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Community Recovery and Survival in a Boom and Bust Economy

Submitted by

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Introduction

Australia has experienced a prolonged economic boom and Western Australia in particular has benefited from the growing Indian and Chinese economies and their demand for mineral resources. The resources sector has a long history of boom and bust cycles, reflecting its exposure to international markets and fluctuations in demand and supply (Haslam McKenzie et al., 2009). As noted by Wilson (2004: 261) “the volatility of mineral prices produces a ‘resource roller coaster’ on which mining communities rides”. Too often, it is shareholders of the large corporate mine operators that benefit while the communities and even countries endowed with the mineral wealth are left poorer for the mining activity, hence, suffering the resource curse (Pick et al., 2008, Humphreys et al., 2007a, Davis and Tilton, 2005, Auty, 1993). The fortunes of public companies are highly newsworthy but rarely are the local and personal impacts of the resources super-cycles and ‘roller coaster’ given much media attention.

The renewed mining fervour in Western Australia has had far reaching impacts in rural regions. Some communities have been overwhelmed by a new population connected with mining, many of whom have not had anything to do with agriculture or rurality before. The newcomers bring with them a range of social and economic stresses and strains and some small communities, in particular, struggle to cope. One such community is that of the Shire of Ravensthorpe on the Southern Coast of Western Australia. The Shire changed from being a small farming community with a quiet coastal town, Hopetoun, where farmers chose to recreate in the summer or retire, to a busy place with a local population dominated by an entirely different demographic. Many of the newcomers wanted to live in Hopetoun, after a large corporation, BHP Billiton announced that it would develop a large nickel mine in the Shire and the workforce would be located locally.

This paper will provide an overview of the mine development and the sudden and unexpected suspension of mining activities. The impact of the suspension was distressing for many individuals and families and the community was left in a state of bewilderment as people immediately made plans to leave. The communities had undergone considerable change in a short period of time and then there was a hiatus with the announcement of the suspension before the communities were once again launched into a new phase of transformation. However, the impacts of industry contraction or failure are not new and this paper will discuss other communities which have also experienced the impact of sudden change, have reinvented themselves and ultimately recovered. The aim is to identify the successful strategies these communities adopted to recover and how the lessons learned in those communities might be adapted in other small communities such as Ravensthorpe and Hopetoun where large structural changes have an overwhelming impact. As often occurs, tourism is touted as a quick-fix solution. The paper will conclude with an assessment of a proposed solution that has been promoted as ‘the answer’, but using the experience in
people. The median age of residents was 38 years which was considerably younger than the median age of the Shire residents in the 2001 Census (42 years) and younger than other Western Australian rural, agricultural-based populations in 2006 (Australian Bureau of Statistics, 2008a).

Families and young couples moved to Ravensthorpe and Hopetoun, many with spending habits and capacity not previously experienced in the Shire. To support the increased population, the company, government and the local government authority spent considerable funds upgrading and building new infrastructure, including roads, a primary school, airport, wind-generated energy, water and sewage services. The housing stock more than doubled in the town of Hopetoun and by about a third in Ravensthorpe.

Without warning from the company, on 21st January 2009, BHP Billiton placed the Ravensthorpe Nickel Operation (RNO) on indefinite suspension after only eight months in operation. The employees and the community were shocked and devastated. The reasons for the suspension were not clearly stated by the Company but it was broadly accepted that the price of nickel on the global market had dropped during the global financial contraction and the mine was no longer viable. The suspension of mining coincided with a global downturn in almost all sectors of the economy, including the housing market. The Western Australian housing market had experienced sustained growth for more than a decade until the September quarter, 2008, following unprecedented international demand for resources. Housing in the Shire of Ravensthorpe achieved extraordinary growth and value with the construction of the nickel mine and the subsequent commencement of operations in 2008. Following the announcement however, it became obvious that the local housing market would be directly impacted by the suspension of operations at RNO, as a significant part of the residential population had lost their local employment and would move from the region. Over the subsequent months, company employees withdrew their children from the local school, packed up their homes and moved away. It was generally considered that the employees of the company were the ‘lucky ones’; it was small business owners who had set up businesses locally who were the most vulnerable, although after considerable media exposure and local advocacy the Company negotiated some payments to local businesses.

