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KIA shows that government can drive the economy

In 1952, the Western Australian government signed a State Agreement that created the Kwinana Industrial Area (KIA), the state's premier industrial area. Sixty-six years later, the KIA is made up of 231 businesses, employs approximately 5,600 people and injects \$15.77 billion a year into the local economy. The latest FACTBase Special Report produced by the Committee for Perth's *Bigger and Better Beyond the Boom* project, found that while it faces some challenges, the KIA is a critical precinct, home to a number of our highest earning industries and is of vital importance to the future economic well-being of the state.

"Back in the 1950s, Western Australia was viewed as a Cinderella state, because it was seen as financially and politically disadvantaged compared to the rest of Australia. So the bold decision by the State Government to invest approximately twelve million pounds or about \$436 million in today's money, was one that has paid off, many times over," said Committee for Perth CEO, Marion Fulker.

"The initial investment from the State Government was a great attractor because businesses moving into the KIA benefitted, as they were provided with all of the crucial infrastructure requirements that were needed by heavy industry. Importantly, the willingness of the Western Australian government to financially support the KIA in the beginning, increased its attractiveness as a key location for major industrial infrastructure investment, at a time when globally, market conditions were very volatile.

"While BP Australia, then Anglo-Iranian Oil Company, was the first business to establish itself in the KIA, other large companies followed, including Cockburn Cement, Alcoa, CSBP, BHP Billiton, CBH, Coogee Chemicals and more recently the Water Corporation. Ultimately, the establishment of BP Australia's refinery went on to set a precedent for a much broader pattern of industrial development in the south-west corridor of Perth and Peel. Today, the area is home to a significant agglomeration of further industrial activity in Henderson, Latitude 32 and Rockingham, which makes up the broader Western Trade Coast."

As a result of this clustering, businesses reap the rewards of industrial symbiosis, where they mutually benefit by creating a competitive advantage through sharing resources, knowledge, labour, by-products and materials with each other. In its early days, one of the biggest issues the KIA initially faced was attracting workers with the appropriate skills.

"At the time, there wasn't a large, local workforce to call on, so workers were lured from the United Kingdom. Migration that occurred more than half a century ago has had a lasting effect on the KIA, even today it has a higher than average percentage of UK-born workers. Industries operating in the KIA also have an ageing workforce with almost 60% over 40 years of age, compared with just over 50% in Greater Perth. The challenge in the coming years will be to replace its ageing workforce as they retire. On a positive note, it might be made easier because more than 61% of workers earn more than \$1,500 a week, almost twice the number than Greater Perth."

As well as replacing its ageing workforce, the KIA has issues around the supply of energy and water.

“The Department of Water has estimated that the Western Trade Coast’s water usage will increase from 28.5 to up to 52 gigalitres per year by 2031. This growth will coincide with a reduction in groundwater allocation from the Cockburn Groundwater Area as a result of our drying climate and reduced groundwater recharge, which means the KIA will need to find an alternate water supply. The rising cost of energy is also becoming a critical issue, with it described as the third largest constraint on their operations, behind urban encroachment and road access,” said Mrs Fulker.

“The long-term, sustainable future of the KIA also hinges on resolving several other critical issues including the need, location and timing of an outer harbour, strengthening transport and freight links and refining governance structures.

“Because the continued success of the KIA is critically important to the future of the State’s economy and Perth’s global connectivity, what’s needed today is for business and political leaders to show the vision and commitment that established the KIA all those decades ago. We need a desire to diversify the Western Australian economy through a binding agreement to work together to catalyse industry development that results in more jobs, new capabilities and increased economic diversity.”

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