

MITEZ

ECONOMIC DEVELOPMENT



Regional Overview

www.mitez.com.au



MOUNT ISA TO TOWNSVILLE ECONOMIC DEVELOPMENT ZONE

1. The Region



The **Mount Isa to Townsville Economic Development Zone (MITEZ)** is the peak regional development organisation for an area encompassing seven local government associations - Mount Isa, Cloncurry, McKinlay, Richmond, Flinders, Charters Towers and Townsville.

The **MITEZ** region extends 920 kilometres inland from its most eastern point on the Great Barrier Reef, across North Queensland over the Great Dividing Range and across the outback of North West Queensland to the Northern Territory border. In total, the region covers approximately 16% of Queensland's land area.

The **MITEZ** region is home to approximately 232,000 local residents. Strategically located, the region acts as a vital integrated transport corridor; connecting the region and its extensive mineral and agricultural production to the rest of Queensland, Australia and internationally via road, rail, air and sea links.

Over the past 10 years, the region's resource-rich economy has diversified in a number of new sectors and continued its growth in established industry sectors. The region accounted for around 7% of Queensland's economic output over 2012-13.

MITEZ is committed to continuing the diversification of new industries, alongside the expansion of new markets and the promotion of existing investment opportunities.

This commitment will help to accelerate the growth of the region and ensure its continued prosperity well into the future.

For more information about the **MITEZ** region, please visit www.mitez.com.au.



2. Demographic Profile



2.1 Population Growth and Change

As of June 30, 2013 the **MITEZ** region hosted a resident population of 231,679 persons with an average age of 34.7 years. Over the past five years population growth has averaged 2.1% per annum, with growth concentrated in the Townsville and McKinlay LGAs.

Table 2.1: Population and Average Age

Local Government Area	Resident Population (June 2013)	Five Year Average Annual Population Growth (2008 – 2013)	Average Age (2013)
Townsville	189,238	2.3%	34.7
Mount Isa	22,779	1.3%	32.0
Charters Towers	12,491	0.6%	37.9
Cloncurry	3,413	0.6%	34.4
Flinders	1,828	-0.1%	40.9
McKinlay	1,085	1.8%	35.8
Richmond	845	-1.1%	38.2
MITEZ Total	231,679	2.1%	34.7

Sources: ABS (2014a) Cat No. 3218.0, ABS (2014b) Cat No. 3235.0

The Townsville LGA is the major population centre for the region with 81.7% of residents, followed by:

- Mount Isa (9.8% of MITEZ population).
- Charters Towers (5.4%).
- Cloncurry (1.5%).
- Flinders (0.8%).
- McKinlay (0.5%).
- Richmond (0.4%).

The LGAs of Townsville, Mount Isa, Cloncurry and McKinlay possess younger average ages than the Queensland average of 37 years. By contrast, Charters Towers and the agricultural centres of Flinders and Richmond possess notably higher average ages than Queensland as a whole.

2. Demographic Profile (continued)



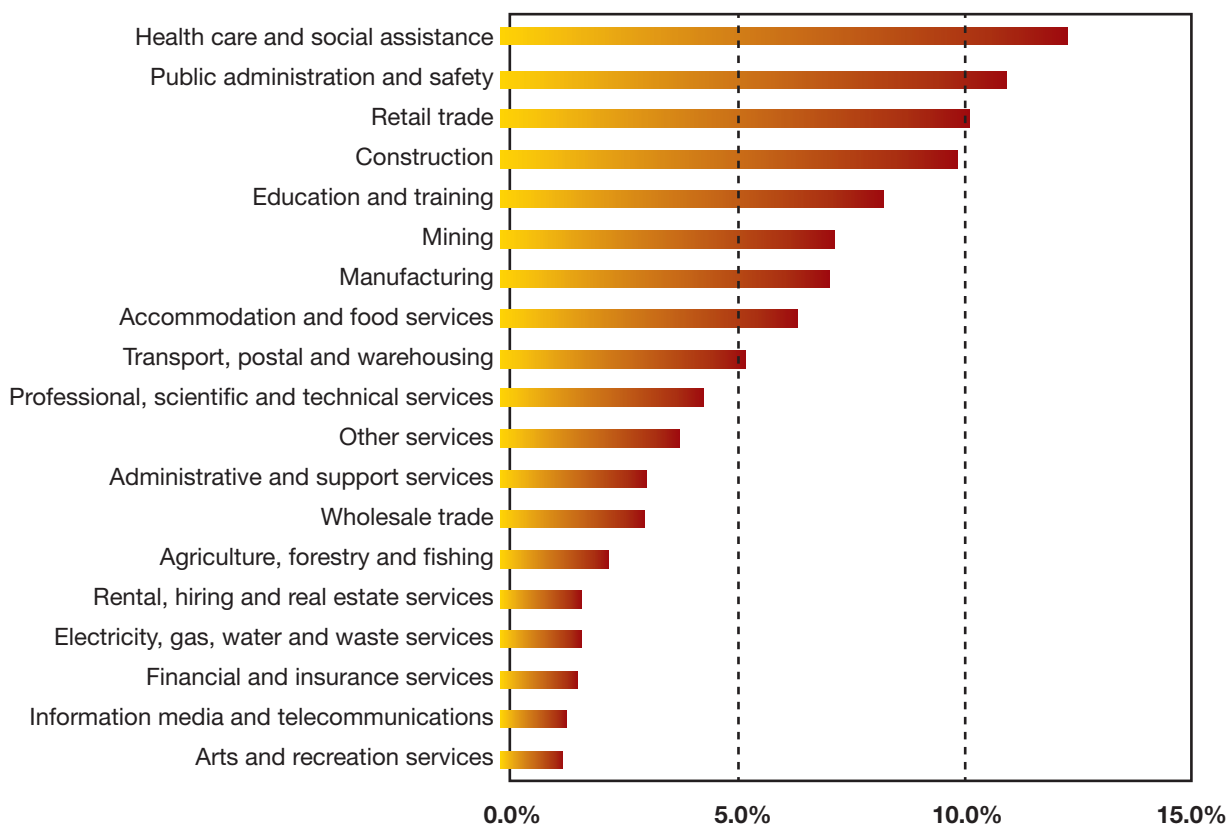
2.2 Employment

As of June 2014 the **MITEZ** region hosted a labour force of 123,000 persons with an unemployment rate of 6.0%. Health care and public administration are the largest sectors of employment in the **MITEZ** region followed by retail trade, construction, education and training, manufacturing, accommodation, and mining.