Long standing residents of the Ravensthorpe and Hopetoun communities had a sense of bewilderment and betrayal when they reviewed all that had happened over the previous six years and they were concerned about the future of the communities. Some thought that the Shire of Ravensthorpe, and Hopetoun in particular, would simply revert to the Shire and town it was prior to BHP Billiton coming to town; that it would slip back into anonymity as a small agricultural communities with many retirees. It was clear however, the Shire and town were not the same as they were six years ago. It now had superior infrastructure and housing stock suitable for working families and a school with capacity for 160 children and it also had small business owners who had started businesses in both Ravensthorpe and Hopetoun who wanted to stay and capitalise on their investment. Further, the location of Hopetoun, in a pristine environment adjacent to the unique and ecologically exceptional
have benefitted have been close to other, larger towns or close to public transport, thus acting as more affordable dormitory towns. Others are constrained by planning conditions as they are located in ‘greenbelt’ areas where industrial development is not permitted. Even in such locations, beneficial reuse has occurred in the form of use for agricultural or amenity purposes. To conclude then, the British coal mining towns that have survived as functioning, sustainable towns have been transformed and now consist of different people and for different purposes (Britton and Denning, 2006).

The closure of mines and plants in the United States resulted in different sets of problems according to a variety of factors (Eisenschitz, 2008, Netschert and Schurr, 1985, Vietor and Melosi, 1980). These included the size of the local population, the nature of the local economy, the residency status of the labour force (whether local or commuting) and the town’s distance from major urban centres. Small towns that were relatively isolated and whose principal employer was the mine or plant had the most problems. Research has highlighted that the larger towns with a varied economy were more able to sustain the closures. Where there was a predominantly commuting workforce, the impact of unemployment was lessened. It follows that the small resident population that provided services to the mine or plant and its workforce were often the hardest hit. Small businesses struggled to stay afloat, and many local residents became unemployed. Where the mining company owned much of their resident workforce’s housing, such housing stock was sold after mine closure. The once relatively cheap rental housing was then sold onto either former employees, who used their redundancy payouts to purchase the dwellings, or to private landlords who raised rents. Either way, the overall experience was that housing and the general cost of living became more expensive.

From this brief international overview, the primary lesson learned is that isolated and small communities remain the most vulnerable. The key variables are a critical mass of people, and the more diversified they are in skills and age the better. In addition, ownership of land, housing and local infrastructure is important if local people are to determine their destiny. While physical isolation can be limiting, connectedness is possible. A willingness to explore new ideas and connect with emerging trends appears to be a commonality for those communities that have survived, albeit, often in a new guise.

Local Examples of Industry Retraction and Contraction
Two relatively recent Western Australian examples, (Exmouth and Manjimup), have been chosen as illustrative case studies of towns and communities which have experienced major industry contraction and/or retraction and reinvented themselves with considerable success.

Exmouth
Exmouth is a remote town located on the tip of the North West Cape and 1,270 kilometres north of Perth (see Figure 2). Its remoteness and strategic location have influenced its
at around 3900 people. By 1992, the local population had dropped to 1700 people (Australian Bureau of Statistics, 1991).

US military protocol at the time was to demolish all infrastructure (including houses) when it was no longer required. Such an approach caused considerable concern in Exmouth because it would leave ‘gaping holes’ and vacant blocks throughout the town. It was eventually negotiated that the houses would be (largely) gifted to the State and local community and that a trust fund would be established, the Exmouth Development Trust Fund, held by Treasury but administered by a carefully selected Trust Fund Management Group\(^1\) into which the proceeds of house sales would be vested. The Trust Fund Management Group was chaired by a representative from the Western Australian Department of State Development (which later became the Department of Commerce and Trade) and members were constituted from the Exmouth Shire Council, Treasury, Department of Lands, and a representative from the Defence Department (the agency that managed the Base after the US withdrawal). Once the fund had been established one or two Community representatives were appointed to assist with the allocation of funds.

The proceeds from the Trust Fund were to be spent on developing local infrastructure (such as toilet blocks, parks and gardens, buying and supplying an ambulance, construction of major headworks, including the marina), supporting and developing community development projects including interest and sporting groups and assisting local businesses. Importantly, the proceeds of the Trust were used as seed and matching funding for government capital works. Approximately $500,000 was made available to the Shire of Exmouth to enable a fund to be established that allowed clubs and other organisations to borrow monies, interest free, for facility improvement. This allowed the balance of the fund to be used for major projects (Western Australian Department of State Development 1999).

