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Port Augusta
CITY COUNCIL

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Senator Richard Di Natale
Chair, Senate Select Committee Inquiry
Jobs for the Future in Regional Areas
PO Box 6100
Parliament House
Canberra ACT 2600

RE: SENATE SELECT COMMITTEE INQUIRY - JOBS FOR THE FUTURE IN REGIONAL AREAS

Dear Senator Di Natale,

Thank you for the opportunity to provide a submission to this inquiry.

BACKGROUND

Over the past 25 years, Port Augusta's population has been in steady decline, falling from around 15,000 people in 1991, to just under 14,000 people at the last 2016 census.

For nearly 60 years Port Augusta powered South Australia, with the Playford and Northern coal-fired power stations providing a significant portion of direct and indirect employment - and a significant part of our local identity.

Following privatisation and then closure, local employment in utilities dropped from over 430 people (6.9%) in 1991, to just 70 (1.3%) in 2016.

Closure of the power station followed an already significant economic shock in the 1990's with the closure of the Commonwealth Railway, which had employed around 16% of the Port Augusta workforce.

Our local economy is now dominated by employment in health and community services (14.9%), correctional services and government administration (14.1%), retail (11.6%), accommodation and food services (9.3%) and education (9.3%).

As the global and national energy systems move from coal to renewables, Port Augusta – and the Upper Spencer Gulf - is well placed to be a major part of this energy transformation.

We are in close proximity to some of the best and most diverse renewable and low carbon energy resources in the world. We have the infrastructure, skills, knowledge and community support to rebuild our reputation and identity as a major provider of energy for the nation.

In addition, as a region reliant on energy-intensive enterprise such as steel manufacturing, lead and metal smelting and mining, the Upper Spencer Gulf becomes more and more attractive as the price of renewable energy falls¹.

Port Augusta is very proud to be home to a number of new large-scale renewable energy initiatives that will help to secure the economic future of our region and energy security for South Australia.

Of note, the Port Augusta community is particularly supportive of new storage-based renewable energy technologies, like solar thermal, being deployed in our area, due to much higher local employment, value-add and ancillary support services being generated and, importantly, retained, in the local area. By contrast, whilst windfarms are now a cost-competitive and relatively rapid-build form of renewable energy technology, they tend to have a short-term 'fly-in-fly-out' construction workforce, with generally limited ongoing employment roles within the community.

The additional benefit of newer technologies is an inherent need and therefore much stronger potential for workforce training and industry research opportunities to be provided locally, so Port Augusta can step up our role in powering our state and nation. Central to realising this potential is the need for a strong, credible and evidence-based national energy policy. This is essential to providing stability and certainty for investment in renewable energy – particularly newer technologies like solar thermal - in Port Augusta.

PORT AUGUSTA POWER STATION - CLOSURE AND TRANSITION, LESSONS LEARNED

The Port Augusta power station was controlled by the state as the 'Electricity Trust of South Australia' (ETSA) until 1999 when it was privatised.

It was widely understood the lifespan of the nearby Leigh Creek coal mine that supplied the Port Augusta power station was limited in both quantity and quality of coal reserves, with supply estimated to run out around 2030.

In 2012, with the limited lifespan of the city's major employer in mind, and a global shift towards renewable energy, the Port Augusta community commenced a campaign to transition the power station to solar thermal energy.

In May 2015, the power station operator, Alinta Energy, advised it would be closing the Port Augusta power station in three years time, in 2018. The closure date was subsequently revised and brought forward and a mere 12 months later, in May 2016, all operation of the power station ceased.

Even with the early foresight and pro-active campaigning for economic transition by the Port Augusta community, the 12-month timeframe from Alinta's announcement to power station closure left the community, employers, contractors and Government unprepared. It also coincided with economic downturns in neighbouring Whyalla steelworks, Port Pirie smelter and various mining operations across the Upper Spencer Gulf, which resulted in the collective loss of over 2,000 jobs – or around 4% of the region's population.

Efforts by the local community and Council to engage both Commonwealth and State Governments to fast-track opportunities for economic and employment transition, coordinate Government responses and resources, and ensure a timely and thorough decommissioning and site remediation, proved frustrating and largely ineffective.