Townsville is the major employment centre in the region with over 80% of employment occurring within the Townsville LGA.

Mining is the dominant employment industry in the Mount Isa, Cloncurry and Charters Towers LGAs, while agriculture is the major employment sector across the Mid-West LGAs of McKinlay, Richmond and Flinders.

Figure 2.1: MITEZ Region Employment by Industry (Place of Work)



Source: ABS (2012)

% of MITEZ Regional Employment

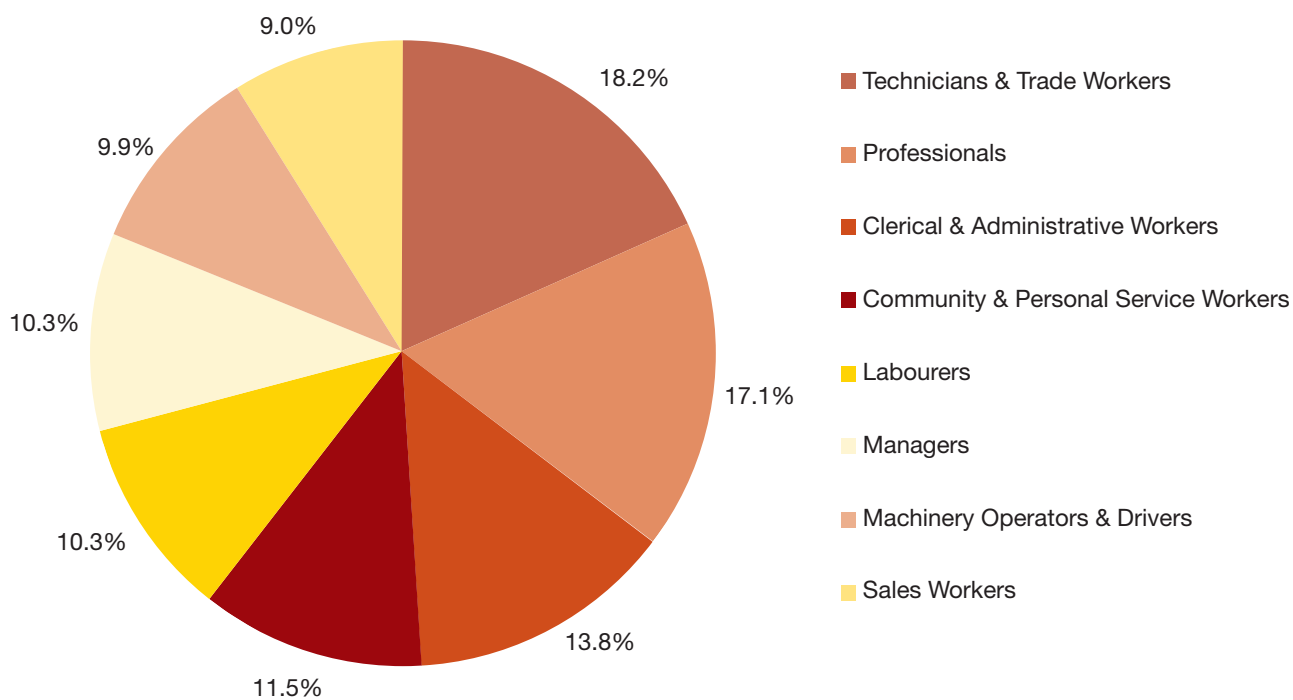
2. Demographic Profile (continued)



2.3 Occupations

The main occupational groups across the **MITEZ** region are technicians and tradespersons, professionals, and clerical and administrative employees. The **MITEZ** region as a whole features a strong balance of worker skills, with no occupational sector contributing more than 18% or less than 9% of total employment.

Figure 2.2: MITEZ Region Employment by Occupation (Place of Work)



Source: ABS (2012)

