



Eyre Peninsula Local Government Association

Submission in response to the Draft Inquiry Report of the Essential Services Commission of SA into Reform Options for SA's Drinking Water

THE EYREPENINSULA REGION

The area is a coastal and rural environment with approximately one third of South Australia's coastline stretching over 2,000 kilometres. The landscape features a rugged and relatively undeveloped coastline, particularly on the western side of the Eyre Peninsula. The coastal and marine environment includes marine and conservation parks and encompasses approximately 250 islands ranging in size from about 180 to 40,000 square metres.



A large proportion of the region has been cleared for agricultural production; but significant areas of native vegetation remain.

Population and Local Government

The region has eleven Local Government Authorities (LGA's) as well as remote unincorporated areas of the state serviced by the Outback Communities Authority.

In 2011 the regional population of 55,651 comprised 3.5% of the South Australian population. The eleven LGA's which collectively occupy 43,778.6km². Most of the population (64.1% or 36,174 people) lives in the regional cities of Whyalla and Port Lincoln.

LOCAL GOVERNMENT AREA	LAND AREA		POPULATION	
	Km ²	% of Region	No.	% of Region
Whyalla	1,032.5	0.44	22,088	39.16
Port Lincoln	30.4	0.01	14,086	24.98
Ceduna	5,427.1	2.33	3,480	6.17
Cleve	4,506.7	1.94	1,733	3.07
Elliston	6,500.0	2.79	1,046	1.85
Franklin Harbour	3,283.0	1.41	1,273	2.26
Kimba	3,986.2	1.71	1,088	1.93
Lower Eyre Peninsula	4,771.0	2.05	4,916	8.72
Streaky Bay	6,232.0	2.68	2,102	3.73
Tumby Bay	2,615.9	1.12	2,586	4.58
Wudinna	5,393.8	2.32	1,253	2.22
Collective Local Government (11 LGA's)	43,778.6	18.8	55,651	98.7

RDAWP Local Government Land Areas and Population 2011.

Since 2001, the regional population has grown by 4.5% but this is not consistent across the region as a whole. The District Councils of Elliston, Wudinna and Kimba experienced population decline of -15.2%, -13.7% and -8.5% respectively, but the District Council of Lower Eyre Peninsula experienced growth of 17.2%. Population growth was also experienced in the coastal Councils of Streaky Bay, Tumby Bay and Port Lincoln.

The demographic change is caused by several factors, with the desire for a sea change lifestyle being a key reason. Streaky Bay and Tumby Bay are very desirable coastal locations and new estate developments have been established to cater for growing housing demand, notably by retirees from the agricultural sector. Population growth in the District Council of Lower Eyre Peninsula stems from several locational and lifestyle advantages including numerous coastal townships and proximity to the regional city of Port Lincoln and Port Lincoln Airport.

Kimba and Wudinna are the only Councils without a coastline and this impacts their appeal and tourism development potential.

Population Ageing

The regional population is ageing. In 2011, the region's median age was 39, an increase from 38 in 2006. People aged 65 years and over comprised 15.5% of the regional population, which is above the 14.0% rate for Australia, but below the rate of 16.2% for South Australia.

PEOPLE 65 YEARS OF AGE AND OVER	Region	%	South Australia	%	Australia	%
2006 ABS Census	7,758	14.3	233,127	15.4	2,644,374	13.3
2006 Median Age	38		39		37	
2011 ABS Census	8,727	15.5	257,551	16.2	3,012,289	14.0
2011 Median Age	39		39		37	

People 65 Years of Age and Over. (ABS Census 2006 & 2011).

The population 65 years and over grew by 1.2% from 2006, exceeding the growth rate of 0.8% for South Australia and 0.7% for Australia.

Almost half of the regional population (49.6%) was 40 years of age and over in 2011 with 21.5% over 60 years of age. The District Council of Tumby Bay has the oldest population profile with 60.1% over the age of 40 and 32.1% over 60 years of age. Similar results for the over 40 age sector were recorded for Kimba (55.9%), Franklin Harbour (55.7%), Cleve (55.3%) and Elliston (54.5%).

Conversely, young people 15-24 years of age comprise the smallest sector of the regional population at 12.1% and this is consistent in all local government areas.

