

4. Region and LGA Contribution to GRP and GSP 2014-15

EconSearch Pty Ltd has prepared an economic profile of the Regional Development Australia Whyalla and Eyre Peninsula (RDAWEP) region, and the 11 member Councils of the Eyre Peninsula Local Government Association (EPLGA). The project was jointly commissioned and funded by RDAWEP and the EPLGA.

The project provides data about the economic structure of the region. This is necessary to get a better understanding of the industries that contribute to Gross Regional Product (GRP) and the region's contribution to the South Australian economy – i.e. Gross State Product (GSP).

GRP is a measure of the net contribution of an activity to the regional economy, and is measured as the value of output less the cost of goods and services. The contribution of an individual industry to GRP is calculated as the sum of household income, gross operating surplus and gross mixed income, and indirect taxes less subsidies.

Similarly, GSP is a measure of the net contribution of an activity to the South Australian economy.

These EconSearch data are for the period 2014-15, which are the latest available for the region. These data will be updated annually so that longer term economic trends can be identified.

Gross Regional Product

In 2014-15, RDAWEP GRP was estimated at approximately \$4.17 billion (\$4.166). The main industries contributing to GRP were:

- Mining – 25.9% of GRP, valued at \$1.08 billion,
- Agriculture – 14.7% of GRP, valued at \$609 million,
- Health Care and Social Assistance – 6.1%, at \$255 million,
- Construction – 5.4%, at \$225 million
- Transport, Postal and Warehousing – 5.3%, at \$221 million,
- Manufacturing – 5.2%, at \$217 million,
- Education and Training – 3.9%, at \$162 million,
- Retail Trade – 3.7%, at \$152 million, and
- Financial and Insurance Services- 3.5%, valued at \$143 million – Table 1.

Key industry sectors contributing to GRP were (in ranked order):

- Iron and Non-ferrous Ore Mining – 17.9% of GRP, valued at \$747 million,
- Grain production – 10.6%, at \$443 million,
- Exploration and Mining Services – 5.4%, at \$224 million,
- Finance – 3.1%, at \$128 million,
- Iron and Steel Manufacturing – 3.1%, at \$127 million,
- Road Transport – 2.9%, at \$119 million,
- Construction Services – 2.7%, at \$111 million,
- Public Administration and Regulatory Services – 2.0% of GRP, valued at \$82 million, and
- Residential Building Construction – 1.9%, valued at \$79 million – see Table 1.

The aquaculture industry contributed 2.3% of GRP valued at \$96 million; and Fishing, Hunting and Trapping contributed 1.4%, valued at \$57 million.

INDUSTRY	INDUSTRY SECTOR	GRP	
		(\$m)	(%)
Agriculture	Sheep	108	2.6
	Grains	443	10.6
	Beef Cattle	37	0.9
	Dairy Cattle	0	0.0
	Poultry	0	0.0
	Pigs	0	0.0
	Other Livestock	0	0.0
	Wine grapes	0	0.0
	Vegetables	0	0.0
	Fruit and Nuts	1	0.0
	Other Agriculture	2	0.1
	Forestry and Logging	2	0.1
	Agriculture, Forestry and Fishing Services	16	0.4
	Sub-total	609	14.7
Aquaculture	Aquaculture	96	2.3
Fishing	Fishing, Hunting and Trapping	57	1.4
Mining	Coal Mining	1	0.0
	Oil and Gas Extraction	76	1.8
	Iron and Non-ferrous Ore Mining	747	17.9
	Non-metallic Mineral Mining	33	0.8
	Exploration and Mining Services	224	5.4
	Sub-total	1,081	25.9
Manufacturing	Meat and Meat Products	1	0.0
	Processed Seafood Products	24	0.6
	Dairy Products	0	0.0
	Fruit and Vegetable Products	4	0.1
	Oils and Fats Manufacturing	1	0.0
	Grain Mill and Cereal Products	1	0.0
	Other Food Products	13	0.3
	Other Beverages	0	0.0
	Beer	0	0.0
	Wine and Spirits	1	0.0
	Textiles, Clothing and Footwear	0	0.0
	Sawmill Products	0	0.0
	Other Wood Products	2	0.1
	Pulp, Paper and Paperboard	0	0.0
	Paper Products	0	0.0
	Printing (including Recordings)	0	0.0
	Petroleum and Coal products	1	0.0
	Pharma and Other Chemical Products	7	0.2
	Non-metal Mineral Products	8	0.2
	Iron and Steel	127	3.1
	Basic Non-ferrous Metals	1	0.0
	Metal Products	13	0.3
	Motor Vehicles and Parts	1	0.0
	Other Machinery and Equipment	11	0.3
	Furniture Manufacturing	1	0.0
	Other Manufactured Products	0	0.0
	Sub-total	217	5.2

