

**Submitted to the Productivity
Commission inquiry into the Impact
of Competition Policy Reforms on
Rural and Regional Australia,
13 October 1998**

**Submission to the Senate Employment, Education and
Training References Committee's**

**Inquiry into Regional Employment and
Unemployment**

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Whyalla Economic Development Board Inc.

April 1998

1. Preamble

This submission has been approved by the Whyalla Economic Development Board (WEDB) and provides information on WEDB, the City of Whyalla and the specific terms of reference under consideration by the Senate committee.

2. The Organisation

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The Whyalla Economic Development Board Inc. (formerly Whyalla Industrial Development Executive) was formed in 1980, in an attempt to strengthen the economic base of Whyalla. Today the organisation is part of the local and State Government's regional development strategy; operating as an independent incorporated body and is one of thirteen non-metropolitan regional economic development organisations operating around the State.

The Board consists of representatives from industry (BHP, Santos), Whyalla Chamber of Commerce, Whyalla City Council, University of South Australia, The Spencer Institute of TAFE, unions, small business and the community.

The Whyalla Economic Development Board works to the following list of objectives:

- To increase the economic viability of Whyalla by maintaining and generating employment opportunities within Whyalla.
- To develop teamwork and partnerships with Federal, State and local Governments to identify economic development opportunities for Whyalla.
- To foster an enterprise culture by assisting small and medium businesses to prosper and expand.
- Promotion of the practical involvement of industrial and commercial companies in the development and general wellbeing of the community.
- To harness private and public sector resources for the promotion and development of business support, education and training.
- Provision of advice to business, council, State and Federal Government departments on economic development opportunities within Whyalla.
- To support the development and implementation of programs and projects that facilitate economic, employment and community development for Whyalla.

3. Overview of Whyalla

Whyalla is South Australia's second largest city and continues to be a major contributor to the State's economy. With a population of approximately 24,000, Whyalla is located on the north-western corner of an active industrial triangle with links to the cities of Port Augusta and Port Pirie via rail and road.

Whyalla has traditionally been an iron and steel-producing city with major shipbuilding activity. Following the closure in 1978 of the shipyards, Whyalla's major industry became BHP integrated steel products. Iron ore from the surrounding Middleback Ranges is used in products that are currently exported worldwide but from 1999 will mostly be produced for the domestic market.

The city and community infrastructure is designed to handle a much larger population, with Whyalla once having a projected population in excess of 60,000 people. Whyalla has the largest regional hospital in South Australia, however currently only 3 of the 5 floors are occupied. The city also boasts the only regional university in South Australia.

Over the years, Whyalla's economic base has to some extent broadened to include industries such as the Santos fractionation plant at Point Bonython, Beta Carotene (a food colouring agent) and a developing aquaculture industry.

Despite this, the problem of declining job opportunities has a profound negative effect on the population figures for Whyalla. This is a cycle that needs to be broken as the domino effect impacts on SMEs and government services, leading to further job and population losses.

The following two tables (table 1 and table 2) show the population changes in the six South Australian provincial cities from 1961 to 1996, and the changes in employment by type of employer from 1991 to 1996. In effect, they tell us what we already know, however they represent more than anecdotal evidence and this should convince the Federal Government that special assistance should be provided for the Spencer Gulf.

Table 1 – Historic Population Changes in South Australian Provincial Cities

	1961	1966	1971	1976	1986	1991	1996
Mount Gambier	15,518	17,381	17,934	19,292	21,875	22,234	23,075
Murray Bridge	NA	NA	NA	NA	15,221	16,415	16,515
Port Augusta	11,130	11,522	12,224	13,092	15,915	15,234	14,315
Port Pirie	15,672	15,694	15,456	15,005	15,240	15,011	14,370
Whyalla	14,227	22,637	32,109	33,426	28,289	26,382	24,370
Port Lincoln	7,902	9,282	9,158	10,272	12,515	12,530	12,857

Source: ABS, 3218.0

Note: ABS population statistics for 1961 and 1966 exclude full-blood Aborigines. However this table has included an estimate of full-blood Aborigines in the above table

Table 1 shows clearly the steady growth in Port Lincoln and Mount Gambier whilst also showing the rapid growth and subsequent decline in Whyalla.

