Keep it in the regions

Mining and resources industry support for businesses in regional economies

House of Representatives Standing Committee on Industry, Innovation, Science and Resources
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Terms of reference

The committee will inquire into how the development of the mining sector can support businesses in regional economies.

The inquiry will consider questions including:

- The appropriateness of the payment terms offered to businesses by the mining sector;
- Best practices between the mining sector and businesses, especially in regards to how they can support regional communities and economies;
- Barriers to the greater use of regional businesses in the procurement of services by the mining sector;
- Building the skills and expertise of businesses to leverage opportunities in the mining sector;
- Opportunities for businesses to diversify to other markets; including the mining industry in Australia and overseas, and across different industries;
- The role of mining equipment, technology and services (METS) organisations in R&D and innovation and how payment terms impact on companies’ ability to invest in these areas;
- How the Federal Government can support businesses in regional economies benefit from mining development;
- How royalties are shared between landholders on gas fields and State and Territory Governments; and
- Any other related matter.
When undertaking this Inquiry the Committee should have regard to:

- How relationships between mining and businesses differ between jurisdictions and in overseas countries; and
- The policies of State and Territory Governments in regards to mining procurement.
List of recommendations

Recommendation 1

2.123 The Committee recommends the Federal Government partner with state and territory governments and relevant research bodies to collate data on the wealth extracted from Australia’s regions and the investments made in those regions by the mining and resources industries and governments, and make this data available in a simple and accessible format.

Recommendation 2

2.124 The Committee recommends the Federal Government advocate through the Council of Australian Governments for states and territories with significant mining and resources sectors to adopt ‘Royalties for Regions’-type programs, which guarantee a share of royalties from resource extraction are reinvested in regional areas, especially those directly impacted by mining.

A certain proportion of the royalties allocated through the program should be set aside to create an Infrastructure Impacts Fund, which would be made available to councils in mining-affected regions to fund initiatives addressing impacts on infrastructure caused by the activities of the resources sector. This funding should not be used for general or routine maintenance.

Recommendation 3

3.169 The Committee recommends the Federal Government work with state, territory and local governments, and land councils, who make licensing agreements with companies to ensure these agreements:
- include targets for minimum levels of *true local* procurement, based on the specific circumstances of the region and the project, including regional business capability;

- clearly define ‘local’, using the Queensland Government’s Local Zones model, or a similar model;

- require companies to make procurement opportunities readily available and accessible to regional small and medium enterprises and locally-based businesses of any size, and to advertise their contracts and tenders for at least 30 days; and

- require companies to ensure their higher-tier contractors also commit to local procurement.

**Recommendation 4**

3.170 The Committee recommends the Federal Government work with local governments and land councils to produce high-quality, accessible guidance materials for use by local councils and land councils in mining regions. These materials would help councillors to:

- negotiate effectively with mining and resources companies when setting up or reviewing agreements;

- maximise rates receipts and other compensation from mining and resources companies active in their local government area;

- secure commitments to minimum levels of local workforce participation, training and apprenticeships;

- negotiate guarantees around local procurement policies and processes; and

- develop a clear action plan and guarantee of adequate funding for rehabilitation, clean-up and community sustainability projects as mining retracts.
**Recommendation 5**

3.171 The Committee recommends the Federal Government review the mechanisms in place to support regional small and medium enterprises and locally-based businesses of any size to engage with the mining sector.

The review should identify any additional supports that need to be made available to ensure regional businesses have the skills and capacity to:

- find out about opportunities in the mining and resources sectors;
- negotiate effectively with mining and resources companies;
- secure and maintain the necessary accreditations; and
- complete tender processes effectively and efficiently.

**Recommendation 6**

4.202 The Committee recommends that the Australian Government closely consider the outcome of the independent review into the Business Council of Australia’s voluntary *Australian Supplier Payment Code* (the Code) when it is finalised. If the review does not result in a significant strengthening of, and compliance by industry with, the Code, the Australian Government should move to legislate maximum payment terms. A strengthened Code would need to include:

- coverage for medium sized businesses;
- reporting and enforcement mechanisms; and
- more signatories, especially from the mining and resources sectors.

**Recommendation 7**

4.203 If the *Australian Supplier Payment Code* is not significantly strengthened by July 2019, the Committee recommends the Australian Government implement recommendation 9 from the Australian Small Business and Family Enterprise Ombudsman’s *Payment Times and Practices Inquiry - Final Report* (2017):
• Recommendation 9: Australian Government to introduce legislation which sets a maximum payment time for business to business transactions. Certain industries may need terms greater than the maximum which can be agreed providing they are not grossly unfair to one party. Where a longer term is called into dispute it will be considered an unfair contract term.

Recommendation 8

4.204 The Committee recommends that, in the absence of legislated payment terms, the Federal Government work with state, territory and local governments, and land councils, who make licensing agreements with mining and resources companies to ensure any new exploration licences are only granted to companies that agree to sign up to the Australian Supplier Payment Code.

Recommendation 9

4.205 The Committee recommends that the Australian Government prioritise reviewing the Australian Consumer Law with a view to:

• Amending the law so that Unfair Contract Terms in business-to-business contracts are prohibited under the law;

• Including potential penalties for imposing Unfair Contract Terms;

• Clarifying or widening the definition of a ‘standard form contract’, as required to meet the intent of the legislation; and

• Amending the thresholds to ensure a larger proportion of small and medium sized businesses can be protected by the law.

Recommendation 10

5.141 The Committee recommends the Federal Government work through the Council of Australian Governments (COAG) Industry and Skills Council to develop a plan to increase the availability and accessibility of mining-related trades training, and mining-related tertiary courses, in mining regions. Such training should be:

• Developed in consultation with mining and other local industries to ensure the right skills are being taught;
Funded and promoted jointly by government and industry;

Affordable and accessible to local young people in mining regions;

Available through online learning wherever appropriate; and

Connected to industry, with specific job opportunities attached to successful completion of training.

**Recommendation 11**

5.142 The Committee recommends the Federal Government work with state, territory and local governments and land councils who make licensing agreements with companies to ensure these agreements include a requirement for companies to invest in skills training, provide minimum numbers of apprenticeships and traineeships, including Indigenous opportunities, and report on these investments. Levels of investment required should be based on the specific circumstances of the region and the project.

**Recommendation 12**

5.143 The Committee recommends the Federal Government partner with the mining sector to promote careers in mining, and mining equipment, technology and services (METS). Initiatives should:

- Be aimed at recruiting workers for the industry from the towns and regions closest to the mines;

- Incorporate promotion aimed at recruiting tradespeople and apprentices, as well as engineers and other tertiary-qualified professionals;

- Work to challenge the perception that the mining industry is in decline, or that a career in mining is unstable;

- Promote the Western Australian School of Mines and other mining specialist tertiary education centres; and

- Promote the industry as being at the cutting-edge of technology and innovation.
Recommendation 13

5.144 The Committee recommends the Federal Government partner with relevant state, territory and local governments and land councils to develop localised plans to increase capacity and skills in mine site rehabilitation and post-mining clean-up within mining regions.

Recommendation 14

5.145 The Committee recommends the Federal Government provide support to assist local governments and land councils to advocate for downstream resources processing industries to be developed in regional locations.

Recommendation 15

5.146 The Committee recommends the Federal Government continue to fund initiatives promoting innovation and commercialisation in the mining equipment, technology and services (METS) sector. Specifically, the Australian government should direct more funding towards ‘clustering’ initiatives, especially those located in mining regions and involving local businesses and organisations.

Recommendation 16

5.147 The Committee recommends the Federal Government partner with state, territory and local governments to provide incentives to mining and resources companies to develop Remote Operating Centres in regional towns close to mining operations, rather than in metropolitan areas.

Recommendation 17

5.148 The Committee recommends the Federal Government work with relevant state, territory and local governments, land councils, resource companies and community groups to establish well-funded, region-specific resilience and sustainability plans to help mining-dominated regions diversify and thrive in the long-term.

Recommendation 18

6.143 The Committee recommends the Federal Government review the provisions of the Fringe Benefits Tax that relate to businesses providing housing for their workers. The aim of the review should be to remove the existing
incentives for companies to use fly-in/fly-out workforces as opposed to providing housing for their workers to live in regional communities close to mines.

Recommendation 19

6.144 The Committee recommends the Federal Government conduct a review into the use of casualised workforces and labour hire companies in the mining and other sectors with a view to amending the Fair Work Act 2009 (Cth) in order to prohibit the move towards replacing directly-employed, full time workers with ‘permanent casual’ employees, and other similar casualised employee types.

Changes to the Act should also include provisions that guarantee that employees have a legal right to convert from casual to permanent employment after a set period of time.

Recommendation 20

6.145 The Committee recommends the Federal Government consult with state and territory governments on existing legislation and frameworks that govern the issuing of licences for gas extraction. Frameworks should be amended to ensure:

- Transparency: affected landholders should be informed of the gross production of wells on their land;
- A fair return: affected landholders should be entitled to a share of the revenue produced by the well/s, of no less than 2 per cent; and
- Dispute resolution: affected landholders should have access to an accessible arbitration process to settle disputes with companies.

Similar measures should be considered for landholders whose land is affected by other extractive industries.

Recommendation 21

6.146 The Committee recommends the Federal Government consult with state and territory governments on existing legislation and frameworks that govern the issuing of licences for resource extraction, with a view to developing a
national framework to take to the Council of Australian Governments (COAG) for endorsement.

The framework should set minimum standards for mining and resources companies in relation to securing and maintaining a social licence to operate in regional areas, including the requirement to develop social impact assessments for their projects.
Foreword

... I know it’s very frustrating for people who live and operate businesses in Muswellbrook to be surrounded by all the wealth that’s being generated. As you mentioned, every train that goes out is $1.5 million going out. The trains now are just constant, because the mines are expanding. … Visually, the people of Muswellbrook are seeing the money leaving town.¹

The mining industry built a number of towns in regional Australia. From Bendigo to Broken Hill, Kalgoorlie to Mount Isa, and, in later years, South Australia’s Roxby Downs. These towns owe their very existence to the mining sector, which invested heavily in settling workers in the regions, building infrastructure and supporting communities to grow.

Every town or city in Australia has a story to tell as to what is their reason to be there. What was the reason for the commerce that built the houses, the businesses, the roads, the schools. For Ballarat it was gold, for Sydney it was a penal colony and now it is the hub of a service industry, for Rockhampton it was minerals, then beef. But towns are only built if the wealth of their hinterland is invested in the hub, town or regional city. Businesses only survive if they have cash. Cash comes from someone creating wealth from a source of endeavour. Australia’s primary source of wealth overwhelmingly is the extraction of minerals and hydrocarbons. Coal, gas, iron ore, gold, uranium, rare earths.

Rural commodities do the same job; they create the wealth for a service industry to circulate, which determines the GDP. But without the initial wealth, the second and tertiary wealth won’t happen and Australia would be dramatically poorer.

¹ Mr Wayne Toms, Representative, Muswellbrook Chamber of Commerce and Industry, Proof Committee Hansard, Singleton, 5 November 2018, p. 34.
But the hub must be near the source to be fair to those who see the wealth as more theirs than a city a long way away or another country even further away. For these local communities the payments from the mining sector must be prompt if any business is to survive. Gunnedah has to see the wealth more than Sydney, and Mackay more than London.

When workers fly in and fly out the wealth flies out with them. When the coal from Moura builds a house on the Gold Coast because that is where the miner lives, then Central Queensland is reduced to merely a hole in the ground. This is neither fair nor tenable. Farmers should be partners in the gas extraction industry not just the source from which the wealth is derived.

Most mining companies don’t even have an office in these towns and make all their decisions in Melbourne, Perth or even London. Changes in company structure and ownership and increasingly complex tender requirements mean less opportunity for local businesses in regional towns to service the mining sector.

Towns like Port Hedland, Gunnedah, Emerald, Moranbah, Cessnock and Coolgardie should be thriving and growing through opportunities offered by the mining sector, especially in light of the recent upswing in the sector. However, visiting towns in mining regions for this inquiry, the story I heard was mixed. It’s the same story I have been hearing for years and years, through mining booms and mining down-turns, a story of missed opportunities. Australia looks with envy at how the wealth from oil built Dallas and Houston but near the equivalent wealth of coal has built no such city in Central Queensland.

People are grateful for the contribution of the mining sector but many feel that more could be done. They watch the massive trains roll out of town, loaded with tons of coal and iron ore, look around them at a town that hasn’t grown and wonder: ‘where’s all the money going?’ If the Big capital cities want to take the pressure off more people moving to them, well this will encourage more cities to grow. If you take the wealth from mining and build a new airport in Sydney, don’t complain if people just want to move to Sydney. Muswellbrook should have 100,000 people instead of 12,000. Gunnedah should be booming and rivalling Tamworth.

Residents and business owners in these towns are not asking for the world. They simply want a fair share of the wealth that’s extracted from the land around them. They want adequate compensation for the impacts of mining company workers and freight. They want a share of royalties invested back into their region to help it grow, thrive and diversify for the future.
But even more than that, regional businesses and individuals told us they want the opportunity to compete for jobs and contracts offered by mining companies. It’s not too much to ask.

I am proud to have been involved with this inquiry and impressed with the breadth of evidence we received. Despite limited time and resources, we managed to visit Darwin, Rockhampton, Mackay, Tamworth, Port Hedland, Kalgoorlie and Singleton. I’d like to thank those communities that welcomed us and all the residents who took the time to tell us their stories.

Regional small and medium businesses were a big focus of this inquiry. This report makes a number of recommendations aimed at improving the capacity of regional businesses to supply the mining sector, ensuring mining companies’ ‘local’ procurement and training is truly local, and addressing some of the barriers to local procurement the Committee identified.

The inquiry also considered the impacts of extended payment terms offered by mining companies to their suppliers. Terms of 60 to 90 days are choking cash-flow and crippling regional businesses. This is why the Committee is recommending the Government revisit the possibility of legislating maximum payment terms.

To make the most of opportunities offered by mining, regional communities need to have access to adequate training opportunities so existing businesses and the mining sector can better co-exist. As such, this report makes recommendations to address skills gaps in regional areas, provide better targeted and more accessible training, and promote innovation through the METS sector.

I’d like to thank all of the businesses, organisations and individuals who gave evidence or made submissions to the inquiry, including those mining companies who chose to contribute. I would also like to take this opportunity to thank the Secretariat for their hard work and support.

Finally, my appreciation goes to my fellow Committee Members for their dedication to this inquiry. Working with this Committee is a great example of people from separate parties working together, something that might be rarely seen but happens often in the Australian Parliament.

Hon Barnaby Joyce MP
Chair
1. Introduction

Background to the inquiry

1.1 On Wednesday 27 June 2018, the Minister for Resources and Northern Australia, Senator the Hon Matthew Canavan, asked the Committee to inquire into and report on how the mining sector can support businesses in regional economies.

1.2 The Committee was asked to consider questions including:

- The appropriateness of the payment terms offered to businesses by the mining sector;
- Best practices between the mining sector and businesses, especially in regards to how they can support regional communities and economies;
- Barriers to the greater use of regional businesses in the procurement of services by the mining sector;
- Building the skills and expertise of businesses to leverage opportunities in the mining sector;
- Opportunities for businesses to diversify to other markets; including the mining industry in Australia and overseas, and across different industries;
- The role of mining equipment, technology and services (METS) organisations in R&D and innovation and how payment terms impact on companies' ability to invest in these areas;
- How the Federal Government can support businesses in regional economies benefit from mining development;
- How royalties are shared between landholders on gas fields and State and Territory Governments; and
- Any other related matter.
1.3 When undertaking the inquiry the Committee was directed to have regard to:
- How relationships between mining and businesses differ between jurisdictions and in overseas countries; and
- The policies of State and Territory Governments in regards to mining procurement.

