

The Economic Impact of Mining in Tom Price and Paraburdoo



The mining towns of Tom Price and Paraburdoo, built more than 40 years ago to service Hamersley Iron's initial mines in the Pilbara, have seen considerable change since their construction.

The current mining boom is creating very low levels of unemployment in the towns, while at the same time putting pressure on accommodation and service provision.

The towns' high dependency on mining and lack of industry and economic diversity highlight the importance of strategic and collaborative long-term planning in the region.

Rio Tinto Iron Ore (RTIO) is now targeting a significant expansion of its iron ore operations to increase its Pilbara production rate to 300 - 320 mtpa. It is timely to take a longer term perspective of mine development near the towns, as well as those remote mines that operate as fly-in fly-out. Although the towns are forecast to support resident workforces for about another 15-25 years, planning for adjustment to life beyond mining requires long time frames due to the significant challenges involved.

Over the past two years RTIO has commissioned a range of socio-economic studies and surveys in order to characterise the Pilbara region.

A common thread has clearly emerged: Without mining operations and in the absence of alternative economies, the populations of Tom Price and Paraburdoo will reduce significantly, with detrimental flow-on effects to businesses and services.

The studies have not sought nor offered solutions for the challenges that will exist in the towns as resident workforces are withdrawn. However, they have highlighted an urgent need for different sectors to work together to stimulate debate and determine strategies for the future of the inland Pilbara.

The Pilbara – a “mono-economy”

The Pilbara is one of Australia’s most productive regions. However, the robust economy is almost exclusively due to mining (iron ore, oil and gas), which accounts for some 90% of Gross Regional Product (GRP) of the Pilbara.

In 2004-2005, the value of mining in the Pilbara was A\$16.5 billion, which is nearly 60% of the value of minerals and energy production in Western Australia. Iron ore exports represented A\$5.9 billion (see Figure 1).

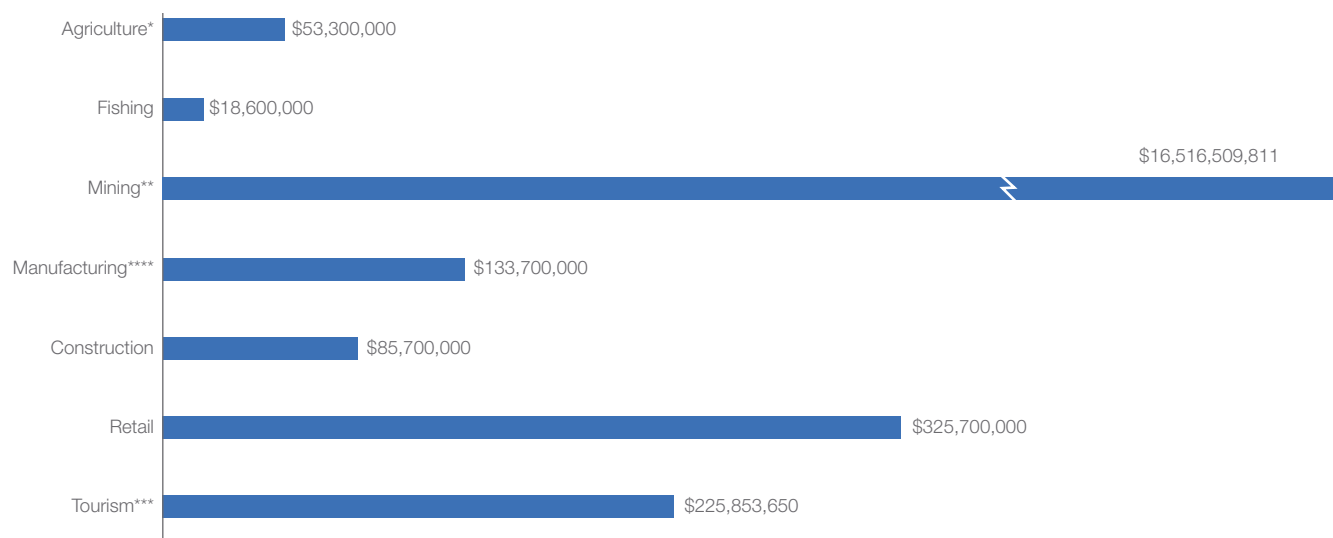
Approximately 24% of the Pilbara’s workforce is employed in the mining industry, with more than 5000 employees making up the sector (see Figure 2).

