



## Fortescue Metals Group Ltd

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Committee Secretary  
Standing Committee on Infrastructure, Transport, Regional Development and Local Government  
PO Box 6021  
House of Representatives  
Parliament House  
CANBERRA ACT 2600  
AUSTRALIA

Dear Committee Secretary

Thank you for providing the opportunity to contribute to the Parliament and Government's inquiry into a new regional development funding program.

Fortescue Metals Group's continued growth as a major exporter of iron ore to China and across Asia will increasingly rely on the legislative, regulatory and policy decisions of the Federal Government.

Associated with our growth, Fortescue also recognises the Government's important involvement in the communities in which we operate which impacts directly on our employees and their day-to-day activities associated with living in Port Hedland and other local centres throughout the Pilbara.

To this end, we provide the following comments for the Committee's consideration.

As a major Australian company with significant resources, capital and personnel living and working in regional Australia, we welcome the Committee's inquiry and proposed schedule of "roundtables".

At the outset, we would suggest that the Committee expand its current schedule of public meetings to include a visit and inspection of Pilbara communities. We would be happy to assist to facilitate such a visit.

### **BACKGROUND**

Fortescue Metals Group is a Perth-based, publicly listed company on the Australian Stock Exchange (ASX:FMG). It is in the ASX Top 50 companies with a market capitalisation of over \$30 billion, and directly responsible for employing in excess of 11,000 people.

Since its formation in 2003, Fortescue has achieved significant milestones. We delivered on our resolve to be the "New Force in Iron Ore".

On Thursday May 15, 2008 Fortescue celebrated its First Ore on Ship, marking the completion of a three year, \$2.8 billion construction project of the mine, rail and port infrastructure. A regular shipping schedule is now in place and we soon expect to announce project completion which will recognise two million tonnes of ore shipped over a consecutive four week period.

The company's first mine is located at the Cloudbreak deposit, 260km SSE of Port Hedland. Operations will subsequently expand to the company's Christmas Creek and Solomon deposits.

# The New Force in Iron Ore

Fortescue's tenements cover 40,000 square kilometres in the Pilbara region. Our tenements are bigger than any other iron ore miner in Australia. While we have explored less than 15 per cent of our tenements, and we have already discovered 4.5 billion tonnes of inferred, indicated and measured resources.

Fortescue initially plans a production rate of 55 million tonnes per annum (mtpa), making us Australia's 3<sup>rd</sup> largest iron ore producer, and we have plans to expand production to 100mtpa in 2009/10 and progressively ramping up to around 200mtpa. We have sales agreements for over 100mtpa, including contracts with all of China's top 20 steel mills.

Fortescue has designed and constructed rail and port facilities to support the development and sale of the Pilbara's stranded iron ore bodies.

Fortescue's 260 kilometre open access railway is the world's heaviest haul railway in the world. Each 200 wagon train will deliver more than 30,000 tonnes of iron ore to the Herb Elliott Port in Port Hedland.

The port facility consists of train unloading, ore blending and ship loading facilities centrally located within the port.

Fortescue has a permanent workforce of more than 870 people with more than 11,000 people inducted across all sites.

## **COMMUNITY COMMITMENT**

At our core, Fortescue is committed to supporting the Pilbara region.

We aim to have a positive impact on the socio-economic development in regional Western Australia through employment, purchasing materials and services, contributing to community infrastructure and activities as well as paying rates, taxes and royalties.

We also seek to provide significant flow-on benefits to the community including financial support for the local economy and increased spending on infrastructure and services.

Immediate demonstrations of these benefits and our commitment include:

- The establishment of a Community Development Office in South Hedland;
- The establishment and operation of Fortescue's Vocational Training and Employment Centre (VTEC) Aboriginal Training program; and
- The initiation of a comprehensive housing construction program in which 250 houses will be built in the Port Hedland area for Fortescue employees.

Fortescue's VTEC runs a program designed to equip local indigenous people with the skills to gain employment in the mining sector. Graduates are guaranteed ongoing employment.

The construction of houses in Port Hedland also assists the economic and social development of Pilbara towns and communities. It is also designed to avoid, as much as possible, fly-in fly-out work practices and the social problems its creates for employees and their families.

## **REGIONAL COMMUNITY CHALLENGES**

As a major tenement holder, business, employer and community member in the Pilbara we have extensive experience and understanding of the many challenges facing this part of regional Australia.

