

Ms Karen Tilsed
A/Manager Projects
Electricity Access
Economic Regulation Authority
P O Box 8469,
Perth BC WA 6849

20TH November 2007

Dear Ms Tilsed

Re: ERA Issues Paper – 330KVA Mid West Augmentation

The Geraldton Iron Ore Alliance has a membership of eight iron ore mining companies which are at various stages of exploration and development of mines in the Mid West.

These companies are:

- Mount Gibson Iron Limited
- Midwest Corporation Limited
- Murchison Metals Ltd
- Gindalbie Metals Ltd
- Golden West Resources Limited
- Royal Resources Limited
- Asia Iron Limited
- Atlas Iron Limited

The Alliance member companies are extremely concerned about the possibility of Western Power's proposed upgrading of the Pinjar to Moonyoonooka transmission line being delayed, as suggested in the recent report prepared by consultants Parsons Brinckerhoff.

In fact two significant magnetite proposals, Asia Iron's Extension Hill project in the Mt Gibson Ranges and Gindalbie Metals Mt Karara project are currently progressing on the basis of connection into the 330KVA line from Eneabba.

The Gindalbie Metals magnetite project aims for its first stage production to be operational by 2010 (with a 100MW base load). This project is indicated (together with other significant iron ore proposals) as one which the State Government considers sustainable in the region and has a predisposition to approve (as advised in the recent State Government "Strategic Review of Banded Iron Formation Ranges of the MidWest and Goldfields").

Gindalbie recently announced to the ASX a long term power supply agreement with Verve for approx. 1 million MWh's per annum for a 15 year term, scheduled to commence in 2010. This power is sourced at Muja and is to be delivered at Eneabba via a SWIS connection. Both Gindalbie's and Western Power's studies confirm that the 330kV upgrade is necessary to support this delivery.

Similarly, the Extension Hill project has its environmental approval in place and design works significantly progressed with production intended by 2010.

These projects alone justify the 330KVA upgrade to be progressed without delay, however are just part of a rapidly developing new industry which has the capacity to generate well in excess of 70 million tonnes per year of from the region by 2015.

A further major magnetite project in an adjacent area is Mid West Corporation's Koolanooka project which may involve a pelletisation plant, and could progress by 2015.

The Alliance members other projects, are principally hematite mines which do not require the same level of power at the mine site yet also result in significant power requirements in the region.

The major hematite projects require a deepwater port and shall provide the first stage of the Oakajee port and rail infrastructure which has the potential to trigger significant industrial development on the adjoining State Government owned industrial estate.

Further details of the companies and their projects can be attained from the Alliance's website at www.gioa.com.au.

The Geraldton Iron Ore Alliance commissioned an independent report (April 2007), by Economic Consulting Services, to examine the social and economic benefits of expanding iron ore mining in WA's Mid West region.

According to the report, key economic benefits from expanding iron ore mining in the region over a 25-year period would result in:

- 1,360 jobs a year during construction;
- 4,254 direct jobs a year for a conservatively estimated 25-year operational period;
- A total of 12,000-plus direct and indirect jobs a year in WA from the increased economic activity;
- An addition of \$1.5 billion a year to Gross State Product; and
- About \$7 billion in taxes and duties to the Federal Government and around \$3.5 billion in royalties and other payments to the State Government.

An Executive Summary of the Report is provided as an attachment to this letter. In addition to the above benefits of the industry is the substantial population growth that can be expected at Geraldton and in the rural towns in the proximity of the proposed mines.



Geraldton
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I should add that we are not aware of any contact being made by Parsons Brinkerhoff with our members in the course of preparation of their report.

Clearly the case to expedite Western Power's proposed 330KVA transmission line in the Mid West is compelling, and the Parsons Brinkerhoff report and any potential delay by government is of extreme concern to the Mid West Iron ore industry.

Yours sincerely

R W Jefferies

Deputy Chairman

ATTACHMENT:

ECS Report ‘Mining Expansion in the Mid West: Social and Economic Benefits’

Executive Summary

The economy of the Mid West region in Western Australia is solidly based on mining, services and agriculture, with mining contributing 50% of the gross value of production.

Mining and petroleum resource projects are dispersed across the region and are based on a wide range of minerals. Gold, at 30% of production, leads the way followed by heavy mineral sands, nickel, petroleum, base metals including copper, lead and zinc, iron ore, salt, chromites, gypsum, silver, cobalt and talc. Smaller mining industries include lime sands/limestone, attapulgitite, various gemstones and red oxide as well as extractive activities such as sand, gravel and building stone.

There are 27 major mining projects with sales of more than \$10 million per annum per project in the region operated by 20 different companies covering the major mineral groups.

The relative importance of the Mid West in mining has slipped over time with major expansions in the Pilbara and Goldfields areas. The last five years has seen resurgence in mining activity and three new iron ore projects have begun exporting ore through Geraldton. Many new projects are planned.