**Conduct of the inquiry**

1.4 The inquiry was launched with a media release on 29 June 2018, inviting interested parties to make submissions on the terms of reference. Specific invitations were also sent to relevant industry organisations, peak bodies, research institutes, chambers of commerce and enterprise, government agencies, mining companies, and state and territory governments.

1.5 The inquiry received 79 submissions and 12 supplementary submissions. A number of submissions were made on a confidential bases and some were published with the names of the submitters withheld. This was to protect the identities of businesses that have current contracts servicing the mining sector.

1.6 The Committee held 12 public hearings, including a number in mining areas around Australia. Hearings were held in Darwin, Rockhampton, Mackay, Tamworth, Port Hedland, Kalgoorlie, Singleton and Canberra. Travelling to mining regions was an important aspect of the inquiry, but the Committee acknowledges it was not able to visit all mining communities.

1.7 The Committee heard evidence from local councils, chambers of commerce, local businesses and industry associations, government and research bodies and mining companies, among others. The Committee is grateful to everyone who took the time to make a contribution.

1.8 The Committee would especially like to acknowledge the local business owners who provided evidence to the inquiry. The first-hand evidence provided by these businesses about the impacts of some mining company practices has been critical to this report.

**Structure of the report**

1.9 The report includes a list of recommendations, this introduction, and six substantive chapters that address the terms of reference. The six chapters
represent the issues that rose to prominence during the course of the inquiry.

1.10 This introduction explains the conduct of the inquiry and contextualises the report with a summary of mining activity in Australia.

1.11 Chapter 2 looks at the question of ‘what’s in it for the regions?’ Specifically, how regional areas benefit from mining and what the negative impacts can be. It also looks at royalties, including ‘Royalties for Regions’-type programs, and presents a case study about mining returns to the Pilbara, Australia’s most productive mining region. The chapter presents recommendations aimed at increasing the share of wealth that goes back into the regional communities where the resources are mined.

1.12 Chapter 3 discusses the local procurement policies and practices of big miners, barriers to local procurement, and recommendations for increasing the use of local suppliers by mining companies in regional areas.

1.13 Chapter 4 summarises the significant amount of evidence the inquiry received on mining company terms of payment, contract provisions and contracting practices. It considers the responses of mining companies and makes recommendations for reform.

1.14 Chapter 5 looks at innovation and technology, skills and training, and diversification within the industries that service the mining sector. It considers skills shortages in regional areas, the opportunities offered by adopting a ‘clustering’ model, and opportunities for businesses in mining-dominated regions to diversify.

1.15 Finally, Chapter 6 investigates the issue of mining companies’ social licence to operate. This final chapter analyses miners’ use of fly-in/fly-out (FIFO) versus local workforces and mining’s interaction with agriculture and landholders. The chapter ends with recommendations for enhancing mining companies’ social licence to operate in regional communities in Australia.

**Mining in Australia**

1.16 Mining is a significant sector in the Australian economy and the largest source of Australian exports. According to the Department of Industry, Innovation and Science and Resources (DIISR), in 2016–17, the mining and energy sector accounted for seven per cent of Australia’s GDP, 55 per cent of
Australia’s export earnings, and 14 per cent of private capital investment in the Australian economy.¹

1.17 In 2017–18, resource and energy commodity exports reached ‘a record high’ of $226 billion and are forecast to reach a new record of $238 billion in 2018–19.² In 2018, the sector’s profits are estimated to reach around $75.1 billion.³ Profit is projected to total 32.7 per cent of revenue, which is high compared with the average of 14 per cent across all Australian industries.⁴

1.18 IBIS World industry analysis indicate that BHP Billiton and Rio Tinto have the largest market shares at around 15 per cent and 10 per cent respectively. The next largest are Glencore, with nearly five per cent of the market, and Fortescue Metals Group with nearly four per cent.⁵

1.19 Most mines are located in regional areas, with a number in very remote areas. The biggest mining states are Western Australia, Queensland and New South Wales, with approximately 36 per cent of mining enterprises located in Western Australia, 24 per cent in Queensland, 20 per cent in New South Wales and only 10 per cent in Victoria. Other states and territories have small sectors.⁶ This distribution was reflected in the submissions received to the inquiry, with the majority being from Queensland, New South Wales and Western Australia.

1.20 The major commodities mined in Australia are iron ore at approximately 28 per cent, coal at around 27 per cent, oil and gas at around 20 per cent and other metals around 17 per cent.⁷

1.21 DIISR submitted that the industry directly employs around 234,000 people, with the average earnings for full time workers in the mining sector at $2,684.50 per week; around 40 percent higher than the average for all other industries.⁸

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¹ Department of Industry, Innovation, Science and Resources (DIISR), Submission 29, p. 3.
² DIISR, Submission 29, p. 3.
⁸ DIISR, Submission 29, p. 3.
1.22 The Minerals Council of Australia provided slightly different figures, stating that mining employed around 218,000 people in 2017, with 61 per cent of these jobs located in regional and remote areas.\(^9\)

1.23 The CSIRO submitted that mining is the largest employer in 23 Local Government Areas.\(^{10}\)

1.24 The mining sector is also the largest contributor to research and development in Western Australia and Queensland with 49 per cent and 26 per cent of that state’s research and development spend in 2016, according to the CSIRO. The percentages are much lower in Victoria and New South Wales.\(^{11}\)

1.25 In 2017, Deloitte Access Economics reported that the combined total of workers in mining and mining equipment, technology and services (METS) sectors (excluding oil and gas) was around 1.1 million. This represents around 10 per cent of jobs in Australia.\(^{12}\)

1.26 According to the Western Australian Department of Mines, Industry Regulation and Safety, the average number of persons employed in the Western Australian minerals sector in 2017-18 was 112,008 and the royalties paid in 2016-17 totalled $5.8 billion.\(^{13}\)

1.27 The Queensland Resources Council estimates that mining companies paid around $4 billion in state government payments (including land tax, payroll tax, stamp duty and royalties), in 2016-17.\(^{14}\)

1.28 The Queensland Government reports that employment levels in the mining sector are increasing at a slow but steady rate, with mining now providing 3.6 per cent of all full time jobs in Queensland. Further:

   Since 2011, mining has overtaken agriculture as a primary source of regional employment and is a critical income flow to many rural communities.\(^{15}\)

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\(^{10}\) CSIRO, *Submission 56*, p. 4.

\(^{11}\) CSIRO, *Submission 56*, p. 4.


\(^{14}\) DIISR, *Submission 29*, p. 4.
In New South Wales, the third biggest mining state, royalties for 2016-17 were $1.6 billion and direct employment in mining was 27,600 people, with a further 108,000 in indirect jobs.\textsuperscript{16}

Mining companies contribute in a number of ways to the regional communities and regions where they mine, mainly through:

- providing employment to people who live in regional Australia;
- bringing in workers from elsewhere who spend money in the community;
- purchasing goods and services from local suppliers;
- making voluntary social investments such as infrastructure projects and scholarship programs; and
- paying taxes and royalties to various levels of government.\textsuperscript{17}

To provide one example, Australia’s biggest mining company BHP stated that its contributions to Australia for the financial year 2016-2017 were $19.9 billion. This included:

- employing more than 37,000 people, who earned more than double the national average wage;\textsuperscript{18}
- $50.4 million on social investments, including infrastructure, safety and education programs; and\textsuperscript{19}
- more than $5 billion in payments to the Australian government.\textsuperscript{20}

The next chapter analyses the contributions made by various mining companies to regional areas in major mining states, and asks the question: how much of the wealth generated in the regions, stays in the regions?


\textsuperscript{17} BHP, \textit{Submission 49}, p. 1.

\textsuperscript{18} Mr James Palmer, Asset President BHP, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 33.

\textsuperscript{19} BHP, \textit{Submission 49}, p. 1.

\textsuperscript{20} Mr Palmer, BHP, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 33.
2. Returns for the regions

Yes, we watch as coal trains go out and know that the wealth is going down to the major areas and certainly not to Gunnedah shire.¹

2.1 The mining industry has made a significant contribution to regional Australia throughout Australia’s history. A number of regional economies were established as a result of mining investment, including Mount Isa, Kalgoorlie, Broken Hill, Gympie, Ballarat and many others.²

2.2 This chapter looks at how much of the wealth generated by resource extraction in regional areas stays in, or comes back to, these regions. Quantifying the true returns for the regions is a near impossible task. There are numerous data sources, gaps in the data, no consistent way of presenting the figures, and no single place where the returns from mining are quantified, town-by-town, or region-by-region.

2.3 In the absence of an integrated set of data that quantifies the returns to the regions from mining, it can be difficult to determine if mining towns and regions are getting their fair share.

2.4 Kalgoorlie resident, and long term proponent of regional development planning, Mr Robert Hicks summed up the problem:

The point here is that there is no common accepted way in which these sums are presented, and therefore it is not possible to carry out any accurate comparisons. … We are of the view that the mining companies are making

¹ Councillor Gae Swain, Deputy Mayor, Gunnedah Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 2.

² Department of Industry, Innovation, Science and Resources (DIISR), Submission 29, p. 3.
significant contributions, but how do we really know? What is the measure? What is the benchmark?3

2.5 This chapter gives voice to some of the concerns raised by community leaders and business people in regions the Committee visited. Community members in towns from Kalgoorlie to Tamworth, from Rockhampton to Singleton, were broadly supportive of the mining sector and acknowledged the contribution made by mining to their regions. However, many of them felt that opportunities were being missed and some felt their towns were failing to thrive.

2.6 It is not possible in this report to look into every mining region and quantify the returns from mining. However, the Committee presents a case study in this chapter which compares the revenue from, and investment back into, the Pilbara.

What’s in it for the regions?

Pilbara case study

*The town’s been through a lot over the last three to four years. It has these cycles, which are very, very destructive. We have house prices up and down. We have businesses going up and down. People leave town. … It’s up or down, boom or bust. That’s the way it runs. Port Hedland has been like that for many, many years.*4

2.7 The Western Australian resources sector produced approximately $115 billion worth of output in 2017-18, which is just over half of the Australian total. The state collected royalties of $5.8 billion in 2017-18.5

2.8 According to Western Australian Department of Mines, Industry Regulation and Safety, the Pilbara region produced approximately $62.4 billion worth of minerals and petroleum in 2017-18. The figure in 2015-16 was $53.9 billion,

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3 Mr Robert Hicks, Private capacity, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 10.

4 Mr Peter Carter, President, Port Hedland Chamber of Commerce, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 33.

and $53.6 billion in 2014-15. This is over half of the state’s total resources production value and over a quarter of the national figure.

2.9 Reliable, current and objective information on the exact contributions to the region by resource sector companies is not readily-available. However, the Chamber of Minerals and Energy of Western Australia provides a breakdown of the industry’s contributions to the regions in the 2015-16 financial year on its website.7

2.10 The Chamber lists the following direct contributions from mining to the Pilbara region in 2015-16:

- 13,140 direct employees living in the region;
- $2.7 billion paid in wages and salaries;
- $743 million in business purchases, community contributions and local government payments; and
- 395 local businesses supported.8

2.11 According to the Minerals Council of Australia, mining represented 88 per cent of the Pilbara’s economic activity in 2015-16 and accounted for 46,697 full-time jobs in the region and 47,142 indirect jobs.9 However a majority of the jobs included in these figures are filled through fly-in/fly-out (FIFO) employment practices.

2.12 Rio Tinto stated that it invested over $700 million into community development in the Pilbara over the last 10 years. Investments included housing, child-care facilities, recreation facilities, infrastructure and amenities. Rio Tinto said it not only builds facilities, but also covers operating costs for ‘an extended period’.10

2.13 Recent Rio Tinto investments included:

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8 Chamber of Minerals and Energy of Western Australia, 2015/2016 Western Australian Resource Sector Operations (factsheet).

9 Minerals Council of Australia (MCA), Submission 48, p. 7.

10 Ms Linda Dawson, General Manager, Communities and Communication, Rio Tinto, Proof Committee Hansard, Port Hedland, 9 October 2018, pp. 22-23.
- $8.5 million for construction and five years’ operating costs for the Paraburdoo Community Hub;
- Contributions to events and festivals in Pannawonica, Paraburdoo and Tom Price;
- $8 million towards the Wickham Community Hub;
- Contribution to the Dampier Community Hub;
- Town beautification projects including the Point Samson foreshore upgrade and public amenities in Dampier; and
- Contribution to Cossack Art Awards, Red Earth Arts Festival, Australia Day, NAIDOC, and other community projects.\(^\text{11}\)

2.14 The Western Australian government has also made investments into the Pilbara region through payments from royalties. Between 2008 and 2014, $5.6 billion was invested in total through the Royalties for Regions program.\(^\text{12}\) The share of Royalties for Regions funding to the Pilbara has been approximately 32 per cent.\(^\text{13}\)

2.15 The Western Australian Department of Regional Development talked about the government’s investments in the Pilbara in the *Royalties for Regions Progress Report 2015-16*. The report highlighted the Pilbara Cities initiative, which works to ‘transform the region into a vibrant network of communities that are not only economically successful but also socially sustainable’.\(^\text{14}\)

2.16 The Pilbara Development Commission’s ‘vision’, according to the Department’s report, was to build the populations of Karratha and Port Hedland into cities of 50,000 people, and Newman to 15,000 people by 2035. More than 100 projects had been delivered by 2016.\(^\text{15}\)

2.17 The report also highlighted the $207.15 million Karratha Health Campus investment, which was ‘the single biggest investment in a public hospital ever undertaken in regional Western Australia’.\(^\text{16}\)

\(^{11}\) MCA, *Submission 48*, p. 9.

\(^{12}\) Western Australian Department of Regional Development, *Understanding the Impact of Royalties for Regions*, 2014, p. 3.

\(^{13}\) Western Australian Regional Development Trust, *2016-17 Annual Report*, p. 23.


2.18 Despite the significant investments in housing and community services during this period, including in Port Hedland, populations of many mining regions have not experienced sustained growth. Councillor Camilo Blanco, Mayor of Port Hedland, told the Committee that the population of Port Hedland grew from 14,000/15,000 to nearly 29,000 during the mining boom. In 2016, it had reverted to around 16,000.\(^{17}\)

2.19 Mayor Blanco said that a lack of sustained government investment creates an attitude in the general population that Port Hedland is a place to come to temporarily, to ‘make some money and then move away, instead of making it home’. This means local small businesses are unable to plan and grow sustainably to be able to take advantage of opportunities.\(^{18}\)

2.20 The Mayor also said that roads and other infrastructure have been damaged by influxes of people coming through the town for work. The council receives no rates from these temporary residents, but its costs increase significantly putting the council in a difficult position financially.\(^{19}\) The Mayor said:

\[
\text{... currently, the town has billion-dollar industries and trillion-dollar industries positioned right next it, and yet we are unsustainable in our finance.}\(^{20}\)
\]

2.21 Councillor Peter Long, Mayor of Karratha, also spoke about negative impacts from the mining sector on that town. He said the end of the construction boom and subsequent drop in commodity prices saw companies trying to reduce their costs ‘very suddenly’, which made things difficult for local businesses across the Pilbara.\(^{21}\)

2.22 Mayor Long said Rio Tinto and Woodside brought in ‘cheap’ contract labour through French company, Sodexo, to reduce costs, adding:

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\(^{17}\) Councillor Camilo Blanco, Mayor, Town of Port Hedland, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 17.