2. Demographic Profile (continued)

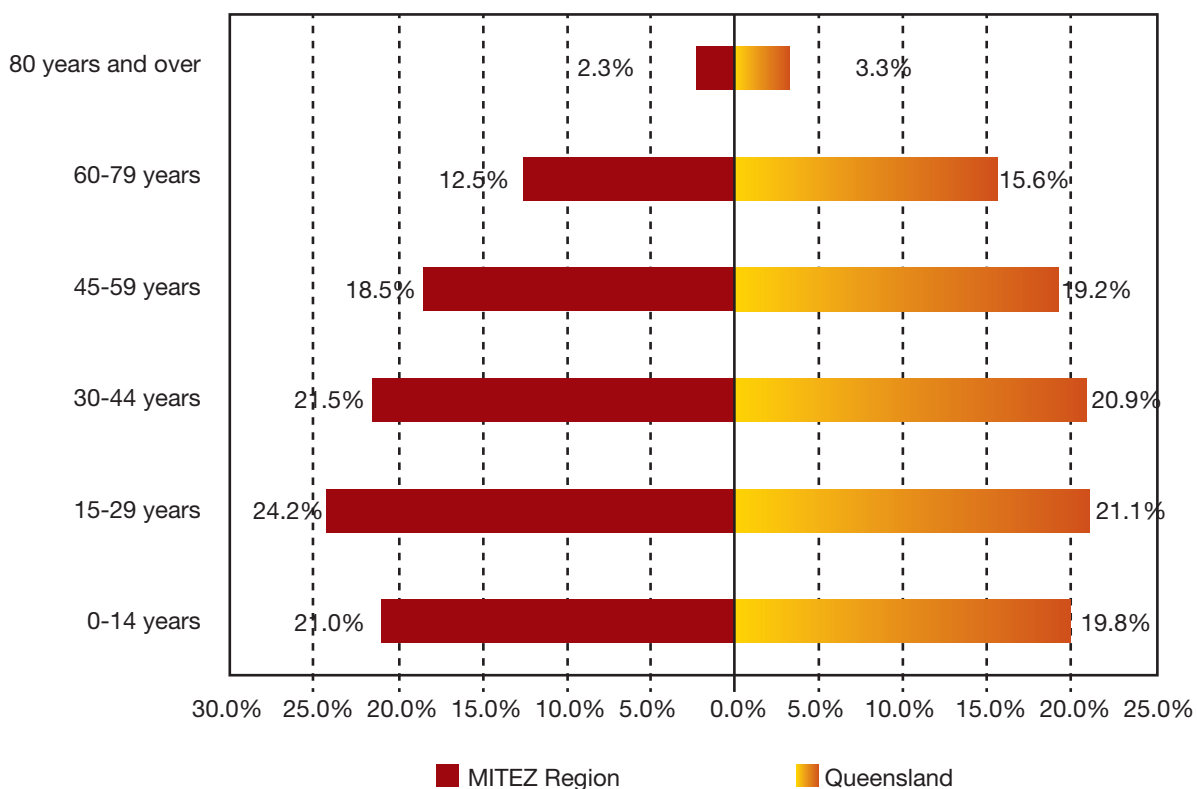


2.4 Age

The average age of **MITEZ**'s residents is 34.7 years, 2.4 years younger than Queensland as a whole.

The proportion of local residents when broken down by age groups are generally in line with Queensland as a whole. **MITEZ** residents aged between 15 and 29 account for the highest proportion of all age groups (24.2%, slightly higher than the 21.1% for Queensland). Similarly, **MITEZ** residents aged between 30 and 44 years account for 21.5% of the local population (compared to 20.9% for the State). Residents aged 60 years and over account for only 14.8% of **MITEZ** local resident population (compared to 18.9% for Queensland).

Figure 2.3: Population by Age



Source: ABS (2014)

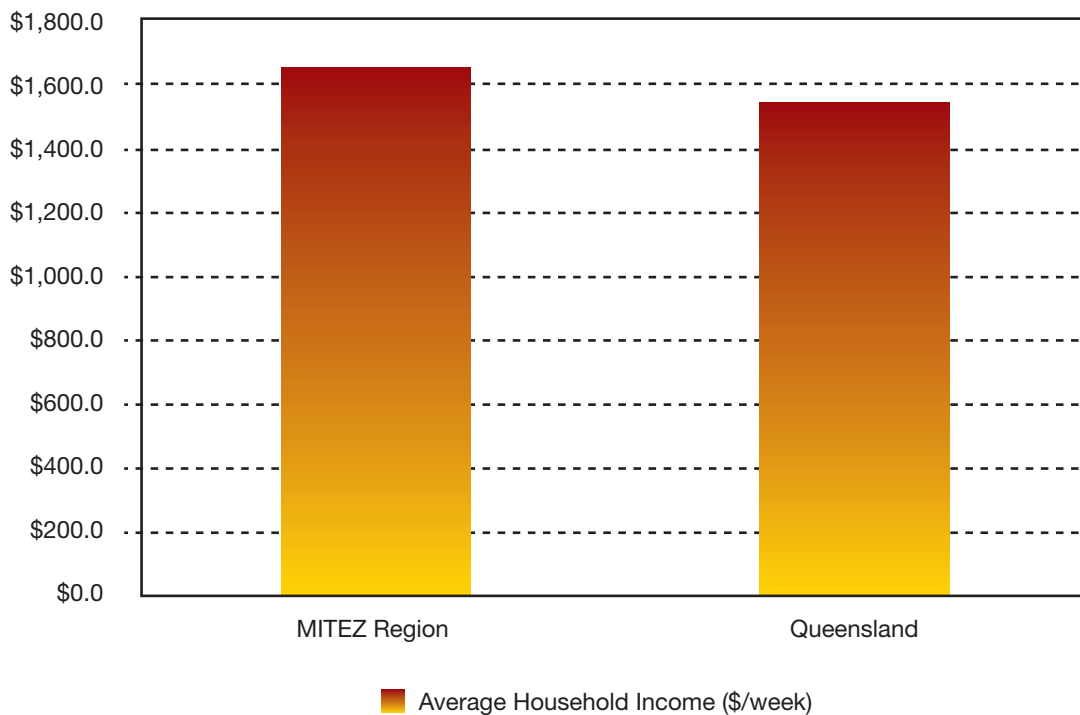
2. Demographic Profile (continued)



2.5 Household Income

In 2011, the average household income in the **MITEZ** region was \$1,655.1 per week. This was \$108.0 higher than the Queensland average of \$1,547.1 per week. High incomes are driven in significant part by the high paying resource sector employment in the region.

Figure 2.4: Average Household Income (\$/Week)



Source: ABS (2012)