We welcome initiatives that seek to help drive economic prosperity and growth in regional Australia, and meet the communities' needs. In particular, we welcome the Government's commitment to implement the New Regional and Local Community Infrastructure Program to deliver major investments in regional and local community, recreational and environmental infrastructure initiatives.

Our experience in the Pilbara has exposed a number of significant challenges facing these communities.

The Pilbara is not a short term quarry. It will sustain major wealth generation for Australians for hundreds of years. The Pilbara therefore can and must host long term, fully sustainable and high quality living Pilbara communities.

The skills shortage facing Australian business has been well documented. However, social infrastructure challenges in the North West of Western Australia are placing additional staff attraction and retention burdens on businesses operating in the area.

Fortescue has identified three key challenges that could be assisted by a properly targeted and implemented Regional and Local Community Infrastructure Program.

Specifically, these include:

- Inadequate land release for housing resulting in increased housing costs and limits accommodation availability for employees in construction, mining and service sectors;
- Lack of services including education, hospitals, doctors and childcare thus increasing the disincentive to live in Port Hedland even if housing was available; and
- Lack of both public and private social facilities such as coffee shops, book shops, cinemas, hotels, entertainment and sporting facilities.

Some additional facts further demonstrate some of the issues confronting the Pilbara community. The Perth median house price is \$460,000 while the Port Hedland median house price is considerably more at \$750,000.

The average rent for a three bedroom house in Port Hedland is \$1200pw and the number of rental houses advertised in Q4 2007 in Port Hedland was only 15.

Additionally, the number of community services business per 1000 persons across regional Western Australia is as follows: South West (24); Wheatbelt (21); Goldfields/Esperance (19); Peel (19); Pilbara (14)

The traditional fly-in fly-out work practices in regional communities like Port Hedland have been found to be socially destabilising, which have been linked in the past with increased rates of depression, drug and alcohol abuse and family breakdown. Several studies in the Goldfields found that fly-in fly-out workers were 50% more likely to experience marital and partnership breakdown.

## **A NEW APPROACH**

### **Program Purpose and Objective**

It is our view that the overarching purpose and objective of the new Regional Development Funding Program must be to support and encourage the sustainable development and growth of regional communities while enhancing the liveability of those communities.

The program should be targeted to supplement and complement identified regional community infrastructure and service needs with the clear identified outcome of building stronger, more sustainable and liveable communities and regions.

### Eligibility

While recognising the Parliamentary Secretary's stated preference that funding for this program not be directed to for-profit companies and organisations, it is essential that the program be designed to encourage partnerships between all levels of government, private sector organisations and communities.

Additionally, significant private sector providers should have a role to play in identifying current infrastructure shortfalls and planning future needs. Not only will this provide business investors and infrastructure providers with certainty about their future plans, it will assist governments and communities to plan for future growth and development. It will also ensure the timely delivery of infrastructure, efficiencies in service and infrastructure delivery and coordination as well as minimise duplication.

### Priority Areas

The new Program funding should provide confidence and certainty for local communities by encouraging economic and community development in the key areas of identified need. These could include such items as road, rail and transport systems; utilities; housing; employment opportunities; skills development; health services including hospitals and doctor capacity; business services, sporting and recreational facilities; communication services and welfare services.

### Additional Measures

In encouraging such community development, the Program should not simply seek to fund individual projects. It should take a more innovative approach by seeking to develop and provide incentives for other parties, particularly private sector investors, to invest in identified community development and projects. This may include measures such as public private partnerships, tax, rate or loyalty incentives or relief, faster approval processes or similar such schemes.

## CONCLUSION

Fortescue has a deep and abiding commitment to regional Australia, particularly to the Pilbara. Strong and sustainable regional communities which offer a lifestyle and social infrastructure compatible with other Australian major centres are critical for the nation's continued economic development and success.

Fortescue's success has been a testament to the opportunities available in remote and regional Australia. Despite the challenges noted above, Fortescue is working with, and investing in, our local communities to ensure our business and our people have the opportunities and services they deserve. We are committed to continuing to provide a positive socio-economic impact not just on the Pilbara, but the wider Australian community.

Again, we welcome the Committee's inquiry and encourage it to visit the Pilbara as part of its deliberations to see first-hand the regional and community development challenges and needs.

We would welcome such a visit as we would the opportunity to expand on our expertise and knowledge by way of appearing before a Committee hearing.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Rowley', with a large, stylized initial 'G'.

Graeme Rowley  
Executive Director Operations  
**FORTESCUE METALS GROUP**