

## Region and LGA Contribution to GRP and GSP 2013-14

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 to aid understanding of the composition and 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 data are provided for the RDAWEP region as a whole, and for each of the 11 member Councils of the EPLGA.

The EconSearch data are for the period 2013-14 which are the latest available for the region. These data will be updated annually from 2015 so that longer term economic trends can be identified.

### Gross Regional Product

In 2013-14, RDAWEP GRP was estimated at approximately \$4.2 billion (\$4.195). The main GRP contributing industries were:

- Mining – 29.2% of GRP, valued at \$1.22 billion,
- Agriculture – 12.0% of GRP, valued at \$502 million,
- Construction – 6.0%, at \$251 million
- Health Care and Social Assistance – 5.8%, at \$241 million,
- Manufacturing – 5.5%, at \$229 million,
- Transport, Postal and Warehousing – 4.8%, at \$202 million,
- Education and Training – 3.9%, at \$162 million,
- Retail Trade – 3.6%, at \$150 million, and
- Financial and Insurance Services- 3.6%, valued at \$150 million – **Table 1**.

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

- Iron and Non-ferrous Ore Mining – 23.5% of GRP, valued at \$987 million,
- Grain Production – 8.7%, at \$366 million,
- Exploration and Mining Services – 3.4%, at \$144 million,
- Finance – 3.2%, at \$134 million,
- Iron and Steel Manufacturing – 3.2%, at \$133 million,
- Construction Services – 2.9%, at \$121 million,
- Public Administration and Regulatory Services – 2.7% of GRP, valued at \$113 million,
- Road Transport – 2.6%, at \$108 million, and
- Residential Building Construction – 2.1%, valued at \$90 million – see **Table 1**.

The aquaculture industry contributed 2.2% of GRP valued at \$91 million; and Fishing, Hunting and Trapping contributed 0.8%, valued at \$35 million.

## Council Contribution to GRP

In 2013-14, the City of Whyalla contributed 44.9% of GRP, valued at \$1.886 billion. The main contributing industries and sectors in Whyalla were:

- Iron and Non-ferrous ore Mining – 40.5% of Whyalla's GRP contribution, valued at \$764 million,
- Exploration and Mining Services – 6.4%, at \$120 million,
- Iron and Steel manufacturing – 6.2% of Council GRP, at \$117 million,
- Health Care and Social Assistance – 5.1%, at \$96 million, and
- Oil and Gas Extraction – 3.7% of Whyalla's GRP contribution, valued at \$69 million – see **Table 2** and EconSearch, City of Whyalla, 78-industry Level GRP Data.

The City of Port Lincoln was the second main contributor, with 19.7% of GRP, valued at \$828 million. The main contributing industries and sectors were:

- Health Care and Social Assistance – 9.2%, valued at \$76 million,
- Retail Trade – 6.2% of Council GRP, \$51 million,
- Finance – 5.7%, \$47 million,
- Education and Training – 5.5%, \$46 million, and
- Residential Building Construction – 5.4%, at \$45 million – see **Table 2** and EconSearch, City of Port Lincoln, 78-industry Level GRP Data.

Tumby Bay (7.0% of GRP, valued at \$296 million) and Ceduna (6.7% of GRP, at \$282 million) were the other main Council contributors to GRP.

Iron and non-ferrous ore mining was the main contributing industry sector in Tumby Bay (49.3% of Council GRP, valued at \$146 million); followed by grain production (17.1% at \$50 million), and sheep (4.9% of Council GRP contribution valued at \$14 million).

Iron and non-ferrous ore mining was also the main contributing industry sector in Ceduna (10.5% of Council GRP, valued at \$30 million); followed by grain production (8.7%, at \$25 million), and road transport and health and community services, each providing 7.7% of Council GRP, valued at \$22 million – see **Table 2** and individual Council 78-industry level EconSearch data tables).

## Contribution to Gross State Product

In 2013-14, South Australia's GSP was valued at \$97 billion. Regional GRP was valued at approximately \$4.2 billion, which means that the RDAWP region accounted for approximately 4.3% of the State economy.

On a per capita basis, given that the RDAWP 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.

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 RDAWP 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 crop, 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 RDAWP region. (Regions SA, *Regions in Focus: Whyalla and Eyre Peninsula*, July 2015).

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 RDAWP region produces 45% of GSP for iron and steel manufacturing, which highlights the importance of Whyalla to the State economy.

In summary, the RDAWP region might only contribute 4.3% 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 2013-14. 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 (\$958 million) and manufacturing (\$149 million). The key contributing sectors within these industries were:


- Iron and Non-ferrous ore mining - \$764 million (40.5% of Whyalla's GRP contribution), and
- Iron and Steel Manufacturing - \$117 million (6.2% of Whyalla's GRP contribution).

It needs to be noted that these data are for 2013-14, and during this period 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, reaching \$US98.50 in May 2014, and less than \$US40.00 per tonne in 2015.

These price benchmarks are for ore containing 62% iron, and the recent fall in commodity prices are more severe for lower grade ore – e.g. ore with 58% iron. In March 2015, ore at 58% iron fell to \$US43.20 per tonne, and the industry was anticipating further decline due to slowdown in Chinese steel production. (*The Australian, Business Review*, Miners brace as prices tumble, Thursday April 2, 2015, p.19).