Despite the community's efforts to prepare a considered and evidence-based proposal for transforming the Port Augusta power station to solar thermal; and a broader economic transition strategy prepared by the three Spencer Gulf Citiesⁱⁱ, a formal Government economic transition plan for Port Augusta was - and has still not been - developed.

In immediate response to Alinta's announcement in 2015, the South Australian Government established a Taskforce of Adelaide-based bureaucrats with a key focus on managing the transition of state assets in Leigh Creek and power station employees with right of return to the public service following privatisation in 1999. No representatives from the Port Augusta Council or community were invited to participate in this Taskforce. No consideration of wider economic and employment impact or plans for site rehabilitation was forthcoming.

On 19 August 2015 - three months after Alinta's announced closure - the South Australian Government announced a \$1 million USG and Outback Job Creation and Support Packageⁱⁱⁱ comprising: \$258,000 for regional jobs creation in Pt Augusta, \$258,000 to support Leigh Creek, \$258,000 to support Alinta supply chain workers and a further \$258,000 for regional jobs creation in neighbouring Whyalla, which was, by this time, suffering from the mining downturn. A further \$225,000 was allocated by the South Australian Government towards skills recognition for Alinta supply chain workers and \$240,000 to deliver career and job services to Pt Augusta and the Far North.

In December 2015, the Federal Minister for Human Services announced support for retrenched Alinta workers through the 'Job Active' programme. This provided access to intensive employment services to help workers write a résumé, look for work in a designated 'Employment Region' (Adelaide or Port Augusta) and prepare for interviews. This programme was extended in May 2016^{iv}.

Unfortunately, this Federal support appeared to duplicate the services funded early by the State, with both Government programs on top of Alinta itself also providing affected employees with full entitlements plus three months redundancy and support services to assist their transition to alternative work.

In terms of broader economic transition support, the SA Regional Development Minister announced a \$2 million Upper Spencer Gulf and Outback Futures Program in November 2015.

Over a year later (on 9 February 2017), and largely in response to the neighbouring Whyalla steelworks going into administration rather than closure of the Port Augusta power station, the Australian Government announced a \$20 million Regional Jobs and Investment Package for the Upper Spencer Gulf (Port Pirie, Port Augusta, Whyalla) to provide competitive grants for local infrastructure, business innovation and skills and training.

Successful grants for the RJIP program were announced in April 2018 - two years after the power station closed.

Whilst the allocation of both State (\$3m) and Federal (\$20m) economic transition funding was welcome, it appeared largely driven by the increasing woes of neighbouring Whyalla, rather than the situation in Port Augusta. Because of this, support seemed somewhat reactionary, ad-hoc, uncoordinated and ill-targeted. From the perspective of the Port Augusta community, it seemed like they were an afterthought.

In July 2017 the Port Augusta City Council wrote to Prime Minister Turnbull seeking clarification regarding, amongst a range of issues, the perceived inequity of financial and other supports to address impact of power station closure on the Upper Spencer Gulf (refer attachment 3).

In contrast, \$100 million was provided by Federal Governments to support the transition of Northern Adelaide^v, some five years ahead of the expected 1600 job losses (0.8% of the population) from Holden's closure in 2017. The South Australian Government contributed \$60 million^{vi} from 2013 and a further \$24 million in 2016^{vii} for new initiatives in northern Adelaide to drive economic and social transformation in the region as the result of the closure. This is on top of the \$1.5 billion Automotive Transformation scheme and another \$50 million from 2014 to support diversification away from traditional automotive manufacturing.

The level of cynicism felt by the Port Augusta community regarding the lack of transition planning and investment compared to metropolitan Adelaide's automotive industry adjustment, has been further heightened by the inequity when considering the recent level of government publicity and support received by other communities facing closure of local coal-fired power stations.

Port Augusta is one of the early communities in Australia to experience closure and remediation of a coal-fired power station. In many ways, and as highlighted earlier, the resulting loss of jobs, income and disruption to the local economy was similar to the loss of any major employer and industry from a regional community. Rehabilitation of the power station site however, was, and still is, a significant test-case that will set a precedent – for better or for worse - for other Australian communities as more coal-fired power stations are decommissioned^{viii}.

