral exports, particularly iron, but this has also lead to a dramatic fall in the exchange rate for the Australian dollar, which has helped support the price of minerals in AUD and made Australian exports more competitive.

Consumer demand is down with limited wage growth to encourage spending. The state-wide housing market is flat but not in crisis, however it is very mixed in the regions with some facing considerable housing price falls. For the first time since 2003, there are also indications of negative net interstate migration, with people returning to the other States.

However, despite this the fall in the value of the AUD, it is expected to encourage major growth in tourism, strengthen exports and increase the number of foreign students studying in Australian institutions.

Future of the Goldfields-Esperance

List of speakers (in order of presentations):

- Tony Crook, Chairman, Goldfields-Esperance Development Commission
- The Hon. Terry Redman MLA, Minister for Regional Development; Lands; Minister Assisting the Minister for State Development
- Professor Alan Duncan, Director, Bankwest Curtin Economics Centre
- Jack Archer, Chief Executive Officer, Regional Australia Institute
- Jane Coole, Director, External Relations, Curtin University
- David Bowdidge, Operations Manager, Kalgoorlie Hospital; WA Country Health Service
- Patrick Walker, Executive General Manager, Advocacy and Members, Royal Automobile Club of Western Australia
- Andy Kondola, Head of Network Planning and Standards, Western Power
- Paul Hamersley, General Manager Commercial, Brookfield Rail
- Nicolas Fertin, Chief Executive Officer, Southern Ports Authority
- Manny Papadoulis, President, Tourism Council of Western Australia
- Brian Reilly, Managing Director, Cameco
- Tim Berryman, Mine Technical Services Manager, Kalgoorlie Consolidated Gold Mines
- Rick Wilson MP, Federal Member for O'Connor
- Cherelle Murphy, Co-Head of Australian Economics, ANZ Bank

Goldfields-Esperance region, WA