\(^{18}\) Cr Blanco, Town of Port Hedland, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 11.

\(^{19}\) Cr Blanco, Town of Port Hedland, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 17.

\(^{20}\) Cr Blanco, Town of Port Hedland, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 16.

In so doing, they reduced the hourly rates paid to a lot of local businesses and caused some of those businesses to actually go bust, because they just could not work for that price.22

2.23 The West Australian Government continues to invest in the Pilbara region, including through Royalties for Regions funding. In 2018-19, the WA State Budget includes the following investments in the Pilbara:

- $49.4 million to complete work on the Karratha Health Campus
- $112 million in funding towards the Port Hedland Waterfront Revitalisation project
- $14.8 million towards the Step Up, Step Down mental health facility in Karratha
- $46.4 million to redevelop the Newman Health Service
- $5 million towards the redevelopment of the Tom Price Hospital
- $12.8 million to continue the Northwest Drug and Alcohol Support Program
- $50 million construction of the next stage of the Karratha to Tom Price Road
- $54.5 million towards the upgrade of the Marble Bar Road through Coongan Gorge
- $5.5 million for the Transforming Agriculture in the Pilbara initiative
- $4.7 million towards enhancing educational outcomes in the Pilbara
- $19.8 million towards the Pilbara Aboriginal Town Based Reserves projects
- $3 million towards the expansion of School and Childcare facilities in the Shire of Ashburton23

2.24 The Government also states that it is investing ‘$808.2 million for job-creating infrastructure in the Pilbara’. 24 This figure includes many of the initiatives listed above. It is also important to note that this expenditure is budgeted to be spent over a number of years, not all in 2018-19.

2.25 The cap on spending through Royalties for Regions for the 2017-18 year was $941.7 million.25 It is not possible to determine the precise percentage spent

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22 Cr Long, City of Karratha, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 9.


in the Pilbara, because the analysis of expenditure by region included in all previous reports was not included in the 2017-18 report.\textsuperscript{26}

2.26 Despite investments from the West Australian government, Mayor Blanco said that the Council is struggling to maintain Port Hedland’s road network and drainage network and has not got the funds to create ‘pleasing social amenity’, which he argued would help to retain the current population.\textsuperscript{27}

2.27 The Mayor added that the schools, policing, social services buildings and infrastructure are at their ‘end of life’, and the education system needs significant investment. He reported that attempts to lobby the state government for investment in these areas have been ineffective.\textsuperscript{28}

2.28 Mayor Blanco said that what he really wanted from state and federal governments was help to diversify the town’s economy. One way to do this would be to capitalise on the biggest deposit of lithium in the world by developing a downstream lithium ore processing industry in the region.\textsuperscript{29} This suggestion is discussed further in Chapter 5.

\textbf{Box 2.1 Quantifying the returns – Pilbara Case study}

\textit{Returns from mining companies}

2.29 In 2015-16:

- $53.9 billion worth of minerals and resources were extracted from the Pilbara; and
- mining companies invested around $3.4 billion directly into the region:
  - $2.7 billion paid in wages and salaries;
  - $743 million in business purchases, community contributions and local government payments.\textsuperscript{30}

2.30 So, in 2015-16 mining companies reinvested approximately 6.3 \textit{per cent} of revenue extracted from the Pilbara back into the Pilbara, mostly in wages.

\textsuperscript{26} Western Australian Regional Development Trust, \textit{2016-17 Annual Report}, p. 23.

\textsuperscript{27} Cr Blanco, Town of Port Hedland, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 16.

\textsuperscript{28} Cr Blanco, Town of Port Hedland, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 16.

\textsuperscript{29} Cr Blanco, Town of Port Hedland, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 10.

\textsuperscript{30} Chamber of Minerals and Energy of Western Australia, \textit{2015/2016 Western Australian Resource Sector Operations} (factsheet).
Returns through Royalties for Regions

2.31 In 2015-16:
- $4.6 billion was paid in royalties to the Western Australian Government from the state’s mineral and petroleum producers, with 55 per cent of this – or around $2.5 billion – coming from the Pilbara;
- $230 million was spent in the Pilbara through Royalties for Regions (around 33 per cent of the total expenditure).31

2.32 So, in 2015-16 the Western Australian government returned to the Pilbara region about 9 per cent of the royalties it collected from mining projects located in the Pilbara.

The Goldfields

2.33 The Goldfields-Esperance region is located in the south eastern corner of Western Australia, and comprises the local government areas of Coolgardie, Kambalda, Dundas, Esperance, Kalgoorlie-Boulder, Laverton, Leonora, Menzies, Ngaanyatjarraku and Ravensthorpe.

2.34 Mining revenue produced in the region in 2017-18 was approximately $11.5 billion.32

2.35 Mr John Walker, CEO of the City of Kalgoorlie-Boulder, said that mining companies were making significant contributions to the community, and gave some examples. He reported that:
- Kalgoorlie Consolidated Gold Mine (KCGM) makes donations for community projects and supports the tourism industry;
- KCGM donated $1 million towards a recreation facility;
- Northern Star Resources and Evolution Mining provide community support, as well as engaging their staff in youth, social or arts and culture orientated projects.33


33 Mr John Walker, Chief Executive Officer, City of Kalgoorlie-Boulder, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 6.
2.36 The Mayor of Kalgoorlie-Boulder, Mr John Bowler described the community as ‘a pro-mining community’ but said the long term social consequences of mining and FIFO practices and need to be addressed.34

2.37 Local business owner, Mr Ryan Hough felt that governments treated the region as ‘a cash cow’ and did not provide enough support for the region to grow and thrive. He said:

... that’s frustrating. We’ve got [a] world-class golf course here. We’ve got facilities here. The council are trying their hardest to promote the area, but I don’t feel the state and federal governments are pulling their weight.35

2.38 Kalgoorlie resident, and regional development expert, Mr Graham Thomson is credited with developing the idea that became the Royalties for Regions program, which set aside 25 per cent of royalties from mining for programs and projects in regional Western Australia.36

2.39 Between 2008 and 2014, $5.6 billion was invested through the Royalties for Regions program. During that time, only 7 per cent of the funding was spent on projects in the Goldfields-Esperance region.37

2.40 Mr Thomson argued that, compared with when the program started, governments have increasingly begun to ‘mainstream’ the funding. He explained:

The idea of Royalties for Regions was and remains that it doesn’t replace what should be done anyway by government. However, if you drive from here to Perth, you’ll see that Royalties for Regions funding was spent on a road which is the responsibility of the federal government.38

2.41 One way to prevent this, Mr Thomson argued, is for the royalties to be provided to locally-based regional development commissions, who could then allocate the funds. Mr Thompson suggested this is how it was

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35 Mr Ryan Hough, Branch Manager, Lakes Electrical Distributors, Goldfields, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 25.


37 Western Australian Department of Regional Development, *Understanding the Impact of Royalties for Regions*, 2014, p. 3.

originally done: ‘It was locally controlled and locally managed and so it worked very well’.39

2.42 The biggest revenue producing shire in the Goldfields-Esperance region is Coolgardie, which produced $3.1 billion worth of mining revenue in 2017-18 despite its small population of approximately 850 people.40

2.43 Mr James Trail, CEO of the Shire of Coolgardie, reported that his shire is working hard to develop ‘more advantageous agreements’ with mining companies and has successfully arranged a meeting with seven CEOs of mining companies. The Shire has developed a community chest fund and is asking mining companies to contribute. The fund will allow mining company contributions to be used for community projects.41

**Mackay/Isaac/Whitsundays and Central Queensland**

2.44 The Mackay/Isaac/Whitsunday Region is located on Queensland’s tropical east coast and borders Central Queensland, which takes in the Capricorn Coast, the Central Highlands and Emerald, the Mackay region and Gladstone.

2.45 In 2016, mining and energy resources contributed $20.56 billion or 7.3 per cent of Queensland’s gross state product. Mining represented 59 per cent of all State exports, worth over $27.6 billion. Queensland accounts for almost 15 per cent of internationally traded thermal coal.42

2.46 The Minerals Council of Australia reported that in Queensland in 2016-17 the resources sector contributed $55.1 billion to the state’s economy, including $16.4 billion in purchases from more than 16,400 Queensland businesses.43

2.47 The Queensland Resources Council reported that:

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39 Mr Thomson, Private capacity, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 11.

40 Western Australian Department of Mines, Industry Regulation and Safety, *2017-18 Spatial and regional resources data*.

41 Mr James Trail, Chief Executive Officer, Shire of Coolgardie, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 30.

42 Queensland Department of Natural Resources and Mines, *Queensland’s mining and petroleum industry overview*, July 2016, p. 1.

returns for the regions

- royalties paid to the Queensland government in 2016-17 were $3.8 billion,\textsuperscript{44}
- the sector spent $11.2 billion in the Brisbane region, $3.7 billion in the Mackay region, and $3.0 billion in the Fitzroy region;\textsuperscript{45}
- the sector employed 8,661 full time employees in Mackay, 42 employees in the Central West and 9,858 employees in the Fitzroy region; and
- the sector spent $2.5 billion with local businesses in Mackay, $10 million in the Central West and $1.8 billion with local businesses in the Fitzroy region.\textsuperscript{46}

2.48 Rockhampton Regional Council told the Committee that mining companies spend $143 million dollars in wages, $322 million annually on goods and services sourced from the Rockhampton local government area, directly employs 1,280 local residents and supports a further 4,351 full-time equivalent jobs in the council area.\textsuperscript{47}

2.49 Mayor of Mackay, Councillor Greg Williamson, stated that the resources sector ‘underpins’ the region’s economy and is the single largest regional employer. He said that, of the $3.8 billion worth of royalties received by the Queensland government, more than $2.2 billion came from Mackay’s ports.\textsuperscript{48}

2.50 BHP reported investing significantly in the region including spending $1 billion with more than 700 local vendors, 80 per cent in the Central Highlands, the Isaac region and Mackay local government areas.\textsuperscript{49}

2.51 ConocoPhillips reported it has spent $21 million dollars since 2011 on education, business capacity building, Indigenous community development and cultural programs in the Gladstone area in Queensland.\textsuperscript{50}


\textsuperscript{45} Queensland Resources Council, Economic Impact of the Minerals and Energy Sector on the Queensland Economy 2016/17, p. ii.


\textsuperscript{47} Mr Angus Russell, Manager Strategy and Planning, Rockhampton Regional Council, Committee Hansard, Rockhampton, 29 August 2018, p. 1.

\textsuperscript{48} Cr Greg Williamson, Mackay Regional Council, Committee Hansard, Mackay, 30 August 2018, p. 1.

\textsuperscript{49} Mr James Palmer, Asset President BHP, Committee Hansard, Mackay, 30 August 2018, p. 33.
2.52 Mayor Anne Baker, from the Isaac Regional Council said mining accounts for approximately 78 per cent of the region’s total gross regional product, which equates to $5.9 billion per annum.\textsuperscript{51}

2.53 Despite the significant size of the mining industry in these regions, many witnesses felt the towns were not getting their fair share. Mr Kieran Moran from the Gladstone Engineering Alliance, argued that support from the mining houses to regional communities is ‘marginal’. He pointed out problems including infrastructure degradation, transport and social unrest, and not enough coming back from the royalties paid to government.\textsuperscript{52}

2.54 Mayor Williams agreed that the built and social infrastructure of the regions needed to be improved ‘to increase liveability in the area’. He cited problems with inadequate medical services, government services, port infrastructure, road infrastructural and rail infrastructure, saying these things would ‘help the region to grow’. The Mayor proposed federal and state governments need to focus more on investing in the region’s infrastructure.\textsuperscript{53}

2.55 Dr Kim Houghton from the Regional Australia Institute explained that Queensland does not have anything like a Royalties for Regions program because it did not previously have the level of ‘capital to work with’ that Western Australia has had, and so the structures are not in place to distribute royalties to regional areas.\textsuperscript{54}

2.56 The Queensland Government did run a Royalties for Regions program from 2012 to 2016. This program closed in 2016 and was replaced by a regional infrastructure funding program called ‘Building our Regions’, which includes $375 million worth of infrastructure initiatives:

- the Regional Capital Fund;
- the Royalties for Resource Producing Communities Fund;
- the Remote Communities Infrastructure Fund; and

\textsuperscript{50} ConocoPhillips Australia Pty Ltd, Submission 17, p. 2.

\textsuperscript{51} Cr Anne Baker, Mayor, Isaac Regional Council, Committee Hansard, Mackay, 30 August 2018, p. 8.

\textsuperscript{52} Mr Kieran Moran, Communication and Events Coordinator, Gladstone Engineering Alliance, Committee Hansard, Rockhampton, 29 August 2018, p. 7

\textsuperscript{53} Cr Greg Williamson, Mackay Regional Council, Committee Hansard, Mackay, 30 August 2018, p. 6.

\textsuperscript{54} Dr Kim Houghton, General Manager, Policy and Research, Regional Australia Institute, Committee Hansard, Canberra, 19 September 2018, p. 4.
the Transport and Infrastructure Development Scheme.\(^{55}\)

Projects funded under this program are listed on the website by local council area. It includes three projects in the Whitsunday Council area; three in Issac; two in the Central Highlands Regional Council area; one in Gladstone; four in Mackay; and one in Rockhampton. Most of the projects relate to roads and bridges or sewerage and waste.\(^{56}\)

**New South Wales**

In New South Wales, royalties for 2016-17 were $1.6 billion and direct employment in mining was 27,600 people, with a further 108,000 in indirect jobs.\(^{57}\)

The primary mining sector in New South Wales is the coal mining sector and the biggest coal producing regions are the Hunter, the Central West, the Illawarra, and New England. The New South Wales Minerals council provided the following figures on the coal amount of coal extracted in the 2016-17 financial year:

**Table 2.1 Coal extracted in NSW regions 2016-17 Financial Year (tonnes)**

<table>
<thead>
<tr>
<th>Gunnedah</th>
<th>Hunter</th>
<th>Newcastle</th>
<th>Western</th>
<th>Southern</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31,100,012</td>
<td>148,585,481</td>
<td>12,571,041</td>
<td>48,311,344</td>
<td>12,825,284</td>
<td>253,393,162</td>
</tr>
</tbody>
</table>

*Source: NSW Minerals Council Supplementary Submission 45.1, p. 6.*

The New South Wales Minerals Council stated that its mining member companies spent around $10.4 billion in New South Wales, with around 80 per cent of that spend in regional New South Wales. This figure incorporates:

- wages for over 20,000 directly employed full-time employees and contractors; and

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\(^{56}\) Queensland Department of State Development, Manufacturing, Infrastructure and Planning, *Royalties for the Regions*.

payments to over 4000 regional New South Wales businesses.\textsuperscript{58}

2.61 The Council surveyed its members in 2016-17 and reported that the industry is estimated to have contributed 19.1 per cent of Gross Regional Product (GRP) in the Hunter, 8.5 per cent of GRP in the Central West, 7.2 per cent in the Illawarra, 6.0 per cent in the North West region and 3.8 per cent in the Northern region of NSW.\textsuperscript{59}

2.62 The NSW Minerals Council survey found that direct mining spending contributed the following in 2016-17:

- In Gunnedah, $60.2 million in wages to 506 full-time employees and $46.1 million in purchases with 164 local businesses.
- In Tamworth, $17 million in wages to 146 full-time employees and $11.5 million in purchases with 88 local businesses.
- In Narrabri, $29.3 million in wages to 232 full-time employees and over $20 million in purchases with 87 local businesses.\textsuperscript{60}

**Western New South Wales**

2.63 From Tamworth to Narrabri, Whitehaven Coal is the largest private sector employer of locals, with 75 per cent of its employees living in the regions.\textsuperscript{61}

2.64 Whitehaven reported that it invests in child care and family support services in Gunnedah and in Narrabri, the Girls Academy at Gunnedah High School\textsuperscript{62}, and has made $445,000 in donations to a wide variety of community groups in the 2017-18.\textsuperscript{63}

2.65 Councillor Gae Swain from Gunnedah Shire Council confirmed the contribution to community projects and local road maintenance over several

\textsuperscript{58} Mr Stephen Galilee, Chief Executive Officer, New South Wales Minerals Council, *Committee Hansard*, Tamworth 4 September 2018, pp. 30-1.