Our experience to date clearly highlights the failure of central governments, compliance agencies and regulators to protect and support local communities and the environment and to ensure corporations are compelled to honour their legal and moral obligations.

FUTURE ECONOMIC GROWTH OPPORTUNITIES

Despite the lack of planning to help Port Augusta transition following closure of the coal-fired power station, successive civic leaders have been very pro-active in advocating for diversification of the economy into renewable energy, mining services and minerals processing, defence, arid innovation in agriculture, and event/cultural/marine tourism.

Now, with well over \$5 billion in private investment in and around the Port Augusta district alone and an estimated construction workforce in the thousands, this has raised a new set of transition issues.

At a practical level for Port Augusta for example, this rapid economic transition has brought into sharp focus the need for stronger investment by State and Federal Governments, and the private sector, to ensure that local infrastructure and services are maintained or improved in order to maximise the flow-on benefits of industry growth across the whole community.

MANAGING WORKFORCE, INFRASTRUCTURE AND COMMUNITY PLANNING

As more and more renewable energy and mining projects ramp up in our area in the months and years ahead Local, State and Federal Governments need to work together to meet, and manage, the looming workforce needs.

Whilst a number of key developers in the region have already taken a pro-active lead in initiating these discussions, co-ordinating this incoming workforce will also need to be part of a much broader and more integrated approach to ensure flow-on impacts and any unintended consequences are managed ahead of time and the positive benefits of this significant economic growth can be maximised.

There is a need to ensure the region has timely access to the right mix of workers, recognising skilled migration will be needed to meet immediate and specialised construction requirements that aren't available locally, but also considering the impact on existing employers in the region who are likely to lose skilled staff to new, higher paid developments.

The social and economic impacts of various workforce accommodation options must also be thoroughly investigated – for example, determining the capacity of our existing housing stock, the number of new residential dwellings needed, balancing the use of motel/caravan parks or temporary worker camps and whether these facilities should be located on site or integrated into the local community, and how to best utilise spare capacity across neighbouring centres such as Port Pirie and Whyalla.

Understanding the likely temporary and permanent workforce requirements and preferences will be critical in enabling local authorities to undertake informed forward planning to ensure adequate recreational opportunities and good public amenity is available for workers and their families – for example parks and open spaces, jetties and boatramps, swimming pools, sport and recreational facilities, arts, libraries, walking/bike trails and public toilets etc. Not only will the number and quality of such facilities need to be assessed, but the likely impact on Council's capital, maintenance and asset replacement budgets must also be carefully considered, with State and Federal Governments strongly engaged to contribute to the shortfall.

Similarly, ensuring policing and inspectorial services can meet increasing challenges around behaviour – from the potential for more serious offences as worker numbers increase, particularly during construction, through to additional parking, litter and animal control.

Forward planning to make sure there are enough health/medical, childcare, family support and education services will also be important to allow providers to respond in enough time. This is particularly critical as Port Augusta already has a shortage of GP's and many other health and professional services.

These are all important considerations for improving the overall aesthetics, functionality and liveability of Port Augusta and attracting more permanent residents to the region. There is a strong desire by Council to see workers associated with these new economic projects relocating to live in Port Augusta and be part of the local community – not just work here through the week and go back home to Adelaide on the weekends.

In order to encourage new families to move permanently to Port Augusta, additional funding and resourcing towards settlement services to assist in the integration of the families into the local community will be important.

So too will be the need for a strong marketing campaign and program to improve the aesthetics of the city, positively promote Port Augusta as a liveable regional centre and overcome the decades of ingrained negative stigma. This negative image has had a very real and very significant impact on the level of professional workers who choose not to move to Port Augusta and instead 'fly in and out' of Adelaide. Unfortunately this negative view continues to be reinforced even from within many Government agencies and bureaucrats who, on the one hand espouse the economic growth opportunities emerging around Port Augusta, and on the other, continue to denigrate our city.

Transport authorities will also need to understand the likely impact of workforce movements in order to plan for increases and directional flows of commuter and development construction and maintenance traffic and develop new funding models to adequately upgrade and maintain parts of the local road network that provide access into key transport routes for major developments.

