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31 March 2016

Senator Anne Urquhart
Chair – Senate Environment and Communications References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator Urquhart

Re: Senate Inquiry into:

The potential environmental, social and economic impacts of the planned exploratory oil drilling project by BP Australia Pty Ltd (BP), and any future oil or gas production in the Great Australian Bight (GAB)

Regional Development Australia Whyalla and Eyre Peninsula (RDAWEP) together with the Eyre Peninsula Local Government Association (EPLGA) are pleased to lodge this submission about the potential environmental, social and economic impacts of BP's planned exploratory oil drilling project, and any future oil or gas production in the Great Australian Bight.

Both RDAWEP and the EPLGA are very aware that these tenements are, to a large extent, still speculative in terms of content and volume until the exploratory drilling programme is completed to the satisfaction of the relevant tenement holders. Further, the global focus to shift from a high carbon to a low carbon economy together with rapid changes in technology and energy production may influence or change future decision making or criteria in regard to this type of project. Therefore our expectations, based on our observations of locations having internationally major oil and gas projects, are tempered by this outlook.

Significant oil and gas production in the GAB has the potential to substantially address population, employment, business, infrastructure, access to capital and other issues that are presently constraining regional development.

RDAWEP and the EPLGA do not have the resources nor expertise to provide informed comment about some important aspects of this enquiry, including safety and the environment. Our comments are generally confined to social and economic development impacts. There are other agencies and organisations which will provide the scrutiny and rigour to ensure that any potential negative environmental impacts are identified, costed and mitigated to an acceptable level. Reference should also be made to the Great Australian Bight Research Program. The \$20 million 4-year project, which began in April 2013, has 2 major aims:

- 1) understand the unique marine environment and potential marine resources; and
- 2) provide the science to decision makers to support sustainable development in the region and monitor possible future impacts.

It must be noted that there is some angst regarding this activity from a section of our community expressing concern about the impact on our environment, industry and society in the event of a catastrophic oil spill, in addition to the impact on whales and other species by the exploration companies' general activities and underwater noise. Information has been presented to us by the companies about Oil Pollution Emergency Planning, the role of NOPSEMA, Environmental Sensitivities (including threatened and migratory species and the GAB Marine Reserve), Socio-Economic Sensitivities (including fishing, aquaculture and tourism) and potential environmental impacts (including waste management, discharge of cuttings and drilling muds, underwater sound, chemical discharge, invasive species, oil spill: diesel, oil spill: loss of well control).

It is fair to say that the companies have answered all questions put to them by RDAWEP and EPLGA at the various presentations made to us over the last 3 or so years and have appeared to be open and forthright in their responses.

The companies have been very careful not to raise expectations about the potential economic impacts for any future oil and gas production until key internal decision gates have been reached. For example, RDAWEP and the EPLGA are interested in whether oil and gas will be processed in this region and the companies, quite rightly, have not offered advice or information concerning this matter until the extent of the resource and other relevant business parameters are identified and understood. Therefore our comments are largely constrained to current or past events and impacts associated with this activity, the region and the GAB.

Regional Overview

Whyalla and Eyre Peninsula is one the most complex planning regions in South Australia. The region is remote; vast in size at 230,000 km²; and has a small population of approximately 57,000 people (3.5% of the State's population). Most people (64%) reside in the regional cities of Whyalla and Port Lincoln; and 35% reside in 9 district Local Government Areas (LGAs). The regional population is declining in some LGAs; notably inland Councils such as Wudinna and Kimba. The region also has a large and growing Aboriginal population which, at 5.7% of the population, exceeds the proportions in South Australia (1.9%) and Australia (2.6%).

The regional economy is extremely diverse with key industries including agriculture, manufacturing, fishing, and aquaculture. Tourism and mining are the region's fastest emerging industries and, due to the region's wealth of mineral resources and nature-based visitor experiences, have substantial potential for future growth.

Industrial diversity is a regional strength because it provides resilience through not being reliant on a single industry for prosperity. However, this diversity is not shared across the region as a whole. Manufacturing and steel processing are focused in Whyalla. Agriculture is the key industry in lower Eyre Peninsula, Tumby Bay, Cleve, Elliston, Kimba, Streaky Bay and Wudinna. Most of the region's aquaculture jobs are provided in Port Lincoln, lower Eyre Peninsula, Cleve, Franklin Harbour and Ceduna.

A substantial amount of the region's fishing jobs (76%) are based in Port Lincoln. Tourism activity is predominantly focussed in coastal areas. The region's economy and industry composition is also transforming, and has changed significantly since 2001.

The region has an ageing population and the health care and social assistance industry is now the largest employer, providing 12.6% of the region's jobs in 2013-14, with a growing demand for aged care services and infrastructure.

The region's workforce has an older profile for most industries than the State of South Australia in its entirety, and Australia.

