Case study: Whyalla, South Australia

Industrial decline and rejuvenation

Whyalla is a small city in South Australia located on the Eyre Peninsula near the head of Spencer Gulf, 237 kilometres from Adelaide by air and 396 kilometres by road. At the 2016 Census the city had 20,114 persons, with the population falling since the mid-1970s when 33,000 persons lived there. At the 1996 Census, for example, the city had a population of 23,644 and the slow, and apparently irreversible, decline in population over four decades has been a constant feature of the city and its economy. At the 2016 Census the Aboriginal and Torres Strait Islander population numbered just over 1,000 persons or five per cent of the population, and this group had doubled in number over the past two decades.

Whyalla was born as an industrial town. It was established in 1901 (as Hummock Hill) as a shipping port for iron ore from the mine at nearby Iron Knob. Broken Hill Pty Ltd (BHP) opened a blast furnace for the production of iron and steel in 1941, and also began building naval ships. In 1944 a new water pipeline was completed, removing a major constraint on industrial and population growth. By 1968, BHP had opened an integrated steel works and the population was growing at 3,000 persons per year, many of them migrants from Europe. BHP's workforce in steel production and shipbuilding reached nearly 7,000 in 1970. However, the shipyards closed in 1978, bringing several decades of remarkable growth to an end.

Whyalla steel works. Photo credit: Sandy Horne

In 2000 BHP transferred the Whyalla steelworks to a spin-out company, OneSteel (then renamed Arrium), which ran the enterprise until 2016 when it went into administration in the face of mounting debts. The enterprise had faced considerable difficulties for more than a decade as a result of strong competition from lower cost competitors in Asia, weak demand after the global recession in 2008/09 and strong iron ore prices up to 2007, which helped push the company to the export of iron ore, rather than transformed steel products.

In 2017 the British-based industrialist Sanjeev Gupta purchased the steelworks through his company Liberty House, and embarked on a program to transform the economic base and future of the city. He announced plans that included a $600m upgrade of steel making facilities to boost annual production to 1.8m tonnes per annum, investment in renewable energy (a 280 MW solar farm and substantial battery storage) and integration of the facilities – and their outputs – into his global production network. This new investment has been supported by modest government grants, Chinese investment in horticulture, a new high-quality hotel on the foreshore and the development of a new recycling business.

The scale and ambition of this new investment – and its potential impact on Whyalla – is underscored by current debates around the likelihood of the city growing to 70,000 residents within 15 years or so. Clearly, this is a city, and an economy, reborn!

In many ways the recent history of Whyalla tells the story of a resource-based town that fell on hard times, and was then fortunate enough to be 'rescued' by external investment. Critically, Whyalla's new future came about because it was integrated into a global production network and supply chain. Two years after buying the Whyalla facility, Gupta purchased seven steel plants in Europe with the plants located in Macedonia, Romania, Italy and the Czech Republic. This further acquisition made Liberty Steel – GFG Alliance steel - the third largest steel producer in Europe, with the Whyalla plant closely embedded in the marketing, technological development and other components of this global enterprise. This is a classic example of the transformative potential of inward investment or exogenous development strategies (Chapter 5) but it is important to acknowledge that many other cities in similar circumstances have not been 'saved' in a comparable way, and the outcome could have been much worse.