For example, recent commitment by Commonwealth and State Governments into duplication of the Joy Baluch AM bridge is very welcome, but also points to the need for a much wider and more integrated approach to the transport infrastructure that not only services the Port Augusta community, but provides for safe, efficient movement of goods around Australia.

Ensuring other weaknesses and pinch-points in this national network are resolved as part of the current planning and investment around the Joy Baluch AM bridge upgrade is critical. For example, whilst traffic flows over the Joy Baluch AM bridge will be substantially improved; there are several sections along the Augusta Highway corridor through Port Augusta township where traffic must merge back into a single lane (eg Victoria Parade, Railway bridge). There is also a need for improving the amenity right along the highway corridor, including past the former, as yet un-remediated, coal-fired power station site.

Furthermore, even following the bridge upgrade, over-dimension vehicles will still be required to travel via Yorkey's Crossing – a 20km, unsealed road co-owned by local and state government, that is impassable after rain. This heavy traffic increasingly includes movement of wind turbines, mining and Defence equipment. The Port Augusta Council is in no financial or moral position to spend ratepayer funds to upgrade this part of the national road network as a fit for purpose heavy vehicle by-pass, particularly given it would provide very little benefit to the local community.

Ensuring enough local carparking, potential provision of inter-city shuttles between Port Augusta – Port Pirie –Whyalla and upgrades to the Port Augusta airport will also need investigation.

For example, the Port Augusta airport is owned and managed by Council. There has already been a request by a major mining company to upgrade Port Augusta airport's lighting to facilitate night landings, which will in turn allow for the workers of mine, located approximately 200km north of Port Augusta, to be based in Port Augusta. Closely associated, the Port Augusta airport is also facing additional requirements for upgrades to the runway and passenger security – all of which are well beyond the financial capacity of Council.

In addition to airport infrastructure, the lack of consistent and timely commercial passenger flights in and out of Port Augusta also needs to be addressed. This already impacts on service delivery, including the ability for specialists to efficiently and consistently access Port Augusta and for local workers and community members to attend training, meetings and specialist support in Adelaide.

Infrastructure and services relating to stormwater and waste management are already under active consideration by Council and will be prominent considerations as more and more major developments increase activity in the region.

For example, the Port Augusta waste transfer station is nearing capacity, but has additional pressures associated with large quantities of industrial waste (ie pallets/cardboard/plastic) from construction of nearby solar and wind developments.

Whilst there may be opportunity for Port Augusta to take advantage of these waste streams, which in future is also likely to include solar panel and wind turbine components, it is again, well beyond the financial capacity of the Council to facilitate.

Compounding all the issues expected during the forthcoming extended construction phase - the workforce, services and infrastructure impact on existing sectors must also be thoroughly analysed and managed.

For example, in addition to this industrial transition, employment requirements in health care, social and disability assistance, hospitality and retail trade are also increasing in the region, with existing local workforce shortages only expected to be exacerbated.

In addition, Port Augusta and the Upper Spencer Gulf relies heavily on periodic peaks of inflows associated with Defence training exercises at Cultana, nature-based tourism/travel season and major events/conferences. Careful attention must be given to minimise any economic or workforce displacement of these existing, important sectors.

Whilst individual developers will undertake their own strategies to fulfil their workforce needs and maintain an advantage over their competitors, the sheer scale of development activity in and around Port Augusta and the high risk of adverse impacts to the local community and existing economic sectors means we do need a strong level of collaboration both by industry and with all levels of Government.

SOCIAL LICENCE AND COMMUNITY ENGAGEMENT

Although Port Augusta welcomes new investment and growth opportunities, developers and operators of major economic projects must demonstrate they are genuine in working with key local stakeholders, like Port Augusta Council and our community.

Our community are still dealing with the legacy of a poorly managed closure of the Port Augusta coal-fired power station – and those wounds are still raw in our community. Despite strong support and encouragement for new economic development opportunities, there is a growing sentiment within the community that they will no longer accept being taken for granted.

Obtaining a social licence to operate in a community requires a long term, genuine commitment and a partnership approach. Port Augusta is fortunate to have some excellent examples of corporations (ie mining company Oz Minerals) who are committed to ‘doing the right thing’ and who have consistently demonstrated their responsibility to engaging and empowering the community and maximising local benefit, and who provide a role model for other developers.