3. Economic Profile

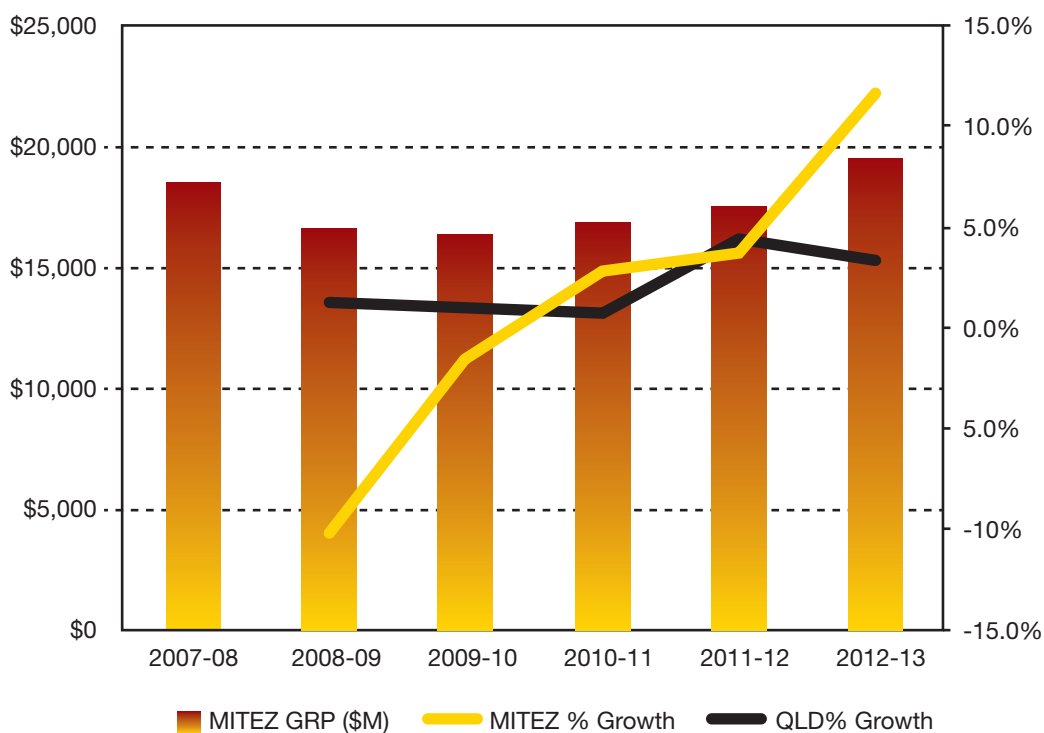


3.1 Gross Regional Product

Over 2012-13 the **MITEZ** region generated Gross Regional Product (GRP) totalling \$19.5 billion (6.7% of the Queensland economy). Over 2012-13 the region recorded strong growth of 11.6%.

Over the past five years GRP growth has averaged 1.4% per annum compared to 2.5% per annum for Queensland as a whole.

Figure 3.1: MITEZ Region GRP (\$M)



Source: AEC (2014)

3. Economic Profile (continued)

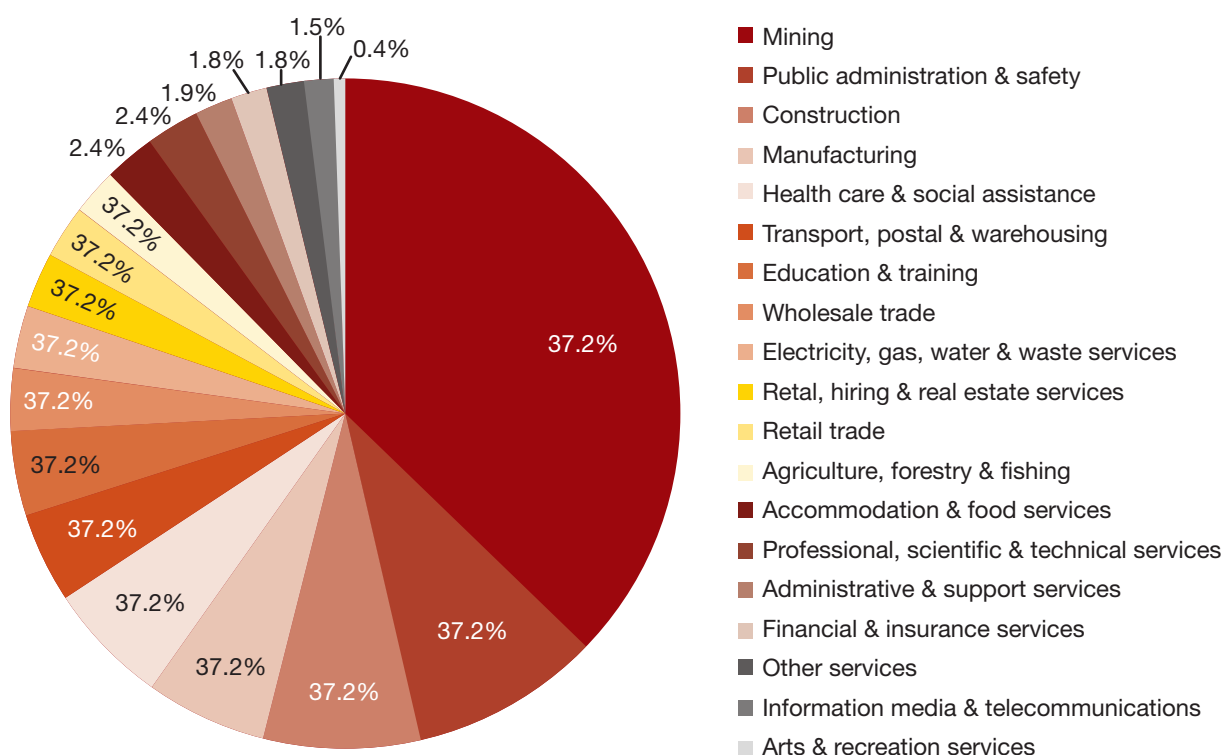
3.2 Industry Value Added

The major industry sectors in the **MITEZ** region include:

- Mining 37.2% of Industry Value Added (IVA, i.e. contribution to GRP).
- Public administration and safety (9.2%).
- Construction (7.3%).
- Health care and social assistance (5.9%).
- Transport, postal and warehousing (4.4%).

The breakdown of **MITEZ** industry sectors is provided in the chart below.

Figure 3.2: MITEZ Region Contribution to IVA (2012-13)



Source: AEC (2014)

The Townsville LGA provides a major contribution to the **MITEZ** regional economy, with approximately 55% of IVA in 2012-13. Accordingly, Townsville's industry structure strongly influences the **MITEZ** regional industry structure.