Tumby Bay (8.0%), Kimba (8.5%), Cleve (9.1%), Wudinna (9.3%) and Streaky Bay (9.9%) have the smallest proportion of 15-24 year olds, whereas Whyalla (13.4%), Port Lincoln (13.2%) and Ceduna (12.4%) are the only areas where the 15-24 aged sector exceeds the regional average.

Projections indicate that South Australia's population aged 65 and over will increase to 22.6% in 2020 and to 25.7% by 2030. It is also known that approximately 30% of young people leave the region each year for employment and study in metropolitan Adelaide. The combination of a growing aged sector and diminishing numbers of young people is not sustainable and has serious implications for future workforce provision.

Retirements will diminish the labour force of skilled and experienced labour and create employment openings for young people. It is estimated that over 11,000 workers (about 40% of the regional workforce) will leave their jobs within 20 years if they all retire at 65 years of age. But there will be limited choice with the provision of a capable replacement pool.

The regional population is too small to provide the workforce for anticipated future development needs, with the consequence that approximately 3,800 workers will need to be recruited from elsewhere by 2020.

Industries and Services Overview

The region is well positioned to facilitate and support a broad range of significant developments. The economy is extremely diverse with world-leading companies in agriculture, manufacturing, fishing and aquaculture, and fast growing mining and tourism industries.

Based on employment, the main industries are primary production (agriculture, fishing and aquaculture), health and social care, manufacturing, retail trade, education and training, and construction. Tourism and mining are the region's fastest emerging industries and have significant potential for future growth.

INDUSTRY	EMPLOYMENT 2001	EMPLOYMENT 2011	% CHANGE
Agriculture, Fishing and Forestry	4,012	3,338	-16.8
Health Care and Social Assistance	2,111	2,996	29.5
Manufacturing	2,786	2,890	3.6
Retail Trade	2,481	2,669	7.0
Education and Training	1,764	1,967	10.3
Construction	1,340	1,813	26.1
Accommodation and Food Services	1,356	1,595	15.0
Transport, Postal and Warehousing	999	1,260	20.7
Public Administration and Safety	1,152	1,172	1.7
Mining	199	957	79.2

RDAWEP Top Ten Industries by Employment, 2011. (ABS Census 2011 from www.myregion.gov.au).

Primary production (agriculture, fishing and aquaculture) is the largest industry employing 3,338 people or 13.1% of the regional workforce. Employment in primary production declined by 16.8% during the last decade (from 4,012 people in 2001 to 3,338 in 2011), largely due to the rationalisation of farming properties which reduced employment opportunities in the agricultural sector. Primary production is nevertheless the main industry in the region and is integral to business growth and development in other industry sectors.

The health care and social assistance sector is the largest employer in South Australia and second largest industry in the region. In 2011 the health and social care sector employed 2,996 people or 11.8% of the regional workforce. Most employees are based in Whyalla (1,153 people or about 38.5% of the health care workforce), with 790 employees (26.4% of the workforce) based in Port Lincoln. This is a fast growing industry with a 29.5% growth in employment from 2,111 people in 2001 to 2,996 in 2011 and business growth of 36.9% since 2007 (from 122 businesses in 2007 to 167 in 2011).

Agriculture, fishing and aquaculture are key economic and employment generating industries. But if they are identified as separate industries - rather than being amalgamated as primary production activity - the health care and social assistance sector would become the region's main industry by employment. This can largely be attributed to the ageing of the regional population.

Manufacturing and resource processing is the region's third largest industry employing 2,890 people or 11.3% of the regional workforce. The manufacturing sector has experienced modest employment growth of 3.6% since 2001 but numerous growth opportunities are pending, particularly at Whyalla where several new industrial initiatives are either in progress or planned.

The retail trade industry is an integral part of all townships and has experienced steady employment growth of 7.0% since 2001. Collectively, the retail sector is the region's fourth largest industry employing 2,669 people in 2011 or 10.5% of the regional workforce. Most employees are based in Whyalla (1,016 people, 37.8% of the retail workforce) and Port Lincoln (840 people, 31.2% of the workforce).