By comparison, many renewable energy companies tend to focus their effort on providing small community grants. Whilst this is a goodwill gesture that appeals to our local sporting and service clubs, it needs to be rethought in favour of a commitment to work more closely with Council and contribute to local community development and amenity in a more strategic, coordinated and meaningful way.

DEVELOPMENT PLANNING AND COMPLIANCE FOR RENEWABLE ENERGY PROJECTS

Whilst the Port Augusta Council and community have a strong track record of encouraging and supporting renewable energy developments, this has unfortunately been tarnished in recent times by a lack of appropriate safeguards for neighbouring residents.

Furthermore, as most large renewable energy development approvals are managed through the South Australian Government’s Section 49 Crown Sponsorship pathway, Council has very limited engagement and jurisdiction over the planning process. This is further exacerbated as a number of renewable energy proposals and developments are located just outside the Port Augusta Council district (‘Out of Districts’), meaning Council is not even required to be notified or consulted by the State Planning Authority.

It is important that State and Federal incentives to renewable energy companies and the planning and compliance processes are reviewed and contemporised with a stronger local focus, so communities like Port Augusta can have full confidence in renewable energy development that is underpinned by appropriate protections for nearby residents and existing land-uses.

Put simply, we want the right development in the right location.

For example, there has been considerable anger within the Port Augusta and surrounding communities at the visual impact of windfarms on the iconic Flinders Ranges, with developers increasingly preferring turbine heights of up to 270m high.

Council also wants stronger local input and control over issues like traffic, dust and noise management, with increasing resentment by the community over developers who are rarely called to account by the state planning and compliance agencies.

RATING OF RENEWABLE ENERGY DEVELOPMENTS

Despite causing significant impact on local road infrastructure, along with noise and dust nuisance for nearby residents, renewable energy facilities are exempt from valuation in South Australia for rating purposes.

This means local residents and businesses are cross-subsidising the cost of repairs and shortened life of the local road network and strain on other services and infrastructure caused by developers who do not have to contribute at all.

Port Augusta Council considers it grossly inequitable that local residents and small business all contribute to helping to grow and maintain our city, but a billion dollar renewable energy company does not.

BUILDING LOCAL CAPACITY AND WORKFORCE - EDUCATION AND TRAINING

Whilst migration will need to be a significant part of the workforce solution for Port Augusta and the Upper Spencer Gulf, at the same time there must also be a much stronger effort by both State and Federal Governments to support Port Augusta's desire to grow our own skilled workforce, particularly through initiatives such as the 'Uni Hub Spencer Gulf'.

Uni Hub is a 'Community Owned Tertiary Education Centre (COTEC)' that brokers locally supported university delivery in the region, based on local industry need.

Port Augusta is ranked in the first decile nationally for index of education and occupation, which takes into account the actual skills of the people in an area and the formal qualifications and skills required to perform different occupations. The low score indicates Port Augusta has a high proportion of people without qualifications, without jobs, and/or with low skilled jobs.

The level of unemployment in Port Augusta remains persistently higher than both state and national levels. At the time of 2016 Census it was 9.7%. At the March 2018 quarter it was 10% - nearly double the national rate of 5.5%.

Alarming, only 3% of the Port Augusta community are currently participating in university or tertiary study – a stark contrast to around 16% of South Australians overall. This reflects a wider educational disparity, with only 8% of Port Augusta residents holding a bachelor degree level or above, compared to 18.5% of South Australians and 22.0% of the population nationally. Furthermore, Year 12 completion rates in Port Augusta are only 10.7% - substantially lower than both the SA and national averages (of 15%).

Whilst the rate of vocational-level qualifications for Port Augusta is on par with the South Australian average (around 25%), local access to many vocational courses has been substantially reduced over the past decade and there are very limited opportunities for locally supported pathways between vocational and university qualifications to cater for employees wishing to advance their career.

The lack of local access to higher level qualifications in Port Augusta also reflects a long-term trend of 'fly-in-fly-out' professionals that has eroded local residential growth and workforce capacity. This is evidenced by the sizeable pool of Adelaide-based residents who work in high-income professional roles in Port Augusta, mainly in public administration, education and health, with some in mining and manufacturing^x and the relatively low proportion of professionals and managers in the local workforce - around one third less than the average across South Australia and the nation. Not only is this detrimental to local capacity, but it also points to the ongoing centralisation of decision making across Government agencies and private business.

