

Surat Basin

QLD

200-300km west and north-west of Brisbane

Key Influences: *Boom Towns, Hill Change*

Strong economic region for agriculture and manufacturing; emerging region for resources and power generation based on coal and coal seam gas; major new developments in CSG-to-LNG industry; affordable housing

Typical house: **Dalby** \$270,000, **Chinchilla** \$280,000,
Miles \$230,000, **Roma** \$200,000, **St George** \$180,000

The Surat Basin region north-west of Toowoomba is coming alive with action connected to the new boom resources sector, conversion of coal seam gas (CSG) to liquefied natural gas for export.

The Surat Basin is a vast largely-untapped resource for coal and CSG, but that is changing rapidly as major national and international companies move into the area.

The development of multi-billion-dollar projects based on CSG will bring major change to towns such as Dalby, Chinchilla and Miles. Rapid population expansion is predicted and property price growth appears inevitable.

Location

The Surat Basin, part of the Great Artesian Basin, extends across 27,000 square kilometers, including northern New South Wales. For the purposes of this report we are interested in the key portion west and north-west of Toowoomba in southern Queensland.

This encompasses the Western Downs Regional Council area which includes the towns of Dalby, Chinchilla, Miles, Roma, Jandowae and Tara. Dalby, which amalgamated with five other shires in 2008 to create the Western Downs Regional Council area, is the key administrative centre for the region.



Dalby is 210km west of Brisbane at the junction of the Warrego, Moonie and Bunya Highways.

Population and Demographics

Over the past five years the Western Downs region has experienced an increase in population, against the national trend of rural decline. The estimated residential population is around 30,000. Growth projections suggest a rate of 1.1% average annual growth, equivalent to the national average – which is rare for rural areas.

Economy and Amenities

The Surat Basin has a number of coal seam methane fields developing in the region. These fields presently supply the domestic market, including a number of power stations and the Roma-to-Brisbane Pipeline. A number of gas companies have recently announced plans to develop liquified natural gas (LNG) plants in Gladstone to export Surat Basin gas to international markets.

Traversed by national highways around the headwaters of the Murray-Darling, the Dalby region is an active economic area through agriculture, manufacturing and resources.

The Regional Council says businesses in the region have begun to diversify from traditional markets in the agricultural sector into components, parts and services for the energy sector.

But, up to this point, agriculture dominates the economy, representing 23% of the region's \$1.3 billion gross domestic product.

Strong growth is evident across the region in electricity, gas and water supply, while professional services, transport and manufacturing are also growing.

Almost 10% of Queensland's manufacturing gross domestic product is produced in the Dalby region.

The energy resources sector, which comprises coal, coal seam gas, coal seam gas water, ethanol and power station development, has the potential to more than triple the gross regional product.

The region's unemployment rate has been well below the average rate for Queensland and Australia in recent years.

“Residents enjoy the benefits of relaxed country living and friendly, active communities without the pressures of time or traffic congestion experienced in city centres,” the council says. “As the region’s economy builds, residents are expected to benefit from the opportunities and development occurring within local communities and industry.”

Dalby is the administrative centre of the Western Downs Region and the centre of one of Australia's richest grain and cotton growing areas.

Industry in Dalby includes large-scale engineering, coal mining and fuels (ethanol). Dalby is the centre of a diverse agricultural area with rich black soil allowing the production of crops such as wheat, cotton and sorghum. Livestock, including pigs, cattle and sheep, is also popular. Two cotton gins are situated within 10km of the town.

Dalby is to be the site of the first dry mill grain-to-ethanol plant constructed in Australia (the first plant built specifically for the production of ethanol for fuel since the Second World War).

The local area is developing an energy-based economy with a large coal-fired power station and a number of coal mines and natural gas bores being established west of Dalby.



The \$1.2 billion Kogan Creek Power Station, 50km west of Dalby, is a 750-megawatt coal-fired power station, with a nearby coal mine being developed at the small town of Kogan.

“The opening of a shopping centre at the northern end of Cunningham Street has brought new life to the Dalby CBD,” the council says. “Dalby Shoppingworld includes Woolworths, Big W, Amcal and other specialty shops.”