4. Terms of Reference

(1) An assessment of the factors that contribute to the disparity in employment levels between different regions and also between regions and capital cities, as well as the continuing high levels of regional unemployment.

(a) the impact on job opportunities as a consequence of increase or decrease in the level of Federal, State and local Government funding and services.

The following table (table 2) shows changes in employment by type of employer, ie. Federal, State and local Government or private.

Table 2 – Changes in Employment by Type of Employer, 1991 to 1996

Region	Mt Gambier	Murray Bridge	Pt Augusta	Pt Lincoln	Pt Pirie	Whyalla	Adelaide Statistical Division	South Australia
1991								
Comwealth Govt	240	272	1,207	175	289	287	25,868	32,325
State Govt	1,621	954	1,527	815	853	1,511	73,816	97,245
Local Govt	115	115	133	68	59	164	5,553	8,356
Private Sector	6,597	4,408	2,699	3,128	3,643	7,625	308,160	421,835
Not stated	883	753	709	503	508	1,150	28,513	44,111
1996								
Comwealth Govt	219	262	619	185	235	197	21,590	26,514
State Govt	926	813	1,252	625	701	1,102	58,818	77,245
Local Govt	119	86	137	87	82	149	5,357	8,342
Private Sector	8,251	4,883	2,940	3,529	3,663	7,481	342,395	467,180
Not stated	189	151	130	90	107	202	8,710	12,486
Change from 1991 to 1996								
Comwealth Govt	-21	-10	-588	10	-54	-90	-4,278	-5,811
State Govt	-695	-141	-275	-190	-152	-409	-14,998	-20,000
Local Govt	4	-29	4	19	23	-15	-196	-14
Private Sector	1,654	475	241	401	20	-144	34,235	45,345
Not stated	-694	-602	-579	-413	-401	-948	-19,803	-31,625

Source: ABS, unpublished data

On the surface, table 2 shows a shift from public sector employment to private sector employment for most cities except Whyalla. Whyalla was the only city to have recorded job losses in every category.

However, interpretation of this table should be done with caution as the 'not stated' job loss column is very high and this could change what on the surface appears to be a shift to private sector employment. However in Whyalla's case it shows starkly the effect of downsizing (both private and public), and WEDB suspects that a good percentage of the 'not stated' column would be private sector jobs.

In addition, in 1996 Whyalla's largest employment base was manufacturing at 29% against a state average of 15%. In 1986 manufacturing was also the largest employment base but was 37% compared to the State average of 15.5%.

These figures do not however reflect the heavy downsizing and centralisation by the State and Federal Governments in 1997. In 1997 the Whyalla region suffered the closure of two schools, the privatisation of the Commonwealth Employment Service and the proposed commercialisation of Commonwealth Rehabilitation Service and the closure of the Whyalla Customs Office. All of these have effectively meant job losses in Whyalla. When the multiplier effect is taken into account, the effect on Whyalla's labour market is quite dramatic.

(b) the direct and indirect loss of income to regional communities.

A cut in public spending, both from the Federal and State Governments and a cut to private investment in the region has caused a decline in Whyalla's economy.

The Federal Government cut 90 jobs from Whyalla between 1991 and 1996. As already stated, since 1996 they have also withdrawn jobs through the privatisation of the Commonwealth Employment Service and the proposed commercialisation Commonwealth Rehabilitation Service, and the closure of the Whyalla Customs Office. In the period 1996 to 1998 the Whyalla Campus of the University of South Australia has had its funding cut by \$600,000 resulting in 7.4 jobs lost; 6 academic and 1.4 general technical staff.

The State Government cut 409 jobs from Whyalla between 1991 and 1996, and since 1996 we have seen the closure of two schools and SGIC. The Whyalla Hospital has also had a steady reduction in funding and staff levels over the last five years. This amount of job losses in the region is a significant drain to the local economy and has an effect on private investment.

Transfield which has been operating in the city for approximately 30 years announced last month that it will be closing in June. Transfield was the largest metal fabrication company in Whyalla, and the closure will cause the direct loss of approximately 80 jobs. Other losses include the centralisation of services by the various banks and Telstra.