\textsuperscript{61} Mr Paul Flynn, Managing Director and Chief Executive Officer, Whitehaven Coal, *Committee Hansard*, Tamworth, 4 September 2018, p. 46.

\textsuperscript{62} Mr Flynn, Whitehaven Coal, *Committee Hansard*, Tamworth, 4 September 2018, p. 46.

\textsuperscript{63} Whitehaven Coal Ltd, *Submission 14*, p. 4.
years, and said the community was pleased to have 337 of the company’s workers living in the Shire.\footnote{Cr Gae Swain, Gunnedah Shire Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 1.}

2.66 However, Councillor Swain explained that while there is only one mine in the Gunnedah Shire, workers from mines outside the Shire also live in Gunnedah, which has to ‘bear the brunt’ of social and infrastructure costs without specific support from those mining companies.\footnote{Cr Gae Swain, Gunnedah Shire Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 1.}

2.67 Mr Greg Lamont from the Association of Mining and Energy Related Councils proposed that the town of Boggabri has been most affected by mining, because of its close proximity to the mines and the presence of a mining camp in the town. He said:

They’re pushing families out, one could argue. Rather than staying in the mining camp, which is quite expensive for them, four miners can occupy a four-bedroom house or a two-bedroom house or whatever they do. They can hotbed them or however they want to go about it, and they push those rents up from $200 to $400 a week.\footnote{Mr Greg Lamont, Executive Officer, Association of Mining and Energy Related Councils, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 25.}

2.68 Councillor Andrew Hope, Mayor of the Liverpool Plains, said he would like to see more money spent addressing ‘infrastructure pinch points’ created by the coal going through the region.\footnote{Councillor Andrew Hope, Mayor, Liverpool Plains Shire Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 12.} He identified the Werris Creek rail overpass, which would cost around $14 million, as a key priority for his council, saying:

If you have a train going through there every 27 or 30 minutes — That’s one of the major ones that cuts off our emergency services. It breaks the town in half, and if you’re sitting in an ambulance you’re stuck — you’re there and you can’t get past. It’s about a 40 kay round trip out to the highway to get around it. That’s a major issue for us.\footnote{Cr Hope, Liverpool Plains Shire Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 12.}
2.69 Other areas for investment included Gap Road, which the Mayor claimed ‘needs a major upgrade’, and infrastructure around rail crossings in the town of Quirindi, where the coal trains go ‘down the main street’.  

Newcastle and the Hunter

2.70 Councils in the Newcastle and Hunter regions were also concerned about infrastructure, including roads and train lines.

2.71 The Mayor of Cessnock, Councillor Bob Pynsent said that one of the legacies from mining is the impact on local roads from the ‘vast number of miners’ travelling to and from work across the local government area. The Mayor acknowledged that the Hunter Expressway, opened in 2014, had vastly improved the situation, but his rate payers still bear the cost of wear and tear on local roads.

2.72 Mining company Glencore reported that it was spending money on infrastructure in the Singleton region, with more than $50 million spent on road upgrades, bridges, overpasses and maintenance since 2012.

2.73 Singleton Mayor, Councillor Sue Moore, also commented that train lines are tied up with mining trains:

We only have two trains in and out of a morning, and the same at night. One of the ones that comes in the morning gets here at 4.30. I’m not sure who’s going to be getting a train to Singleton at 4.30 in the morning. We’re told that’s directly related because of the line capacity, and the take-up has been from the mining community. We understand that. But we’re saying it detracts and limits our ability as a town and as a region to really promote ourselves, develop a stronger economy and develop a stronger community.

2.74 Cessnock City Council provided figures around the returns for its region from mining, submitting that:

- mining output from the Cessnock LGA is approximately $474 million;

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70 Councillor Bob Pynsent, Mayor, Cessnock City Council, Proof Committee Hansard, Singleton, 5 November 2018, p. 17.

71 Mr Anthony Pitt, Director, Logistics and Procurement, Glencore Coal Australia, Proof Committee Hansard, Singleton, 5 November 2018, p. 4.

72 Councillor Sue Moore, Mayor, Singleton Council, Proof Committee Hansard, Singleton, 5 November 2018, p. 2.
the sector contributes approximately $195 million in ‘value add’;

- local expenditure by the mining sector is estimated to be around $123 million, including 557 jobs located in the area; and

- the number of persons living in the Cessnock LGA who work in the mining industry is estimated to be 2,065.73

2.75 Witnesses were frustrated with the New South Government’s Resources for Regions program. Mr Tony Chadwick from Singleton Council said that despite contributing about $400 million a year for the state government, Singleton has to apply on merit for every grant and receives ‘no favours’ for its contribution as a mining town. He said that as a small town Singleton struggles to compete on a level playing field: ‘It’d be nice to get some sort of allocated resource from those mining royalties.’74

2.76 Cessnock City Council criticised the Resources for Regions program, saying:

There appears to be a major discrepancy in the amount of funding provided by the NSW Government for significant mining impacted communities, for example in 2015/2016 a nominal amount of only $32 million was available in the Resources for Regions Funding, which equates to only 0.118% of the output of the mining sector NSW.75

2.77 The Hunter Business Chamber argued that, while the Resources for Regions program is good ‘in theory’, it has inconsistent criteria and an over-reliance on local government area. The Chamber questioned whether local government area is the best method of allocating funding, because the impacts of mining ‘flow across council boundaries’, suggesting a regional focus instead. It added:

A royalties allocation scheme should not necessarily be compensatory but also be purposed for building resilience and economic diversity in mining areas.76

2.78 The NSW Minerals Council stated that funding through the Resources for Regions program is currently too low and inconsistent, and should be at least $60 million per year.77

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73 Cessnock City Council, Submission 12.1, p. 1.
74 Mr Tony Chadwick, Senior Social Economic Planner, Singleton Council, Proof Committee Hansard, Singleton, 5 November 2018, p. 2.
75 Cessnock City Council, Submission 12.1, p. 2.
76 Hunter Business Chamber, Submission 66, p. 6.
77 Mr Stephen Galilee, Chief Executive Officer, New South Wales Minerals Council, Committee Hansard, Tamworth, 4 September 2018, p. 36.
2.79 The Council has a formal position that:

... a proper royalties for regions program should be investigated for New South Wales that would involve a percentage of existing royalties that are collected going to the local government areas where the mining occurs.\(^78\)

2.80 Cessnock City Council recommended the Resources for Regions funding should be allocated specifically for the purpose of critical infrastructure to support economic growth in mining-affected regions, and that it needs to be high enough to offset negative post-mining legacies.\(^79\)

2.81 The New South Wales ‘Resources for Regions’ program was established in 2012. From 2013 up to 30 June 2016, the New South Wales Government allocated $231 million to 40 projects across four funding rounds. Initially funding was limited to a selection of specific local government areas, but in the final round it was opened up to any council that could demonstrate it is significantly impacted by mining.\(^80\)

Northern Territory

2.82 The inquiry did not receive any submissions from the Northern Territory. However, the Committee held a public hearing in Darwin.

2.83 Mr Drew Wagner from the Northern Territory Division of the Minerals Council of Australia reported that there are nine operational mines in the Northern Territory. Mining represents around 14 per cent of gross state product, and the sector is the second largest direct permanent employer in the Northern Territory. Mining contributed over $350 million in royalties in 2017.\(^81\)

2.84 Mr Brian O’Gallagher from the Northern Territory Chamber of Commerce said that the mining sector provides an opportunity to reduce dependence on federal government grants and offers ‘an important source of economic development for our Indigenous population’.\(^82\)

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\(^78\) Mr Galilee, NSW Minerals Council, *Committee Hansard*, Tamworth, 4 September 2018, p. 32.

\(^79\) Cessnock City Council, *Submission 12.1*, p. 2.


\(^82\) Mr Brian O’Gallagher, Deputy Chief Executive Officer, Northern Territory Chamber of Commerce, *Committee Hansard*, Darwin, 31 July 2018, p. 8.
Indigenous communities

2.85 Around 60 per cent of mining projects in Australia are located near Indigenous communities.\textsuperscript{83} The relationship between mining and Indigenous communities was not a core term of reference for this inquiry and is too complex to properly analyse in this report. However, the Committee did receive some evidence around the returns to Aboriginal and Torres Strait Islander communities from mining, and that evidence is included here.

2.86 The Department of Industry, Innovation, Science and Resources submitted that the co-location of mining and Indigenous communities means that mining companies are ‘well placed to support the development and sustainability’ of Indigenous communities.\textsuperscript{84}

2.87 The Department cited research that found Indigenous employment in the mining industry has more than doubled from 2006 to 2011, with more than 7,000 employed in that year, including Indigenous women. The study also found Indigenous employment rates were higher in mining areas than in non-mining areas.\textsuperscript{85}

2.88 Whitehaven made note of its contribution to local Indigenous communities, which included employment through its Maules Creek Indigenous employment program, and a variety of education programs focussed on Indigenous advancement.\textsuperscript{86}

2.89 The Minerals Council of Australia talked about the Gulkula bauxite mine, which is its partnership with Australia’s first Indigenous-owned mining company, the Gumatj Corporation in the North East Arnhem region. The Northern Land Council assisted with the development of the agreement between Rio Tinto and the traditional owners and the first shipment of bauxite shipped to China in May 2018.\textsuperscript{87}

2.90 The Gumatj Corporation has established a Regional Training Centre, supported by funding from Rio Tinto and the Australian and Northern

\textsuperscript{83} DIISR, Submission 29, p. 5.
\textsuperscript{84} DIISR, Submission 29, p. 5.
\textsuperscript{85} DIISR, Submission 29, p. 5.
\textsuperscript{86} Whitehaven Coal Ltd, Submission 14, p. 4.
\textsuperscript{87} MCA, Submission 48, p. 17.
Territory governments, to provide training to local Indigenous people to ‘build careers’ in mining and related industries.\(^88\)

2.91 Fortescue Metals Group reported that it has awarded $2.1 billion in contracting value to Aboriginal businesses through its Billion Opportunities Program. Further, Indigenous people comprise around 14 per cent of Fortescue’s 8,000 employees, ‘and most of them are based in the regions’.\(^89\)

2.92 In financial year 2017-18, Fortescue spent approximately $230 million with 52 Aboriginal businesses, mostly based in the Pilbara region. Fortescue also awarded or extended 34 contracts and subcontracts with Aboriginal businesses, to a value of more than $143 million. Over half of these contracts were with Aboriginal business with Aboriginal ownership of greater than 50 per cent.\(^90\)

2.93 BHP submitted that it is aiming to achieve total Aboriginal and Torres Strait Islander employment of 5.8 per cent of the workforce by 2020, and its Indigenous procurement practices are discussed in Chapter 3.\(^91\)

2.94 Origin reported on its support for Many Rivers, a not-for-profit organisation that supports the development of regional and Indigenous micro-enterprises:

Since the establishment of two field offices in Toowoomba and Roma in July 2015, Many Rivers has supported the establishment or expansion of 74 small businesses, 35% of which are Indigenous.\(^92\)

2.95 Glencore reported on investments in Indigenous community programs, including $1.3 million for the Queensland Indigenous Youth Leadership Program.\(^93\)

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\(^88\) MCA, *Submission 48*, p. 17.

\(^89\) Mr Tom Weaver, Acting Group Manager, Government and Community, Fortescue Metals Group, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 27.

\(^90\) Mr Weaver, Fortescue Metals Group, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 27.

\(^91\) BHP, *Submission 49*, p. 11.


Royalties for Regions

2.96 The Western Australian Royalties for Regions program is the most significant program in Australia aimed at reinvesting mining royalties into regional areas, but it has come under significant criticism.

2.97 The Program is governed by the Royalties for Regions Act 2009 (WA) which established the Royalties for Regions Fund and a Western Australian Regional Development Trust. The Act provides that 25 per cent of Western Australia’s forecast annual mining royalties would be set aside and used to improve infrastructure and services, develop the economic base, and maximise job creation and career opportunities in regional Western Australia.\(^4\)

2.98 The Department of Regional Development published a report in 2014, Understanding the Impact of Royalties for Regions, which summarised the investments made between 2008 and 2014. The reports described Royalties for Regions in this way:

Monies allocated from this Fund are over and above existing or planned normal expenditure by Government agencies and are used to ensure basic Government services and infrastructure are provided in regional areas.\(^5\)

2.99 Between 2008 and 2014, $5.6 billion was invested through the Royalties for Regions program.\(^6\) The biggest areas of expenditure were housing (19 per cent), health services (12 per cent) and community projects (13 per cent).\(^7\) Projects were focused on investments with a long-term benefit to the communities. The report states:

Royalties for Regions would have failed in its objective if monies were simply spent on projects that were short-lived or which only benefit the people living in the regions right now. The long term viability of regional towns rests on

\(^4\) Western Australian Department of Regional Development, Understanding the Impact of Royalties for Regions, 2014, p. 2.

\(^5\) Western Australian Department of Regional Development, Understanding the Impact of Royalties for Regions, 2014, p. 2.

\(^6\) Western Australian Department of Regional Development, Understanding the Impact of Royalties for Regions, 2014, p. 3.