Overall, this data indicates the current system for education and workforce development is failing our region and is a trend that must be reversed if Port Augusta is to maximise the long-term benefit of the economic growth opportunities that are emerging.

PUBLIC TRANSITION AUTHORITY

The concept of an overarching authority to manage economic transitions in regional areas may be valid, however, as Port Augusta has acutely experienced, governments must be prepared to engage with local knowledge, work with and empower the local Council and community experiencing the transition, rather than just trying to 'fix' the region with a 'one size fits all' solution from a capital city.

Rather than just responding to the short-term crisis, a pro-active, genuine, locally driven approach that helps to build community capacity and civic pride, and facilitate longer term economic diversification is important if a successful and sustained transition is to be realised. Equally, governments need to provide much stronger and more effective cross-agency and cross-jurisdictional collaboration, not just during the period of transition, but ideally, as a matter of course when dealing with significant structural or persistent issues facing a region.

Most significant economic shocks to regional areas – closure of a major employer or significant downturn - are known in advance. It is important governments seek early advice, local intelligence and engagement of key stakeholders in the region. Not only will this assist in pro-active planning, but also builds trust and confidence within the community.

In addition, government assistance must incorporate strategies to support communities through longer-term social and emotional change that invariably comes with the loss of a major employer and in many cases, the whole identity of the community.

CLOSE

In closing, Port Augusta – like our neighbours Port Pirie and Whyalla – has been through a number of significant economic upheavals.

We are a community who wants to continue and expand on our long association with power generation into the future and for our community to gain a long-term, sustainable benefit from this rapidly emerging sector. To achieve this however we need the support of both State and Federal Governments to learn from past mistakes and ensure we have the right legislation, the right policy framework and the right attitude moving forward.

We would be very pleased to provide further information to your inquiry, or attend any hearings the committee may schedule.

I refer also to previous submissions from Port Augusta Council, which are attached:

- 2018 Submission to the Inquiry into the rehabilitation of mining and resources projects and power station ash dams as it relates to Commonwealth responsibilities
- 2018 Submission to the inquiry into the Economic Contribution of Migration to South Australia
- 2018 – Submission to the inquiry into poverty in South Australia

Yours faithfully

JOHN BANKS
CHIEF EXECUTIVE OFFICER

Attachments:

1. *Submission to the Inquiry into the rehabilitation of mining and resources projects and power station ash dams as it relates to Commonwealth responsibilities*
2. *Submission to the inquiry into the Economic Contribution of Migration to South Australia*
3. *Submission to the inquiry into poverty in South Australia*
4. *Letter to Prime Minister re: inequities in financial support for closure of Augusta and Hazelwood coal-fired power station.*

ⁱ Prof Ross Garnaut, 2015; *Renewable Energy and Economic Strategy in the Upper Spencer Gulf – pers comm*

ⁱⁱ Upper Spencer Gulf Common Purpose Group; April 2016; *Transforming the Upper Spencer Gulf (working document)*

ⁱⁱⁱ SA Minister for Industry, Innovation and Manufacturing; 19 August 2015; *Media release - USG and Outback Job Creation and Support Package*

^{iv} Senator the Hon Michaelia Cash; 7 May 2016; *Additional support for Arrium workers – media release*

^v <https://ministers.jobs.gov.au/cash/additional-support-arrium-workers>

^v Wroe D, Lucas C; 19 December 2013; *Tony Abbott announces \$100 million package for Holden workers – Sydney Morning Herald* (<https://www.smh.com.au/politics/federal/tony-abbott-announces-100-million-package-for-holden-workers-20131218-2zlh5.html>)

^{vi} Premier Jay Weatherill; January 2014; *Building a Stronger South Australia - Our Jobs Plan, Government of South Australia*

^{vii} Government of South Australia; 2016; *Northern Adelaide Economic Plan*

^{viii} Greenpeace; March 2018; *Done & Dusted? Cleaning up coal ash in Port Augusta*

^{ix} *Ibid.*