Table 1: RDAWEP Regional GRP by Industry and Sector 2014-15 (Cont'd over page).

INDUSTRY	INDUSTRY SECTOR	GRP	
		(\$m)	(%)
Electricity, Gas, Water and Waste Services	Electricity Generation	0	0.0
	Electricity Supply	8	0.2
	Gas Supply	1	0.0
	Water Supply, Sewer and Drainage	24	0.6
	Waste management Services	9	0.2
	Sub-total	42	1.0
Construction	Residential Building Construction	79	1.9
	Other Construction	35	0.8
	Construction Services	111	2.7
	Sub-total	225	5.4
Wholesale Trade	Wholesale Trade	99	2.4
Retail Trade	Retail Trade	152	3.7
Accommodation and Food Services	Accommodation	44	1.1
	Food and Beverage Services	50	1.2
	Sub-total	94	2.3
Transport, Postal and Warehousing	Road Transport	119	2.9
	Rail Transport	15	0.4
	Water, Pipeline and Other Transport	10	0.2
	Air and Space Transport	2	0.0
	Transport Support and Storage	75	1.8
	Sub-total	221	5.3
Information, Media and Telecommunications	Publishing (excluding Web and Music)	4	0.1
	Communication Services	7	0.2
	Sub-total	11	0.3
Finance and Insurance	Finance	128	3.1
	Insurance and Other Financial Services	15	0.4
	Sub-total	143	3.5
Rental, Hiring and Real Estate	Rental, Hiring and Real Estate	51	1.2
Ownership of Dwellings	Ownership of Dwellings	185	4.4
Professional, Scientific and Technical Services	Professional, Scientific and Technical Services	68	1.6
Administration Support Services	Administration Support Services	41	1.0
Public Administration and Safety	Public Administration and Regulatory Services	82	2.0
	Defence	0	0.0
	Public Order and Safety	28	0.7
	Sub-total	110	2.7
Education and Training	Education and Training	162	3.9
Health Care and Social Assistance	Health and Community Services	255	6.1
Arts and Recreational Services	Cultural and Recreational Services	12	0.3
Other Services	Personal and Other Services	64	1.5
	Net Taxes in Final Demand	170	4.1
TOTAL GRP¹		4,165	100.0

¹Variations in totals from other data tables are caused by rounding.

Table 1: RDAWEP Regional GRP by Industry and Sector 2014 -15.

LOCAL GOVERNMENT AREA	TOP INDUSTRIES CONTRIBUTING TO GRP BY LGA 2014-15									Total GRP Contribution All Industries in LGA (\$m)	LGA Contribution to GRP %
	Mining (\$m)	Agriculture (\$m)	Construction (\$m)	Health Care and Social Assistance (\$m)	Manufacturing (\$m)	Transport, Postal and Warehousing (\$m)	Education and Training (\$m)	Retail Trade (\$m)	Financial and Insurance Services (\$m)		
Whyalla	916	0	86	101	143	75	67	57	55	1,825	43.8
Port Lincoln	11	10	77	81	60	64	46	53	52	852	20.5
Ceduna	48	40	17	23	2	35	16	11	4	291	7.0
Cleve	0	74	7	9	0	13	4	6	5	150	3.6
Elliston	0	74	2	4	0	3	3	2	0	107	2.6
Franklin Harbour	20	28	4	3	2	2	3	2	1	93	2.2
Kimba	0	69	6	4	1	5	2	3	7	116	2.8
Lower Eyre Pen.	4	105	7	8	5	11	6	6	8	252	6.0
Streaky Bay	0	60	4	7	1	7	5	5	3	126	3.0
Tumby Bay	73	88	9	8	3	3	6	5	4	233	5.6
Wudinna	7	63	6	6	1	3	5	3	4	120	2.9
REGION	1,080	611	224	255	218	221	162	152	143	4,166	100.00

Table 2: Top Industry Contributors to GRP by LGA 2014-15.