Although there is no evidence to substantiate this claim, it could be argued that Whyalla's main suppliers of services to BHP are finding it more difficult to win tenders from BHP. This would be due to the growing globalised economy and the higher degree of sophistication needed when submitting tenders. For every contract that goes to a company outside of Whyalla, dollars are leaving the city. In any case, BHP has substantially cut costs, particularly in its maintenance area. This has a direct impact on work that supplier companies receive.

Downsizing in the steel industry is the most significant reason for the population decline and the loss of income to the local economy. Employment levels have declined at the Whyalla Steelworks from approximately 5,800 in 1982 to under 2,000 in 1997. Although this decline has been rather dramatic, to some extent some of these positions have been transferred to contractors undertaking outsourced work. However the loss of employees to the industry is still significant and has had a major impact on the local economy.

(c) its impact on the level of private sector investment and activity in regional communities.

BHP has recently announced that it will spend \$83m on building a billet caster at the Whyalla plant. However, even this announcement has failed to increase business confidence or consumer confidence within the city. The only other substantial investment in the Whyalla region that is being anticipated is the building of the Pig Iron Demonstration Plant which is part of the South Australian Steel and Energy (SASE) project. However it should also be stated that the Roxby Downs expansion and the proposed Kistler Project at Woomera have and will continue to benefit Whyalla.

BHP's go-ahead for the billet caster is great news for Whyalla in the short term. The building of the billet caster will create approximately 80 jobs in the twelve months construction phase, however it will not create any full-time jobs on the plant once completed. In fact it may even cause job losses on the plant as the steel making process becomes more automated.

Whyalla does need to question the long-term future of BHP in the city. Unfortunately the Parliamentary Committee's September 1997 report into the steel industry paints a gloomy picture for the industry by stating that (page 10):

".....there is a need for BHP to improve its returns from its investments and a need to consolidate over fewer sites."

Consolidation of sites must threaten Whyalla. This is confirmed in BHP's announcements in recent years, and even their press release regarding the billet caster comments that notwithstanding the investment, Whyalla will be under intense competitive pressure. If ever a community is being placed on notice, this is it.

Realistically BHP will most likely move out of Whyalla within 15 years, as our region's iron ore stock is depleted. The Parliamentary Committee's September 1997 report into the steel industry support this observation by stating (page 77):

"BHP expect the major iron and steelmaking equipment at Whyalla to reach the end of its useful life in about fifteen years."

Some people argue that BHP is spending \$83m on a billet caster so the city's future is assured. Yet one only needs to look at the Newcastle experience where BHP acknowledges spending more than \$870m since 1983 upgrading the plant, and has now announced its closure in 1999. Once the money has been spent on the billet caster it becomes a sunk cost and no longer comes into the equation when making a commercial decision.

This lack of confidence in the future of the city is reflected in the declining population and the lack of smaller private investment. Currently in Whyalla there are in excess of 350 houses on the market, and although the real estate market has picked up slightly with the BHP announcement, with stability expected for several years, the market is still down compared to two years ago.

(d) the effectiveness of labour market programs and vocational education and training on job creation in regional areas;

As would be expected, there have been labour market programs that have been effective, and programs that have been less effective in creating employment. A success story in the Whyalla region has been the programs that have been involved with Whyalla's emerging aquaculture industry.

The aquaculture project commenced 5 years ago in Whyalla and over the years has been the recipient of several Federal, State and local Government funding allocations, and would not be in such a strong position today without this government intervention. The aquaculture project received funding under the OLMA scheme, ANLAP New Work Opportunities, Rail Reform Transitional Fund, the State Government's KICKSTART project and the regional development program through WEDB.

Some may argue that this has received too much of the taxpayers' money however it needs to be understood that a whole new industry is being created for Whyalla and Port Augusta. Both Whyalla and Port Augusta have traditionally been industrial cities, with very few other significant industries. The aquaculture industry has the potential to create approximately 100 direct jobs in the region and will create several new value-adding opportunities.

It is WEDB's view that government labour market programs are indispensable in communities such as Whyalla, however they need to be targeted to create or value-add to established or emerging industries to truly create sustainable job outcomes. The vocational education and training will then flow from this, as they do not create jobs in their own right.