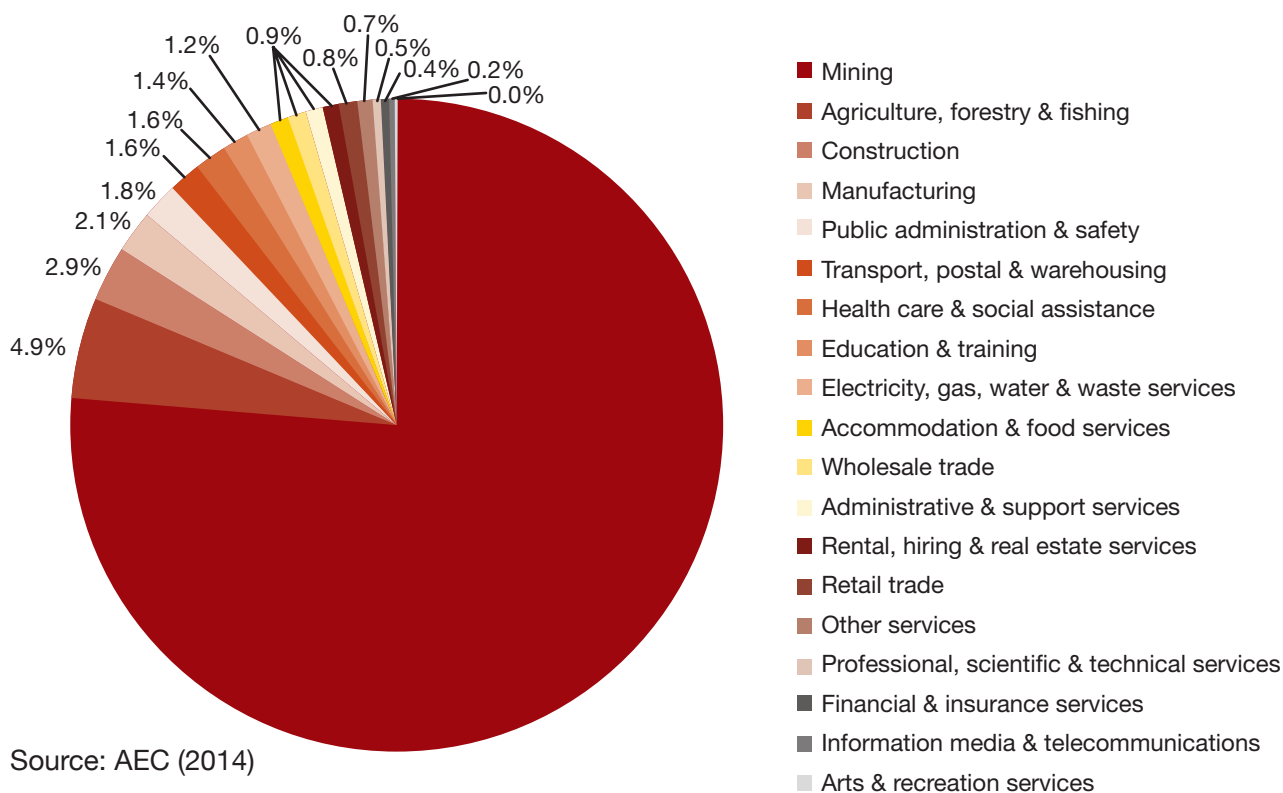
When the Townsville LGA is excluded, the industry contribution to GRP changes significantly. Across the six LGAs from Mount Isa to Charters Towers the major contributing industries are:

- Mining (76.3% of IVA).
- Agriculture, forestry and fishing (4.9%).
- Construction (2.9%).
- Manufacturing (2.1%).

3. Economic Profile (continued)

3.2 Industry Value Added (continued)

Figure 3.3: MITEZ Region Contribution to IVA (Excl. Townsville LGA)



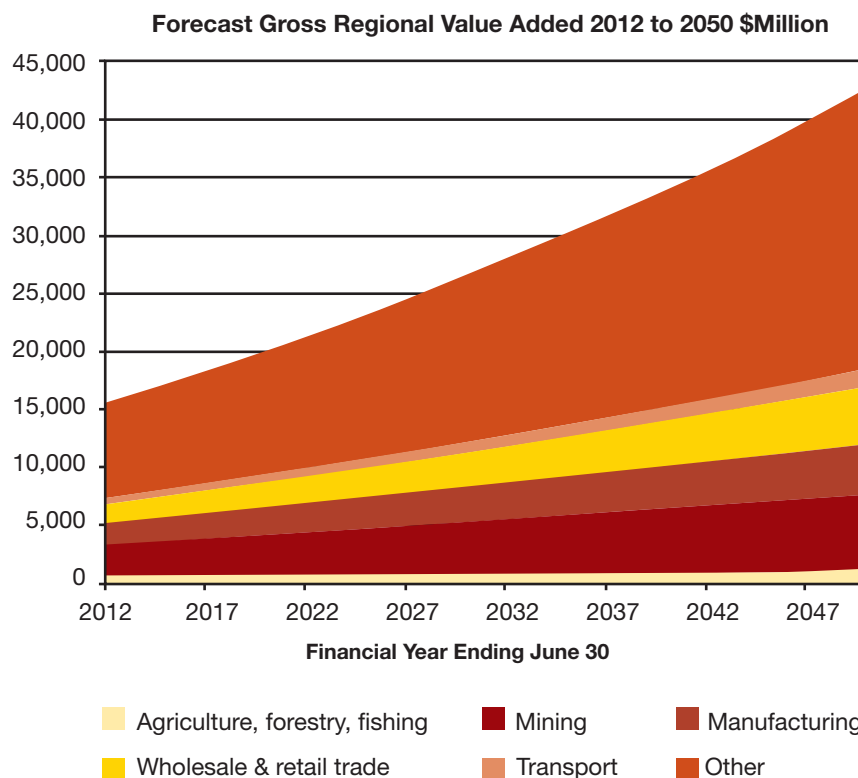
The **MITEZ** region is poised for substantial growth over the longer term. Forecasts for Gross Value Added (GVA) growth have been developed for the seven LGAs in the region for the **MITEZ** 50-Year Freight Infrastructure Plan.

It is anticipated that GVA will grow by almost 150%, from an estimated \$15 billion in 2011 to approximately \$40 billion in 2050, as shown in the following chart.

The minerals sector is forecast to grow by over 100%, from \$2.2 billion to \$4.5 billion during this time.

Figure 3.4: MITEZ Region Forecast GVA

Source: Juturna Consulting (2012)



4. Major Industries

4.1 Agriculture

The Agriculture, forestry and fishing sector is a major regional industry, estimated to have contributed \$416 million (or 2.4%) towards **MITEZ** GRP in 2012-13. Beef is the primary agricultural commodity produced in the **MITEZ** region, supporting Australia's position as the seventh largest beef producer in the world and the third largest beef exporting nation.

The medium to longer term outlook for the **MITEZ** beef cattle industry is strong. Rising meat consumption, access to new markets, global supply constraints and a depreciating Australian dollar are all expected to contribute to growing international demand.