The region has a diverse range of educational facilities including specialised training centres in the secondary and tertiary education sectors. The education and training industry employs 1,967 people or 7.7% of the regional

workforce. Most employees are based in Whyalla (739 people) and Port Lincoln (513 people), collectively comprising 65% of the education and training workforce.

The construction industry is the sixth largest regional industry by employment and has grown by 26.1% from 1,340 employees in 2001 to 1,813 in 2011.

The region's mining sector is small in comparison with other industries. In 2011 mining employed 954 people or 3.8% of the regional workforce. Most of the mining employees were based in Whyalla (611), Port Lincoln (91), Franklin Harbour (85) and Ceduna (56). The relatively large number of employees in the District Council of Franklin Harbour is due to people living in Cowell and doing drive-in-drive-out to Arrium's Iron Duke Mine, approximately 50km from both Cowell and Whyalla.

But mining is the region's fastest growing industry with a substantial 79.2% growth in employment during 2001-2011. This growth is largely the result of unprecedented mining exploration activity in the Lower Eyre Peninsula, which has large resources of iron ore, graphite and kaolin along with uranium and gold prospects

Tourism is also a fast growing industry with considerable development potential due to the region's rapidly growing reputation for unique and diverse nature based visitor experiences and premium seafood products. Tourism is becoming an important sector for the regional economy with visitor expenditure exceeding \$277 million in 2011-2012 from 700 businesses. The region is being positioned as a culinary tourism destination.

A Region of Quality

Diversity is one of the region's greatest attributes and underpins its comparative advantage and competitiveness. Industrial diversity is important for economic growth and sustainability because it gives the region resilience through not being reliant on a single industry or single product for its prosperity.

But the concept of quality is emerging as a distinctive regional attribute. The region is renowned for its premium seafood, high quality grains and the pristine, unblemished nature of its landscapes, seascapes and conservation parks. The region is being lauded for high quality and different nature based tourism experiences – such as swimming with tuna, cage diving with Great White sharks and whale watching at the Head of the Bight. But other qualitative characteristics are becoming apparent as distinguishing features.

- **High quality magnetite** – the magnetite from Iron Road's Central Eyre Iron Project at Warrambo is high quality at 67% iron with few impurities. This is of considerable interest in China because the ore does not need pelletisation which expedites the smelting process and reduces environmental emissions. The magnetite is expected to attract a quality premium differential of \$US18 per tonne over the market price for iron ore and this expectation is included in Iron Road's Definitive Feasibility Study for the project.
- **High quality graphite** – the graphite mines at Uley (Valence Industries), Kookaburra Gully (Lincoln Minerals), Campoona and Waddikee (Archer Exploration) are reputed to contain the largest flake and best quality deposits in the world with the capacity for manufacturing graphene products which have increasing world demand for advanced technological and medical applications.
- **High quality kaolin** – Minotaur Exploration's Carey's Well kaolin mine near Poochera is reputed to contain the brightest and whitest kaolin in the world (at ISO brightness of 80) and is much sought after for high quality paints, inks, plastics and ceramic finishes.
- **High quality zircon** – Iluka Resources' Jacinth Ambrosia mine north of Yalata is arguably the largest deposit of the highest quality zircon the world. It is also anticipated that other heavy mineral sand deposits in the far west of the region are likely to produce similar quality product.

These qualitative attributes are complemented with escalating growth of innovative approaches and processes to economic and product development.

MEMBER COUNCILS 2013 / 14

- City of Whyalla
- City of Port Lincoln
- DC Ceduna
- DC Cleve
- DC Elliston
- DC Franklin Harbour
- DC Kimba
- DC Lower Eyre Peninsula
- DC Streaky Bay
- DC Tumby Bay
- Wudinna DC

THE DRAFT INQUIRY REPORT

The above background information, whilst quite detailed is to give an indication of the regional economy, environmental and social aspects of the Eyre Peninsula. Essential services and/ or the lack of or increased costs of such can have huge impacts on a low density populated region.

In principle the EPLGA supports the pricing of essential services to reflect true costs provided the costs are prudent and efficient. However any change or transition from the current practice to a revised structure must have regard to social, economic and environmental impacts on our region. As can be seen above our region "punches well above its weight" in contributing to the State's economy but to further expand the contribution will need further expansion of essential services infrastructure.