(e) assessment of the effectiveness of current and previous governments' funding and program delivery in promoting regional job creation.

Government funding in regional Australia has gone from one extreme to the other with the change in Federal Government. Where the previous government appeared to have an unlimited budget, the current government has nearly completely closed the purse strings. There is currently a need for further spending on labour market programs and regional development.

Under the former government, funding for regional development was very generous and there was so much funding for labour market programs that often programs were unstructured and mostly failed to create long-term sustainable jobs. However, when targeted and structured, as was the case with the funding applied to aquaculture in the region, the funding was very effective.

The current government has cut funding to regional development and labour market programs and although badly needed, the funding that has been provided is still only a token effort. Since 1996 we have seen a cut in excess of \$140 million dollars cut from regional development by the Federal Government. This is highlighted by current funding to the ACC, which has \$100,000 for project funding covering the whole region. The Spencer region covers two thirds of South Australia and is larger than New South Wales. The State Government on the other hand, has through the Kickstart program informed WEDB that we will be provided with over \$100,000 to Whyalla plus resources for 1998/99 the financial year.

In addition, funds through the ACC are very difficult to obtain, having very complex and rigid guidelines. Competition for funding is fierce and it often involves very long and in-depth submissions. Regions that do not have the expertise or resources to put together thorough submissions will often miss out. Unfortunately, it is often these communities that are in the most need of the funding.

WEDB is aware that most regional development organisations in South Australia do not submit proposals under the ACC because firstly there is so much work required and the high possibility that they will not be successful, and secondly if successful the administration and red tape required takes up an enormous amount of time. With limited resources organisations need to maximise how staff are allocated to projects. Today WEDB's staff in the main works one-on-one with businesses on projects that generate their growth.

(2) An examination of remedial strategies that have or can contribute to reducing regional unemployment, including any overseas experience.

In this section WEDB will discuss the US Foreign Trade Zone experience, the steel river project in Newcastle and Whyalla's eco-city project.

It should be noted that the Manufacture in Bond scheme announced by the Federal Government in last year's industry statement (Investing for Growth) is a positive move. Under the Manufacture in Bond scheme, firms are exempt from import duties on unprocessed materials, which become value-added exports. Perhaps the committee could examine the Foreign Trade Zone experience of the United States. BHP Newcastle and the Newcastle Beyond 2000 Committee have undertaken considerable research into the scheme and have produced a report dated April 1997 recommending that the scheme be introduced using BHP's Steel River Project as a model and case study.

A Foreign Trade Zone is a restricted access site in which goods in international commerce may be manufactured, processed, commingled with domestic goods, assembled, exhibited, stored or repackaged, without being subject generally to import duties, sales taxes and excise taxes. Such goods become subject to these duties and taxes when they are removed from the zone for sale or use in the domestic market but are not subject to them if exported directly from the zone.

In the United States, manufacturing activity in Foreign Trade Zones is valued at \$US64b a year. Foreign Trade Zones have as their public policy objective the creation and maintenance of employment through the encouragement of operations within the country, which for customs reasons might otherwise be carried on overseas.

A Foreign Trade Zone for the Spencer Gulf would be a significant boost to attracting new industries to the region. WEDB understands the constitutional and political difficulties. However we argue that for some regions, special assistance is needed because of their distance from markets and lack of critical mass.

In this regard, the Federal Government will no doubt refer to the Rail Reform Transitional Program (RRTP) and point to aquaculture as a Federal Government assistance scheme for Whyalla. However this fund is geared to Port Augusta and it is unlikely that the AN Task Force will support any stand-alone Whyalla project. In any case, it is not easy to assemble projects under the very rigid guidelines.

The Steel River Project in Newcastle is the development of land presently owned by BHP, which has an area of approximately 104 hectares.

The objectives of the project are the result of combining the original aims of BHP with those which have evolved out of the work of the committee set up to steer the project, namely the Newcastle Beyond 2000 Technical Steering Committee. The direction of the project is:

The socio-economic objective of providing development which has the potential to provide 2000 jobs. This also includes the ability to achieve a rapid (28 day) approval process for incoming industries which comply with a pre-determined set of environmental criteria.