Numerous opportunities to diversify into irrigated cropping and higher value beef cattle fattening and finishing have been identified across the region. CSIRO (2013) has identified potential for an irrigation development totalling 10,000 to 20,000ha in most years across the highly fertile soils of the Flinders Catchment.

Given appropriate infrastructure the proposed development could support year-round mixed irrigated and dryland cropping with gross margins of over \$35 million per annum.

The agricultural sector currently accounts for 9.5% of registered businesses and 2.1% of employment in the MITEZ region. The industry is a key employer in the LGAs of Cloncurry, McKinlay, Richmond, Flinders and Charters Towers.

4.2 Mining

The **MITEZ** region encompasses Queensland's most significant metallic mineral bearing resource - the North West Mineral Province. The mining industry is a major regional economic driver, contributing almost \$6.5 billion (37.2%) to GRP over 2012-13.

The region is a leading supplier of copper, lead, zinc and silver both domestically and globally,

possessing a large proportion of the world's proven economic resources of these metals.

The Charters Towers LGA represents Queensland's foremost gold producing region, with the Pajingo, Charters Towers, Warrior and Ravenswood gold mines currently in production and a number of projects in the pipeline for development.

In addition to these resources, copper and gold deposits across the area surrounding Mount Isa add to the region's gold production, with gold a critical co-product of the main mining projects.

Despite being an established production area, the region retains excellent prospectivity across a range of existing and new commodities, including:

- Uranium.
- Copper.
- Bauxite.
- Vanadium.
- Molybdenum.
- Silver.
- Phosphate.
- Zinc.
- Oil shale.
- Natural gas.

Recent mineral exploration activity has resulted in the discovery of several new deposits and the extension of known deposits. Recent finds include Hammer Metals copper discoveries across their Mount Isa project portfolio and the potential for oil and natural gas within the Georgina Basin.

The diversity of production and opportunity provides the North West with significant protection against the commodity price volatility which intensifies the boom-bust cycle of many resource producing areas. This diversity and prospectivity places the North West in a strong position moving forward, as ongoing strong Asian demand is met by rising global production levels.

4. Major Industries (continued)



4.3 Manufacturing

The **MITEZ** region is a globally significant minerals processing base with three major processing plants located in Townsville (Glencore's Copper Refinery, Sun Metals' Zinc Refinery and the Palmer Nickel and Cobalt Refinery). In addition to these operations Glencore currently undertakes lead smelting through its facilities based at Mount Isa.

A key regional industry, the manufacturing sector contributed over \$1 billion (5.9%) to GRP over 2012-13. The sector accounts for 7.1% of persons employed in the **MITEZ** region and around 3.6% of regional businesses.

Aside from mineral processing, the region is well positioned to take advantage of the opportunities presented by processing of horticultural outputs and value-added food production. The region has extensive surface water runoff, albeit on a highly seasonal basis, that may in the future drive major new agriculture developments.

Advanced manufacturing facilities and tropical science expertise present in the region provide potential investors with the opportunity to manufacture and supply niche horticultural products for export.

A \$75 million second abattoir is currently proposed for Townsville, with proponents seeking to take advantage of the region's extensive beef production and strong demand outlook.

Comprehensive infrastructure networks in Townsville such as the international airport, energy, water, rail, road and telecommunications networks, and deep-water port facilities, lend significant support to the manufacturing sector. The region is well represented by local, national and international organisations, providing the necessary expertise for future manufacturing development.

4.4 Transport

The **MITEZ** region is linked to the Northern Territory via the Barkly Highway, whilst linkages to Central Queensland and South-West Queensland are via the Kennedy Development Road, Landsborough Highway and the Diamantina Development Road. The Burke, Gregory and Wills Development Roads provide linkages to Far North Queensland.

Connectivity between the North West Queensland area and the Port of Townsville has been significantly enhanced via the recently completed Port Access Road connecting the Port directly to the Bruce and Flinders Highway, removing an existing bottleneck and greatly improving transport efficiency in and out of the Port of Townsville.

A north-south rail link extends from Cairns to Brisbane through Townsville, while the Great Northern Railway runs east-west through the **MITEZ** region from Townsville to Mount Isa.

These rail networks are linked to the Port of Townsville enabling the smooth transition of commodities from land to sea or vice versa. Railway lines in both the greater Townsville and Mount Isa regions have the capacity to handle 114 tonne locomotives and 80 tonne wagons. The rail system carries a range of products including sugar, lead, cattle, copper, nickel ore, cement, fuel and zinc.

The Port of Townsville handles more than an eighth of Queensland's international trade (by value), with over 12.1 million tonnes of throughput in 2012-13. Total throughput has grown by almost a quarter over the past five years. Now handling more than 30 commodities, the Port of Townsville is the largest exporter of sugar and zinc in Australia.

The primary airport for the region is the Townsville International Airport. In 2013-14, Townsville airport reached over 1.5 million total passenger movements (6.1% growth over five years). The airport has two runways of which one is able to accommodate Boeing 747 aircraft, while the other is suitable for aircraft up to 5,700 kilograms.

4. Major Industries (continued)

4.4 Transport (continued)

Mount Isa's airport is located in close proximity to the North West Minerals Province. Daily services operate between Townsville and Mount Isa linking the eastern and western extremities of the region, with regular direct flights to the state capital Brisbane also available. Mount Isa also has daily Boeing 737 services with the capability of handling larger jets. Services between Mount Isa and Cairns operate three times a week as well as weekly services to Darwin and the Gold Coast. In 2013-14, the airport reported total passenger movements of 238,039 (37.2% growth over the past five years).

Cloncurry's extended and improved airport facility has regular services to Townsville and Brisbane as well as weekly services to Mount Isa. In 2013-14, the airport reported total passenger movements of 16,363. Passenger numbers have increased more than threefold over the past five years.

Airports capable of light aircraft traffic service other centres within the region and major mining projects have airport facilities catering for light charter to F28 size aircraft.

4.5 Engineering

Strong development in Northern and North West Queensland has encouraged many engineering firms to establish in the **MITEZ** region. As such the area is home to many local, national and international engineering firms providing essential expertise and support to the agriculture, mining and manufacturing industries.