\(^7\) Western Australian Department of Regional Development, Understanding the Impact of Royalties for Regions, 2014, p. 3.
their remaining relevant to their own current and future populations and to others thinking about migrating into the region.98

2.100 Royalties for Regions has a legislated spending cap of $1 billion a year, and the Western Australian Government imposed a lower cap in 2016-17 of $876.0 million.99 The approved spending cap in 2017-18 was $941.7 million.100

2.101 The Western Australian Department of Regional Development stated in its latest Royalties for Regions Progress Report that:

In the past eight years, the Royalties for Regions program has built a strong platform for regional investment. Since the program began in 2008, Royalties for Regions has invested more than $6.9 billion through more than 3,700 projects that directly build the economic strength and capability of our regions.101

2.102 In June 2016, the Minister for Regional Development, the Hon Terry Redman MLA, released the Regional Development Strategy 2016-2025, which set a strategic direction for regional development in Western Australia into the next decade, and was intended to guide future Royalties for Regions funding allocation.102

2.103 In 2018, the Western Australian Government commissioned a special inquiry into, among other things, the Royalties for Regions program. The inquiry found that, although a lot of good had been done through the program, the program needed to be reformed.103

2.104 The inquiry found the fact that program funds are ‘hypothecated’, meaning they cannot be used for other purposes, reduces financial flexibility. When iron ore prices fell, the government was unable to use the funds for any

99 Western Australian Regional Development Trust, 2016-17 Annual Report, p. 16.
102 Western Australian Department of Regional Development, Royalties for Regions Progress Report, July 2015 – June 16, p. 3.
103 Public Sector Commission, Western Australia, Special Inquiry into Government Programs and Projects – Final Report, Volume 1, 2018, p. 131.
other purpose. This was one of the factors cited by Credit Ratings Agencies as relevant to the state losing its AAA credit rating.\textsuperscript{104}

2.105 The inquiry found that nine out of the 50 Royalties for Regions projects it examined had no business case and others were poorly defined.\textsuperscript{105} It also found that many did not achieve positive social or economic outcomes.\textsuperscript{106}

2.106 The inquiry made several recommendations, it proposed:

- improvements to the approvals process;
- better strategic planning, with a clearly stated purpose, five and 10 year plans and measurable indicators of success;
- reconsideration of the $1 billion annual cap, which creates a rush to spend the money every financial year;
- expanding the role for the Department of Treasury in the decision making process;
- reviewing the Regional Development Commission structure;
- working with the Australian Bureau of Statistics or Federal Treasury to develop a good base of social and economic data by which to measure future success or failures; and
- developing a formalised program evaluation process.\textsuperscript{107}

2.107 The recommendations of the Special Inquiry were ‘broadly endorsed’ by the Western Australian Government, with the exception that Royalties for Regions funding is set to remain a hypothecated account, and the $1 billion expenditure cap per year will be retained. Many of recommendations made have been implemented early in 2018 and others are in progress.\textsuperscript{108}

\textsuperscript{104} Public Sector Commission, Western Australia, \textit{Special Inquiry into Government Programs and Projects – Final Report, Volume 1}, 2018, p. 140.


Committee comment

2.108 The Committee believes that many regional communities impacted by mining are not getting their fair share of the wealth generated by the resources that are extracted from their regions. However, it is very difficult to quantify returns for the regions from mining using the data and resources that are currently available.

2.109 State resources departments collect and publish data about mining production and revenue by location, but these are measured and presented in different ways, making comparisons difficult.

2.110 Total investment by mining companies in regional communities by location is harder to determine. The only source of data tends to be the resources sector itself, and it rarely explains exactly how the figures are calculated.

2.111 Mining-related investment by governments is even harder to quantify, because in many states and territories there is no specific fund dedicated to distributing royalties to regional communities. Separating mining-related expenditure from general expenditure is also extremely difficult.

2.112 The Committee believes there is scope for research bodies and governments to work together to collate data on the wealth extracted from Australia’s regions and the investments made in those regions by the mining industry and governments.

2.113 Through its travels to mining communities across Australia, the Committee observed a great variation in how mining towns and communities are faring, with some reporting they are receiving less revenue than they need to offset the costs associated with mining; such as damage to roads, clogging up of transport infrastructure, noise pollution and social problems.

2.114 The Committee appreciates investments made by mining companies into social programs and community infrastructure, and these investments need to continue. It is right that mining companies pay for repairs or upgrades to community infrastructure that is degraded by their workers or the passage of their freight. A requirement to do this should be included in the licensing agreements mining companies have with state and local governments.

2.115 In addition to compensating communities for the negative impacts of mines, mining companies should support mining regions by reinvesting a reasonable percentage of the wealth they generate back into the regions where mines are located.
2.116 State and territory governments also have a responsibility to ensure mining royalties are used in part to support and develop regions affected by mining. Governments should reinvest a proportion of royalty receipts in regional communities, especially those heavily impacted by – and dependent on – mining. At the moment, only Western Australia has a legislated obligation to make such investments.

2.117 The Committee acknowledges the criticisms of the Royalties for Regions program in the recent Special Inquiry report, and notes that steps have been taken to improve the operation of the program and its strategic focus.

2.118 The Committee believes Royalties for Regions has made worthwhile investments in regional Western Australia, and continues to be the only program in Australia that returns a significant proportion of royalties to mining-affected communities.

2.119 The Committee encourages the Western Australian Government to continue to implement robust planning and evaluation mechanisms for the Royalties for Regions program to ensure it achieves its aim of creating sustainable economic development in the regions.

2.120 Further, the Committee would like to see the Western Australian Government return to reporting on Royalties for Regions funding expenditure by region. Mining towns and regions should be strongly considered for receiving a significant proportion of the funding, and reporting should be transparent.

2.121 Communities should have a say in the programs that are funded, and a certain proportion of funding should be used to resolve problems caused by the presence of mines and their workforces (local or FIFO) in mining towns and regions.

2.122 The Western Australian Royalties for Regions program should be maintained and similar programs should be adopted in Australia’s second and third biggest mining states, Queensland and New South Wales. Other states and territories with smaller sectors may want to consider adopting similar programs, especially if their mining sectors grow substantially in the future.
Recommendations

Recommendation 1

2.123 The Committee recommends the Federal Government partner with state and territory governments and relevant research bodies to collate data on the wealth extracted from Australia’s regions and the investments made in those regions by the mining and resources industries and governments, and make this data available in a simple and accessible format.

Recommendation 2

2.124 The Committee recommends the Federal Government advocate through the Council of Australian Governments for states and territories with significant mining and resources sectors to adopt ‘Royalties for Regions’-type programs, which guarantee a share of royalties from resource extraction are reinvested in regional areas, especially those directly impacted by mining.

A certain proportion of the royalties allocated through the program should be set aside to create an Infrastructure Impacts Fund, which would be made available to councils in mining-affected regions to fund initiatives addressing impacts on infrastructure caused by the activities of the resources sector. This funding should not be used for general or routine maintenance.
3. Local procurement

Regional businesses are not asking for the world. What is small to a major mining company … is enormous for a regional business … Regional businesses simply need the opportunity to supply a portion of the mining sector’s needs.¹

3.1 This chapter outlines the local procurement policies of mining companies and the practices that take place. It then goes on to outline the barriers that local small and medium enterprises in regional areas face when attempting to become part of a mining project’s supply chain.

3.2 The chapter finishes by considering options for increasing local procurement and making recommendations.

3.3 Local procurement refers to the practice of mining companies contracting with local businesses, usually SMEs, located in the areas close to their assets for goods and services.

Local procurement policies and practices

Mining company procurement policies

3.4 Many mining companies made submissions to the inquiry outlining their local procurement policies.

3.5 The Minerals Council of Australia submitted that many of their members work to develop local procurement policies that ‘seek to balance commercial and operational considerations with community preferences’.²

¹ Councillor Anne Baker, Mayor, Isaac Regional Council, Committee Hansard, Mackay, 30 August 2018, p. 9.

² Minerals Council of Australia (MCA), Submission 48, p. 12.
3.6 The Minerals Council of Australia further outlined the importance of local procurement in mining regions. In Mackay in 2016-17, the resources sector spent $2 billion with 1,733 local businesses; in the Fitzroy region it spent $1.8 billion with 2,763 businesses, and in the Hunter Valley the mining sector contributed $15.2 billion to the local economy.³

3.7 Mrs Tania Constable from the Minerals Council of Australia acknowledged that many local businesses would like to work with the mining sector; so many mining companies have their own local procurement programs, which are:

…tailored to the economic profile and capabilities of host communities and business needs while balancing the real pressures of operating in a globally competitive environment.⁴

3.8 Mr Drew Wagner from the Minerals Council of Australia Northern Territory (NT) Division said Glencore’s McArthur River Mine spent $370 million in 2017 with 500 suppliers, many of which were based in the Northern Territory.⁵

3.9 Mr Stephen Galilee from the NSW Minerals Council outlined some of the initiatives the Council has undertaken to assist local businesses:

- It has supported local business chambers though financial support, sponsorships, promotion of local suppliers and awards;
- It also holds events that link the Council’s member companies with local businesses and has done two of those events in Tamworth in the last three years.⁶

3.10 Ms Jeanette Hasleby from Roy Hill Holdings gave evidence about its local procurement policies:

- During the construction phase of the mine, Roy Hill held regular supplier briefings in Perth, Port Hedland and Newman. After this, it moved to quarterly contractor briefings. It also runs Indigenous supplier

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³ Mrs Tania Constable PSM, Chief Executive Officer, MCA, Proof Committee Hansard, Canberra, 24 October 2018, p. 9.

⁴ Mrs Constable, MCA, Proof Committee Hansard, Canberra, 24 October 2018, p. 9.

⁵ Mr Drew Wagner, Executive Director, Northern Territory Division, MCA, Committee Hansard, Darwin, 31 July 2018, p. 1.

⁶ Mr Stephen Galilee, Chief Executive Officer, New South Wales Mineral Council, Committee Hansard, Tamworth, 4 September 2018, p. 31.
briefings and has obligations in all of its native title agreements that relate to traditional owner businesses.  

- Roy Hill maintains a database of traditional-owner companies. Ms Hasleby’s role in the company is to ensure those businesses get tender and procurement opportunities. She also makes suggestions of local and Indigenous businesses that could fill procurement contracts.  
- Roy Hill had been approached by the Department of Industry, Innovation and Science about the Austmine supplier development program and also mentioned the Western Australian Local Capability Fund as successful initiatives to increase local procurement.

3.11 Ms Linda Dawson summarised Rio Tinto’s local procurement policies and practices:

- Rio Tinto has a local procurement portal with 840 registered businesses and 270 work packages listed in 18 months.
- It has a dedicated local procurement team to provide support services for local businesses.
- The local procurement program is examined externally by the CSIRO Local Voices initiative which publishes its results on a website. Results from June 2018 indicate the local procurement program has been positively received.
- Rio Tinto launched a capability enhancement program in July 2018 with the Regional Chambers of Commerce and Industry of Western Australia to create more sustainable business in regional Western Australia.
- Rio Tinto also has an Indigenous procurement program. In the Pilbara in 2017, the company spent 39 per cent of their procurement spend with Aboriginal businesses.
- Rio Tinto has spent $1.5 billion with Queensland businesses, $244 million of that spent with businesses in Cape York.

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7 Ms Jeanette Hasleby, Community Development, Roy Hill Holdings Pty Ltd, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 2.
8 Ms Hasleby, Roy Hill, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 2.
9 Ms Hasleby, Roy Hill, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 3.
10 Ms Linda Dawson, General Manager Communities and Communication, Rio Tinto, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 20.
11 Ms Dawson, Rio Tinto, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 20.
12 Ms Dawson, Rio Tinto, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 20.
13 Ms Dawson, Rio Tinto, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 20.
• Rio Tinto developed a Local Indigenous participation program for the Amrun mine in Queensland. Potential contractors for work packages over $1 million dollars had to submit a local Indigenous procurement program and detail employment targets. This project has spent $2.1 billion with 1,130 Australian suppliers, including 770 Queensland businesses and 17 Aboriginal and Torres Strait Islander businesses.\(^{15}\)

3.12 Mr Tom Weaver from Fortescue Metals Group talked about the company’s procurement programs:

• Fortescue has spent $2 billion on procurement with Western Australian businesses over the last three years, with six of that spent in the Pilbara region. Procurement expenditure in the Pilbara is roughly $200 million and involves 801 different local businesses.\(^{16}\)

• Fortescue has an aspirational target to spend a quarter of its procurement budget with Indigenous businesses. In the 2018 financial year, Fortescue spent $230 million with 52 Aboriginal owned businesses (7.5 per cent of its total procurement spend).\(^{17}\)

• Fortescue also owns The Pilbara Infrastructure Pty Ltd, which contacts Western Australian businesses and asks them to register expressions of interest for tenders.\(^{18}\)

• Where a Western Australian business has not won a tender, Fortescue attempts to introduce local businesses to the successful tenderer to explore the possibility of subcontracting. Fortescue also engages with chambers of commerce and industry in Port Hedland, Karratha and Newman to provide briefings.\(^{19}\)

• Fortescue Metals is undertaking the Pilbara supply development project in conjunction with the Department of Industry, Innovation and Science (DIIS). The project aims to enhance the capability of SME suppliers.\(^{20}\)

3.13 Glencore states it has spent $4.8 billion on goods and services with 4,000 suppliers in 2017. Approximately 80 per cent of that amount was spent with


\(^{16}\) Mr Tom Weaver, Acting Group Manager, Government and Community, Fortescue Metals Group, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 27.

\(^{17}\) Mr Weaver, Fortescue, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 27.

\(^{18}\) Mr Weaver, Fortescue, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 28.

\(^{19}\) Mr Weaver, Fortescue, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 28.

\(^{20}\) Mr Weaver, Fortescue, *Proof Committee Hansard*, Port Hedland, 9 October 2018, p. 28.
local and regional businesses. Within the Singleton area, it has 270 supplier businesses, from small business food suppliers to large industrial businesses.\(^{21}\)

3.14 Mr Anthony Pitt from Glencore Coal Australia said that it prefers that suppliers are based close to the mine sites. Glencore regularly holds forums with local businesses to promote opportunities for contracting.\(^{22}\)

3.15 The Isaac Regional Council highlighted the work of Anglo American Metallurgical Coal regarding local procurement. In 2015 Anglo American funded the part-time employment of a Growth and Resilience Officer to develop the E-Business Directory. This directory allows small businesses to display their capability and services to the Anglo American supply chain.\(^{23}\)

3.16 Anglo American submitted that its policy is for ‘sustainable, responsible local procurement that positively contributes to a resilient supply chain’. In the 2017-18 financial year, it invested heavily in local and state based procurement.\(^{24}\)

3.17 Peabody Energy submitted that it spent the following in the 2018 financial year:

- In Queensland it spent $800 million with over 820 suppliers (47 per cent of its total supplier spend);
- $25 million of this was in communities close to its operations;
- $280 million was spent in the Mackay and Bowen Basin region;
- In New South Wales it spent $500 million with 770 businesses (30 per cent of its total supplier spend);
- $160 million of this was in communities close to its operations;
- $170 million was spent in Mid-Western, Singleton and Wollongong Council areas;
- Less than 0.3 per cent of Peabody’s procurement spend was with overseas suppliers with no Australian subsidiaries.\(^{25}\)

3.18 Yancoal Australia reported that it ‘supports local procurement and buys locally when commercially possible to do so.’\(^{26}\)

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\(^{21}\) Mr Anthony Pitt, Director Logistics and Procurement, Glencore Coal Australia, *Proof Committee Hansard*, Singleton, 5 November 2018, p. 4.

\(^{22}\) Mr Pitt, Glencore Coal Australia, *Proof Committee Hansard*, Singleton, 5 November 2018, p. 10.

\(^{23}\) Isaac Regional Council, *Submission 31*, pp. 6-7.


\(^{25}\) Peabody, *Submission 76*, p. 2.
3.19 Dr Malcolm Roberts from the Australian Petroleum Production and Exploration Association (APPEA) described its members’ procurement and policies:

- Its members paid $3.5 million in local procurement, local government and state taxes in 2016. In Queensland there are roughly 3,500 local suppliers, half based in regional areas, providing goods and services to the industry.  
- APPEA’s members have initiatives for improving local procurement, such as assisting with the tender process and business capacity.  
- APPEA does not have a specific model for its members to use regarding local procurement.