The eco-industrial objective of applying the principles of industrial ecology to the site itself and to the region as a whole, reflecting and building upon the socio-cultural, environmental and economic identity and strengths of the Hunter Region.

The socio-cultural objective in which the development of the site expresses its heritage, along with visual, landscape, artistic and public accessibility goals.

The environmental management objective in which the management of the site is ongoing and includes monitoring environmental performance as well as the continuing application and management of eco-industry principles.

The community consultation objective aimed at permitting periodic consultation between the estate management and the community in respect of the environmental envelope and its application.

It is true that the land on this project site needed to be rehabilitated following years of contamination, however the delegation was impressed with BHP's decision to go further. To date, BHP is very committed to the project and WEDB is impressed with the commitment and passion of BHP staff regarding this project. Already BHP has spent a considerable amount of money on this project by funding staff resources, the Strategic Impact Assessment Study and bringing from overseas internationally renowned economic development guru Ernesto Sirolli.

The Eco-City development in Whyalla will be an important demonstration of the elements of 21st century ecological and economic sustainable development and in particular:

- The development of technologies, both soft and hard, that make up ecological sustainable development;
- The development of tradeable skills in ecological sustainable development;
- The development in the region of tourism based on ecological sustainable development which includes eco-tourism, educational and industrial tourism;
- The development of an education system that can develop 21st century tradeable skills in ecological sustainable development.

Description of the Project

The Whyalla Eco-City Development Core Site is an urban development project that will demonstrate the principles of ecologically sustainable development in a built urban form.

The urban development is planned to include:

- Senior Citizens Homes;
- Residential Subdivision;
- Retail and Office Clusters;
- New industries;
- Buddhist Meditation Centre;
- Cafe and Plant Nursery; and
- Anglican Church.

Other development proposals considered include:

- Aboriginal Cultural Centre;
- Child and Youth Health Clinic;
- Veterinary Surgery; and a
- Renewable Energy Centre.

All of the above developments will display the following “soft” and “hard” technologies:

- Use of earth technologies in buildings;
- Passive design for best solar access and natural cooling;
- Use of renewable energy generation systems;
- Maximum use of stormwater and treated effluent;
- Mixed living and working areas to reduce reliance on transport;
- Promotion of walking and cycle use; and

- Arid climate landscaping.

Economic Growth and Employment Strategies

The use of the principles stated above will produce economic growth and employment opportunities by:

- Integrating the strategy emerging from the Whyalla Eco City Development Core Site with the city’s traditional economic development goals and strategies, including manufacturing revitalisation and job development with key potential collaborators to involve them in modifying and implementing the plan.
- Targeting key environmental business sectors for proactive support, in addition to reactive support provided to all sectors.
- Creating strong public/private partnerships, including the University of South Australia and the Spencer Institute, to rapidly mobilise economic, intellectual, and technical resources; leverage of limited public resources through full engagement of the private sector; the existing environmental businesses find each other through a directory/database or events.
- Developing environmental business incubators to nurture emerging companies through pooled business support services.

- Using the WEDB as an information broker for local businesses and by development of a databases of businesses interested in being involved in the construction, development of technologies and development of industries at the core site, marketed through a Web Page on the Internet.
- Improving environmental efficiency of all local businesses by reducing wasteful utility expenses, and supporting product and process efficiency improvement.
- Collaborating with other cities working to build an environmental economy, to both learn from each other's experiences and influence State and Federal programs.
- Give the Spencer Region industry 'first right of refusal' to ensure Spencer Gulf industry receives the maximum benefits from the projects. Where there is not any 'local' expertise, then contractors must include 'local labour' content.

Whyalla Eco City Management Structure

The present management of the project is being conducted under the auspices of the Whyalla City Council by way of a Steering Committee and Development Team.

WEDB is a member of both the Steering Committee and the Development Team, as the Eco-City project is a key platform in WEDB's strategic plan. The business facilitation responsibilities remain with WEDB and as the project moves from the planning stage to development, WEDB will have an increasing and significant role. The objects of WEDB's increased role will probably be to:

- facilitate the development of the site;
- ensure ecological principles are maintained;
- ensure adequate marketing of the site is undertaken;
- obtain funding;
- conduct industry networks;
- ensure that all the economic benefits are exploited.