Dalby has made a ground-breaking deal with nearby gas companies by taking water from gas fields. The town will have a definite water supply for at least another 30 years, taking into account demographic trends, the council says.

Dalby's population has been increasing rapidly recently with new housing estates including Sunnyside Estate, Heritage Gardens and Callistemon Park.

Chinchilla is a town of 4,000 about 300km north-west of Brisbane. Agriculture, with beef and pork production, wool growing, and horticulture traditionally has underwritten the local economy.

However, the new Kogan Creek Power Project and other coal and gas projects have begun inject wealth into the town and Chinchilla has experiencing considerable growth and development.

Chinchilla is known as the Melon Capital of Australia and plays host to a Melon Festival every second year in February.

Miles is a town of about 1,200 on the Warrego Highway 340km west of Brisbane. Its economy is based mainly on agriculture and cropping, producing wheat, sorghum, barley and cotton.

Timber production is another area of economic activity. Cattle and sheep grazing, including feedlots, is widespread.

In addition, a mining industry utilising rich deposits of bentonite clay is developing.



Property Profile

The area covering Dalby and Chinchilla was an original entry in the Queensland Hotspots reports, as the first wave of developments associated with mining and power generation hit the Surat Basin region. The towns in the areas saw exceptional price growth from 2005 to 2007, before subsiding in 2008. There were signs of price growth revival in 2009.

That three-year growth spurt is responsible for the high growth averages of most of the towns in the Surat Basin region (average annual growth in median house prices over the past 10 years). Dalby, Chinchilla and Roma have all averaged 13-15% per year.

Despite the high growth levels, the various towns in the region remain quite affordable, most having median house prices in the \$230,000 to \$280,000 range.

Australian Property Monitors indicates that typical rents are quite high, \$300 per week or more, in Dalby, Chinchilla and Roma.

Town	Median Price	1yr growth	Growth average	Typical yield
Dalby	\$270,000	8 %	13 %	5.8 %
Chinchilla	\$280,000	14 %	15 %	5.6 %
Miles	\$230,000	1 %	19 %	-
Roma	\$260,000	-3 %	13 %	6.9 %
St George	\$180,000	11 %	11 %	6.2 %

Source: Australian Property Monitors

Future Prospects

In March and April 2010 the BG Group signed two deals worth a combined \$80 billion to export LNG to China and Japan.

The company signed a \$60 billion export deal with a Chinese firm to export gas produced in the Surat Basin and processed near Gladstone. A week later, the company secured a 20-year contract worth \$20 billion to export LNG to Japan from 2015.

Queensland Premier Anna Bligh says the deals are a major boost for regional Queensland. "It is a Queensland first to send liquid natural gas into Japan," she says. "It means even further growth and opportunity - real jobs in the regions."

In February 2010 the Queensland Government issued a licence for a 470km, \$600 million natural gas pipeline from the Surat Basin to Gladstone. Mines and Energy Minister Stephen Robertson says the Surat to Gladstone pipeline licence is the first of several licences to transport gas to proposed LNG facilities in Central Queensland.

It will allow Arrow Energy to transport natural gas from coal seam gas fields near Dalby to a proposed 1.5 megatonne per year LNG plant at Fishermans Landing near Gladstone.

Robertson says the licence is one of the first stages in a new LNG industry for Queensland. The Arrow Energy project is one of several which entail extracting CSG in the Surat Basin and processing it in Gladstone, of which four appear well-advanced in planning and likely to go ahead. Each is a multi-billion-dollar development. ConocoPhillips of the US, Anglo-Dutch giant Shell, PetroChina, Malaysia's Petronas and Australia's Santos have all been attracted to the industry's potential in the Surat Basin.

Construction of the Arrow Energy link, expected to cost \$550 million, will start in 2011, with the first gas supplied for processing in late 2012. The pipeline will stretch north-west from Dalby to Chinchilla, before heading north to Gladstone.

Arrow Energy says it is confident of increasing production at its gas fields across the Bowen and Surat basins. Arrow's gas production rose 27% in 2009 and is likely to rise tenfold over the next five years.