The concerns we have as a region is that to what extent the "unwinding" of the current inbuilt subsidies of SA Water will have on our small regional population and the impact this will have on our local communities & economy. Therefore we expect the current subsidies to be seriously reviewed and confirmed with us prior to a new regional paying regime being introduced. This also needs to be accompanied by an independent regional impact statement, highlighting economical, social & environmental impacts. From this work it is then expected that a regional pricing regime would be available (i.e. with impacts, benefits & detriments) to undertake a transparent consultation process within the region.

One of the main disincentives to development in regions has been the adhoc approach to network augmentation charges, Going forward such augmentation charges need to reflect reasonable cost recovery across all future infrastructure users over the whole life of the new network assets, in order to ensure the apportionment of appropriate costs to each development and minimize disincentive to development investment.

As stated at the recent regional consultation meeting, the Inquiry's final report and recommendations should make it clear that the focus of the Inquiry on SA Water's operations are not applicable to Local Government's operations in the areas of water re-use and Community Wastewater Management

Schemes. This area of Local Government operations would require a properly scoped review to present findings that would be applicable to those services.

There are a few of our Councils that are strongly opposed to a proposal to introduce regional pricing for essential services such as water and sewer. It has been put to the EPLGA that the state-wide benefit of such arrangements is minimal, while the implication for regional areas is significant. Some of the EPLGA member Councils are deeply concerned at modelling shown in Appendix 9 to the report that details the anticipated impact on all water users (residential, commercial and industrial) on Eyre Peninsula. It is to be expected that most residential properties on Eyre Peninsula will have low water usage, with many using less than 100kL per annum due to a combination of small households, rainwater supplementing household requirements and a conservative approach to water use developed through respect for the water scarcity in the region. These residential householders are facing increases in the order of \$500-600 per annum, and such an increase across a large sector of the community will have direct and immediate implications on regional households.

Although understanding that the scope of this inquiry was limited to SA Water services and is not intended to apply to equivalent service provision by Local Government, the EPLGA wishes to highlight its concern that the application of some recommendations, if extended to Local Government, would impact significantly. As there are obvious parallels between the provision of sewer by SA Water and Local Government Community Wastewater Management Schemes (CWMS), the EPLGA requests assurance that there is an understanding of the potential impacts should some recommendations be considered applicable to CWMS operations. In particular:

- The removal of the ability to charge on abuttal (or more precisely the ability to 'opt out' of a service) has ramifications for the sustainability of small water and sewer schemes. In regional townships, the provision of CWMS is often an essential service for maintaining public and environmental health. A 'opt out' of these schemes would risk negating the benefits gained in this area, and would threaten the ongoing financial sustainability of many small schemes. An inference that people may choose to provide their own septic and soakage solution in preference to connection to SA Water sewer (or a Council CWMS) is irresponsible and shows a lack of understanding of the importance of common schemes on community health.
- Local Government have existing Council databases established for rating purposes which are necessarily tied to land ownership, not occupancy. Any proposal to tie CWMS services to end users would require the establishment of secondary customer databases, with obvious efficiency impact for service provision.
- The removal of rights to secure and recover debts against land would be of concern to Local Government. As an example, the ability to secure a debt in this way can allow a Council to facilitate the full implementation of a CWMS without immediate cost impact to a ratepayer. In order to achieve the objectives of the scheme construction, connection costs can be met by the Local Government Authority upfront, to be recovered at the time of future property transfer.
- Charging by connection size alone, while possibly appropriate for SA Water, is not suitable for small CWMS's, where load and flow have significant impact on operational costs of schemes. The EPLGA supports the ongoing use of the LGA Property Units Code for the purposes of charging for connections to CWMS.

It is particularly difficult to make a submission on behalf of the eleven Council areas within the Eyre Peninsula Local Government Association when we do not have the regional data to hand of likely costs etc. However as stated before, in principle the EPLGA supports the true costs of delivering essential services provided these costs are prudent and efficient and can be supported by transparent data but must also give consideration to the impacts such a regime might have on the well being of the region and individual councils.