Stakeholders

The Whyalla Eco-City Development has been under consideration for some time, with a consultancy awarded in 1996 to Ecopolis Pty. Ltd., in association with Urban Ecology Australia Inc., to develop a concept plan of the development. This was completed in 1997 and the first application for development, of the site, by Excel Enterprises Inc was approved by the Whyalla Council in November, 1997.

The following have been major supporters of the development of the site and have expressed interest in undertaking future developments:

- Whyalla Senior Citizens Welfare Association;
- Excel Enterprises Inc;
- The Buddhist Community;
- Anglican Parish of Whyalla - Diocese of Wilochra;
- Arid Lands Centre for Urban Ecology.

There have been other developments mooted for the site which include:

- Residential Development;
- Retail and Office Clusters;
- Aboriginal Cultural Centre;
- Combined Community Services Centre;
- Community Hall;
- Child and Youth Health Clinic;
- Veterinary Surgery; and
- a Renewable Energy Centre.

Project development:

With funding support, the following projects are expected to be completed in 1998:

- Buddhist Centre (planning approval obtained);
- Excel Cafe (planning approval obtained);
- Stage 1 Infrastructure of sewer, water, power and roads;
- Geotech survey;
- Tree planting;
- Land purchase;
- Information feature; and
- a first stage residential development to have been commenced.

Whyalla Eco City Industry Development

The Whyalla Eco-City Development will present opportunities to Industry and Employment as follows:

- the construction phase,
- in the stakeholders developments,
- industry developed technologies used during development.

Steps to Strategic Industry Development

The industry development associated with the site requires:

- a policy that 'local' enterprises be given first refusal rights of contracts during the construction phase;
- where there is not a local enterprise with the appropriate skills, the 'foreign' enterprise is to agree to provide jobs and skills development for Whyalla and Spencer Gulf residents;

- an environmental business network be established in the region with interested private companies, appropriate public sector groups, and educational institutions to rapidly mobilise economic, intellectual and technical resources;
- use of WEDB to develop a database of 'local' and 'foreign' environmental businesses to facilitate them finding each other,
- provision of events, such as open days, conferences, and workshops, to facilitate the meeting of 'local', and 'foreign' businesses, public sector groups and educational institutions.
- collaboration with other cities working to build an environmental economy, to learn from each other's experiences and to influence State and Federal programs

The Construction Phase

The following is an outline of the building and construction industry cluster for the Whyalla Eco-City Development.

The first layer is one of key suppliers in general construction (this will include industries involved in house construction, residential building construction and non-residential building construction) and non-building construction including road building.

The second layer is that of first order suppliers; construction trade services including site preparation, building structure, concreting, bricklaying, roofing, structural steel erection and installation trade services including plumbing, electrical, air conditioning and heating, fire and security systems, landscaping, consultant engineering, plastering and ceiling fixing, carpentry, tiling and carpeting, painting and decorating, and glazing.

The next layer is that of second order suppliers comprising metal and engineering and raw products, including such elements as fabrication, welding, steel, sand and metal and clays, material wholesalers comprising building and construction metal engineering and raw product suppliers, and transport.

There are also industries linked with the construction industry that directly benefit from activity in the sector, and these include furniture manufacturers, fabric retailing, furniture retailing, floor covering retailing, domestic hardware and housewares retailing, domestic appliance retailing, antique and used good retailing, garden equipment, household equipment repair service, plant hiring and leasing and garden services.

In addition, associated with this industry are the facilitating agencies such as banking, accounting and legal services and infrastructure such as education and government services.

All of these sectors will benefit from the development, and ensure employment maintenance and possible employment growth. There will be a number of key suppliers in Port Augusta, Whyalla and the region that will benefit from this initiative.

Developing Industries

Table 3 presents a non-exhaustive list of industry sectors that will develop as the Whyalla Eco-City Development strategies are put in place.