Tourism plays a small but vital role in the region. In 2004-2005, the Pilbara attracted more than 300,000 visitors, representing 4.3% of Western Australia’s total visitor numbers and an increase of 3.3% from 2002-2003.

Similarly, agriculture is a small yet important industry in the region. In 2003-2004 the value of agriculture was \$53.3 million, or 1.2% of total Western Australian production.

The Pilbara’s population fluctuates according to the level of mining and energy investment in the region. Population is also impacted by productivity gains as well as fly-in fly-out practices in some mines and service providers, and the narrow economic base of the region.

Figure 1: Industry by value (\$): Pilbara region



Note: * = 2002/03 ** = 2004 *** = 2004/05 **** = 2001/02

Data source: Department of Industry and Resources, Department of Local Government and Regional Development, Department of Fisheries, Tourism WA.



Tom Price – life beyond mining

Tom Price is the largest town in the 105,647km² Shire of Ashburton, with a population currently estimated at around 3500 (2006).

Given its role as the region's administrative centre of the Shire of Ashburton and the development of a number of non-mining businesses and services, particularly Indigenous business development, Tom Price is expected to stabilize at a reduced population level after the end of nearby mining.

However, the success of the town to transition beyond mining will be dependent on the level of collaborative planning that occurs over the short to medium term ahead of the cessation of nearby mining.

While pastoral, fishing tourism and Indigenous business development play important roles in the town, the economy of Tom Price is undoubtedly heavily reliant on mining. Approximately 40% of the Tom Price workforce is employed in the mining industry, with retail trade, at 9% of the workforce, a distant second (see Figure 3). The limited economic base of the town results in a lack of non-mining employment options.

Tom Price is characterised by a range of demographic factors that are clearly attributable to the mining industry. The town has a highly skilled population, high average incomes and skewed demographics towards working age people, with fewer youth and older people in town. This demographic profile further compounds the availability of people to work in part-time or non-mining roles.

There is a low level of private home ownership. Of the 1178 nearly 1200 dwellings in Tom Price, 92% belong to RTIO.

The slow but steady industry diversification in Tom Price over recent years, including the growing popularity of attractions such as the Millstream and Karijini National Parks, has resulted in an increase in visitor numbers to the town. However, the tourism industry still only accounts for 5% of the Tom Price workforce.

Paraburdoo – highly dependent on mining

The town of Paraburdoo exists almost entirely for mining, housing employees from RTIO's Paraburdoo, Channar and Eastern Range mines.

There are limited non-mining employment options in the town, with even the larger non-RTIO businesses, such construction, safety equipment, catering and accommodation, existing to service mining operations.

Economic modelling has shown that the iron ore industry directly and indirectly contributes up to 98% of the GRP of Paraburdoo. The value of the iron ore industry associated with Paraburdoo is approximately \$400 million per annum, or 20% of the value of iron ore produced in the Shire of Ashburton.

The nature of mining means that the town has a fluctuating population (in 2006 approximately 2000). Mining accounts for 51% of the town's workforce, compared with 40% in Tom Price and 24% in the Pilbara (see Figure 4). Retail trade at 8% and hospitality at 6% are the other major employment options in Paraburdoo.

Like Tom Price, Paraburdoo has relatively low number of youth and older people, reflecting moves away from the town to centres with better education and aged care services.

The level of private home ownership in the town is low. Of the 700 houses in Paraburdoo, 94% are owned by Rio Tinto Iron Ore.

While Paraburdoo acts as a service centre for local pastoral stations, nearby Indigenous communities and passing visitors, the population of the town is clearly dependent on mining.