The quality of the ore being mined by Arrium averages about 59% iron (59.6% in the December 2014 quarter, and 59.1% in the March 2015 quarter), so Arrium received approximately \$US3 per tonne less for each percentage point below the market price benchmark – i.e. about \$US9 per tonne. (*Australian Bulk Handling Review*, Mines questioned as Arrium loses \$9 a tonne, April 22, 2015).

The impact of these lower commodity prices on the Whyalla economy is 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, 16<sup>th</sup> November 2015).



In short, Whyalla's reliance on iron ore mining and steel manufacturing makes its economy extremely vulnerable to commodity price fluctuations. It is therefore anticipated that Whyalla's level of contribution to GRP and GSP will be considerably less in 2014-15 when iron ore prices were very low.

Similarly, the economies of LGAs which substantially rely on agricultural production are vulnerable to the impacts of climate change, fluctuating grain and meat commodity prices, and drought.

RDAWEP and the EPLGA has commissioned EconSearch to produce economic data annually from 2015. This will enable longer term trend analyses to be undertaken, and provide better information about the nature and resilience of the regional economy.

INDUSTRY	INDUSTRY SECTOR	GRP	
		(\$m)	(%)
<b>Agriculture</b>	Sheep	82	2.0
	Grains	366	8.7
	Beef Cattle	29	0.7
	Poultry	2	0.0
	Pigs	2	0.1
	Wine grapes	0	0.0
	Vegetables	3	0.1
	Fruit and Nuts	1	0.0
	Other Agriculture	1	0.0
	Forestry and Logging	2	0.0
	Agriculture, Forestry and Fishing Services	13	0.3
	<b>Agriculture Sub-total</b>	<b>502</b>	<b>12.0</b>
<b>Aquaculture</b>	Aquaculture	91	2.2
<b>Fishing</b>	Fishing, Hunting and Trapping	35	0.8
<b>Mining</b>	Coal Mining	0	0.0
	Oil and Gas Extraction	74	1.8
	Iron and Non-ferrous Ore Mining	987	23.5
	Non-metallic Mineral Mining	19	0.4
	Exploration and Mining Services	144	3.4
	<b>Mining Sub-total</b>	<b>1,224</b>	<b>29.2</b>
<b>Manufacturing</b>	Meat and Meat Products	1	0.0
	Processed Seafood Products	25	0.6
	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	14	0.3
	Wine and Spirits	1	0.0
	Textiles, Clothing and Footwear	0	0.0
	Other Wood Products	2	0.1
	Printing (including Recordings)	1	0.0
	Petroleum and Coal products	1	0.0
	Pharma and Other Chemical Products	8	0.2
	Non-metal Mineral Products	8	0.2
	Iron and Steel	133	3.2
	Basic Non-ferrous Metals	1	0.0
	Metal Products	13	0.3
	Motor Vehicles and Parts	1	0.0
	Other Machinery and Equipment	12	0.3
	Furniture Making	1	0.0
	<b>Manufacturing Sub-total</b>	<b>229</b>	<b>5.5</b>
<b>Electricity, Gas, Water and Waste Services</b>	Electricity Supply	6	0.1
	Gas Supply	1	0.0
	Water Supply, Sewer and Drainage	17	0.4
	Waste management Services	6	0.1
	<b>Utilities Total</b>	<b>30</b>	<b>0.6</b>

Table 1: RDAWEP Regional GRP by Industry and Sector 2013-14 (Cont'd over page).

INDUSTRY	INDUSTRY SECTOR	GRP	
		(\$m)	(%)
<b>Construction</b>	Residential Building Construction	90	2.1
	Other Construction	40	0.9
	Construction Services	121	2.9
	<b>Construction Sub-total</b>	<b>251</b>	<b>6.0</b>
<b>Wholesale Trade</b>	Wholesale Trade	101	2.4
<b>Retail Trade</b>	Retail Trade	150	3.6
<b>Accommodation and Food Services</b>	Accommodation	42	1.0
	Food and Beverage Services	49	1.2
	<b>Accommodation and Food Sub-total</b>	<b>91</b>	<b>2.2</b>
<b>Transport, Postal and Warehousing</b>	Road Transport	108	2.6
	Rail Transport	15	0.4
	Water, Pipeline and Other Transport	9	0.2
	Air and Space Transport	2	0.0
	Transport Support and Storage	68	1.6
	<b>Transport and Warehousing Sub-total</b>	<b>202</b>	<b>4.8</b>
<b>Information, Media and Telecommunications</b>	Publishing (excluding Web and Music)	4	0.1
	Communication Services	9	0.2
	<b>Information and Telecommunications Sub-total</b>	<b>13</b>	<b>0.3</b>
<b>Finance and Insurance</b>	Finance	134	3.2
	Insurance and Other Financial Services	16	0.4
	<b>Finance and Insurance Sub-total</b>	<b>150</b>	<b>3.6</b>
<b>Rental Hiring and Real Estate Services</b>	Rental, Hiring and Real Estate	51	1.2
<b>Ownership of Dwellings</b>	Ownership of Dwellings	177	4.2
<b>Professional, Scientific and Technical Services</b>	Professional, Scientific and Technical Services	76	1.8
<b>Administrative and Support Services</b>	Administrative and Support Services	57	1.4
<b>Public Administration and Regulatory Services</b>	Public Administration and Regulatory Services	85	2.0
	Public Order and Safety	28	0.7
	<b>Public Administration Sub-total</b>	<b>113</b>	<b>2.7</b>
<b>Education and Training</b>	Education and Training	162	3.9
<b>Health Care and Social Assistance</b>	Health and Community Services	241	5.8
<b>Cultural and Recreational Services</b>	Cultural and Recreational Services	10	0.2
<b>Personal and Other Services</b>	Personal and Other Services	61	1.5
Net Taxes in Final Demand		182	4.3
<b>GROSS REGIONAL PRODUCT</b>		<b>4,195</b>	<b>100.0</b>

