

HD End of Australia's mining boom threatens Pilbara Cities plan

BY By Jamie Smyth in Port Hedland, Australia

WC 969 words

PD 20 August 2014

ET 22:44

SN Financial Times (FT.Com)

SC FTCOM

LA English

CY Copyright 2014 The Financial Times Ltd. All rights reserved. Please do not cut and paste FT articles and redistribute by email or post to the web.

LP

In a dusty industrial estate next to the world's biggest **iron ore** port in Western Australia's remote Pilbara region, business has never been so bad.

"The rents got so high in the town that when the boom ended, businesses began to die off everywhere," says Jo Woodward, owner of Jems, a ramshackle building with an eviction notice stuck to its padlocked gate that was recently Port Hedland's only legal brothel. "Nothing is selling here now."

TD

The demise of Jems, and of many other Pilbara businesses that have closed their doors following the end of the country's **mining** investment boom, suggests Australia may struggle to realise one of its flagship projects.

Port Hedland and neighbouring Karratha grew rapidly during a decade-long boom as workers flooded into the Pilbara to construct the **iron ore** mines, railways and ports needed to feed **Chinese** demand for steel. The fast-growing towns were chosen as a test bed for a key state initiative: creating two sustainable cities of 50,000 people by 2035 in a remote region prone to resource booms and busts.

Western Australia's "Pilbara Cities" plan was launched in 2010 at the height of a boom driven by **iron ore** and the discovery of natural gas off the coast. Several **billion** dollars have been spent on new hospitals, roads and housing to transform the dusty **mining** towns of about 15,000 people each into living spaces that attract families.

But fears are growing that the drop in **mining** construction and a recent slump in **iron ore** prices threaten the future of the flagship project.

A lack of alternative sources of employment is likely to continue - businesses find it difficult to locate to the remote cities given the high cost of electricity, transport and water. And although such infrastructure exists, it has been built by the three major **mining** companies active in the region - BHP Billiton, Rio Tinto and Fortescue Metals - and they guard it jealously.

BHP and Rio own and control thousands of kilometres of railway track across the Pilbara and have successfully defeated legal attempts by other miners to open access to this infrastructure. All three miners have built their own generators to power their mine **operations**.

"History shows this classic mine and boom phase is either followed by an evolution into multiple but related industries, or a decline into ghost towns and tumbleweed," says Jemma Green, a researcher at Curtin University.

A report co-authored by Ms Green, Pilbara 2050, notes there are at least 87 ghost towns across Western Australia, most of them former **mining** towns. It warns that the region must diversify beyond **iron ore** and gas, and embrace sectors such as tourism and agriculture, to ensure Port Hedland and Karratha do not suffer a similar fate.

Attracting workers to put down roots in the Pilbara has never been easy. It is remote - a two-hour flight from Perth - and has a harsh climate, with summer temperatures topping 40C. Poor living conditions and

the high cost of accommodation has created a fly-in, flyout (Fifo) culture, whereby workers live on temporary campsites and trailer parks on the edge of town.

"People today point the finger at the **mining** companies and say you have all these people living in camps but when you go back five or six years there was no alternative," says Morag Lowe, owner of the First National estate agent.

She says decades of political neglect, a failure to invest in infrastructure and an initial reluctance by local government to free up development land has almost squandered the boom.

The tabular content relating to this article is not available to view. Apologies in advance for the inconvenience caused.

<>Public investment under Pilbara Cities and private investment by the big miners is beginning to have an impact. A sports stadium has been built, an art gallery has opened and luxury houses have been constructed in Port Hedland to attract doctors to relocate to the town.

"We are focusing our efforts on the type of 'city-building' amenities and services such as parks and cafés, which will ensure families want to come and live here," says Kelly Howlett, mayor of Port Hedland.

"A population of 50,000 is a realistic target. About 1,000 people make Western Australia their home every week and they can't all go to Perth," she says.

But locals warn a cooling economy is putting this at risk. Rents have halved in Karratha, record numbers of properties are listed for **sale** in both towns and some new housing developments lie empty.

Alan Richardson, who recently closed the Pilbara Echo newspaper he founded in Karratha, says things are difficult.

"If you talk to any small business that's not **mining**-related you'll see how hard it is," he says.

Ms Green says creating a publicly controlled **energy** grid and electrifying the miners' railways would dramatically reduce operating costs for all businesses, including the miners.

"At the moment if any business wants to set up in the Pilbara they need to build their own generator, which is hugely costly. But if the existing infrastructure built by the miners could be pooled and shared it would be a game-changer for the region," she says.

But the big miners, which make tens of **billions** of dollars in profit every year from the region's **iron ore** reserves, say such moves could disrupt their businesses.

As the economy sours, some question whether there will be enough political commitment to deliver the Pilbara Cities vision.

"This part of Western Australia, really, economically it may be very important but politically it is not so," says Ms Lowe. "Over the decades it has been totally ignored."

IN	i211 : Metal Ore Mining i2111 : Iron Ore Mining imet : Mining/Quarrying ibasicm : Basic Materials/Resources
NS	reqmmm : Suggested Reading Metals/Mining redit : Selection of Top Stories/Trends/Analysis reqr : Suggested Reading Industry News
RE	austr : Australia waustr : Western Australia apacz : Asia Pacific ausnz : Australia/Oceania
IPD	Company News
IPC	CN
PUB	The Financial Times Limited (AAIW/EIW)
AN	Document FTCOM00020140820ea8k001xi