Table 3 Developing Industries

CONSTRUCTION	SECOND ORDER	LINKED
earth technologies	Arid land nursery	Recycled furniture
straw bale building	Recycled building products, retail and wholesale	Recycled products retailing
water recycling	Energy conservation consultancy	Environmentally friendly soaps, shampoos, soaps, detergents etc.
renewable energy installation	Water use consultancy	Education in building techniques
site preparation for sustainable building	Resource recovery consultancy	- renewable energy
painting and decorating with non-toxic products		- water recycling
carpentry using non-toxic products		- urban Agriculture
sustainable architecture		- arid land plants
arid land landscaping		sustainable business consultancy
		tourism development
		- eco-tourism
		- edu-tourism
		- ind- tourism

The 'Push/Pull' effect

The project has the potential for a 'push/pull' effect on demand for technologies displayed and developed by the Whyalla Eco-City Development.

The magnitude of a development of this scale will 'push' the necessity for:

- The importation of skills in the technologies required and the necessity of developing skills in these technologies locally to replace these imports.

The 'pull' effect of the project will be developed by the strategic marketing of the project by:

- expanding interest in ecological sustainable development technologies in the region;
- major centres, such as Adelaide, expressing interest in these technologies and development by either private or public enterprise requiring the skills developed to be exported across the region;
- the education sector attracting visiting educationalists to study the site as resources are developed;

- the size of the project requiring infrastructure that was not previously in place eg. solar powered streetlights, solar panels for energy use, and recycled water technologies. This will attract a variety of designers and manufacturers to the region, and strategic alliances can be adopted for the benefit of the region.

The size of development of these industries can only be estimated. The traditional industry structure shows 76% of businesses employ less than 5 people, and it may be assumed that these developing industries would show the same trend.

The Eco-City Development will provide employment-generating effects in the construction industry; and other elements offer an opportunity to consider enterprise development and incubation strategies, particularly, the renewable energy, water recycling, resource recovery, earth technologies in building construction and other developing 21st century industries.

Key attractions in renewable energy and energy efficiency are their possible contributions to meeting Greenhouse targets, their application in remote area power supply, and their roles in electricity load management and grid enhancement.

The Prime Minister, The Hon. John Howard. MP in his statement "Safeguarding the Future: Australia's Response to Climate Change" on 20th November, 1997 said, "Renewable forms of energy currently contribute about six per cent to Australian's total energy needs.....Our new programs will stimulate innovative technological wealth creating business and energy suppliers who provide power to communities, employ Australians and export to the world. It is an action oriented approach".

ACIL Economics and Policy Pty Ltd in their report "Study of Industrial Development Opportunities for Renewable Energy Technologies in South Australia, stated "The initiative and entrepreneurial strengths of individual businesses, sometimes in groups but often in isolation, has been the cornerstone of developments to date. The key driver for the renewable industry's development must be profitable, realisable opportunities."

The Whyalla Eco-City Development provides these opportunities. WEDB has written to the Hon. Robert Hill, Minister for the Environment asking for support from the Federal Government.

5. Conclusion

It is a widely held view in regional communities such as Whyalla that the Federal Government has to understand that Australia is not a level playing field. If they do not want the country to become more urbanised into a handful of cities, then they must have an industry and social policy that reflects the different needs of non-metropolitan regions. Unfortunately governments at the Federal level have tended to look at micro economic reform from a macro perspective (labour, transport etc).

By always focusing on the macro picture and considering comparative advantage, a larger number of regions beyond the critical mass of the eastern states including to some extent smaller capital cities find it very difficult to compete. The drive for this approach comes from pure economics that only looks at the end output and not from the point of view of developing the nation as a whole.

If this trend continues, then Whyalla and this region will have limited employment opportunities leading to further population decline. If governments both State and Federal in the past had held this view, Whyalla would never have been developed beyond a port for iron ore.

A more interventionist approach that is strategically focused to diversify and attract industries to regions such as the Spencer Gulf is needed. The Industry Statement from the Federal Government will not in our view help to attract any new employers to Whyalla. The policy's reference to regions tinkers around the edge and whilst a few firms may receive some export assistance, it does not tackle the core problems for this region, namely:

lack of jobs;
declining population; and
the slow withdrawal of government services

Perhaps employment and location incentives and a more focused business immigration bias towards regions such as the Spencer Gulf could be implemented. Recently the Whyalla City Council at a special meeting unanimously passed the following motion:

“That Council call on the State Government through the Department of Premier and Cabinet to establish as a matter of urgency a high level task force with senior State representation to put in place a well resourced strategy designed to ensure the long term future of Whyalla.