There is some confusion about the number of houses actually sold. Local opinions range from 196 to 123 houses although the then CEO of the Office of Regional Development, Ms Robyn Crane, recalls it being closer to 123 houses. The Americans retained 15 houses for their own use. Seventy eight per cent of the sale price of a house went to the Trust Fund and 22 per cent of the proceeds of the sale were retained by the US government.

Care was taken not to flood the market and the houses and land were sold in tranches of approximately 25 houses. The houses were sold in three lots through a special tender process over a period of six years. Each tranche included houses of varying quality from all over the town; i.e. salt and pepper approach to sale of homes and land. The Trust Fund Management Group assessed all expressions of interest and offers for houses only by tender. The Group was cognisant of the importance of achieving a diversity of new

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\(^{1}\) ‘Careful selection’ because of the need to safeguard against key decision makers being perceived as potential profiteers or local entrepreneurs who were perceived to have a conflict of interest or likely beneficiaries of the Fund or land scheme.
Timber production was the most important industry in the southern region for 130 years, supplying a majority of the State’s hardwood, - a lucrative export industry for more than a century. Around the town of Manjimup, numerous timber mills, transport companies and other ancillary businesses serving the timber industry were established.

In 2001 the Western Australian government altered its policy with regarding to logging in old growth forests (Laing and Hepburn, 2006) which resulted in the restructure of the timber industry, causing considerable difficulties for the community of Manjimup in particular. The impact was exacerbated as it came soon after the closure of a local potato processing plant. Many residents lost confidence in the future of the community and 805 people left the community in the period 1998/99 which represented 25 per cent of the local population.

Figure 3: Shire of Manjimup


The financial sector lost faith in Manjimup and, anecdotally, there was a hold placed on lending money to anyone in the area (Shire of Manjimup, pers. comm 2009). People left because they were worried about the town closing and every second house was empty or for sale, causing widespread “bitterness, anger, resentment and animosity” (personal
let the dust settle. The worst thing they did was try and change the place by throwing money at us.

The Manjimup community is still wary and unwelcoming to newcomers, or as the locals refer to them, ‘outsiders’ while the Shire, South West Regional Development Commission and community groups have had to work hard to introduce diversity to the town.

It has been estimated that the community and town took about five years to really recover from the restructuring of the forest industry and the closure of the potato factory. A critical factor was community confidence which took several years to rebuild and which remains fragile. After about two years the mood changed from anger to resilience. The community accepted what had happened and tried to make the best of it. The shift in attitude made a huge difference to the real improvements that occurred. It was only when residents began to realise that everything is an opportunity that they began to look forward and create strong bonds between the people, thus rebuilding the critical social capital and sense of place (personal communication and interviews with former Shire councillors, South West Regional Development Commission and residents of Manjimup).

Over the last ten years, small but successful ventures have been established in and around Manjimup. The climate has been recognised as an advantage and a number of high value horticultural ventures have developed including the Pink Lady apple which was developed in the Manjimup area by the Department of Agriculture and has proven to be a national and international favourite. The apple is sold under stringent and specific conditions across four continents and has been an important boon for horticulturalists in the region. A particularly lucrative market is India and innovative packaging and transportation methods have further increased profitability (see www.abc.net.au/news/stories/2004/06/21/1136424.htm).

Wine production has grown in the area over the last ten years and many vigneron and horticulturalists have planted olive trees as wind buffers. The olives are now being harvested and a nascent olive oil industry is developing. Another local success story has been the establishment of a natural spring water business with contracts in India, Saudi Arabia and Singapore and pending contracts in China. This business has generated the construction of a factory, 15 full time jobs and millions of dollars in revenue.