3.20 ConocoPhillips Australia submitted that it has invested heavily in regional industry bodies such as the Gladstone Chamber of Commerce and Industry and the Gladstone Engineering Alliance in order to develop business opportunities for those organisations members.

3.21 ConocoPhillips also participates in supply chain expos in regional areas. In the Gladstone region it conducts a Health, Safety and Environment Forum annually to share best practices and knowledge with its contractors.

3.22 Mr Paul Flynn from Whitehaven Coal said that local procurement is a priority for Whitehaven. Whitehaven advertises locally for some contracts and directly informs suppliers of work they could tender on. Further, he said local business make up half the offers for a service tender in the region.

3.23 Mr Mark Schubert from Origin Energy stated the company’s procurement and policies:

- Origin aims to support regional businesses and economies. It sourced 11.5 per cent ($236 million) of its goods and services from regional

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26 Yancoal Australia Ltd, Submission 78, p. 2.
28 Dr Roberts, APPEA, Proof Committee Hansard, Canberra, 17 October 2018, p. 7.
29 Dr Roberts, APPEA, Proof Committee Hansard, Canberra, 17 October 2018, p. 7.
30 ConocoPhillips Australia, Submission 17, p. 3.
31 ConocoPhillips Australia, Submission 17, p. 3.
32 Mr Paul Flynn, Managing Director and Chief Executive Officer, Whitehaven Coal, Committee Hansard, Tamworth, 4 September 2018, p. 50.
suppliers in the last financial year. In the last three years, local and regional suppliers have provided over $705 million worth of goods and services to its Queensland operations.\textsuperscript{33} 
- It has created opportunities for regional suppliers through its ‘category muster’ events, which allow local businesses to better understand upcoming opportunities.\textsuperscript{34}

3.24 Origin also requires bidders for major contracts (tier 1 and 2 contractors) to develop plans and make commitments to regional and Indigenous procurement. Origin has trialled this approach over the last year, successfully including the requirement in three contracts, and intends to continue it.\textsuperscript{35}

3.25 Contrary to this, BHP stated that it does not impose specific requirements on its contractors regarding commercial arrangements due to ‘practical and legal issues with [the] enforceability of this’.\textsuperscript{36}

3.26 The City of Kalgoorlie-Boulder stated that Kalgoorlie Consolidated Gold Mines provides a good example of local procurement, saying that 30 per cent of its suppliers were located in either Kalgoorlie or Boulder.\textsuperscript{37}

**BHP’s C-Res program**

3.27 BHP’s C-Res program was mentioned in several submissions and in evidence presented to the Committee as an example of a local procurement success story.

3.28 C-Res is a cost neutral, independent, social enterprise organisation that operates BHP’s local buying program across Australia. The directors of C-Res are also the trustees for BHP’s Local Buying Foundation, the philanthropic arm of the local buying program.\textsuperscript{38}

3.29 The Local Buying Foundation’s intention is to improve local business capacity and sustainability and it runs a variety of programs in order to


\textsuperscript{34} Origin Energy Limited (Origin), *Submission 52*, p. 4.

\textsuperscript{35} Origin, *Submission 52*, p. 4.

\textsuperscript{36} BHP, *Supplementary Submission 49.1*, p. 2.

\textsuperscript{37} City of Kalgoorlie-Boulder, *Submission 57*, p. 7.

\textsuperscript{38} Ms Kylie Porter, Chairman, C-Res, *Committee Hansard*, Mackay, 30 August 2018, p. 27.
further this aim. The local buying foundation is funded by a service fee for the use of C-Res which is paid for by BHP.

3.30 The C-Res program was designed to connect local small businesses with BHP. The definition of small business used by C-Res is that used by the Australian Taxation Office; an enterprise with 20 or fewer employees. C-Res does not include apprentices, contractors or casual employees in that number.

3.31 The program was conceived in 2010-11 to resolve a ‘missing link’ between BHP and small companies in the Isaac region. It was expanded to Mackay in 2015, and then to New South Wales, South Australia and Western Australia. C-Res has grown 30 per cent each year for the last 3 years.

3.32 BHP owns the intellectual property of the program while C-Res owns the database of businesses.

3.33 Mr James Palmer from BHP said that while it is a global company, BHP values its relationships with local communities. BHP engages with more than 4,600 vendors, 700 of which are local to its assets. In 2017, BHP spent $1 billion with local businesses, 80 per cent of this was spent in the Central Highlands, Mackay and the Isaac region.

3.34 Mr Porter said BHP was ‘incredibly proud of the program’, which has more than 1,100 suppliers who have received $247 million, $95 million of that in 2018.

3.35 C-Res has 423 small businesses registered with the program, of which 183 are located in Isaac and 166 are in the Central Highlands.

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39 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 27.
40 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 29-30.
41 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 27.
42 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 29
43 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 27.
44 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 30.
45 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 30.
46 Mr James Palmer, Asset President, BHP, Committee Hansard, Mackay, 30 August 2018, p. 33.
47 Mr Palmer, BHP, Committee Hansard, Mackay, 30 August 2018, p. 33.
48 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 30.
Chairman of C-Res, Ms Kylie Porter stated some of the achievements of C-Res in 2017-18:

- the program turned over $85.5 million across Australia, $43.6 million in Mackay, $27.2 million in the Isaac and $12.5 million in the Central Highlands;
- over 7,000 work instructions were processed and more than 14,200 payments were made under the program; and
- the local buying foundation received $1.14 million.\(^{49}\)

The Isaac Regional Council submitted that, through a survey of businesses who worked with the mining industry:

- the majority of businesses received at least 30 purchase orders or contracts through the C-Res program;
- 28 per cent of businesses received over $120,000 of their income per annum from this program; and
- over 70 per cent of businesses considered that their business had grown because of C-Res.\(^{50}\)

The Council described C-Res as an example of genuine mining industry support for regional businesses and recommended that the federal government consider the C-Res model as a basis for similar programs for local procurement in regional areas.\(^{51}\)

When small business expand beyond the program’s definition of ‘small business’ they are grandfathered out of the C-Res program by negotiating directly with BHP for transitional payment terms.\(^{52}\)

Ms Porter argued that the success of C-Res was due to its transparency and independence from BHP.\(^{53}\)

C-Res and BHP have discussed encouraging its major Tier 1 and 2 contractors to use the program for their downline contracting. This has been difficult however due to the spending threshold of the program and BHP’s internal supply policies.\(^{54}\)

\(^{49}\) Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 27.

\(^{50}\) Isaac Regional Council, Submission 31, p. 6.

\(^{51}\) Isaac Regional Council, Submission 31, p. 6.

\(^{52}\) Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 28.

\(^{53}\) Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 30.

\(^{54}\) Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 30.
3.42 Ms Bronwyn Reid, a member of the C-Res Local Buying Foundation advisory board, said BHP is looking at this ‘but the wheels of large industry sometimes turn very slowly’.  

3.43 Ms Porter stated that making every BHP employee issuing a work instruction go through C-Res would make the program work better.  

3.44 C-Res currently has a program with the Resource Industry Network to identify which of its members are eligible but not using C-Res.  

3.45 Mrs Adrienne Rourke from the Resource Industry Network supported the work of the Local Buying Program and Foundation, but noted the programs limitations: most businesses have more than 20 employees and do not receive their work directly from BHP, but as downline contractors for Tier 1 and 2 contractors. Only 10 per cent of the Resource Industry Network’s members fit within C-Res’ parameters.  

3.46 Ms Vicki Leeson from the Central Highlands Development Corporation echoed these remarks, saying business owners find C-Res’ requirements too arduous to comply with, and the program ‘needs to go further’.  

3.47 Mr Mark Bushell from CE Smith & Co Chartered Accountants revealed that he has had clients excluded from the program due to having existing contracts. One of C-Res’ requirements is a business must be applying for a new contract.  

3.48 Mr Peter Carter from the Port Hedland Chamber of Commerce said BHP had started C-Res in the Pilbara region and it had been very successful, having spent $120 million in the area. He hoped that other mining

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55 Ms Bronwyn Reid, Private capacity, *Committee Hansard*, Rockhampton, 29 August 2018, p. 40.  
56 Ms Porter, C-Res, *Committee Hansard*, Mackay, 30 August 2018, p. 31.  
57 Ms Porter, C-Res, *Committee Hansard*, Mackay, 30 August 2018, p. 31.  
58 Mrs Adrienne Rourke, General Manager, Resource Industry Network (RIN), *Committee Hansard*, Mackay, 30 August 2018, p. 45.  
59 Mrs Rourke, RIN, *Committee Hansard*, Mackay, 30 August 2018, p. 47.  
60 Ms Vicki Leeson, Business Facilitator, Central Highlands Development Corporation, *Committee Hansard*, Rockhampton, 29 August 2018, p. 30-1.  
61 Mr Mark Bushell, Director, CE Smith & Co Mackay Chartered Accountants, *Committee Hansard*, Mackay, 30 August 2018, p. 24.
companies like Roy Hill and Fortescue either join the program or start their own versions of it as ‘it would be fantastic for the town’.\footnote{Mr Peter Carter, President, Port Hedland Chamber of Commerce, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, pp. 33-34.}

3.49 Despite the success of C-Res, BHP still has approximately 80 per cent of its expenditure through tier 1 and tier 2 suppliers. Its subcontractors have no access to C-Res.\footnote{BHP, \textit{Supplementary Submission 49.1}, p. 3.}

**Local procurement in practice**

3.50 Despite many large mining companies having local procurement programs, many witnesses proposed that regional communities are missing out on these opportunities.

3.51 Mr Keiran Moran from the Gladstone Engineering Alliance stated that major mining companies are ignoring local engineering and manufacturing firms, despite their high level of skills, and that local companies are cut out of the procurement process ‘before it even starts’, due to the metropolitan location of mining company offices.\footnote{Mr Kieran Moran, Communication and Events Coordinator, Gladstone Engineering Alliance, \textit{Committee Hansard}, Rockhampton, 29 August 2018, p. 10.}

3.52 Mayor Anne Baker from the Isaac Regional Council gave two examples of missed opportunities for local procurement in the region:

1. A local licensed establishment supplied a mining camp bar, allowing the business to employ one more person. The company then withdrew the contract and started sourcing supplies from Brisbane, meaning the business lost the opportunity.\footnote{Cr Baker, Isaac Regional Council, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 9.}

2. A local food provider employing 14 people supplied several worker accommodation camps near Moranbah. The camp cancelled the contract without allowing the business to tender for the next round of purchases, leading to ten people losing their jobs.\footnote{Cr Baker, Isaac Regional Council, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 9.}

3.53 Mayor Baker stated if each of the 41 workers’ camps in the Isaac region purchased 10 per cent of their goods and services from local businesses it...
would have a huge economic benefit to the region, adding: ‘Regional businesses are not asking for the world.’

3.54 The Local Government Association of Queensland listed examples of missed local procurement opportunities:

1. A Western Downs region mining camp has its beef supplied from an abattoir in Victoria despite being in a beef producing region of Australia.

2. Laundry is being collected in Chinchilla and Miles and laundered in Brisbane, then being flown back to the region.

3.55 Ms Leeson is a business facilitator helping local businesses work with mining companies. Her position is funded by BHP through the C-Res program. Very few companies have roles like hers in regional communities but she views this role as being critically important.

3.56 Ms Leeson said mining companies do not give enough authority to employees in the regions to make decisions about procurement. They also lack understanding of how important local buying is to regional communities.

3.57 Ms Reid pointed out that it is easier for a large mining company to have one contract with a major contractor, than ten contracts with smaller companies. This model ‘outsources’ risk.

3.58 Mr Brian O’Gallagher from the NT Chamber of Commerce put the onus on businesses to be proactive about becoming a part of the mining supply chain. The Chamber had been working to raise the profile of local business, and noted local businesses cannot assume the mining company knows that they have capability to do the work.

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68 Local Government Association of Queensland (LGAQ), *Submission 46*, p. 2.


71 Ms Leeson, Central Highlands Development Corporation, *Committee Hansard*, Rockhampton, 29 August 2018, p. 29.

72 Ms Reid, *Committee Hansard*, Rockhampton, 29 August 2018, p. 39.

3.59 Ms Stacey Cooke from the Gunnedah District Chamber of Commerce and Industry echoed the view that local business needs to ‘step up’, providing the example of her husband’s company, which became a subcontractor to Daracon after calling and offering its services.74

3.60 Ms Cooke stated the Gunnedah Chamber holds events and workshops for its members in order to increase opportunities, adding: ‘The opportunity is there.’75

3.61 Regional Development Australia Far North submitted that mining companies may not be aware of local SME’s existence or capabilities. It recommended using a central tendering system such as the Industry Capability Network which allows businesses to upload a profile and sign up to tenders when they become available.76

3.62 Mr Greg Lamont from the Association of Mining and Energy Related Councils gave evidence that larger companies that already contract with mining companies move to establish themselves in regional communities to take advantage of new work, meaning local businesses miss out. Local SMEs cannot expand or upskill fast enough.77 Daracon was cited as an example of this practice. Mr Lamont recommended that the Federal Government seek reforms from the mining sector to decrease this practice.78

3.63 One mining services company (name withheld) stated that the lengths of contracts offered by mining companies are too short. Contracts are typically 12 months long and take too long to establish, creating uncertainty for SMEs and their employees.79

3.64 The Isaac Regional Council praised Anglo American for its work on local procurement, in particular the E-Business Directory, but found that there was no significant on-going engagement with local SMEs from it.

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74 Ms Stacey Cooke, President, Gunnedah and District Chamber of Commerce and Industry, *Committee Hansard*, Tamworth, 4 September 2018, p. 19.

75 Ms Cooke, Gunnedah and District Chamber of Commerce and Industry, *Committee Hansard*, Tamworth, 4 September 2018, p. 19.


77 Mr Greg Lamont, Executive Officer, Association of Mining and Energy Related Councils, *Committee Hansard*, Tamworth, 4 September 2018, p. 22.

78 Mr Lamont, Association of Mining and Energy Related Councils, *Committee Hansard*, Tamworth, 4 September 2018, p. 22.

Council found that only 28 per cent of mining-related SMEs had heard of the E-Business Directory and none had received any income from it.  

3.65 City of Karratha Mayor, Councillor Peter Long, praised Rio Tinto’s local procurement program but noted its procurement team ‘is Perth based, unfortunately’. Rio Tinto publishes scopes of work on its web portal and has regular workshops for local business.

3.66 Councillor Long said Woodside was not focusing on local procurement but mentioned a company called BBI which was using a procurement portal with great success. He said changes to local procurement are happening but it needs to go further.

Barriers to local procurement

3.67 A significant number of submissions dealt with the barriers to procurement faced by small and medium enterprises. The barriers fall into these areas:

- centralisation of mining company offices away from the regions where the company operates;
- complex tendering processes;
- loose definitions of ‘local’ used by mining companies;
- infrastructure issues of the regions;
- lack of local industry capacity; and
- other matters.

Centralisation of mining company offices

3.68 Many witnesses suggested centralisation of mining company offices in larger cities had affected local procurement for SMEs in regional areas.

3.69 Mr Gary Scanlan from the Greater Whitsunday Alliance Ltd said employees charged with local procurement often don’t live locally, and procurement is often done through automated systems.

