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1st February 2007

Mr Robert Pullella
Executive Director Competition, Markets & Electricity
Economic Regulation Authority
P O Box 8469
PERTH BC WA 6849

Dear Robert

WESTERN POWER INFRASTRUCTURE UPGRADE FOR THE SOUTH WEST

Thank you for meeting with Shahyar and myself yesterday. Please find below a summary of the points we raised at the meeting.

- It is a common myth that property developers in Denmark and Mt Barker are all making a lot of money!
- The reasons for poor economics of property development in Denmark are the very high costs of development, lack of infrastructure and the limited labour pool in Denmark and Albany.
- Property developers in Denmark cannot absorb any further costs from Western Power in respect to power transmission. If substantial costs were imposed on developers, it would almost certainly kill many development projects in Denmark.
- It would be difficult in the short to medium term for developers to pass on the costs directly to buyers because the sale price must compete with other properties on the market that have not had a Western Power transmission upgrade cost imposed on them.

1. Community need for serviced blocks and supply shortage

1.1 Aging population

- In 2006 approx 67,000 Australians will turn 65, compared to 2012 where approx 139,000 Australians will turn 65.
- For Western Australia, the number of people aged 65 years and over in WA will increase substantially until 2051. In June 2002 there were 215,500 people over 65 (11% of our population). By 2051 there will be 987,100 people over 65 (30% of our population). *(Australian Bureau of Statistics Populations Projections, 2001)*

- Accentuating this trend is the fact that Australians are also living a lot longer than their predecessors did at the beginning part of the century. In 1910, the average life expectancy for an Australian was 63 years; in 2006 it's on average 80 years.

- Refer KPMG Graphs attached at Appendix 1.

An increasing number of retirees will be seeking to live in lifestyle locations such as Denmark. An explosion in the numbers of retirees, empty nesters, baby boomers looking for seachange/treechange destination will result in continuing increased demand.

2.2 Seachange / Treechange phenomena only half played out

- The "baby boomers" comprise the proportionally large generation that was born post-World War II, between 1946 and 1964. In 1950 there were 664,000 Australians aged 65 years and older, in 2006 there will be 2,700,000 and by 2026, there will be 5,200,000*. (Bernard Salt, KPMG)*

- The massive baby boomer/aging/retirement sector of our population and the lifestyle/seachange/treechange phenomenon is having a dramatic effect.

- The great Australian "sea change" shift is a powerful trend that is here to stay. *(KPMG Population Growth Report 2005)*

- This coastal (sea-change) and near coastal (tree-change) shift started in 1975 and has gathered significant momentum over the last 20 years. It will now gain further impetus as the baby boomer generation born between 1946 and 1964 starts to retire and seeks real estate with high "lifestyle" values. *(Bernard Salt, KPMG)*

- A recent analysis on migration trends in WA by KPMG demographer Bernard Salt, claims that we are in our third migration wave. At the turn of the 20th century, migration was to the country. In the 1950's and 1960's migration swung from the country to the city. We are now seeing a distinct shift from the city to the coast, with the South West being the hottest destination in Western Australia. (Refer map at Appendix 2)

- Mr Salt states that, "The number of Australians pushing to the coast outside capital cities reached 66,000 or 1.8 per cent in the year to June 2004. Almost 20 per cent of the nation now lives on the provincial coast. We now retire or simply move to lifestyle towns within commuting distances of capital city work places."

- Australia's coastal communities are struggling under the weight of the mass migration of sea changers. The National Sea Change Taskforce is warning State and Federal Governments that more money needs to be spent on providing services in these areas before the population shift reaches a critical point. *(The World Today, 5/4/06)*

- Seachangers are putting enormous strain on infrastructure in coastal towns along Australia's coastline. The WA Government is leading the way in development solutions to minimize the impact of the expanding populations. The Australian Government recognized the need to do something to lessen the impacts of the seachange phenomenon and in 1994 created the National Sea Change Taskforce, which held its first major conference in SA last year. *(Slow News 12/1/07)*

In summary, the above points to a significant migration to the South West, where increased housing and infrastructure is necessary to accommodate the increasing population.

2.3 WA Boom Set to Continue

China Boom will fuel WA Economy for a Generation, West Australian 10.01.07

"The economic boom in China underpinning the WA economy will continue for a generation. … growth in China would continue for decades, all the time supporting commodity prices."

(*Dr Shane Oliver, Chief Economist AMP Capital)*

"… China and India would effectively guarantee strong demand for WA minerals for a generation." *(Minerals Council of Australia)*

"China's low costs, rapid industrialisation and urbanisation, strong consumer demand and surging investment meant its economic fundamentals were sound." This meant an extended demand for WA commodities that would far surpass any previous boom in mineral prices. "We are talking about a generational story." (*Dr Shane Oliver, Chief Economist AMP Capital)*

WA Boom Will Get Even Stronger, West Australian 04.01.07

It's hard to imagine the economy growing even quicker, but that's what we think is going to happen. The pick-up in exports has been driven by prices in the past couple of years, but now we're going to see the volume increase." *(WA Chamber of Commerce Chief Economist, John Nicolau)* According to the Chamber, the economy will grow 6.5% this financial year.

Boom Will March on Next Year, says ABARE, West Australian 29.12.06

"The commodities boom that has fuelled that has fuelled WA's roaring economy … will continue next year, with prices for many of the State's key minerals expected to climb even further. Mineral and energy exports are tipped to bring in $111B, a 20% rise on last year." *(ABARE)*

Boom goes West with Workers, Weekend Australian, 18.11.06

Official estimates show that the number of residents with a job (of any description) in the West's Albany expanded by 1636, or 11.6% in the year to June 2006. No other Australian town with a population base of more than 17,000 could match this result in this year." *(Bernard Salt),*

WA Booming at Faster Rate than China, West Australian 07.09.06

"WA's booming economy has smashed more records, with the astonishing revelation yesterday that it is growing faster than even the gang-busting economies of China and India.
WA's mining-fuelled economy grew at the break-neck rate of 5.6% in the June quarter, taking the result for the year to a whopping 14%. It means the WA economy is growing not only faster than other Australian States, but countries such as China (11.3%), Singapore (8.1) and India (7.3%)." *(Shane Wright, Economics Editor)*

Economists say WA's Boom is on a Roll, West Australian 18.07.06

Soaring levels of resources-related investment have ensured WA's economy is virtually bullet-proof for at least the next 3 years, even if commodity prices fall. Resource investment has such a head of steam in the West it will keep going strong for 2 years even if no new projects start up. The level of investment was ultimately driving WA's job and population growth, as well as its runaway housing market. *(Access Economics)*

The above articles are shown at Appendix 3.

The boom is going to continue and the Government needs to make the strategic investments to accommodate this continuing future growth.

2.4 Denmark population growth projections

- Between 1996 and 2001, Denmark's percentage population grew 18.20% per annum, *(ABS 2001)* and yet ABS are projecting that the Shire will grow by only another 1000 people in the next 10 years (i.e. only 3.7% p.a). Therefore, the ABS Population Growth prediction appears to be grossly under-estimated.

- The Shire of Denmark is taking the "middle road", by projecting that the Shire will grow by 3,600 people over the same period (i.e. only 7% pa). The Shire of Denmark's Town Planning Scheme No. 3 also makes provision for a "high projection" which has the population growing by another 5000 people (14% p.a.) by 2011, which given the growth between 1996 and 2001 (18.20%), is probably a more accurate projection of where the Shire of Denmark population is destined to be.