Perhaps the most ambitious project, and successful in terms of giving Manjimup an entirely new image, is the successful production of rare black truffles. The largest individual truffle found so far (1kg) was worth $3000 dollars on its own and there is now a marketing campaign into Europe through the Western Australian Department of State Development (see www.news.com.au/travel/story/0,23483,22097649-5012674,00.html). At a recent food festival in France Michelin-starred chefs were invited to test the Western Australian truffle agreeing that the quality of the Western Australian product was no different to that of the European truffle. The great advantage for the Western Australian truffle is that it is produced in what is the European summer season and the only competitors thus far, are Tasmanian truffles which are not being grown with the same rate of success as those grown
industries (see Browne et al., 2009, Mayes, 2008, Mayes and Haslam McKenzie, 2008). Small towns with relatively stable populations, such as Ravensthorpe and Hopetoun felt the impact of a large number of ‘strangers’ moving into the town *en masse*. As noted by Zandvliet, Bertolini and Djist (2008, p. 1469) “the social homogeneity among residential populations is greater than the heterogeneity among mobile populations”. Local residents in these communities have found the transient population challenging because many of the newcomers do not value the town and community in the same way as the long-term residents. This put unplanned and unresourced pressure on the community leaders, most particularly the local government authority required to manage community development. Not only did the local population in the Shire of Ravensthorpe more than double with both resident miners and fly-in/fly-out (FIFO) workers, but employment for local residents also changed as people were lured to high paying jobs associated with the mine. The local farmers struggled to hire labour for shearing teams and the problem became so acute that some farmers reduced their flocks or focused exclusively on cropping. This scenario changed very quickly when the mine ceased operation, but by then, local employment patterns and services had changed considerably (Haslam McKenzie, 2010 (forthcoming)).

Despite many people associated with the mine leaving soon after operations were suspended there are those who would never leave and remain determined to take advantage of the reincarnated community and use the new infrastructure and now empty but new homes to attract people to the region on a more permanent basis. The Shire President has noted that the opportunities associated with dealing with a large corporate partner in town have given local leaders new experiences and skills. They then used those skills when negotiating with the Company and government after operations were suspended, to good effect. Their town, unlike other towns of comparable size in the Western Australian Wheatbelt, now has enviable infrastructure such as a bright new school, enlarged or new utilities and the capacity to expand. The leaders in the community remain determined that the business and lifestyle opportunities available at Hopetoun are kept at the forefront of State regional development planning and the business community of Western Australia so that the local community can continue to build on opportunities for regional investment as the economy improves.

Another important lesson is that investment for the future needs to take a long term perspective to ensure that the benefits are enjoyed by those who are committed to staying. The Manjimup experience is a reminder that opportunistic short-term solutions are unlikely to have long term benefits. Tourism is one of those easy, grab bag tools that appears, on the surface, to fill a gap but which can also prove a costly mistake. Research (Stimson et al., 2001, Hall and Muller, 2004, Hall, 1997, Haslam McKenzie, 2006, Haslam McKenzie, 2009 forthcoming, O’Connor and Haslam McKenzie, 2003) has shown that tourism provides limited employment or net gain to a community but if combined with other business enterprises and undertaken in a way that is complementary to the residents and activities of the community, it does have the potential to add commercial diversity and value.
considered too expensive and there were additional concerns that businesses in Ravensthorpe would be bypassed. Instead, the government undertook to upgrade signage, interpretative facilities and access into the park all year-round. These initiatives alone will enhance the visitor experience but are unlikely to greatly increase visitor numbers. A sophisticated and co-ordinated regional strategy needs to be devised to encourage visitors to see the Southern Coast route to Perth and the Margaret River area as a feasible alternative to the inland Goldfields to Perth route. Visitors to the Ravensthorpe and Hopetoun areas need to be encouraged to stay longer than one night and certainly improved access to the FitzGerald National Park will assist (see Browne et al., 2009).

A careful assessment of the type of visitor to the area who would give maximum return on tourism investment also needs to be undertaken. Rather than grey nomads, the more profitable tourism cohorts are backpackers and tourists who purchase multiple nights’ accommodation. Backpackers also have the potential to provide casual labour during peak agricultural periods such as harvest and spring shearing. This type of tourism developed in a small community can have an influence on who lives in the town, how people live and the businesses developed in the town for both tourists and residents. If a new tourist target segment was developed, more oriented to eco-tourism and younger visitors, there is a greater likelihood that the town will attract younger residents and new businesses develop in response to a younger population, more in line with younger families who are vital if the new primary school is to be utilised. The South Coast region has many attractions suitable for younger, more adventurous tourists. However, it is unlikely these ventures will develop quickly and therefore an essential element is a co-ordinated tourism strategy developed for the entire region, of which Ravensthorpe and Hopetoun are an important part.