Table 1: RDAWEP Regional GRP by Industry and Sector 2013-14 (Cont'd).

PLEASE NOTE: Slight variations in the totals for some industries are due to rounding.

LOCAL GOVERNMENT AREA	TOP INDUSTRIES CONTRIBUTING TO GRP BY LGA 2013-14									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	958	1	97	96	149	69	67	57	56	1,886	44.9
Port Lincoln	7	10	84	76	67	59	46	51	53	828	19.7
Ceduna	41	34	22	22	2	32	16	11	4	282	6.7
Cleve	0	60	6	8	0	10	4	5	7	133	3.2
Elliston	0	61	0	4	0	2	3	2	0	92	2.2
Franklin Harbour	60	22	4	3	0	0	3	2	2	125	3.0
Kimba	0	56	8	4	1	3	2	3	7	104	2.5
Lower Eyre Pen.	0	84	9	7	4	12	6	6	9	224	5.3
Streaky Bay	0	47	6	7	1	7	5	5	3	115	2.7
Tumby Bay	152	69	11	8	4	4	5	5	5	296	7.0
Wudinna	6	53	3	7	0	3	4	3	5	110	2.6
<b>REGION</b>	<b>1,224</b>	<b>502</b>	<b>251</b>	<b>241</b>	<b>229</b>	<b>202</b>	<b>162</b>	<b>150</b>	<b>150</b>	<b>4,195</b>	<b>100.00</b>

Table 2: Top Contributors to GRP by Industry and LGA 2013-14.

COUNCIL AREA	Population <sup>1</sup>	% of Regional Population	% of State Population	Contribution to GRP (\$m)	Contribution to GRP (%)	Contribution to GSP* (%)
Whyalla	22,088	39.2	1.38	1,886	44.9	1.9
Port Lincoln	14,086	25.0	0.88	828	19.7	0.9
Ceduna	3,480	6.2	0.22	282	6.7	0.3
Cleve	1,733	3.1	0.11	133	3.2	0.1
Elliston	1,046	1.9	0.06	92	2.2	0.1
Franklin Harbour	1,273	2.3	0.08	125	3.0	0.1
Kimba	1,088	1.9	0.07	104	2.5	0.1
Lower Eyre Pen.	4,916	8.7	0.31	224	5.3	0.2
Streaky Bay	2,102	3.7	0.13	115	2.7	0.1
Tumby Bay	2,586	4.6	0.16	296	7.0	0.3
Wudinna	1,253	2.2	0.08	110	2.6	0.1
Other <sup>2</sup>	745	1.3	0.05	-	-	-
<b>REGION</b>	<b>56,396</b>	<b>100.0</b>	<b>3.53</b>	<b>4,195</b>	<b>100.0</b>	<b>4.3</b>

**Table 3: Contribution to Gross Regional Product (GRP) and Gross State Product (GSP) by LGA 2013-14.**

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

\* In 2013-14 South Australia's Gross State Product was \$97.0 billion.

### ***Changes to GRP and GSP Contribution in the Period 2012-13 to 2013-14***

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 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 – **Table 4**.

The value of GRP also increased for agriculture (by \$43 million); construction (\$29 million); financial and insurance services (\$29 million); transport, postal and warehousing (\$20 million); and health care and social assistance (\$5 million).

There was a decline of \$53 million in the GRP of the manufacturing industry; and slight declines in education and training, and retail trade.



INDUSTRY/SECTOR	GRP 2012-13		GRP 2013-14	
	\$m	%	\$m	%
Mining	522	15.1	1,224	29.2
Iron and Non-ferrous Ore Mining	381	11.0	987	23.5
Agriculture	459	13.2	502	12.0
Construction	222	6.4	251	6.0
Transport, Postal and Warehousing	182	5.3	202	4.8
Financial and Insurance Services	121	3.5	150	3.6
Health Care and Social Assistance	236	6.8	241	5.8
Manufacturing	282	8.1	229	5.5
Education and Training	165	4.8	162	3.9
Retail Trade	152	4.4	150	3.6

**Table 4: Gross Regional Product 2012-13 and 2014-14.**