- See attached Denmark Population Growth graph at Appendix 4.

- This population growth in the Great Southern region, will continue to be much higher than WAPC estimates. This is because the WAPC's population projections continue to be based on historical, overall State data and do not take the following into account the following dynamics:
  - Seachange/treechange phenomenon;
  - Baby boomer population;
  - Booming regional economy;
  - Improved Communication Technology; and
  - "Ripple Effect".

- Albany, Denmark and Mount Barker are in the middle of an economic, population and property boom, which is reflected in the median house price movements recorded over the last year (Albany increased by 27.4% to $455,000 and Denmark increased by 44.8% to $380,000 (RP Data Aug 06). The movement towards Denmark and other towns, for this reason, is called a "ripple effect".

- In a study of Australia's 70 largest urban centres where job growth outpaced population growth in the year to June 2005, Albany was placed at No. 12 in Australia, where the percentage of job growth in the year to June 2005 was 6.7%. This points to a significant migration to Albany and surrounding areas, thus creating a shortage of housing in the immediate area. *(Bernard Salt)*

- According to Grant Solomon, partner of Albany Valuation Services, "There is an increase in the movement of buyers from Dunsborough, Margaret River and Busselton to Denmark/Walpole localities because these areas represent a similar feel in nature to what Margaret River and Dunsborough had 10-15 years ago". *(Sunday Times 7/3/04)*

Realistic projections are that Denmark will continue to grow at a rate of 14% pa through to at least 2011, creating an urgent requirement for new infrastructure to cater for the movement of people from cities to coastal towns.

2.5 Shortage of land

- There are now dozens of towns in the South West and Great Southern where demand has outstripped supply. This phenomenon has seen land prices spiral and families replaced by "cashed up" retirees or semi-retirees, and a disproportionately large transient tourist population.

- In the past 12 months, the median house price in Denmark jumped 44.8% to $380,000. *(RP Data, Aug 06)*

- Property values have risen quickly to the point that affordability is now an issue for people who wish to purchase real estate in Denmark.

- In the boom state of WA, Perth's current shortage of only 656 lots was expected to blow out to a 57,377 lot shortage. *(National News 13/1/07)*

Land supply must be increased within Denmark and surrounding areas, supported by the necessary infrastructure, in order to meet demand and keep property values reasonable.

3. Government's Policy on who pays for remediation of power shortage needs to consider both Economics and the Community

3.1 Economics

- The concept of "user pays" and Western Power's rate of return being augmented by contributions from developers is not sustainable because:
  - Developers cannot absorb additional costs because of the already high cost of development in towns such as Denmark.
  - Costs cannot be immediately passed on to purchasers because new properties have to compete with older properties that have not had to pay the cost of Western Power transmission line upgrades.
  - Imposition of costs on developers will deem many projects uneconomical and add to the land shortage crisis.
  - Many purchasers cannot afford to pay for Western Power's transmission upgrades either because of affordability reasons and the already very high cost of properties in Denmark. Any complications, such as lack of power, will push house prices up further.
- Apart from the number of applications firmly approved in the system, the method of calculation needs to take into account the much larger numbers of lots that will be and needs to be created in the future to cater for the aging, seachange/treechange people, and the movement of people from cities to coastal towns.

3.2 Community needs and expectations

- Government has an obligation to provide services to the community and meet the needs and expectation of the community both now and in the future.

- It is obvious that there is a strong community need for new lots to be released in towns like Denmark. This need is likely to continue in the future, due to reasons outlined previously such as aging population, seachange/treechange phenomena, continuing WA economic boom and migration into WA.

- The Western Power Website reads:
  - *"Western Power is responsible for the safe, reliable and efficient distribution and transmission of electricity in the South West Interconnected System. We connect electricity to homes, offices and factories and maintain and upgrade the electricity network."*

- *"In 2005 the State Government gave a budget commitment of **$2.23** billion to maintain and upgrade the network over the next 4 years. In response, Western Power has developed an extensive programme of works to improve the capacity and reliability of the network."*
- *"During 2005/06 we will spend $190M on the transmission network to ensure electricity supplies are secure and that we can meet continuing growth in demand."*
- *"There continues to be a high rate of growth in the area of residential subdivision, which in turn drives commercial and industrial development. We estimate that, over the next 4 years, **$210M** will be spent on connecting new domestic and commercial customers."*

4. Recommendation

- The draft policy to be approved in March must recognize that Government needs to make the strategic investments in upgrading the power infrastructure in Denmark to be able to serve the increasing power needs of the community both now and in the future.

- ***The Minister has stated* that these capital contributions can be large and sometimes it is not feasible for the developer to pay. He recognises the importance of this issue and asked Western Power and Office of Energy to examine an alternative means for funding these capacity enhancements which will present less of a financial barrier to developers, while continuing to adhere to the user pays system** (see Appendix 5).

- **If Government decides that some of the costs of upgrading Western Power's transmission infrastructure should be passed on to developers, a cost cap needs to be included in the policy. We recommend that the cost cap not exceed $500 per lot to ensure development projects do not become uneconomic and that affordability is not excessively impacted.**

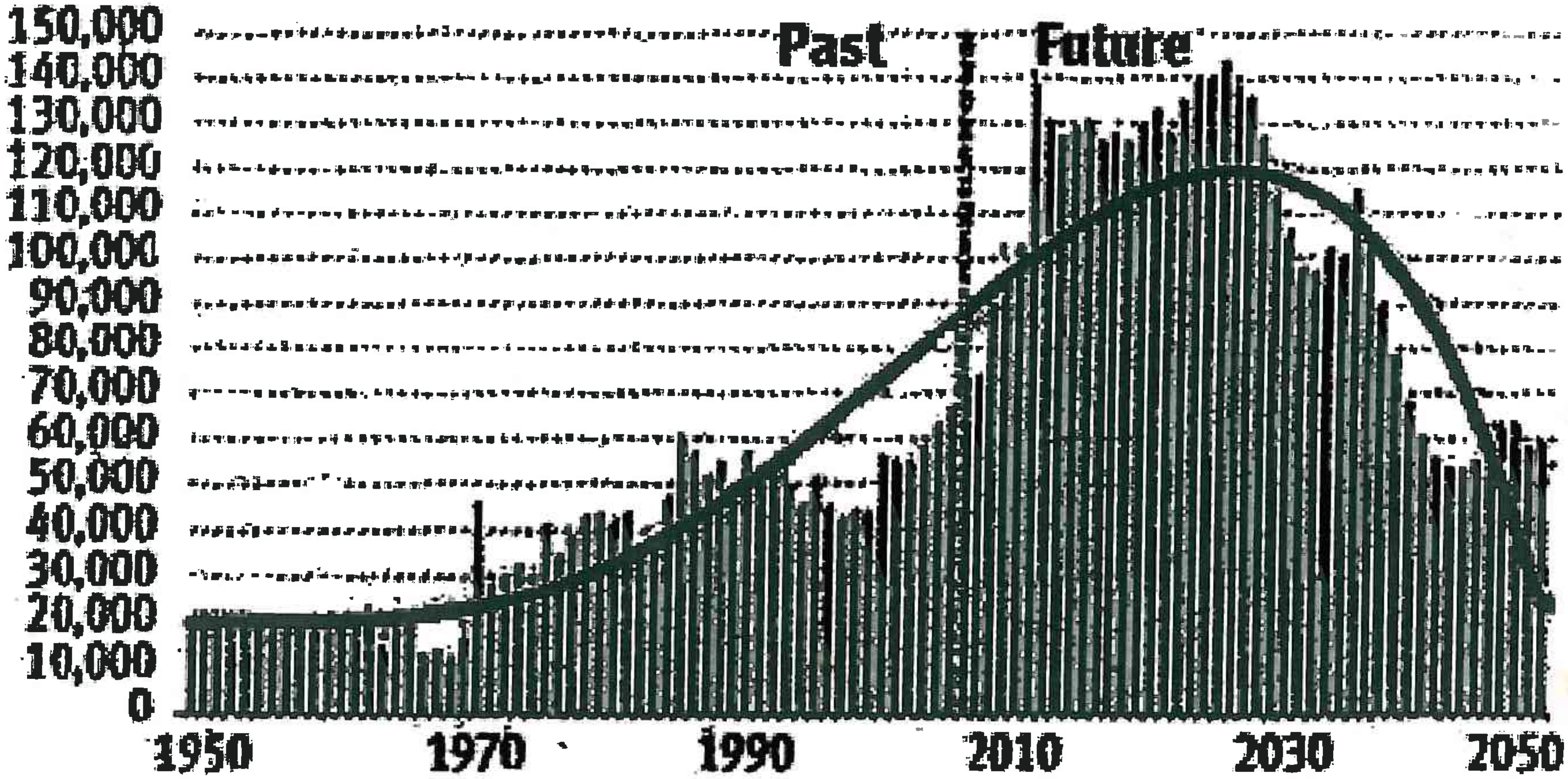
- We request that our recommendations be incorporated in the draft policy being currently prepared for the Minister's consideration.