This has the potential to again make the region a significant participant in the booming mining sector.

This report assesses the economic impact for the region, the State and the national economy of seven developments that are in the process of expanding or investigating iron ore based mining activities in the Mid West. To retain commercial confidentiality, the seven projects have been aggregated into two broad geographic groups.

Project North includes the Jack Hills project of Murchison Metals, the Weld Range project of Midwest Corporation, and Golden West Resources’ Wiluna West project.

Project South includes the Extension Hill project of Mount Gibson, Royal Resources’ exploration prospects, the iron ore and iron concentrate projects being developed by Gindalbie Metals and Precious Metals Australia vanadium project at Windimurra.

The economic impacts were assessed over a conservative 25-year period.

The total capital investment is estimated at \$5.5 billion with operating costs over the 25 years estimated at \$36 billion in today’s dollar terms. Gross sale revenues of \$62 billion are forecast.

Clearly financial revenues and expenditures of this order will have a significant impact on the Regional and State economies.

The logistical needs of the projects, alone, will create many business opportunities. As well as the movement in of materials and personnel for the construction and operational phases, there will be a need to move 1,200 million tonnes of product out of the region.

This flow peaks at about 74 million tonnes in 2014 and averages almost 50 million tonnes a year for the duration of the operational phases of the projects.

The inclusion of sophisticated processing equipment in some projects increases the overseas purchases but the dominant share of capital investment still falls to Australian suppliers with total purchases of about \$4.5 billion.

Western Australian companies are expected to supply 60% of the goods and services needed to establish these projects with other States contributing 22% and imports 18%.

During the full operations phase, Western Australian companies are expected to provide \$32 billion worth of goods and services (90% of the total).

The Mid West projects are expected to create 1,360 jobs on average a year during construction and require a workforce of 4,254 during the suggested 25 years of operations.

Multiplier analysis has been used to estimate the full impact of these projects on the wider economy.

The construction expenditure of \$5.5 billion will generate a further \$13 billion of output elsewhere in the State economy. Of these flow on benefits, some \$5.4 billion is estimated to come from the Mid West.

As well as the 1,360 construction jobs (a year) of the projects themselves, it is estimated that the projects will generate a further 1,900 jobs in the rest of the State, of which some 750 will be located in the region.

The impact of operating expenditures on the output of Western Australia is estimated to total \$2.67 billion a year, for the duration of the project. A relatively large proportion of this is estimated to be captured within the Mid West, with an impact of \$2.06 billion a year in the region.

Employment generated by the operations of the projects show a similar story. The projects are estimated to employ 4,254 persons directly for every year of the life of the projects. Total employment generated throughout the State is estimated at 12,762 jobs, of which some 8,508 are anticipated to be located within the Mid West region.

It is estimated that this substantial increase in the regional workforce will have a marked impact on the regional population. The extra 8,500 jobs has the potential to increase the total population by about 20,000 people. This would be a 40% increase in the region population if all of the workforce were to locate from other areas of the State.

Based on recent trends, 90% are likely to choose to live in coastal areas around Geraldton, thus potentially making this a population aggregation comparable in size to Kalgoorlie-Boulder, Albany and Bunbury.

General equilibrium modelling tells a similar story of significant impacts on the economy.

Real consumption expenditure in Western Australia is estimated to increase by an average \$400 million a year for the life of the project. Real investment in the State is estimated to increase by an average of \$300 million a year.

The general equilibrium analysis estimates that national gross domestic product (GDP) will rise by \$1,400 million over the six-year construction period.

The model then predicts that the project will increase Australia's annual GDP in the long-term by \$890 million a year. The model estimates that there will be a greater impact on the State economy because it will bid resources away from other States to meet the needs of the project. Gross state product (GSP) is estimated to grow by a total output gain, in real terms, for the State of \$1,500 million a year.

Over the 25-year forecast period, the project construction and operation will have made a net addition of around \$22 billion in total to Australian GDP. From a Western Australian perspective, it will have added \$36 billion to GSP.

Over the first 20 years of project operation, the Commonwealth Government has the potential to collect about \$7 billion in direct project payments of duties and taxes and the State Government, over \$3.4 billion. Stamp duty payments are uncertain but will add to this revenue.

Additional benefits to flow to the Mid West from these projects will include:

- Almost certainly a second port at Oakajee;
- A substantial population increase in Geraldton and surrounding areas;
- New rail and road infrastructure;
- Increased air services to the City;
- An improved local tax base for local government;
- Additional range of job opportunities for young people who would otherwise shift to the metropolitan area; and
- Improved prospects for the growth of local industries servicing the plant.

Local sectors will see significant business opportunities, which will include transport services, property services, finance services, civil construction and earthmoving.