Council Contribution to GRP

In 2014-15, the City of Whyalla contributed 43.8% of GRP, valued at \$1.825 billion – see **Table 2**. The main contributing industries and sectors were:

- Iron and Non-ferrous ore Mining – 35.5% of Whyalla's GRP, valued at \$648 million,
- Exploration and Mining Services – 10.4%, at \$190 million,
- Iron and Steel manufacturing – 6.3%, at \$115 million,
- Health Care and Social Assistance – 5.5%, at \$101 million, and
- Oil and Gas Extraction – 3.8% of Whyalla's GRP, valued at \$70 million (EconSearch, *City of Whyalla, 78-industry Level GRP Data*).

The City of Port Lincoln was the second main contributor, with 20.5% of GRP, valued at \$852 million. The main contributing industries and sectors in Port Lincoln were:

- Health Care and Social Assistance – 9.5% of Council GRP, valued at \$81 million,
- Construction – 9.0% of GRP at \$77 million,
- Transport, Postal and Warehousing – 7.5% at \$64 million,
- Manufacturing – 7.1% at \$60 million, and
- Retail Trade – 6.2% of Council GRP, valued at \$53 million (EconSearch, *City of Port Lincoln, 78-industry Level GRP Data*).

Ceduna (7.0% of GRP, at \$291 million) and Lower Eyre Peninsula (6.0% of GRP, valued at \$252 million) were the other main Council contributors to GRP.

Iron and non-ferrous ore mining was the main contributing industry sector in Ceduna (11.0% of Council GRP, valued at \$32 million); followed by health and community services (8.0% at \$23 million) and road transport (7.2% of Council GRP, valued at \$21 million).

Grain production was the main contributing industry sector in Lower Eyre Peninsula (29.9% of Council GRP, valued at \$75 million); followed by aquaculture (10.1% at \$25 million), and sheep (7.1% of Council GRP contribution valued at \$18 million) – see individual Council 78-industry level EconSearch data tables.

Contribution to Gross State Product

In 2014-15, South Australia's GSP was valued at \$98.6 billion. Regional GRP was valued at approximately \$4.2 billion, which means that the RDAWEP region accounted for approximately 4.2% of the State economy.

On a per capita basis, given that the RDAWEP regional population is approximately 3.5% of the State population, the region is exceeding its fair contribution to the State economy. The same applies on a per capita basis for The City of Whyalla (1.9% of GSP); and the District Councils of Ceduna (0.3%) and Tumby Bay (0.3%). The City of Port Lincoln and the other EPLGA Councils generally matched their per capita contribution to GSP – **Table 3**.

A per capita analysis of Council contribution to the region's GRP shows that Kimba was the main Council contributor providing \$106,617 per person; followed by Elliston (\$102,294), Wudinna (\$95,770), Tumby Bay (\$90,100), Cleve (\$86,555), and Ceduna (\$86,555). The larger population centres of Whyalla, Port Lincoln and Lower Eyre Peninsula made smaller per capita contributions by comparison – see **Table 3**.

However, a per capita analysis undersells the importance of the region's contribution to the State economy, which needs to be put into context. One of the State Government's key economic priorities is the *production of premium food and wine from our clean environment exported to the world*. This is an important brand SA platform for promoting South Australia internationally, and is a driving force for developing new export markets in Asia. This State Government economic priority is very much reliant

on the RDAWEP region because the Eyre Peninsula produces and exports most of South Australia's premium food product.