FARYAR GORJY
Director

SHAHYAR GORJY
Director

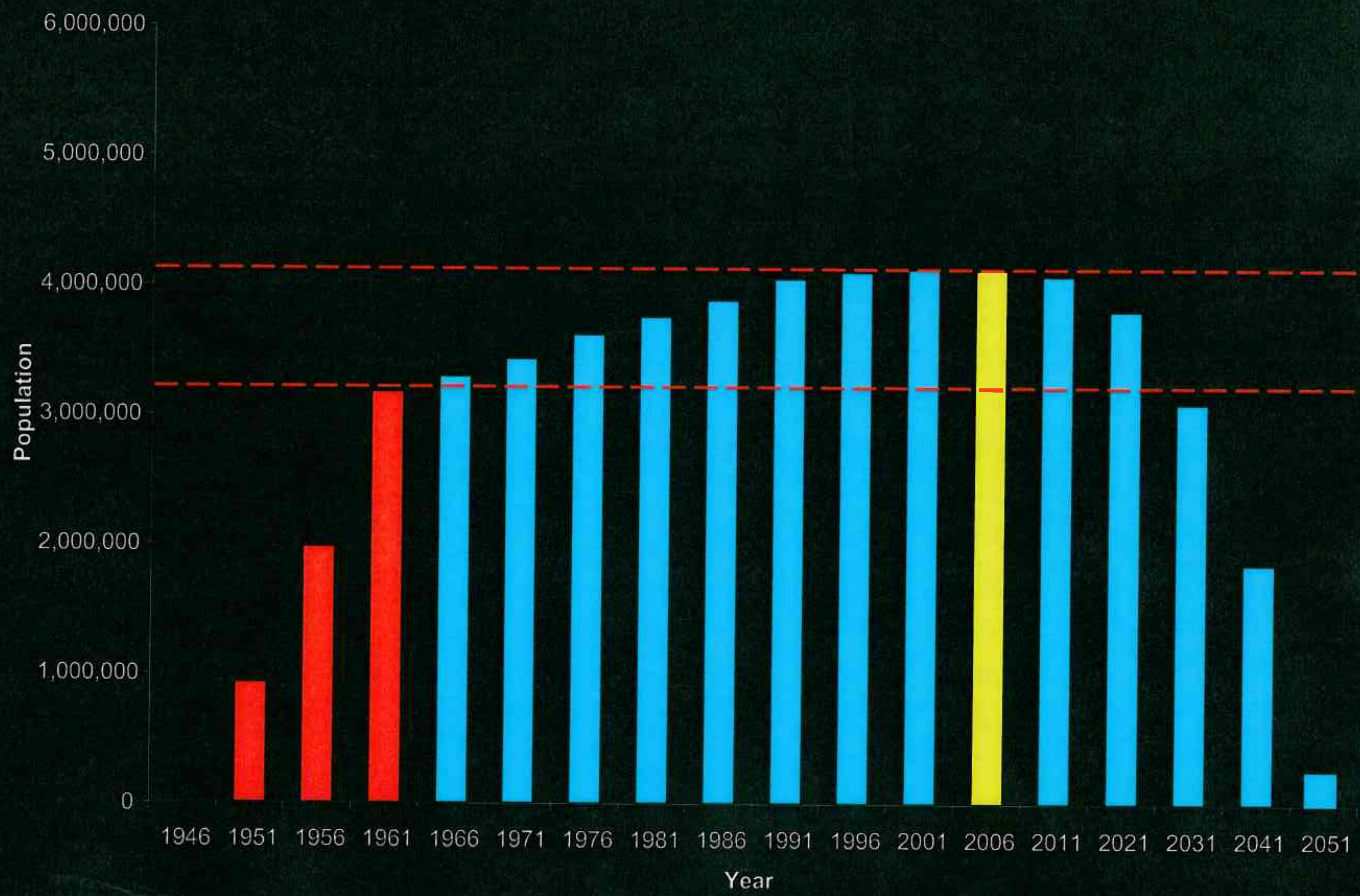
OLD CODGER'S CLUB

Net growth in population aged 65+ years 1950-2050



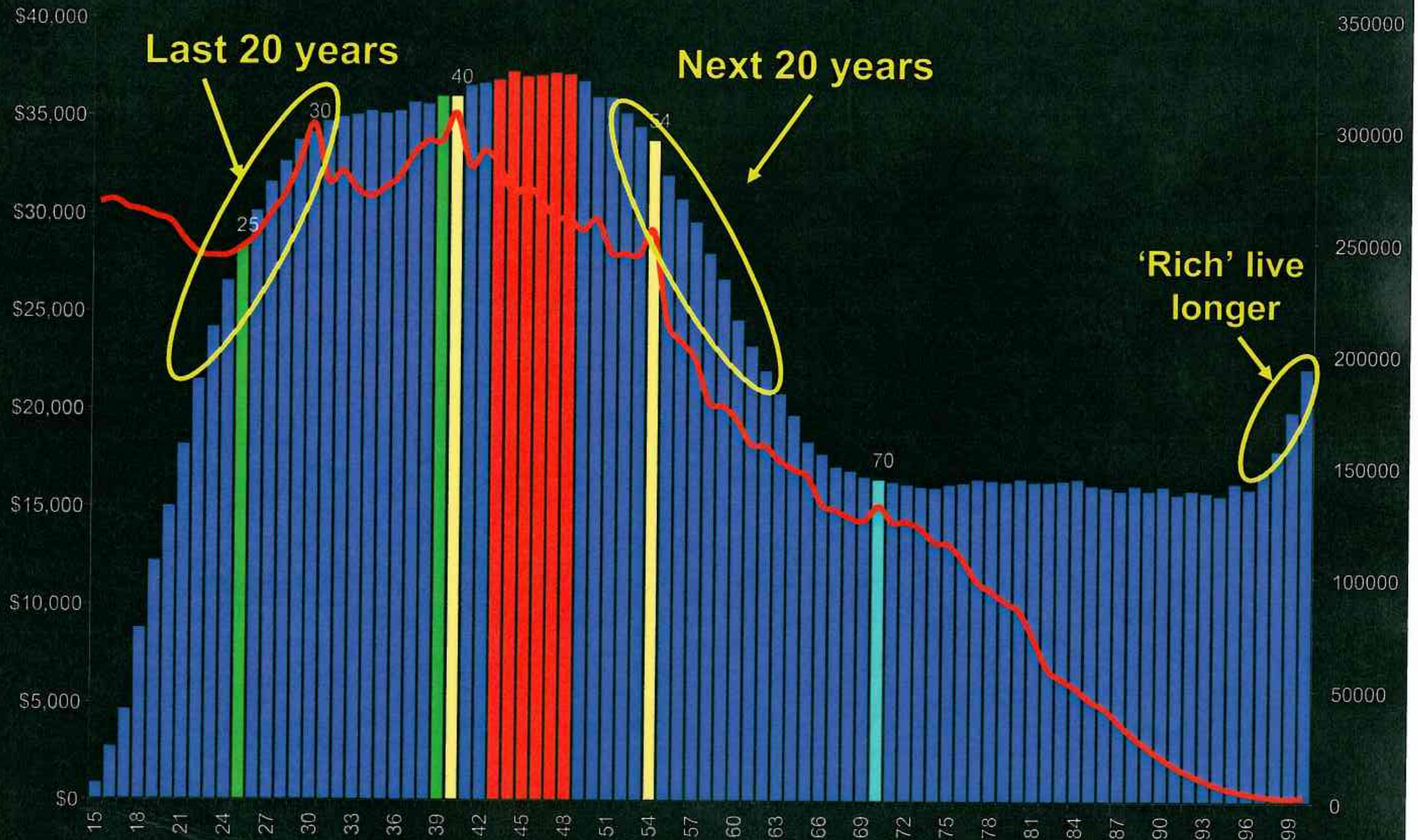
Source: KPMG

Baby boomers just won't die!



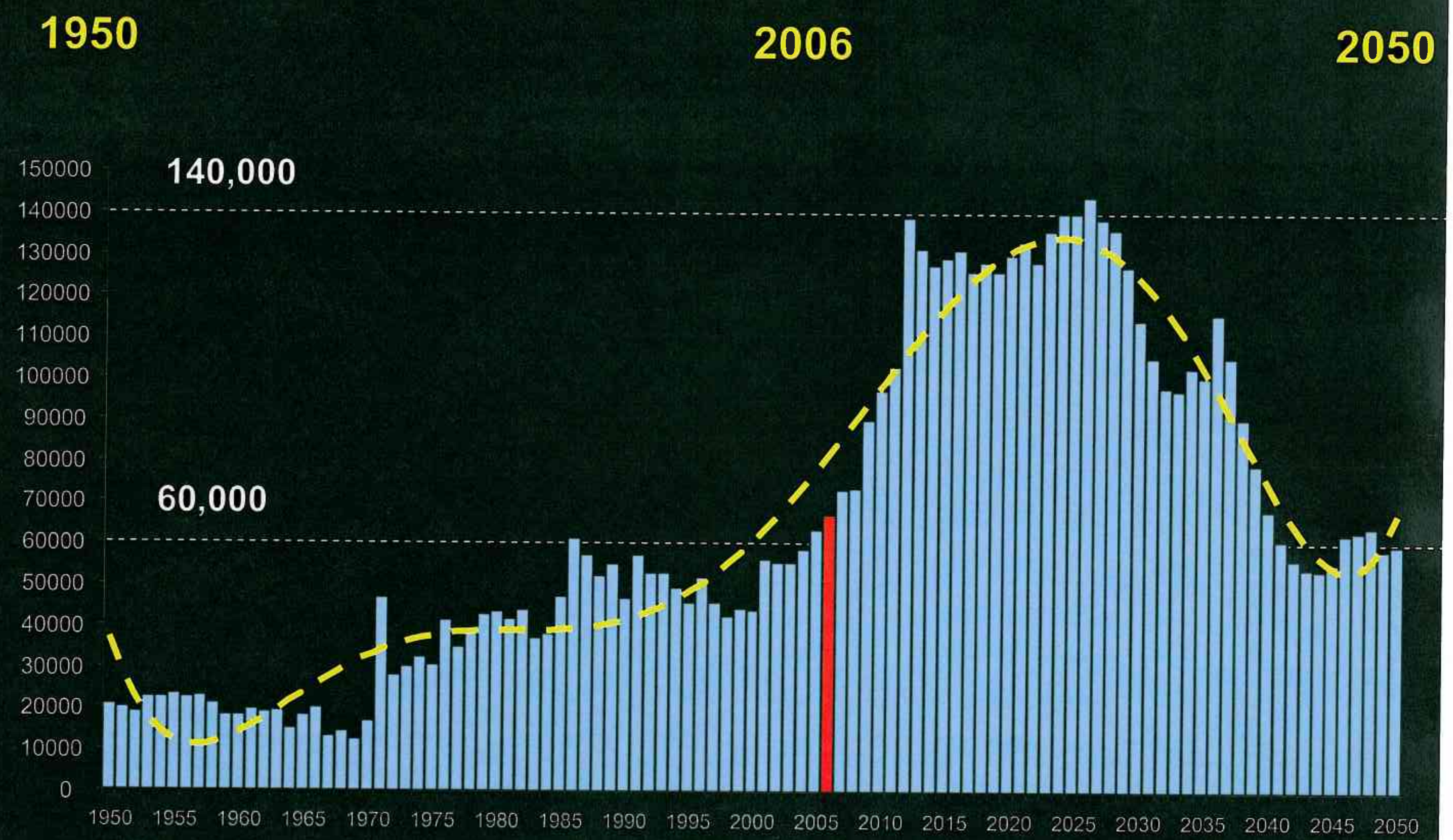
Source: ABS Censuses; ABS Series B Projections September 2003

It doesn't get any better after 43-48



Boomers at their peak until June 2006 … then the slide begins

The rise of the boomer retiree will change attitudes to retirement next decade



Source: Australian Historical Population Statistics (2004) & Population Projections, Australia, 2004 to 2101(2005)

Different generations … different values

Boomers

- Born 1946-1961
- Now aged 44-59
- 4.1 million
- Idealistic; career-orientated; consumerist
- Promoted 'young' and propped
- Peak income earning 1991-2005
- Succession planning, advisory boards, non-executive directors
- Inter-generational fight