A pending surge in Baby Boomer retirements has the potential to reduce the labour force by approximately 40% (11,000 workers) by 2020. However the region has a smaller proportion of young people, which will make it difficult to replace these retirees. Future workforce provision is exacerbated by the annual migration of about 30% of young people to metropolitan Adelaide for employment and study.

The combination of the remote location, vast land area, a small and ageing population, the loss of young people, and a diverse and changing industry profile creates a range of challenges for sustainable economic and community development.

The region lacks the economies of scale which are necessary for cost effective services provision and infrastructure development. The region's 11 LGAs typically have large geographical areas to service and maintain, and a small ratepayer base from which to raise the funds. This creates a challenge in addressing competing economic, community, environmental and infrastructure needs with limited budgets.

Servicing and development tasks are heightened by the region's limited water resources, the sparse spread of small townships, the tyranny of distance from metropolitan Adelaide and the lack of population critical mass to influence political decision-making.

The limited capacity and condition of the region's ageing infrastructure is a major issue. The road network is vast, and a maintenance burden for Local Government. The electrical transmission system is faulty, at full capacity, and is due for replacement in 2017. The isolated narrow gauge railway network is generally in poor condition, resulting in a declining use of rail for grain cartage. The subsequent growth in grain cartage by road has markedly increased heavy vehicle movement, magnified road maintenance costs and raised community concerns about road safety. A corresponding growth in tourism vehicle movement across the region has amplified these concerns.

The region's main ports at Thevenard, Port Lincoln, and Whyalla have functional issues that are hindering export capability and increasing export costs. These ports also do not have container capability. Mobile telephone and Internet services are either poor or unavailable in some sections of the region, which is constraining community and business functioning and the efficacy of emergency services.

These collective infrastructure issues need to be resolved because they are impeding development of the region and preventing many opportunities and strategic initiatives from being realised.

Despite these challenges, the region has abundant natural and high quality resources and abounds with opportunities to value-add to State and National prosperity. The region is highly export focussed and makes a disproportionate contribution to the South Australian economy, contributing 4.3% of Gross State Product (GSP) in 2013-14.

(Data citations are not provided in this overview as the references are fully detailed in RDAWEP planning documents).

Regional Development Impacts from the GAB Oil and Gas Activity

The extent of regional development impacts will largely depend upon the final stage of investment reached by the GAB activity. Quite clearly the extent of benefit and possible risk is directly correlated to the type and extent of activities. Therefore RDAWEP and the EPLGA have chosen to only summarise the likely economic benefits because the extent of the final investment is currently unknown. The tenement holders and their relevant contractors such as TGS, have been in regular communication with RDAWEP and the EPLGA and made themselves available to provide a brief to us and other interested regional stakeholders as and when required. BP has been particularly strong in this respect.

Population Growth and Ageing

The GAB oil and gas activity will stimulate population growth and critical mass development by attracting new workforce families the closer it proceeds to a full production scenario within the region. For instance, if a large refinery is built in the region it will require a large workforce with a range of skills and education levels. Logically this would require families that may currently be exiting the region to stay, and also attract new families to the region for direct and indirect employment and business opportunities.

However the interim exploratory activities are unlikely to significantly impact population and ageing. Maritime activities that promote the demand for skills already employed in the fishing industry, eg skipper tickets, engineering, coxswain, etc, may provide further employment opportunity, but may also create upward cost pressure to existing industry competing within the same labour pool. However these positions will have to be backfilled. This has occurred previously when a number of experienced mariners and their families exited the region to access higher wages being offered by mining and energy companies in Australia's far north. While this caused some worrying challenges to the fishing industry it did not destroy it.

Human Capital Development

Increasing the capability of the region's human capital is critical for longer term economic and workforce development. The GAB oil and gas activities will help to build the capability of the region's human capital through the provision of training opportunities linked to direct and indirect employment and business opportunities.

Resources at the Whyalla, Ceduna and Port Lincoln TAFE campuses are currently under-utilised due to the trend to centralise key training courses in Port Augusta and Adelaide, eg pre-vocational courses and mechanical apprenticeships. The resultant lack of local student numbers makes it difficult to deliver cost effective training, with the consequence that some fully equipped TAFE workshops are not being used. The GAB activity has the potential to bring educational benefits to the region by changing this trend. This will help to stem the migration of young people from the region, who presently have little alternative but to travel to Adelaide and Port Augusta to undertake some courses.

It must be highlighted that RDAWEP will support this initiative through the Eyre Peninsula Workforce Builder Program.

Business Development

The GAB activity will create opportunities for the development of business capability and diversification through direct and indirect services provision. Direct opportunities include local procurement for the provision of goods and services. Indirect opportunities will be generated by increased consumer spending in local townships from the influx of new workers and their families.