Figure 2: Employment by sector (Pilbara)

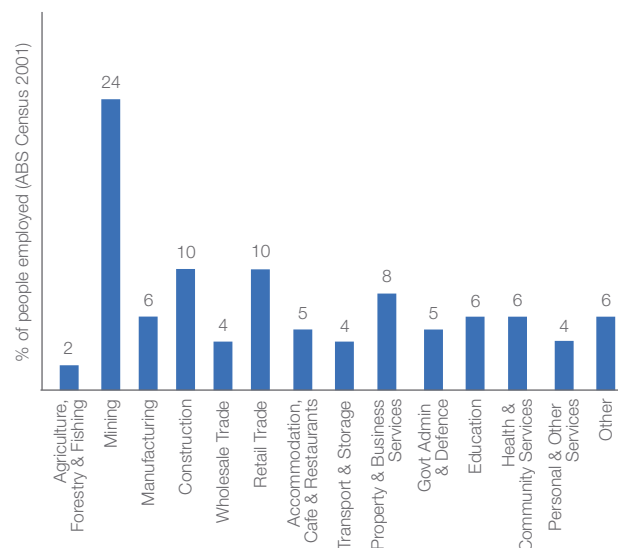


Figure 3: Employment by sector (Tom Price)

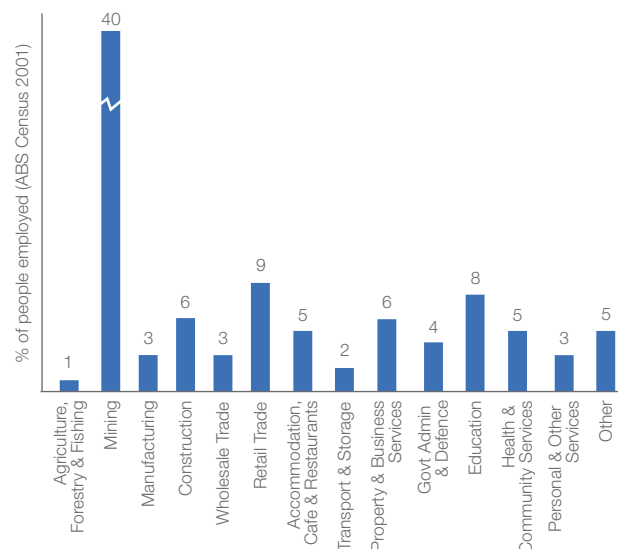
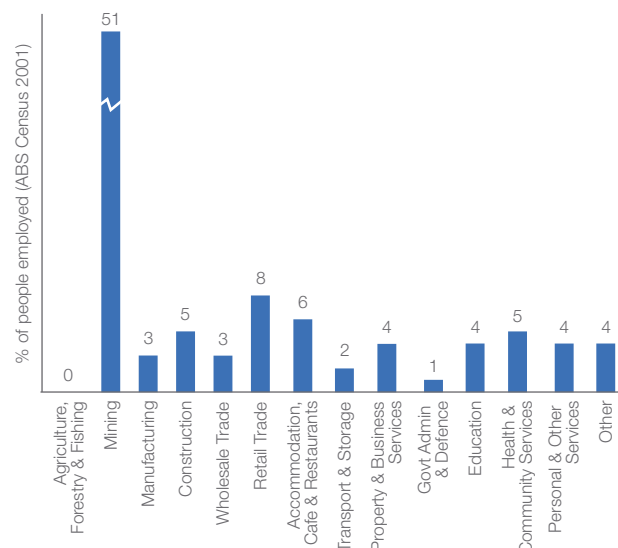


Figure 4: Employment by sector (Paraburdoo)



Summary

The studies and economic modeling have demonstrated that the conclusion of mining operations would have a dramatic impact on the populations of Tom Price and Paraburadoo, with a large number of people expected to leave to seek employment elsewhere. This would be consistent with general Australia wide trends of population concentrating in city and coastal areas.

In turn, the economic flow-on effects to private and government businesses and services in the towns would be significant.

In Tom Price, the growing importance of tourism and the role of the local government sector suggest that the town will continue to exist, albeit at a diminished capacity, after the end of nearby mining. However, in the absence of mining production at Paraburadoo, it is difficult to identify today those activities that could support the economy of the town into the future, after mining has ceased.

RTIO intends to share information in the studies with Pilbara stakeholders. The company aims to work together with Governments and other sectors to manage the significant socio-economic challenges facing the inland Pilbara towns over the next two decades, in order to provide a more stable outcome for this part of the Pilbara region.



RTIO acknowledges the economic modelling undertaken by ACIL Tasman to support its socio-economic research of the Pilbara region.

Further information on the research can be obtained from RTIO External Relations via phone (08) 9327 2444 or via email ExternalRelationsWA@riotinto.com