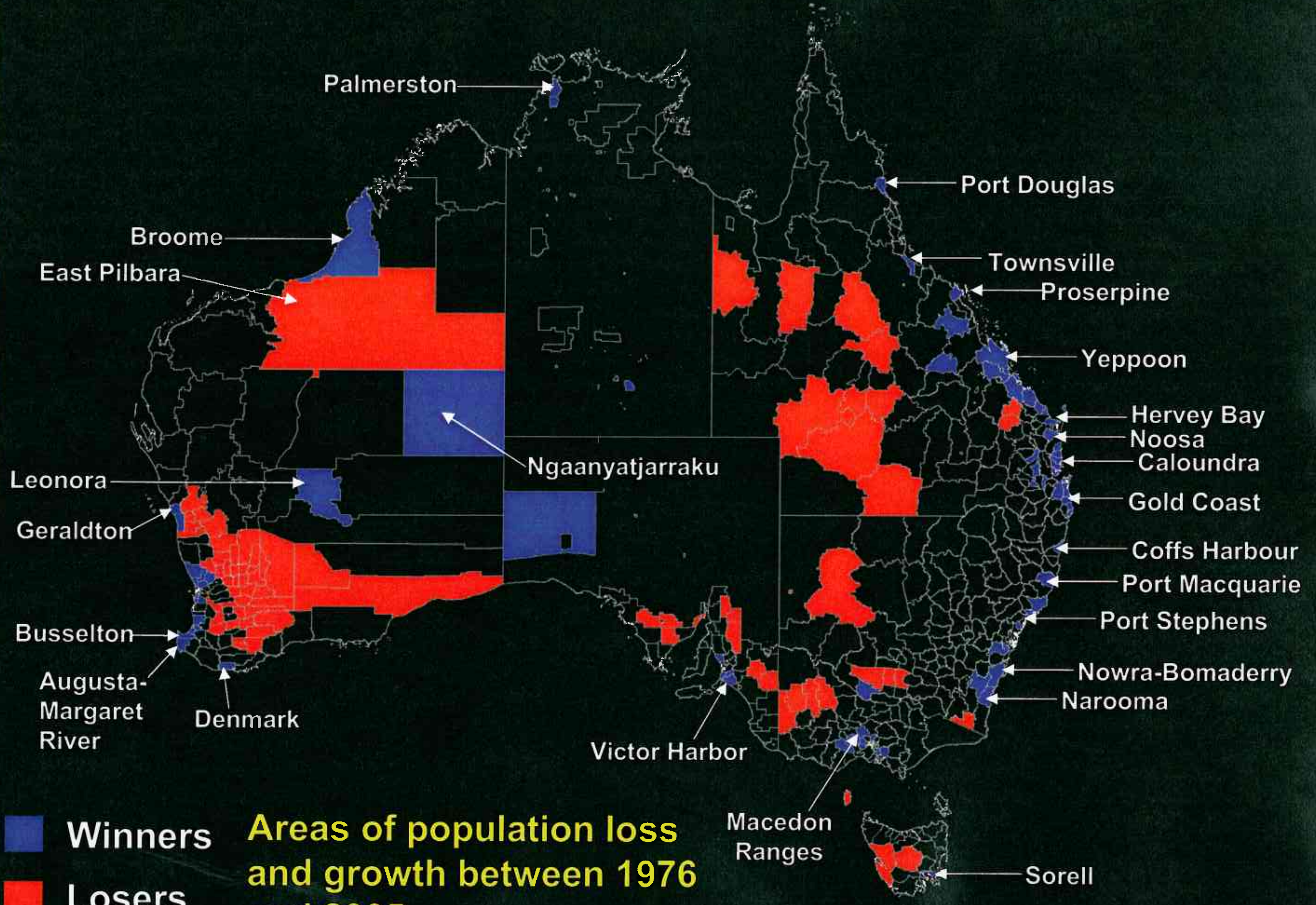
Gen X

- Born 1961-1976
- Now aged 29-44
- 4.4 million
- Realists; cynical
- Held back by "old fart log-jam"
- Peak income earning 2006-2021
- Assuming positions of high office now
- Must deal with baby boomers in retirement

Gen Y

- Born 1976-1991
- Now aged 14-29
- 4.6 million (ultimately)
- Experiential; ethicists; uncommitted to career; relationships
- Extended adolescence
- Helicopter kids; kippers
- Peak income earning 2021-2036
- Technology savvy; global thinking
- Inherit boomer wealth

Bleeding bush ... and the blooming beach



Areas of population loss and growth between 1976 and 2005

KPMG

Emai'l LKE 16.1.07

Wednesday Janua /1/2007

APPENDIX 3

China boom will fuel WA economy for a generation

SHANE WRIGHT
ECONOMICS EDITOR

The economic boom in China underpinning the WA economy will continue for a generation, a leading economist has predicted.

Shane Oliver, chief economist for AMP Capital, said there could be ups and downs but growth in China would continue for decades, all the time supporting commodity prices.

He was backed by the Minerals Council of Australia, which said China and India would effectively guarantee strong demand for WA minerals for a generation.

Debate is continuing in mining and economic circles as to the extent of the minerals boom which has injected tens of billions of dollars into the national and State economies and swelled government coffers.

Much depends on China, which has dramatically increased its demand for minerals such as iron ore, copper and nickel.

Dr Oliver said China's low costs, rapid industrialisation and urbanisation, strong consumer demand and surging investment meant its economic fundamentals were sound.

He said as China was starting from such low average incomes and access to consumer goods, the long-term future for the economy was especially bright. This meant an extended demand for WA commodities that would far surpass any previous boom in mineral prices. "We're talking about a generational story," he said.

China is still well behind developed countries when it comes to rich nation consumption. There are about 365 TVs for every 1000 people in China, while in the US the number is 837. Americans enjoy 718 square feet of living space, while in China the figure is just 73.

It would take about 30 years for China's per capita GDP to reach Australia's while growing at 8 per cent annually.

Dr Oliver said there were similarities with the 1970s and 80s economic surge in Japan but China was starting from a much lower base, which meant its economic expansion would be much longer.

"You're talking about a country where there's one car for every 150 people. In Australia there's one car for every two people, so there's enormous scope for growth," he said.

Minerals Council director Rob Rawson said the commodity price super-cycle would continue for decades on the back of the industrialisation of China and India.

The benefits from shipping Australian minerals to China were already apparent in cheaper consumer goods. "China is benefiting from Australian minerals and Australian consumers are getting cheap goods," he said.

Emailed Maker 9.1.07

Thursday January 4 2007

WA boom 'will get even stronger'

SHANE WRIGHT
and NEALE PRIOR
EXCLUSIVE

The State's booming economy is set to grow even stronger on the back of surging commodity exports and population growth, the WA Chamber of Commerce has predicted.

In a new assessment, the chamber said yesterday that WA homeowners would cope easily with the interest rate rises of last year and unemployment would stay at record lows.

The upbeat forecast for the nation's economic powerhouse came as the Australian dollar surged to its highest level in 22 months, sparking fears that a big-spending Christmas and a booming sharemarket could force the Reserve Bank into another interest rate rise as early as next month.

BankWest chief economist Alan Langford estimated there was a 50 per cent chance of another rate rise in February, whereas in the lead-up to Christmas he thought the chance of such a rise was about 40 per cent.

Chamber chief economist John Nicolaou said this financial year would be WA's best since the pick-up in commodity prices started the huge expansion in the mining sector which has fed the economy.

"It's hard to imagine the economy growing even quicker, but that's what we think is going to happen," he said.

Mr Nicolaou said the driving force this year and next would be exports from the commodities sector. After the strong investment by mining companies, the flow of iron ore, nickel, gold and other minerals would surge.

"The pick-up in exports has been driven by prices in the past couple of years, but now we're going to see the volume increase," he said.