While the big CSG projects mostly entail processing facilities at Gladstone, some will be built locally.

BG Group announced in March 2010 that a \$100 million processing plant will be built next to the Condamine Power Station west of Chinchilla. As part of the deal, QGC, a subsidiary of BG Group, will supply BOC (a division of the German company Linde Group) with up to 30 petajoules of coal seam gas over 15 years, with an option for a further 15 years.

Construction of the LNG plant at Chinchilla is due to start early in 2011.

There is resources activity in the region beyond the CSG-to-LNG industry. The Surat Basin forms one of the last major undeveloped export coal deposits in Australia with an estimated resource of about four billion tonnes and an anticipated life span of over 30 years.

Engineering contractor Macmahon Holdings said in March 2010 it had been awarded a three-year contract valued at more than \$190 million to develop and operate the new Cameby Downs coal mine.

The contract, awarded by mine owners Syntech Resources, is for Macmahon to undertake all mining for stage one of the project. Cameby Downs is in the Surat Basin near Miles. Production will start in July and the first coal train load is expected in October 2010.

At full production in stage one, 140 people will be employed on the site and the mine will produce 1.4 million tonnes each year of high-quality thermal coal for export via the Port of Brisbane. Stage two production is targeted at shipping 10 million tonnes via the Port of Gladstone.

The scale of resources activity is likely to have a major impact of the region's key towns. In February 2010 the *Courier-Mail* reported: "Chinchilla, Wandoan and Dalby are now in the middle of a housing boom that developers say is not just a once-in-a-lifetime but a once-ever opportunity that will see the population of the three towns double within the next five years.

"Wild estimates of investment topping \$100 billion are thrown about by locals, and wages for the lucky ones will easily exceed \$100,000 in towns where unemployment is already below 2 per cent.

“Chinchilla is turning from a town that was struggling after a decade of drought into a modern energy hub where street after street of new housing is being sold before it is even built. And while there are only 650 houses in Miles, there are applications for another 800 with council.

“Corporate giants like Xstrata, Halliburton, Origin, Santos and BG are setting up to exploit the wealth of 35,000sq km of coal in the Surat Basin that will be the base for mines, power stations and gas. Thousands of jobs are expected not just in construction but in the ongoing production.

“Xstrata is believed to have already bought up about 35,000ha of land for its operations, and while much of that may have been marginal farming land, there are strong fears prime land further east is under threat from other miners.”

The population of the Western Downs region is expected to jump from about 30,000 to 75,000 over the next few years, the *Courier-Mail* said.

The scope of proposed development has caused a certain amount of anguish in the region. Western Downs Mayor Ray Brown says the area does not currently have sufficient water, power or road capability to handle the expected increase in the area's population.

Brown says the region welcomes the industry and the jobs that come with it, but there needs to be close liaison between all three levels of government, as well as the mining companies.

"It's great to have that BG announcement, but that's going to mean I've got to deal with an extra 5000 people," Brown says. "We've got roads that need upgrading and there's still issues about what we're going to do with the waste water that comes out of the ground (with coal-seam mining)."

Farmers reportedly are worried about the loss of underground bore water and there are local movements opposed to CSG springing up across the region. Kelly Fraser-Parle of the Western Downs Alliance says many locals feel they aren't being properly informed of development by either the gas companies or the government.

"There's kind of a gas-rush mentality going on here," he says. "Look, a lot of people want the jobs and it'll be good to have some money coming into the region, but it's hard to have much faith in government regulation."

Tensions are rising among people who have no right to the riches buried beneath their land but are enduring the invasive side-effects of mining companies' efforts to extract the gas.

The State Government says it will spend \$24 million on transport and education upgrades in the region to help cater for the resources boom. Premier Anna Bligh says the funds will help manage growth in the region. "The emergence of the \$40 billion LNG industry will bring wealth for Queensland and we want to ensure that the local communities in the region benefit from this growth," she says.

Money will be spent on an upgrade of the Roma Airport (\$4.7 million), affordable housing (\$2.7 million), new facilities for the Chinchilla Community Centre (\$2.6 million) and six other projects. Bligh says the projects will create 182 jobs.