3.70 Mrs Adrienne Rourke from Resource Industry Network stated that major mining houses and large contracting companies moved their offices back to

80 Isaac Regional Council, Submission 31, p. 7.

81 Councillor Peter Long, Mayor, City of Karratha, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 12.

82 Cr Long, City of Karratha, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 12.

83 Mr Gary Scanlan, Chief Executive Officer, Greater Whitsunday Alliance, Committee Hansard, Mackay, 30 August 2018, p. 55.
capital cities during the mining downturn. The Resource Industry Network submitted:

The ability for local businesses to understand who to speak to and how to connect with the right people is hampered under these arrangements, thus creating a regional location disadvantage.

3.71 Mr Angus Russel from the Rockhampton Regional Council proposed that: ‘some degree of decentralisation … by mining and contracting companies may serve to better connect them with local and regional businesses.’

3.72 Ms Reid noted that procurement decisions were sometimes even made internationally, such as in London, Bangalore or Brussels. She also claimed that local procurement teams often do not choose to contract with local businesses.

3.73 The issue of centralisation is not just a problem in Queensland. Mr Peters from the Northern Territory Chamber of Commerce stated that four out of the five mines in Central Australia have their headquarters interstate and project offices in capital cities, which makes it difficult for local business to infiltrate supply chains.

3.74 Mr Peters said that procurement managers far removed from the community are less able to understand the social impact of local procurement, and their only consideration becomes financial.

3.75 Mr Simon Vigliante from the Mackay Region Chamber of Commerce reinforced this, saying that:

…if that particular procurement officer or finance manager had his son or daughter playing soccer on a Saturday morning beside an employee that just

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84 Mrs Rourke, RIN, Committee Hansard, Mackay, 30 August 2018, p. 46.
85 RIN, Submission 8, p. 9.
86 Mr Angus Russell, Manager Strategy and Planning, Rockhampton Regional Council, Committee Hansard, Rockhampton, 29 August 2018, p. 1.
87 Ms Reid, Committee Hansard, Rockhampton, 29 August 2018, p. 38.
88 Mr Kevin Peters, Executive Committee Member, Manufacturer’s Council, Northern Territory Chamber of Commerce, Committee Hansard, Darwin, 31 July 2018, p. 10.
89 Mr Peters, Northern Territory Chamber of Commerce, Committee Hansard, Darwin, 31 July 2018, p. 13.
got laid off because of that decision, all of a sudden the accountability is very real; it’s in your face.⁹⁰

3.76 CE Smith & Co Chartered Accountants argued that companies doing business in regional areas should be required to have offices in those areas.⁹¹

3.77 In response to questioning on this issue, BHP said it has an office in Mackay at the Haypoint terminal, but the head office is in Melbourne. BHP also has offices in Brisbane and Perth closer to its assets.⁹²

3.78 The General Manager of Haypoint for BHP, Mr Sean Milfull gave evidence that he spent a lot of time in Mackay working with the local community.⁹³

3.79 Mayor Andrew Hope from the Liverpool Plains Shire Council said there was no presence of the major mining companies within the shire area. BHP did have an office while they were doing exploration but that is no longer within that Council area.⁹⁴

3.80 On the other hand, Whitehaven Coal has a regional office based in Gunnedah in New South Wales, as well as having an office in Sydney. Mr Flynn said having a physical presence in town made it easier to attract people into working with the company and engage with the community.⁹⁵

3.81 Mr Galilee pointed out that one of differences between the NSW mining industry and other states is the close proximity of mining projects to local communities. Most of the mining companies that operate in Hunter Valley have an office in Newcastle and some have offices in Singleton and Muswellbrook.⁹⁶

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⁹⁰ Mr Simon Vigliante, Treasurer, Mackay Region Chamber of Commerce, Committee Hansard, Mackay, 30 August 2018, p. 16.
⁹¹ CE Smith & Co, Submission 33, p. 5.
⁹² Mr Palmer, BHP, Committee Hansard, Mackay, 30 August 2018, p. 34.
⁹³ Mr Sean Milfull, General Manager, Haypoint, BHP, Committee Hansard, Mackay, 30 August 2018, p. 34.
⁹⁴ Councillor Andrew Hope, Mayor, Liverpool Plains Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 13.
⁹⁵ Mr Flynn, Whitehaven Coal, Committee Hansard, Tamworth, 4 September 2018, pp. 50-1.
⁹⁶ Mr Galilee, NSW Minerals Council, Committee Hansard, Tamworth, 4 September 2018, p. 35.
Mr Pitt from Glencore said the company values its local presence, having its coal operations head office at Bulga, near Singleton, a Newcastle office for its shared services facilities, and several other smaller offices.97

**Tender processes**

Numerous submissions mentioned mining company tendering processes and requirements as a particular barrier to local businesses working with mining companies. The size and complexity of requests for tender were an impediment for smaller businesses looking to work with mining companies.

Mr Scanlan from the Greater Whitsunday Alliance said if large tender packages were broken down into multiple smaller packages then smaller local businesses would have more access to the work.98

Mr Scanlan also said that the complexity and short time frames for responding to tender packages were a barrier. Tender packages offered by mining companies can be between 250 and 400 pages long. Many small businesses lack the expertise and resources to respond to such complex documents in a short period of time.99

The Isaac Regional Council reported that 25 per cent of businesses considered short turnaround times on the tendering process a major difficulty when tendering with the mining industry. They also stated that 60 per cent of businesses require three months’ notice ‘in order to confidently participate in the procurement process’.100

The Greater Whitsunday Alliance argued that pre-qualification and online procurement portals are complex and costly, with little return on the investment for SMEs, who generally reported receiving little to no work from them.101

Mr Graham McGarry, from Beacon Minerals Ltd and Mangelsdorf Engineering Pty Ltd, said that Mangelsdorf was a business with over 30

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98 Mr Scanlan, Greater Whitsunday Alliance, *Committee Hansard*, Mackay, 30 August 2018, p. 53.
99 Mr Scanlan, Greater Whitsunday Alliance, *Committee Hansard*, Mackay, 30 August 2018, pp. 54-55. Mayor Greg Williamson of the Mackay Regional Council and Mayor Hope of the Liverpool Plains Shire Council shared this view.
100 Isaac Regional Council, *Submission 31*, p. 9.
101 Greater Whitsunday Alliance, *Submission 30*, p. 3.
years’ experience in Western Australia but they would not provide services to BHP or Rio Tinto due to how hard it is to comply with their rules.  

3.89 Another issue with the tender process that Ms Reid mentioned was the need to repeat documentation. She gave the example of a Brisbane-based company that was required to complete the same on-boarding paperwork for all 14 contracts they started with the same mining company. SMEs often lack the administrative capacity to perform this work.  

3.90 The Hunter Business Chamber stated that a major barrier for local business is the lack of consistency in documentation between different mining companies.

3.91 In its submission, the Isaac Regional Council stated that SMEs do not have the resources to monitor all of the sources for tender that may be available. Within the Isaac Region, BHP’s C-Res program has helped with this issue, but C-Res is a program open only to small businesses and only for tender opportunities for BHP, BMA and BMC.

3.92 The Isaac Regional Council said advance notice of tendering opportunities should be included as part of the Environment Impact Statement/Social Impact Statement processes, so businesses had time to prepare and ‘be shovel or supply chain ready’.

3.93 Ms Hasleby stated that Roy Hill could help smaller local companies through the process if they need it.

3.94 Mr Mark Schubert of Origin Energy talked about Origin’s new policy of moving away from tier 1 contractors by ‘unbundling’ contracts in order to make the work more accessible for smaller businesses. He said this creates more contractors for Origin to deal with but brings the contracting relationship closer to the company.

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102 Mr Graham McGarry, Managing Director, Beacon Minerals Ltd and Director, Mangelsdorf Engineering Pty Ltd, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 19.

103 Ms Reid, *Submission 24*, p. 4.


Definitions of ‘local’

3.95 A further barrier to the procurement process for SMEs was the broad definition of the term ‘local’ by large mining companies.

3.96 In its submission, the Greater Whitsunday Alliance explained the issue and how it effects local businesses:

Broadly, the mining sector commits to local industry participation strategies, plans and or policies. However, under the definition of “local industry” in the strategies, plans and policies the local industry is most often formally defined as “Australian and New Zealand small and medium-sized enterprises (SMEs)”. By pursuing such a broad definition of “local industry” dilutes the direct benefits of the mining sector in regional areas.110

3.97 Mayor Williamson stated that most large mining companies define ‘local’ as ‘Australia and New Zealand’ when referring to procurement from SMEs.111

3.98 This was echoed by Cessnock City Council which listed the definition of local as one of the greatest barriers to use of regional businesses. The Council suggested ‘local’ should be defined as the local government area of the project, and then expanded if local businesses cannot supply the needs of the project.112

3.99 Ms Porter from C-Res stated that its definition of local is ‘our BHP footprint’ and conceded that the definition of local is loosely applied.113

3.100 Mr Scanlan pointed out that even under the federal government’s Industry Participation Plans, local is defined widely enough to include small businesses from Australia and New Zealand. He went to say that he would like a ‘true regional geographic’ definition of local procurement.114

3.101 The Resource Industry Network said the Queensland Government’s 2017 procurement strategy, Backing Queensland Jobs, is a model that should be followed by the mining industry. This model divides the definition of ‘local content’ into five zones:

110 Greater Whitsunday Alliance, Submission 30, p. 3
111 Councillor Greg Williamson, Mayor, Mackay Regional Council, Committee Hansard, Mackay, 30 August 2018, p. 1.
112 Cessnock City Council, Submission 12, p. 11.
113 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 31.
114 Mr Scanlan, Greater Whitsunday Alliance, Committee Hansard, Mackay, 30 August 2018, p. 53.
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- Local Zone 1: prioritised suppliers within a 125km radius of the place where goods and services are to be supplied;
- Local Zone 2: the local region. If a supplier cannot be found within Zone 1, then suppliers within the local region should be considered;
- Local Zone 3: Queensland. If suppliers cannot be found within Zone 1 or 2 then suppliers within all of the State will be considered; and
- Local Zone 4: Australia. If suppliers in Zones 1, 2, and 3 cannot be found then suppliers in all of Australia will be considered.\(^\text{115}\)

3.102 Mayor Long said under Western Australian law, a company becomes a ‘local contractor’ if they establish an office in a regional area and stay there for six months. This has led to the practice of large companies establishing offices in regional areas to take advantage of future work as a ‘local contractor’. He said the French company Sodexo has done this in the Pilbara.\(^\text{116}\)

3.103 Mr Sundeep Singh of BHP said about 10 per cent of its procurement spending is with ‘true local’ businesses in Australia and it is working to increase this number.\(^\text{117}\)

3.104 Anglo American stated that it is currently redefining its definition of local to align with the Queensland Procurement Policy’s local zones.\(^\text{118}\)

3.105 Peabody Energy defines ‘local’ as the local government area of its operations. Due to its decentralised procurement model, Peabody has high levels of local procurement spending.\(^\text{119}\)

**Infrastructure issues**

3.106 Absent or substandard infrastructure in regional areas also represented a barrier to the use of local businesses by the mining industry. Infrastructure issues raised in evidence included:

- A lack of banking and financial services, reliable transport and communication infrastructure for SMEs conducting business.\(^\text{120}\)

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\(^{115}\) RIN, Submission 8, pp. 12-3.


\(^{117}\) Mr Sundeep Singh, Vice President – Supply, Minerals Australia, BHP, *Committee Hansard*, Mackay, 30 August 2018, p. 37

\(^{118}\) Anglo American, Submission 73, p. 2.

\(^{119}\) Peabody, Submission 76, p. 2.

\(^{120}\) Sustainable Minerals Institute, Submission 23, p. 10.
• Damaged or inadequate roads, such as the Capricorn Highway in the Rockhampton area, which has been damaged by road trains and drive-in-drive-out traffic.\textsuperscript{121}
• Inadequate and expensive air services in the Rockhampton/Mackay region, for both passengers and freight.\textsuperscript{122}
• Lack of digital connectivity.\textsuperscript{123}
• Electricity and telecommunications infrastructure in need of upgrading in the Liverpool Plains region.\textsuperscript{124}

Local industry capacity

3.107 The lack of capacity of local industries is also a barrier to local procurement by mining companies described by both local organisations and mining companies.\textsuperscript{125}

3.108 Cessnock City Council listed the stringency of requirements in the following areas as barriers to SMEs becoming part of resource company supply chains:
• Work, Health & Safety
• Financial capacity
• Capability
• Insurance
• Capacity to deliver.\textsuperscript{126}

3.109 Cessnock City Council submitted that SMEs often lack the funds to employ experts in these areas.\textsuperscript{127}

3.110 Mayor Hope said there were significant costs in getting the right accreditation and maintaining certifications. He suggested government subsidies are needed.\textsuperscript{128}

\textsuperscript{121} Mr Russell, Rockhampton Regional Council, \textit{Committee Hansard}, Rockhampton, 29 August 2018, p. 2.
\textsuperscript{122} Mr Russell, Rockhampton Regional Council, \textit{Committee Hansard}, Rockhampton, 29 August 2018, p. 2.
\textsuperscript{123} Mr Scanlan, Greater Whitsunday Alliance, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 54.
\textsuperscript{124} Cr Hope, Liverpool Plains Shire Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 9.
\textsuperscript{125} Ms Hasleby, Roy Hill, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 2.
\textsuperscript{126} Cessnock City Council, \textit{Submission 12}, p 10-11.
\textsuperscript{127} Cessnock City Council, \textit{Submission 12}, p 10-11.
\textsuperscript{128} Cr Hope, Liverpool Plains Shire Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 9.
3.111 The Sustainable Minerals Institute submitted:

Resource companies frequently note that local and regional SMEs lack the capacity to meet their stringent quality standards. Where this relates to issues such as workmanship standards, OHS standards and other technical performance standards, their concerns are justified. In such cases there is potential for training providers, business support agencies and industry bodies to offer capacity-building initiatives.\(^{129}\)

3.112 The Institute also said that Indigenous businesses are often helped to build their capacity and this assistance should be extended to other SMEs to increase local procurement.\(^{130}\)

3.113 Ms Reid asserted that the lack of consistency of mining industry policies, rules and procedures was a barrier and that it costs $20,000 to $25,000 to induct a new employee to work with mines.\(^{131}\)

3.114 Mr Bill McKenzie of the Kalgoorlie-Boulder Chamber of Commerce and Industry gave evidence that the organisation runs ‘Business Local,’ a training program to educate small businesses on mining company requirements.\(^{132}\)

3.115 Origin Energy submitted that building business capacity in this area is critical to the ability of SMEs to work with the resource sector.\(^{133}\)

3.116 The NSW Mineral Council has a policy to work with local chambers of commerce to hold information sessions about the procurement process.\(^{134}\)

**Other issues**

3.117 The Committee received evidence of various other matters which limit the use of local businesses by mining companies in the supply chain. These included:

- distance and remoteness of the mine site;\(^{135}\)

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\(^{129}\) Sustainable Minerals Institute, *Submission 23*, p. 10.

\(^{130}\) Sustainable Minerals Institute, *Submission 23*, p. 10.

\(^{131}\) Ms Reid, *Submission 24*, pp. 4-5.

\(^{132}\) Mr Bill McKenzie, Board Member, Kalgoorlie-Boulder Chamber of Commerce and Industry, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 15.

\(^{133}\) Origin, *Submission 52*, p. 6.

\(^{134}\) Mr Galilee, NSW Mineral Council, *Committee Hansard*, Tamworth 4 September 2018, p. 34.