The chamber believes house construction will be strong on the back of big numbers of interstate and overseas migrants.

According to the chamber, the economy will grow 6.5 per cent this financial year before easing back slightly to a still stellar 5.25 per cent in 2007-08, adding billions of dollars to the State's balance sheet.

The jobless rate is likely to remain around 3.25 per cent, household consumption is expected to remain strong at 4 per cent, while net exports are tipped to grow more than 15 per cent.

In its mid-year Budget review, released last month, State Treasury revised its economic growth rate forecasts from 5.25 per cent to 5.75 per cent this financial year.

Continued on page 4

Tuesday December 19, 2006

Emailed Marketing 9.1.06

Boom will march on next year, says ABARE

SHANE WRIGHT
ECONOMICS EDITOR

The commodities boom that has fuelled WA's roaring economy and bloated government coffers will continue next year, with prices for many of the State's key minerals expected to climb even further, the nation's chief economic forecaster predicts.

The Australian Bureau of Agricultural and Resource Economics says the value of iron ore exports alone will soar 66 per cent to $17.5 billion this financial year.

The sharp rise will be due to both a substantial increase in prices and an expected 15 per cent lift in production.

That will make iron ore Australia's single biggest export earner for the first time, surpassing the value of the country's lucrative coal exports from the east coast.

ABARE also had good news for WA's second most important export commodity, gold, predicting prices for the precious metal would rise 10.6 per cent to average $US670 an ounce in 2007.

And in a move which will only put more pressure on the Carpenter Government to dump its ban on uranium mining, ABARE believes uranium prices will almost double to average a little over $US64 a pound this financial year.

Overall, commodity exports are expected to soar 13 per cent this financial year to a record $140 billion.

Mineral and energy exports are tipped to bring in $111 billion, a 20 per cent rise on last year.

But exports from the farming sector are forecast to fall 8 per cent to $25.4 billion, due almost solely to the impact of the drought.

The bureau has clipped the expected growth of the world economy, but said demand for commodities such as iron ore and coal would remain strong because of the strong demand from Asia, Latin America and South America.

Domestically, ABARE believes the drought will cut growth in Australia by 0.7 percentage points, giving the country an overall growth rate of 2.5 per cent.

The drought is taking its toll, not only on farmers, but across the economy.

"While the agriculture sector now accounts for around 2.7 per cent of gross domestic product in Australia, the drought will have a significant effect on economic growth through the direct and indirect linkages between agriculture and other industries," ABARE said.

For WA farmers who are able to eke out a wheat crop this season, the bureau also offers hope, predicting world prices to rise almost 20 per cent, while wool prices are tipped to be up slightly to average 730¢ a kilogram.

The Federal Government will release its latest economic forecasts tomorrow when Treasurer Peter Costello unveils his mid-year Budget update.

Drought is expected to eat heavily into overall growth, but the strength of profits in the mining industry, plus the surge in job numbers, is tipped to leave the overall Budget surplus around the $10 billion mark.

COMMODITY FORECASTS

	PRICE CHANGE	EXPORT VALUE
Iron ore	18.9%	$17.5b
Gold	10.6%	$10b
Nickel	87.3%	$7b
Wheat	18.2%	$3.1b
Wool	2%	$2.6b
Coal (thermal)	0.5%	$7.5b
Coal (metal)	-13.3%	$16.7b
Beef	-13%	$4b

SOURCE: ABARE

Weekend Australian 18-19 November

Boom goes west with workers

BERNARD SALT
DEMOGRAPHER

FIVE years ago the Australian nation was on the cusp of what would come to be known as the great Australian sea change shift.

There was a surge in demand for residential property within striking distance of all capital cities. And nowhere was the 'sea change shift' more in evidence than on the Gold Coast.

Much of the reason for the uplift in coastal property prices at this time has been explained by the ageing of the baby boomers, who were then anxious to secure a bolthole for their retirement. But what is less well understood is that job growth also surged on the Gold Coast at precisely this time.

Based on estimates from the Department of Employment and Workplace Relations, the Gold Coast workforce expanded by 30,000 or 17.5 per cent over the 12 months to June 2001.

In the nation's remote interior it was a different story: the workforce in Mt Isa and Whyalla contracted by more than 8 per cent in the same year. The sea change shift was not about to share its job prosperity with resource towns.

Half a decade later and the focus of Australian job growth has profoundly shifted.

In a study of 70 large-scale cities and towns across Australia, only four achieved a double-digit percentage increase in the local workforce over the year to June 2006. And all of these are located on the West Australian coast.

Official estimates show that the number of residents with a job (of any description) in the west's Albany expanded by 1636, or 11.6 per cent, in the year to June 2006. No other Australian town with a population base of more than 17,000 could match this result in this year; Albany's unemployment rate plummeted from 6.3 to 4.9 per cent.

But it's not just Albany. Several of the West's coastal towns also pumped their employment bases, including the unstoppable Mandurah (up 10.9 per cent), bubbling Bunbury (up 10.6 per cent) and bustling Busselton (up 10.4 per cent).

All towns hug the idyllic southwest cape and are surging as resources-boom wealth spills over from the coal mines of Collie and from the alumina smelter of Pinjarra. Perhaps there is also some prosperity cascading into the southwest from the Pilbara and the Kimberly.

Geraldton, gateway to the North West Shelf, managed to expand its workforce by a relatively feeble margin of 4.2 per cent in this year. Perth remains the star capital-city performer with a 3.5 per cent expansion of its workforce; this compares with job growth of barely 1.3 per cent for Sydney. In relative terms, Perth's labour market is expanding three times as fast as Sydney's. This is why the median house price differential between these cities is closing rapidly.

But the job-growth ignition to residential property values is not limited to Western Australia. Job growth in Sydney may be sluggish but this is not the case in the interior of NSW. There was strong employment growth in Broken Hill, Lithgow, Armidale, Tamworth and Bathurst over the last 12 months. None of these places is on the coast.

A similar pattern emerges in Victoria with strong job growth in regional industrial centres such as Geelong, Ballarat and Bendigo. Mildura and even Warrnambool are hardly places that are highly sought after for a sea change.

The Gold Coast remains Queensland's leading job-growth city. But also important are the working towns of Mt Isa (where the job market was contracting five years ago), Ayr, Townsville, Mackay and Gladstone.

Here is evidence of a none-too-subtle shift in the basis to new property prosperity.