- **Agriculture Industry:** The region is renowned for its high quality grains, and on average produces 40% of the State's wheat crop, 24% of the barley drop, and 22% of canola. Approximately 97% of the region's grain crop is exported, and was valued at \$643 million in 2013-14.
- **Fishing and Aquaculture:** The region is renowned internationally for its premium seafood. On average, the region produces 100% of South Australia's Southern Bluefin Tuna (with approximately 99% of tuna exported to Japan): along with 100% of the State's marine finfish, 97% of oysters, 92% of mussels, and about 62% of the State's abalone production. In total, approximately 82% of South Australia's seafood product is exported from the RDAWEP region. (Regions SA, *Regions in Focus: Whyalla and Eyre Peninsula*, July 2015).

COUNCIL AREA	Population ¹	% of Regional Population	% of State Population	Contribution to GRP (\$m)	Contribution to GRP (%)	Contribution to GSP* (%)	Per Capita Council Contribution to GRP
Whyalla	22,088	39.2	1.38	1,825	43.8	1.9	82,624
Port Lincoln	14,086	25.0	0.88	852	20.5	0.9	60,485
Ceduna	3,480	6.2	0.22	291	7.0	0.3	83,620
Cleve	1,733	3.1	0.11	150	3.6	0.2	86,555
Elliston	1,046	1.9	0.06	107	2.6	0.1	102,294
Franklin Harbour	1,273	2.3	0.08	93	2.2	0.1	73,055
Kimba	1,088	1.9	0.07	116	2.8	0.1	106,617
Lower Eyre Pen.	4,916	8.7	0.31	252	6.0	0.3	51,261
Streaky Bay	2,102	3.7	0.13	126	3.0	0.1	59,942
Tumby Bay	2,586	4.6	0.16	233	5.6	0.2	90,100
Wudinna	1,253	2.2	0.08	120	2.9	0.1	95,770
Other ²	745	1.3	0.05	N/A	N/A	N/A	N/A
REGION	56,396	100.0	3.53	4,166	100.0	4.2	

¹ Population from ABS 2011 Census. ² Includes Unincorporated West Coast, Maralinga Tjarutja, Yalata Community, and Nullarbor Regional Reserve Land.

* In 2014-15 South Australia's Gross State Product was \$98.6 billion.

Table 3: Contribution to Gross Regional Product (GRP) and Gross State Product (GSP) by LGA 2014-15.

Other State Government economic priorities are to *unlock the full potential of South Australia's resources*, and to enhance South Australia's prosperity by *promoting international connections and engagement* to increase State exports. The RDAWEP region produces approximately 45% of GSP for iron and steel manufacturing, which highlights the importance of Whyalla to the State economy.

In summary, the RDAWEP region might only contribute 4.2% of GSP, however the growth and sustainability of Whyalla and the Eyre Peninsula are vital to the achievement of key State Government economic priorities.

City of Whyalla Contribution to GRP

These data indicate that the City of Whyalla was the main regional contributor to GRP and GSP in 2014-15. However, these data need to be put into context and be treated with considerable caution.

Whyalla's economic activity was primarily generated by two industries – mining (\$916 million) and manufacturing (\$143 million). The key contributing sectors within these industries in 2014-15 were:

- Iron and Non-ferrous ore mining - \$648 million (35.5% of Whyalla's GRP contribution),
- Exploration and Mining Services - \$190 million (10.4% of GRP), and
- Iron and Steel Manufacturing - \$115 million (6.3% of Whyalla's GRP).

However, it needs to be noted that Whyalla's reliance on iron ore mining and steel manufacturing makes its economy extremely vulnerable to commodity price fluctuations.

During 2013-14, the commodity price of iron ore rose to \$US152.76 per tonne in February 2013, before dropping to \$US123.94 per tonne in May. The iron ore price then declined further, reaching \$US98.50 in May 2014, and less than \$US40.00 per tonne in 2015. Further decline in the iron commodity continued in 2016 due to a slowdown in Chinese steel production. (*The Australian, Business Review*, Miners brace as prices tumble, Thursday April 2, 2015, p.19).