Supporting these industries is a strong base of persons qualified in trade based skills, with 25.1% of tertiary-qualified persons in the **MITEZ** region possessing (trade) certificate based qualifications (compared to 20.6% for the state of Queensland as a whole).

4.6 Service Industries

Although mining, manufacturing and agriculture comprise the mainstay of the **MITEZ** region's economic base, the region is supported by a range of service industries. Townsville acts as the major administration and service centre for the **MITEZ** region as well as the greater North Queensland region.

Major service sectors include health care and social assistance (accounting for 12.3% of the **MITEZ** regional workforce), public administration and safety (10.9% in **MITEZ** compared to only 6.8% for Queensland), and retail trade (10.1% of regional employment).

The region possesses extensive professional, personal and community services with the best level of services outside of South East Queensland. Many accounting, finance, insurance, legal and other professional business services have established in the region to support the needs of business, industry and the community.

The Federal and State Governments are well represented in the region with most offices located in Townsville and Mount Isa.

4.7 Education and Research

The **MITEZ** region is home to various education and research institutions of national importance. Facilities include James Cook University (Townsville and Mount Isa), TAFE Queensland North (Townsville, Mount Isa, Cloncurry and Charters Towers), Australian Technical College (Townsville) plus numerous research institutes including the Australian Institute of Marine Science (AIMS) and the Commonwealth Scientific and Industrial Research Organisation (CSIRO).

In late 2014, Central Queensland University opened a new campus in Townsville's CBD known as the Distance Education Study Centre, as well as a Distance Education Study Hub in Charters Towers.

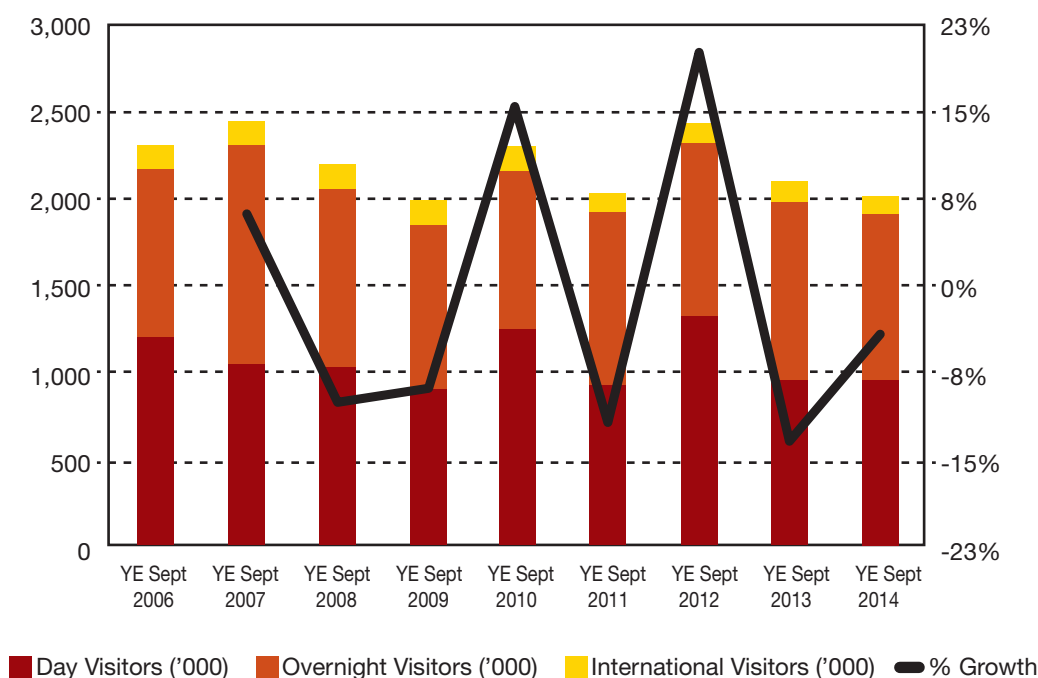
¹ Comprises of the following Statistical Area 2s (SA2s): Mount Isa, Mount Isa Region, Northern Highlands, Charters Towers, Dalrymple, Aitkenvale, Annandale, Belgian Gardens – Pallarenda, Bohle Plains, Condon – Rasmussen, Cranbrook, Deeragun,

4. Major Industries (continued)

4.8 Tourism

Tourism is a significant industry for the **MITEZ** region, supporting local businesses and demand for services. In the year ending September 2014, a total of over 2 million visitors came to the MITEZ region. This comprised of 967,014 day visitors, 946,130 overnight visitors and 107,341 international visitors.

Figure 4.1: **MITEZ** Region Visitor Arrivals



Source: TRA (2014)

Tourism is a key industry across the **MITEZ** region, with extensive attractions throughout the region.

A significant proportion of visitation to the region is to Townsville, with its key attractions of Magnetic Island and the Great Barrier Reef, as well as a strong events calendar throughout the year.

The Flinders Highway passes through the heart of the **MITEZ** region, and visitors can experience the wonders of the outback including the historical mining towns of Charters Towers and Ravenswood, the old fashioned country hospitality of Mingela, Pentland, Julia Creek and Cloncurry, the mining hub of Mount Isa with the world famous Riversleigh fossil fields, the dinosaur display centre at Hughenden and the marine fossil museum at Richmond.

The region features an impressive events calendar, including the iconic Julia Creek Dirt n Dust Festival and Mount Isa Rodeo.

In the **MITEZ** region, visitors can experience everything that the reef and the outback have to offer. Visitors can enjoy water-based activities such as sailing, diving, snorkelling and fishing or land-based activities such as bushwalking, horse riding and camping. Visitor centres have been established throughout the region to guide visitors to these activities as well as the natural and man-made attractions of the region.

4. Major Industries (continued)

4.9 Water and Energy

4.9.1 Water supplies

The **MITEZ** region is serviced by several surface water supplies with the most prominent facilities in the region being the Burdekin Falls Dam, Ross River Dam, Mount Spec Dam, Lake Moondarra, Julius Dam and Chinaman Creek Dam. Major rivers or underground water supplies including the Burdekin, Cloncurry, Flinders, Leichhardt and Diamantina rivers service the remaining centres in the region.