The services required may range from fuel supplies, transport and logistics, through to the provision of materials, accommodation, and consumables. Some activities to date have had a positive impact on the demand for food and accommodation, and transport services, including regional airlines and fuel sales (estimated at \$5-10 million).

Information benefitting the fishing industry discovered during ocean floor and other mapping exercises has been shared with that industry, which should assist with making this sector more robust. RDAWEP and the EPLGA are aware of locations elsewhere in the world where fishing businesses have diversified its income base through providing services to the oil industry. Similar opportunities may present here in the future. Consultation with the fishing, aquaculture and tourism industries within the region appears to be working well however our organisations will leave it to those industries to make direct representation to you about the impact of the GAB oil and gas activities on their respective industries.

Small and Medium Enterprise businesses (SMEs) are the backbone of the regional economy providing goods and services, employment and sponsorship to local communities and recreation clubs. Small business sustainability is directly related to the success of the region's major industries of agriculture, manufacturing, fishing, aquaculture, health care, mining and tourism. These industries provide most of the region's employment and many SMEs have been established to directly service them.

In 2011, the region had 5,421 businesses, with the largest proportion (2,014, 37.2%) in the agricultural and fishing sector. Most businesses (3,080, 56.8%) were owner operated, non-employing businesses. 79% of SMEs were micro-businesses employing less than 5 people.

The city of Whyalla houses significant heavy industry and manufacturing capability which could benefit greatly from potential opportunities associated with the GAB activity. This may include use of the Port of Whyalla or possibly Cape Hardy by the other tenement holders as a similar marine base to BP's use of its marine base development at Port Adelaide. Whyalla is currently facing an economic crisis caused by over reliance on a single industry base.

RDAWEP and the EPLGA recommend that any advantages or opportunities that the GAB activity can create for Whyalla industries and to assist its economy to diversify be strongly supported and pursued.

Once again, the extent of the potential impact on business development in the region is unknown at this point in time and is essentially dependent upon the nature and extent of the GAB activity yet to be undertaken.

RDAWEP will support this initiative by providing assistance to existing and new SMEs through the Eyre Peninsula Business Builder program and industry capability mapping.

Infrastructure

Power, water and freight infrastructure in the region is generally antiquated and inadequate. Economic activity that creates additional demand for port infrastructure, standard gauge rail, improved roads, increased transmission capacity and cheaper and more abundant power and water in the region is most welcome if it leads to an improvement in the provision and efficiency of the relevant infrastructure.

At this point in time not enough is known about the future infrastructure needs of the GAB activity to warrant much comment. The current activity has created demand for wharf infrastructure, fuel dumps associated with air services at Ceduna and the far west (likely to be replicated at Port Lincoln) and helicopter bases. This has resulted in investment and associated extra labour hours that would not have occurred without this activity.

RDAWEP and the EPLGA are hopeful of the possibility of the establishment of a marine base at Cape Hardy or Whyalla, similar to BP's marine base at Port Adelaide sometime in the future. This is only speculative at this point in time. If on-shore processing of oil or gas does occur, then the impact on access to capital for infrastructure provision in the region is likely to be transformational. Improvement in regional infrastructure will provide significant flow on benefits to other regional industries and to the wider community.

RDAWEP has well documented information about regional infrastructure constraints in its regional plan and various other planning documents.

SUMMARY

RDAWEP and the EPLGA have limited this submission to commenting about economic and social impacts only, and recommend that environmental considerations are best offered by stakeholder agencies, organisations and research programs with the appropriate expertise and experience. This extends to the fishing, tourism and aquaculture organisations that can offer great environmental and business insights into their respective industries.

Consultation with our organisations by the tenement holders and their representatives has been consistent, informative, accessible and positive.

GAB oil and gas activities have had a positive economic impact in the region to date. The most conspicuous economic impact has been the airport upgrade at Ceduna associated with the fuel dump and helicopter facilities. Airlines, hotels, consumable and fuel suppliers have enjoyed greater and not insubstantial sales revenue created by this activity.

RDAWEP and the EPLGA recommend that consideration be given to the establishment of marine support infrastructure within this region, in addition to the air support bases that are being established.

The extent of future economic impact is largely unknown and dependent on the findings of the exploration program and global market conditions and forecasts at that time. However if oil and gas production is developed at some time in the future, the economic impact to this region will be transformational and will remove many of our current constraints to regional development at a social and economic level.

Whyalla has heavy industry capability that should be given strong favourable consideration for any relevant contracts or opportunities to diversify its economy arising from GAB oil and gas activity in all stages of this activity.

RDAWEP and the EPLGA thank you for the opportunity to present this submission and please do not hesitate to contact either of the undersigned should you wish to obtain clarification or further information on the matters raised.

Yours sincerely

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RDA Whyalla and Eyre Peninsula Inc

Tony Irvine
Executive Officer
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