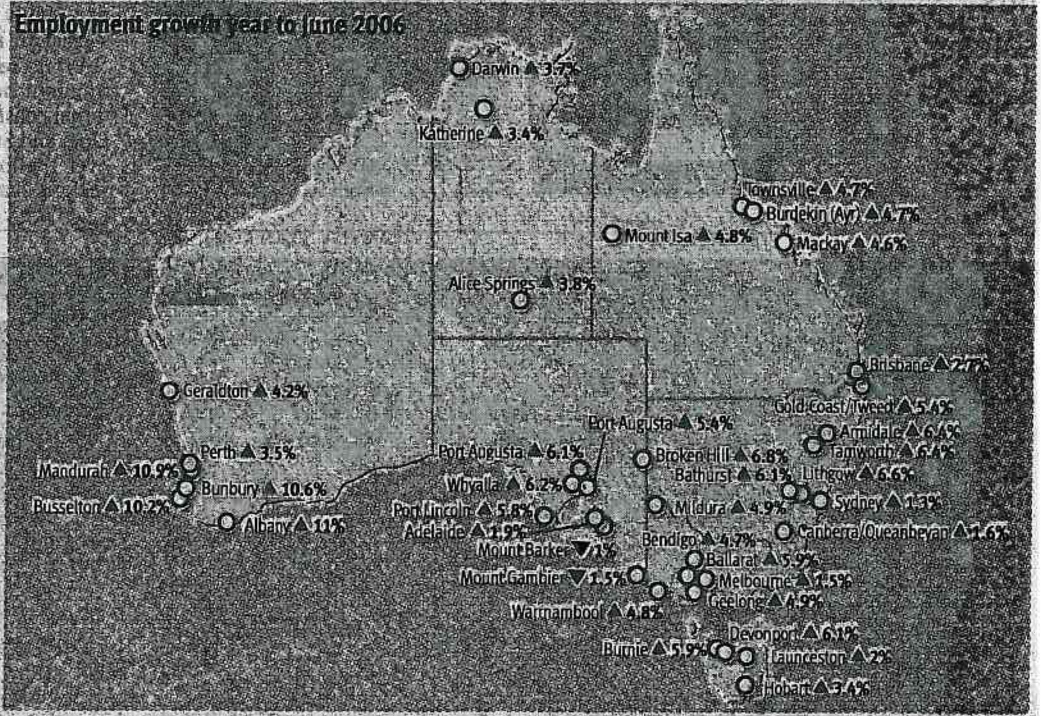
The seachange shift that delivered job growth to mostly lifestyle cities half a decade ago has been usurped by a brash new set of towns hurried into action by the resources boom.

Continued — Page 2

House prices go west with workers

From Page 1

WHERE THE JOBS ARE



All towns, cities and villages directly east of the Bowen Basin have been enlivened by both job growth and the wealth of drive-in, drive-out miners.

A similar process applies to the west's southwest cape. And if there were lifestyle towns on the Pilbara coast, they too would be hurtling ahead at this moment.

Perhaps nowhere is the shift from lifestyle-place to worker-town better illustrated than in South Australia.

The resident workforce of Mt Barker, long-time darling of the treechange set, dropped one percentage point over the year to June 2006.

But a new prosperity is now blossoming along the once barren coast of Spencer Gulf: the Whyalla workforce was up 6.2 per cent last year.

Also on the up is the job market in Port Pirie, Port Augusta and Port Lincoln.

The same logic applies to Tasmania's Bass Coast. Burnie is positively brimming with jobs: up 5.9 per cent in just 12 months. And so too is Devonport.

If job growth is the precursor to the competition and capacity for rising property values then it is the worker-towns that are now poised for prosperity.

But this is an odd mix: it includes several once-sleepy towns that have been pump-primed into action by the resources boom, such as Whyalla.

But it also includes towns strategically positioned near to the resources heartland.

The Sunshine Coast, Byron Bay and Nambucca Heads do not appear on this list; their time was in the 'seachange shift' of the late 1990s when well-heeled boomers soaked up underpriced property with suburban equity and an excess earning capacity.

Lifestyle-towns again figure in but these are a different type of lifestyle town. Mandurah is as much a haven for the families of fly-in fly-out miners as it is a weekend destination for paunchy boomer lawyers from Subiaco.

On the other hand, towns and cities strung out along the Bowen Basin coast provide a lifestyle reprieve for those sweating it out in inland mining towns.

The Gold Coast property marketing an earlier peak in job growth five years ago. Annual employment growth on the Gold Coast has now retreated to 5 per cent.

This city's prophetic and record job surge soon after the turn of the century now seems to have crossed the Australian continent and settled on the prettiest towns strung out between Mandurah and Albany.

Bernard Salt is a KPMG Partner;

W / Australian Thurs Sept 7 '2006

WA booming at faster rate than China

SHANE WRIGHT
ECONOMICS EDITOR

WA's booming economy has smashed more records, with the astonishing revelation yesterday that it is growing faster than even the gang-busting economies of China and India.

But the latest figures also showed that the rest of Australia, with the exception of Queensland, is besieged by economic gloom, with the nation's economy growing at its slowest rate for five years despite the boost provided by WA.

WA's mining-fuelled economy grew at the break-neck rate of 5.6 per cent in the June quarter, taking the result for the year to a whopping 14 per cent. This compared with a national growth rate of just 0.3 per cent for the quarter and 1.9 per cent for the year.

The figures highlighted the extent of the two-speed national economy and the difficulty of applying one-size-fits-all policies, including interest rate settings, to what are now conflicting circumstances. Queensland recorded the second-highest annual growth of 7.3 per cent while NSW and Victoria grew 1.1 per cent in the year and South Australia's economy grew just 0.5 per cent.

The WA economy is now worth more than $100 billion — equal to that of oil-rich Kuwait — amid soaring commodity prices and strong retail spending. It means the WA economy is growing not only faster than other Australian States, but countries such as China (11.3 per cent), Singapore (8.1 per cent) and India (7.3 per cent).

INSIDE

Perth risks being a city socially divided - Mike Nahan
Page 6

Another $1 billion for State coffers - Mark Drummond
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Left behind by the boom
Page 7

However, at the same time, Australia has one of the lowest rates of growth in the Organisation for Economic Co-operation and Development.

The weakness of the other States' economies has allowed WA to have the best of both worlds, with the Reserve Bank yesterday leaving interest rates on hold.

Treasurer Eric Ripper said the performance of the State economy was exceptional. "These figures are beyond our most optimistic thoughts at the time that we assumed power," he said. "It's a case of geology and geography. The geology that is driving the mining boom and our proximity to key markets."

Commsec chief equities economist Craig James said the national economy would be facing huge problems if not for WA. "WA is the exception rather than the rule, with many areas of our economy in gloom rather than boom," he said. But he warned there were some inflationary signals which could herald the return of the 1970s phenomenon of stagflation, where inflation and unemployment rise together. "The current bout of stagflation is very mild compared with the 1970s, but it is not a situation that policy-makers would want to see persist," he added.

Federal Treasurer Peter Costello played down the slow rate of national growth, saying he believed the economy was doing better than the numbers suggested.

"I think the underlying strength is a bit more than a 0.3 tells you," he said. "There's strong business investment, there's strong growth in wages, but when you see a 0.3 for a quarter, it doesn't give you the picture of a boom."

Mr Costello warned that the biggest question facing the economy was the prices paid for petrol, saying there were signs that they were feeding into higher costs in areas such as transport and distribution. "We are living through the third oil shock, the highest oil prices on record," he said.

Westpac economists agree, saying they still believed the Reserve would raise interest rates again this year. "The spending momentum is the key take from the numbers — adding to the case for firmer (monetary) policy," they said.

Labor shadow treasurer Wayne Swan said the low national growth rate was an indictment of Mr Costello and his management of the economy.

West
Australian
Tuesday
18th July 2006

Economists say WA's boom is on a roll

FRAN SPENCER

Soaring levels of resources-related investment have ensured WA's economy is virtually bulletproof for at least the next three years even if commodity prices fall, one of Australia's top economic forecasters says.

Access Economics' latest business outlook report said State fortunes were a mixed bag looking ahead, with a deflating housing boom and high Australian dollar slicing growth along the eastern seaboard — but the WA economy was "straining at the seams".