A 113 kilometre North West Queensland pipeline supplies water from Julius Dam to Ernest Henry Mine in Cloncurry, while a 38 kilometre pipeline constructed in 2010 supplies water from an existing North West Queensland pipeline to the town of Cloncurry.

In the mid-west, both the Richmond and Flinders Shires are developing plans for water storages along the Flinders River that will enable the establishment of significant agricultural irrigation precincts. The O'Connell Creek off-stream storage at Richmond may store up to 130,000ML for irrigated cropping. Aquifers along the Flinders River at Hughenden hold vast amounts of easily accessible water for cropping such as fodder and grain crops. Both shires welcome enquiries for potential investment into these projects.

4.9.2 Electricity

Much of the region is connected to the National Electricity Market (NEM) power grid with electricity supplied from a mix of coal-fired and gas-fired power stations in Central and North Queensland that provide a reliable, competitively priced, secure power supply. In Townsville, a base load gas-fired power station is located at Yabulu (230MW) and at Mount Stuart the peak load power station is being expanded from 288MW to 414MW.

The recently constructed Diamantina and Leichhardt Power Stations are located six kilometres southwest of the city of Mount Isa. The Diamantina Power Station is a modern high efficiency power station comprising of 242MW power generation from combined cycle gas turbines, with 60MW back up power supply available from the Leichhardt Power Station open cycle facility.

In the North West Minerals Province, the Mica Creek Power Station in Mount Isa has a capacity of 215MW and is fuelled by natural gas. Mica Creek is Mount Isa's longest-term power station and still remains a highly reliable, efficient and well maintained generator with power supply contracts with a number of mines. Glencore's Mount Isa Mines has installed a 30MW gas fired power station increasing the total capacity of the North West power grid. Electricity is sold to Mount Isa Mines, Ernest Henry Mining, Century Mine, Mount Gordon Mine and Ergon Energy.

Under open competition conditions arising in the Queensland energy market, the North West Minerals Province provides a vignette of competitive supply possibilities. APA currently operates a major gas pipeline from Ballera to Mount Isa (840 kilometres). At Ballera other pipelines connect down to Moomba in South Australia and east to Wallumbilla, the hub for Coal Seam Gas supply. Gas is available from a number of suppliers throughout the gas network.

The connection of North West Queensland to the NEM has been the subject of discussion for some time and a number of proponents are now in discussions with customers in the region to advance this option. Connection to the NEM would provide significant long-term benefit to the region and provide a more competitive market for energy supply.

Major industries setting up in the region are able to negotiate with suppliers to obtain suitable tariffs. Negotiations will depend upon the strategic importance of the project, load requirements, project timing and level of security of electricity supply needed.

4.9.3 Renewable Energy

The **MITEZ** region has significant renewable energy resources. Renewable power schemes currently being considered include geothermal hot rock formations at Cloncurry and Julia Creek, wind farms near Mount Isa and solar thermal power projects throughout the region.

Solar and wind generation costs are decreasing at a steady rate, and costs may match traditional energy sources. Current predictions indicate that this may occur within a 5-20 year timeframe subject to the prevailing government policies.

4. Major Industries (continued)

4.9 Water and Energy (continued)

4.9.3 Renewable Energy (continued)

In addition to renewable energy opportunities, large deposits of oil shale at Julia Creek and natural gas deposits within Lawn Hill and the Georgina Basin may also present future energy supply options for the region.

4.10 Natural Resources

A significant proportion of Queensland's wealth is built on mining and mineral processing of which the **MITEZ** region is a significant contributor. The resource-abundant region encompasses the North West Mineral Province, centred on the Mount Isa and Cloncurry region, as well as gold and base metal deposits in the Charters Towers area.

4.10.1 Copper, Lead, Silver, Zinc and Gold

The region encompasses the North West Mineral Province which is one of the premier regions in the world for base metals due to the quantity of resources discovered. Deposits of lead, silver, zinc and copper include Glencore's mines in Mount Isa and Cloncurry, the BHP Cannington deposit and Minmetals Century and Dugald River deposits, which are some of the world's largest single producers of lead and silver and one of the world's largest producers of copper and zinc.

In 2014, Hammer Metals confirmed significant new copper deposits within its Mount Isa portfolio tenements.

4.10.2 Coal, Gypsum, Phosphate, Limestone and Granite

Pentland, near Charters Towers, is the northern tip of the Galilee Basin Coal Reserve which is continuous with the Bowen Basin. The Galilee Basin contains large quantities of sub hydrous non-coking coal. Gypsum deposits are located at Hughenden and Richmond. Deposits have been worked at Hughenden and used as a soil conditioner for agricultural purposes.

Phosphate Hill Mine near Duchess produces phosphate rock that is processed by Incitec Pivot's phosphate fertilizer plant. Other developments in the Georgina Basin include

Legend International's \$1.8 billion Paradise Phosphate project.

Queensland has extensive limestone resources - the majority found in eastern Queensland. Limestone is primarily used in cement production as well as agricultural purposes. Finds in Mount Isa have potential to service the expanding industrial and mine development in the western areas of the region.

In addition, significant granite resources lie to the south and west of Mount Isa. The area encompasses several large out-crops of granitic gneiss which display a range of colours and textures of which pink is the most notable. Other reserves are located near Charters Towers. An opportunity exists to process these granite resources.

4.10.3 Rare Earths (lanthanide elements)

Rare earths, or lanthanide elements, are also found in deposits such as Mary Kathleen and Ernest Henry as well as at Mica Creek south of Mount Isa and near Camel Creek north of Townsville.

4.11 The Future

The Mount Isa to Townsville Economic Zone is a nationally important economic zone with a strong long-term growth outlook.

The region possesses a diversity of resources and opportunities, providing a degree of protection and stability from the exogenous economic shocks which heighten the boom-bust cycles of many resource producing regions. The region generates extensive export revenues and has proven mineral resources to support strong growth into the foreseeable future.

Looking ahead, steady GRP growth of 2-3% per annum is expected in the **MITEZ** region over the coming years. Significant upside potential exists given the range of development opportunities available and under consideration across the region.

Overall the economic outlook for the region remains optimistic. **MITEZ** will continue to profile and market the region to investors and trade partners in an active partnership approach, committed to the continued prosperity of the **MITEZ** region.

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