That the Prime Minister’s office be approached to appoint a senior representative to the task force with other participants including two representatives from Council, two from Whyalla Economic Development Board (WEDB), a representative from the Whyalla Campus of the University of South Australia, the labour movement the private sector, BHP, the Federal Member for Grey and the State Member for Giles. Other parties appointed to the task force should be on a needs basis as determined by the task force.

That the task force develop a policy framework which will facilitate the:

- *long term future for steel making in Whyalla with attention given to the exploitation of lower grade ores and technology upgrades required to exploit such ores.*
- *introduction of value added strategies;*

That the task force examines:

- *the viability of establishing Whyalla as a resource processing hub and examining the incentives required to facilitate the establishment of a resource processing hub;*
- *the feasibility of establishing or growing other industry sectors in Whyalla;*
- *other matters relevant to securing the long term future of Whyalla.”*

This motion follows Council’s consideration of two reports, namely:

- the September report to the Minister for Industry, Science and Tourism into the Australian Iron and Steel Industry by the Parliamentary Committee; and

- A report to Council and WEDB on the visit to Newcastle by Jim Harvey (Dean, Whyalla Campus University of SA), Councillor Eddie Hughes (Deputy Mayor) and Phil Tyler (CEO, WEDB).

As we have already discussed, we are aware that downsizing has led to declining job opportunities in Whyalla, and this has had a profound negative effect on the population figures of the city. This is a cycle that needs to be broken, as the domino effect impacts on SMEs and government services, leading to further job and population losses.

There is a need for the State Government and Federal Government to face up to the fact that maintaining the current structure of our economy will lead to the city's demise. There is a need for leadership, and we need action now. We cannot leave it to the last minute. There is too much private and public investment in this city for the community and government not to be proactive.

The closure of BHP in our current economy would lead to a social and economic crisis. Government would then be picking up the lives of a community that just had their investments wiped out. If this point is closely examined, in Whyalla there are approximately 4,850 occupied private dwellings that are fully owned or being purchased. At an average cost of \$80,000 each we can see that private investment in housing alone is about \$390m. When business investment and public investment in community infrastructure (hospital, schools, University, TAFE, roads etc) is taken into account, this figure would run into billions of dollars.

There is no room for lethargy even if that inevitable date is up to 15 years away. We know that economic diversity does not take place in one or two years, and it could in fact take this community all of the available time left.

In any case, BHP's policy of productivity of 1000 tonnes per person by 2000 does have major implications for Whyalla. Currently with no increase possible in productivity because of the sub-world scale of the Whyalla works and with 2000 employees producing 1.2 million tonnes, BHP is flagging that perhaps another 800 employees will go from Whyalla over the next two years if this target is to be achieved. This point is also highlighted in the Parliamentary Committee's report on Australia's steel and iron industry.

In Newcastle's situation, both the NSW State Government and the Federal Government have responded reactively, but we need immediate proactive assistance for the Whyalla community.

However it is interesting to note what has been achieved in Newcastle since the BHP announcement. By any measure, the Hunter region has been very successful over the past year. In addition to a number of announcements by the Prime Minister in relation to new investment (a new aircraft assembly facility and over \$1b in the coal industry), there has been over \$38m injected into the region by the Federal and State Governments and BHP for a variety of programs since the BHP announcement.

In addition, they have developed and are delivering a new program called the Hunter Advantage Fund, with \$25m allocated to the Hunter region (\$10m from both Federal and NSW State Governments and \$5m from BHP).

Governments and the community can not pass the buck on to organisations such as the Whyalla Economic Development Board. Like council, WEDB does have a role to play but it should be stated that WEDB's core business is working one on one with local business. Its activity is about driving economic growth internally.

WEDB is not resourced nor is it designed to attract large employers. That has always been the responsibility of government. Sadly in recent years governments have focused on the metropolitan areas.

WEDB fully supports the Whyalla City Council's call for this task force to be established. Expeditious action is needed and any assistance that the committee can give would be appreciated.