The report said engineering construction work continued at record-high levels, with several major projects including the Gorgon liquid natural gas and Woodside Pluto LNG developments still to come.

While rising construction costs and concerns over some commodity prices had caused some delays, derailing the juggernaut would be almost impossible.

"Resource investment has such a head of steam in the West it will keep going strong for two years, even if no new projects start up," Access said.

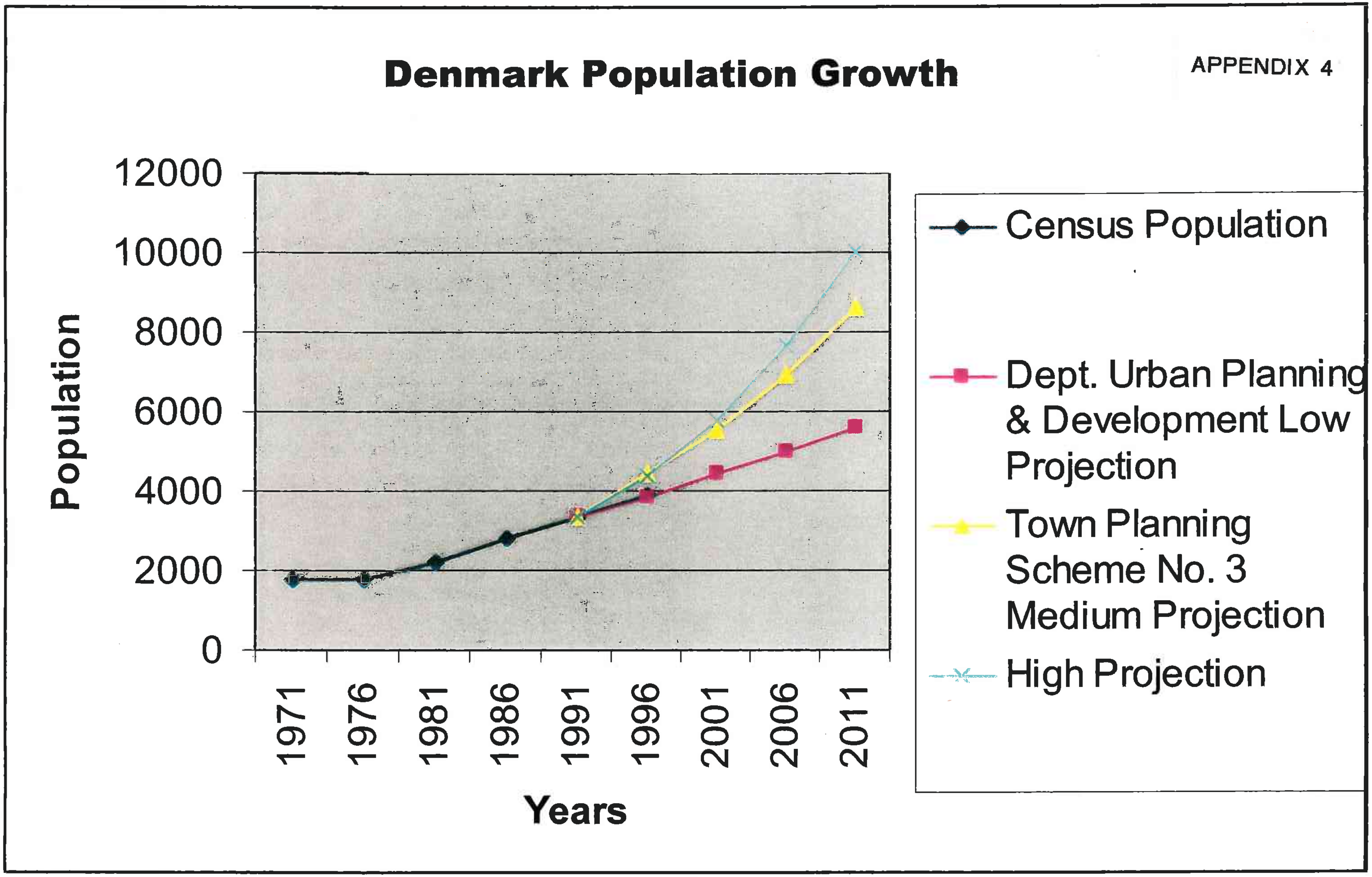
It said that level of investment was ultimately driving WA's job and population growth, as well as its runaway housing market.

While a fall in commodity prices, predicted in the next two to three years, would hit investment levels, the impact was not likely to be severe.

"The WA State Budget sensibly pencils in a weaker year of State growth in 2007-08 so as to allow for just such an eventuality (but) our forecasts don't pencil in much by way of slowdown until 2009-10," Access said.

The predicted length of WA's economic boom lends weight to claims by the WA Chamber of Commerce and Industry that major projects could be delayed unless more workers were imported to fill job vacancies.

APPENDIX 4


Denmark Population Growth
12000
10000
8000
6000
4000
2000
0
Population
1971
1976
1981
1986
1991
1996
2001
2006
2011
Years
Census Population
Dept. Urban Planning & Development Low Projection
Town Planning Scheme No. 3 Medium Projection
High Projection

APPENDIX 5

OFFICE OF THE MINISTER

Your ref: JT712/Sub-31
Our ref: 18-007492

Mr Terry Redman MLA
Member for Stirling
PO Box 61
MOUNT BARKER WA 6324

Dear ~~Mr Redman~~ Terry,

POWER SUPPLY IN DENMARK AND WALPOLE

Thank you for your letter of 8 December 2006 advising of your constituent's concerns on long-term power supply in Denmark and Walpole and your proposal for addressing this.

Network infrastructure is by its nature long lived and it takes some time to consult and obtain approval for new line routes and for this infrastructure to be constructed. Consequently, Western Power has historically always undertaken long range planning to deal with future load growth and updates these plans annually.

However Western Power is required to operate in a commercial manner and utilise its resources and assets in the most efficient manner to provide the electricity network infrastructure needs of the South West region. To do this, it must adopt a prudent mix of short term and longer term solutions. As such, it will sometimes be more efficient to install a low capital cost peak lopping diesel for a period until the load growth is sufficient to justify the installation of a longer term and more expensive transmission or distribution solution.

New network infrastructure typically has a high capital cost that in some cases, especially at the extremities of the grid, is not recovered through the usual access charges paid by network users. In these cases, where the need to increase the capacity is triggered by a new development, the developer is asked to provide a capital contribution to fund the uneconomic part of the investment. The developer subsequently receives rebates when other users connect to the new infrastructure.

However these capital contributions can be large and sometimes it is not feasible for the developer to pay. I have recognised the importance of this issue and have asked Western Power and the Office of Energy to examine the matter to find alternative means for the funding of these capacity enhancements which will present less of a financial barrier to developers, while continuing to adhere to the user pays principle.

In some cases, developments will be reliant on additional funding from the Government in order to proceed. In these cases the Government will need to consider the merits of each development and assess them against other projects competing for the limited funds available and decide which projects are to be supported.

I appreciate your recognition that this is a serious and complex issue and that well considered longer term approaches are needed. Western Power and the Office of Energy are giving the matter their urgent attention and I expect them to report back to me early in the new year.

Yours sincerely

FRANCIS LOGAN MLA
MINISTER FOR ENERGY

- 2 JAN 2007

Contact

1 Des Lehmann phoned 8/1/07

– Decision by March Re: plans for Oct.