The signs are apparent in comparative GRP data for Whyalla, which shows mining GRP falling from \$958 million in 2013-14 to \$916 million in 2014-15; with a similar decline in iron and non-ferrous ore mining GRP in the same period – **Table 4**.

WHYALLA INDUSTRY/SECTOR	GRP 2012-13		GRP 2013-14		GRP 2014-15	
	\$m	%	\$m	%	\$m	%
Mining	410	28.6	958	50.8	916	50.2
Iron and Non-ferrous Ore Mining	296	20.6	764	40.5	648	35.5
Exploration and Mining Services	83	5.8	120	6.4	190	10.4
Manufacturing	213	14.8	149	7.9	143	7.8
Iron and Steel Manufacturing	181	12.6	117	6.2	115	6.3
TOTAL Whyalla GRP	1,435	100.0	1,886	100.0	1,825	100.0

Table 4: Whyalla, Key GRP Producing Sectors 2012-13, 2013-14 and 2014-15.

The impact of these lower commodity prices on the Whyalla economy is also evidenced by the reduction of Arrium's workforce during 2015; with 580 jobs lost from its Whyalla workforce in January, and 200 jobs and 50 contractors cut in November. (*Whyalla News*, Jobs to go as Arrium closes SA mine, and Hughes: We are still strong, Tuesday, January 27, 2015, pp.1 and 4; and *ABC News*, Whyalla Steelworks: OneSteel to cut another 250 jobs, 16th November 2015).

It is consequently anticipated that Whyalla's level of contribution to GRP and GSP will be considerably less in 2015-16 when iron ore prices were very low.

Changes to GRP and GSP Contribution in the Period 2012-13 to 2014-15

In 2012-13, the region's GRP was \$3.455 billion, which accounted for approximately 3.6% of GSP. In 2013-14, GRP was estimated at \$4.185 billion, providing about 4.3% of GSP.

This increase can mainly be attributed to high levels of mining exploration activity on the Eyre Peninsula by companies such as Centrex Metals/Eyre Iron (for the Fusion Joint Venture); Iron Road Limited (for the Central Eyre Iron Project); and graphite exploration by Valence Industries, Lincoln Minerals and Archer Exploration Limited – **Table 4**.

It should also be noted that, in August 2013, Arrium announced the reinvestment of \$165 million to mine additional iron ore reserves identified at Iron Knob; and a \$200 million upgrade to enhance the export capacity of Arrium's Whyalla port (to a target of 12 million tonnes per annum) was opened in July 2013. The loading of Cape-class vessels commenced in February 2013, but grew to a record 195,000 tonnes of iron ore being loaded on the *Cape Kallia* in November.

The consequence was that the region's iron and non-ferrous ore mining sector grew from \$381 million and 11.0% of GRP in 2012-13 to \$987 million and 23.5% of GRP in 2013-14, before declining in 2014-15 – **Table 5**.

Agriculture; transport, postal and warehousing; and health care and social assistance recorded steady GRP growth during 2012-2015, whereas the GRP of other industries fluctuated across the three years.

INDUSTRY/SECTOR	GRP 2012-13		GRP 2013-14		GRP 2014-15	
	\$m	%	\$m	%	\$m	%
Mining	522	15.1	1,224	29.2	1,080	18.6
Iron and Non-ferrous Ore Mining	381	11.0	987	23.5	747	17.9
Agriculture	459	13.2	502	12.0	609	14.7
Construction	222	6.4	251	6.0	224	5.4
Transport, Postal and Warehousing	182	5.3	202	4.8	221	5.3
Financial and Insurance Services	121	3.5	150	3.6	143	3.4
Health Care and Social Assistance	236	6.8	241	5.8	255	6.1
Manufacturing	282	8.1	229	5.5	218	5.2
Education and Training	165	4.8	162	3.9	162	3.9
Retail Trade	152	4.4	150	3.6	152	3.7
TOTAL GRP	3,455	100.0	4,185	100.0	4,166	100.0

Table 5: RDAWEP Region, Gross Regional Product 2012-13, 2013-14 and 2014-15.