Important differences in the renewal of Exmouth compared to Manjimup was the recognition that recovery takes time and the involvement of local, long term stakeholders is important but of equal importance is the need to avoid opportunities for self-interest. Care was taken to ensure diversity in the mix of purchasers of the housing stock in Exmouth, thus ensuring a resident community while also attracting new residents to the region. The establishment of a Trust Fund was a tangible investment for the long term future of the community, the proceeds of which were spent over a longer period of time, injecting money into the local economy and renewing infrastructure. This was in addition to funds that flowed slowly into the community as the housing stock was sold. These funds were generally used as seed funding for local infrastructure and community development projects, hence requiring the local community to work together to ensure that the money was used in such as way as to maximise its usefulness. For example, some funds were used as matching funding for government grants, others for expanding head works which provided for business expansion and a greater diversity of commercial and entrepreneurial opportunities. Manjimup took longer to recover after the initial flurry of political interest in the community. It wasn’t until local confidence was rebuilt with a re-imaging of the community through the establishment of boutique industries and new and diverse
are critical protection against super-cycles and mitigating the effects of the resource curse and ‘resource roller coaster’.

The lessons from Exmouth are particularly useful. Government had an important role in guiding the establishment of a management group for the town and negotiating the sale of the houses from the US navy. However, the key decision-makers who determined the community’s destiny were a diverse group of people who had an appreciation of the Exmouth’s attributes. Further, they understood the potential damage to the town if the houses previously owned by the US navy were sold off all at once, either devaluing the houses by flooding the market or selling the houses off to an absentee developer, and thus not securing permanent residents. Instead, the housing strategy was carefully devised to ensure that the houses were sold over a period of time, thus preserving their value, to a diverse population who brought to the town a variety of skills, purchasing power and commitment to the community.

Securing agreement from both the US navy and the Western Australian government that a percentage of each house sale would be preserved in a Trust Fund to be used for a variety of community development and small infrastructure investment purposes was also of critical importance. Importantly, everyone involved understood that the process of transition from ‘a navy town’ to a thriving, independent coastal community would take time.

The recovery of Manjimup, on the other hand, was more fraught because the industry contraction was perceived to be part of a political decision. Government was portrayed, especially through the media, as being responsible for finding the solution to the town’s problems. Recovery strategies focused on public monies and ‘compensation’ but the people making the decisions were not locally based and the recipients of funds were not local either. The strategies were poorly conceived and there was insufficient consultation causing local resentment and distrust. Gradually, residents understood that if the community was to survive they had to take control and rather than complain, they had to develop pro-active strategies that included newcomers and new investment. Subsequently the climate and soil types have been recognised as suitable for a variety of new horticultural ventures which are capitalising on the ‘slow food’ and gourmet food movements. Government has a role in promoting the new industries, assisting in seeking new international markets and ensuring that infrastructure investment is complimentary to the new developments. The critical lessons are that new industries will take time to be established and that new skills and labour need to be supported.

Despite the different circumstances of their threatened demise and the different paths to recovery, the two communities of Exmouth and Manjimup have indeed recovered. While the communities of Ravensthorpe and Hopetoun are recovering from the disruption of the mine suspension, they have many natural attributes with which to work and provided the recovery strategies incorporate a long term timeline and local people are included in the decision making, it is likely they will in fact benefit from the experience and use the infrastructure that came with the mine to attract new people and new ventures.


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The following papers have been identified in the Proceedings as Peer Reviewed and Blind. Reviewed with each reviewed independently by two anonymous reviewers (double blind process) and their comments returned to authors prior to the submission of final papers for inclusion in the proceedings.

Full details of the proceedings publication are as follows:


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- Managing Mining Communities and Sustainable Development: a Central Queensland case study
  Emeritus Professor Bob Miles, Executive Director, Miles Consulting Services

- Sustainable Mining Futures and the Liveability of Mining Villages
  Lindsay Greer, Senior Research Officer, Institute for Resource Industries and Sustainability, CQUniversity

- Attracting and Retaining Mobile Skilled Workers: benefits for rural communities
  Dr Peter Vitartas, Senior Lecturer, Southern Cross University

- Leveraging on Population Mobility to Generate Local Solutions to Community Needs and Issues
  Joe Ripepi, PhD Student, Curtin University of Technology

- Emission Trading: an economic business perspective
  Debbie West, Manager in Tax and Business Services, WHK and Adjunct Associate Professor Richard Monypenny, School of Business, James Cook University

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- Community Recovery and Survival in a Boom and Bust Economy
  Professor Fiona Haslam McKenzie, Director, Housing and Urban Research Institute of Western Australia, Curtin University of Technology

- Climate Proofing as a Regional Development Strategy
  Associate Professor Peter Waterman RFD, Coordinator, Climate Change, Coasts and Catchments, University of the Sunshine Coast

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