\(^{135}\) Mr Wagner, MCA (NT), *Committee Hansard*, Darwin, 31 July 2018, p. 3.
- a belief among mining companies that local SMEs are too expensive and cannot complete the work;\textsuperscript{136}
- possible clash of mining companies and the social and cultural expectations of Aboriginal owned businesses;\textsuperscript{137}
- the financial limitations Aboriginal owned businesses, such as poor credit history and lack of a business guarantor;\textsuperscript{138}
- the highly competitive marketplace of the resource industry;\textsuperscript{139} and
- lack of innovation and customer focus of SMEs.\textsuperscript{140}

3.118 ConocoPhillips stated that a barrier to using more local suppliers was reluctance on the part of the SMEs to change in order to meet the needs of the sector and, further, the risk-averse nature of smaller businesses.\textsuperscript{141}

3.119 ConocoPhillips said further:

\ldots there is often an expectation that because a potential supplier is based locally, they should be preferentially treated even when their contract bids are uncompetitive or do not meet safety standards.\textsuperscript{142}

### Increasing local procurement

3.120 The Committee received many suggestions and recommendations for increasing local procurement. Some of this evidence outlined ways various organisations are attempting to increase local procurement themselves while others recommended federal government intervention.

### Current Programs

3.121 The Local Government Association of Queensland (LGAQ) referred to the Queensland Resources Council’s \textit{Resources and Energy Sector Code of Practice for Local Content} (the QRC Code) which seeks to assist resource companies to increase local procurement. The LGAQ welcomed the QRC Code but noted that it had several issues:

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\textsuperscript{136} Mr Moran, Gladstone Engineering Alliance, \textit{Committee Hansard}, Rockhampton, 29 August 2018, p. 7.
\textsuperscript{137} Professor Fiona McKenzie, \textit{Submission 61}, p. 6.
\textsuperscript{138} Prof McKenzie, \textit{Submission 61}, p. 7.
\textsuperscript{139} Association of Mining and Exploration Companies Incorporated (AMEC), \textit{Submission 16}, pp. 5-6.
\textsuperscript{140} AMEC, \textit{Submission 16}, pp. 5-6.
\textsuperscript{141} ConocoPhillips Australia, Submission 17, pp. 2-3
\textsuperscript{142} ConocoPhillips Australia, \textit{Submission 17}, pp. 2-3.
- it does not identify a minimum standard for achieving SME participation;
- the definition of local is ‘either an Australian or New Zealand’ business;
- the code is a ‘voluntary self-regulatory regime’ with no consequences for non-compliance;
- the code doesn’t clarify if it also applies to workers camps, principal contractors or other sub-contractors; and
- there is no independent person or group who assesses complaints against the industry for not complying with the Code.  

3.122 Mayor Baker recommended that the QRC Code be amended as follows:
- that local content is made mandatory;
- that a local and regional nuance is added to the code; and
- that the code requires local content practices for tier 1 and 2 contractors.  

3.123 The Department of Infrastructure, Regional Development and Cities (DIRDC) cited the Regional Development Australia (RDA) Committees program, which, although not specifically related to mining procurement, assists local businesses in regional areas.  

3.124 DIRDC stated many RDA Committees work with AusIndustry, Austrade and the Department of Jobs and Small Business to strengthen local SMEs to take part in the mining sector through their supply chain.  

3.125 The Resource Industry Network gave evidence about the Queensland Local Content Leaders Network, a group of local government, industry and economic development representatives from the Bowen, Galilee and Surat regions that work together to help local businesses improve capacity to join mining supply chains.  

3.126 Local Councils also reported requiring companies to meet local content targets. Rockhampton Regional Council said that it and the Central Highlands Regional Council have a loading for local content.  

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143 LGAQ, Submission 46, pp. 3-5.  
144 Cr Baker, Isaac Regional Council, Committee Hansard, Mackay, 30 August 2018, p. 9.  
145 Department of Infrastructure, Regional Development, and Cities (DIRDC), Submission 4, p. 2.  
146 DIRDC, Submission 4, pp. 2-3  
147 RIN, Submission 8, p. 12.  
148 Ms Reid, Committee Hansard, Rockhampton, 29 August 2018, p. 37.
3.127 The City of Kalgoorlie-Boulder stated that the Goldfields-Esperance Development Commission had appointed a Local Content Adviser for the region to promote opportunities for local business with government and mining companies. The Local Content Advisor will discuss with mining companies procurement departments:

- mining companies barriers to purchasing local products or services;
- providing education programs about the opportunities and benefits in local procurement for mining companies and local enterprises;
- development of a capabilities register for local SMEs; and
- funding opportunities for suppliers.\(^{149}\)

3.128 The Rockhampton Regional Council created the ‘Gear Up Rocky’ initiative, which delivers briefings and training courses to help local SMEs engage with complex mining sector tender process.\(^{150}\)

3.129 The Hunter Business Chamber stated that industry networks such as HunterNet have a positive role to play in helping local SMEs interact with the mining industry. HunterNet assists businesses in the Hunter Valley region network with mining companies, by providing training and business development programs and informing them of upcoming tendering opportunities. The Chamber said further that Government should support existing initiatives.\(^{151}\)

3.130 There is an existing legislative requirement for major projects such as mines to use Australian businesses for procurement. This is dictated by the Australian Industry Participation National Framework and captured by the *Australian Jobs Act 2013* (Cth). Among other things, this legislation requires major projects of $500 million or more to provide opportunity for Australian industry to bid to supply key goods and services. However, neither the Act nor the framework, specify any requirements for *regional* procurement.\(^{152}\)

**Recommendations from witnesses**

3.131 The Association of Mining and Energy Related Councils recommended that:

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\(^{149}\) City of Kalgoorlie-Boulder, *Submission 57*, p. 7.

\(^{150}\) Rockhampton Regional Council, *Submission 63*, p. 8

\(^{151}\) Hunter Business Chamber, *Submission 66*, p. 5.

state and federal government implement incentive-based procurement strategies to encourage local purchasing;
the federal government require mining companies to source their goods, services and workers from local communities ‘to the extent practicable’;
the federal government require that mining companies work with local businesses and councils to enhance the capability of local enterprises;
imining companies be required to provide their prequalification requirements for tenders well in advance so local SMEs would be better prepared to tender for work packages; and
the federal government assist local SMEs to obtain quality assurance certification and improve telecommunications infrastructure in regional areas.153

3.132 The Resource Industry Network also made recommendations about how the government can support local businesses in regional areas:

- require government funded programs to provide opportunities to businesses in regional areas to participate and learn from them;
- encourage industry events to be held in regional centres in alternate years through sponsorship or financial support;
- incentivise companies to move their offices to regional centres;
- change the definition of ‘local’ to reflect ‘what “the pub test” or a “reasonable person” might consider to be local’.
- request that mining companies and major contractors release local content reports on a site-by-site basis, so their spend and gaps can be seen by communities and the groups can then work together to fill the needs of the companies.154

3.133 Mr Vigliante stated that legislated local content requirements would provide some certainty to local businesses and remind mining companies of their obligations to the community.155

3.134 Mr Carter from the Port Hedland Chamber of Commerce said it would help local communities if more manufacturing for the mining industry was done within Australia,156 and if there was more communication between mining

153 Mr Lamont, Association of Mining and Energy Related Councils, Committee Hansard, Tamworth, 4 September 2018, pp. 22-4.
154 RIN, Submission 8, p. 13
155 Mr Vigliante, Mackay Region Chamber of Commerce, Committee Hansard, Mackay, 30 August 2018, p. 17.
156 Mr Carter, Port Hedland Chamber of Commerce, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 37.
companies and local chambers of commerce. He added; there is a tendency for large mining companies to ‘forget about the small guy’.

3.135 Mr Stuart Fleming from Lakes Electrical Distribution in Kalgoorlie recommended incentives and tax benefits for mining companies that use local businesses for procurement, arguing that this would encourage mining companies to use local subcontractors rather than flying people in from other states.

3.136 The LGAQ recommended the federal government lead the development of a national code to set out minimum standards aimed at increasing access for regional SMEs to resource project supply chains. The code would set benchmarks and include requirements for reporting.

Committee comment

3.137 Local procurement plays a critical role in the economies of regional areas. It often represents one of the main ways a regional town benefits from a mining asset in their region.

3.138 There are flow-on effects of local procurement that go beyond just immediate economic gain. A healthy relationship between regional businesses and a mining company can lead to expansion and diversification of the economy beyond merely supplying to the mine. This is important for the resilience of the community during times of mining downturn.

Local procurement policies and practices

3.139 The Committee notes the evidence provided by mining companies about their local procurements policies and plans. However, most large mining companies have no more than 10 per cent true local (regional) procurement, and their potential for local procurement is limited by their preference for engaging large tier 1 and tier 2 contractors for the majority of their work.

3.140 For example, 80 per cent of BHP’s procurement spend is with tier 1 and 2 contractors but BHP does not require those contractors to demonstrate local procurement.

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157 Mr Carter, Port Hedland Chamber of Commerce, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 36.

158 Mr Stuart Fleming, General Manager, Lakes Electrical Distributors, Goldfields, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 24.

159 LGAQ, Submission 46, p. 7.
spend or provide local procurement policies. BHP argues this would be legally and practically unenforceable, but the Committee is not convinced.

3.141 The Committee notes that Origin Energy has started requiring its tier 1 and 2 contractors to provide details of their local procurement plans, and to make commitments to regional and Indigenous procurement. Origin has achieved this in three recent contracts and intends to continue this approach, suggesting it can be done.

3.142 The Committee also acknowledges the work of companies that are ‘unbundling’ major contracts into several smaller contracts in order to give local businesses more opportunity to contract with them. Other large mining and resources companies should look at unbundling their contracts to increase the opportunity they provide in the regions.

3.143 BHP’s Local Buying Program, run through independent company C-Res, was identified throughout the inquiry as ‘best practice’ in local procurement. The Committee agreed that the Local Buying Program helps BHP engage more effectively with small regional businesses.

3.144 However, the Local Buying Program is severely limited as it only applies to very small businesses, generally with less than 20 employees, and it is only available to businesses contracting directly with BHP and its subsidiaries.

3.145 To be a more effective vehicle for increasing local procurement, the Local Buying Program would need to expand to incorporate medium sized regional businesses and be accessible to those that contract through BHP’s tier 1 and 2 contractors.

3.146 Despite the limitations of BHP’s Local Buying Program, other mining companies should look to the C-Res model and consider if a similar structure may boost their local procurement.

3.147 The Committee also acknowledges the good work being done by many mining companies regarding Indigenous procurement. For instance, Rio Tinto and Fortescue Metals Group have significant policies and practices in place that are boosting Indigenous procurement.

3.148 However, the Committee is concerned that the focus on small and Indigenous businesses (particularly the very restrictive definitions of small business being used) allows many larger small businesses, and regional medium sized businesses, to fall through the cracks.
Centralisation of mining company offices

3.149 The Committee notes most mining companies have their head offices and procurement teams in major metropolitan cities. This separates the mining company from the community, reduces visibility of local businesses, and distances the company from its accountability to the communities where its assets lie.

3.150 The Committee believes having procurement teams on the ground in communities would boost local procurement and help harness the available capacity of local SMEs. Companies with local offices, including Whitehaven and Glencore Coal, had higher levels of local procurement.

3.151 Companies don’t have to relocate their head office to a regional town, but the Committee suggests that having a locally-based procurement team, with the authority to make purchasing decisions, would go a long way towards increasing local procurement.

3.152 The Committee urges mining companies to reinstate a meaningful physical presence in mining towns and regions. Companies should use these offices to promote the mining sector, encourage locals to join the workforce, advertise procurement opportunities, and engage with community concerns.

Definition of local

3.153 The Committee was concerned to hear that, in some cases ‘local procurement’ was being defined as including any Australian and New Zealand business, for instance, in the Queensland Resources Council’s Resources and Energy Sector Code of Practice for Local Content (the QRC Code).

3.154 This leads to difficulties in reporting and enumerating levels of actual local procurement and fails to act as incentive to procure goods and services from regional businesses.

3.155 The Committee believes a consistent definition of ‘local’ should be applied by mining companies and governments at all levels to ensure local procurement can be meaningfully measured in future. The Queensland Government’s 2017 Local Procurement Strategy, which defines four concentric zones for local procurement, provides a good model. The local zones are:

- Local Zone 1 – the vicinity of the mine – includes suppliers within a 125km radius of the place where goods and services are to be supplied;
- Local Zone 2 – the local region – if a supplier cannot be found within Zone 1, then suppliers within the local region should be considered;
- Local Zone 3 – the State – if suppliers cannot be found within Zone 1 or 2 then suppliers within all of the State will be considered; and
- Local Zone 4 – Australia – if suppliers cannot be found in Zones 1, 2, and 3 then suppliers in all of Australia will be considered.\(^{160}\)

3.156 It should be noted that the issue of local procurement was brought up repeatedly in Queensland, but appeared to be less of a concern in New South Wales, probably due to the relative closeness of mining assets to the communities they operate in.

**Complexity of tender processes**

3.157 The Committee was concerned that so many local SMEs reported great difficulty in engaging with the mining industry’s tendering processes.

3.158 Mining companies need to work together to simplify their processes and make health and safety accreditation, and other tendering requirements, consistent across the industry. Peak industry bodies like the Minerals Council of Australia have a role to play in encouraging the use of uniform processes for tendering among their members and in the industry at large.

3.159 All mining companies should provide a local contact person to assist local SMEs through the tendering process. The Committee notes that Roy Hill currently has a dedicated advisory person for its Indigenous procurement program. The Committee would like to see this role expanded to all small businesses seeking to tender with Roy Hill.

3.160 The Committee applauds local councils and industry groups that are proactively seeking to increase local procurement through educating local businesses, promoting local products and engaging with mining companies.

3.161 In particular, the Committee commends the work of HunterNet and the Resource Industry Network for their work improving business capacity and attempting to connect local business with the resources industry. The federal government must continue to provide support for these kinds of initiatives.

**Regulating local procurement**

3.162 The Committee believes that the capacity for local procurement is different for every mine project. Some mines are located near to sizable towns, where there are businesses that either already have the capacity to service the mine, or could develop it. The companies operating those mines should have

\(^{160}\) RIN, Submission 8, pp. 12-3.
significant local procurement targets, in the order of 20 to 30 per cent of appropriate goods and services.

3.163 Companies with mines near towns should also seek to grow their local procurement by boosting local industry capacity over time.

3.164 The Committee acknowledges that some mines are very remote. Companies with very remote mines will have less opportunity to engage local businesses to provide goods and services, and have less of a responsibility for building capacity in local regions. However, these companies should not overlook regional towns located in the same state as the mine, and should not look immediately to metropolitan cities to seek suppliers.

3.165 For the above reasons, the Committee does not support the idea of legislation to regulate specific targets for local procurement. However, the Committee believes state and territory and local governments should incorporate context-specific local content requirements into their agreements with mining companies.

3.166 The Committee also supports industry initiatives to boost local procurement, such as the QRC Code. However, the Committee believes the QRC Code is inherently flawed, because it defines local as any Australian or New Zealand business.

3.167 The Committee strongly suggests the Minerals Council of Australia and the Australian Petroleum Production and Exploration Association adopt meaningful local content codes nationally. The codes should define ‘local procurement’ to mean procuring goods and services from businesses permanently based in regional, rural and remote areas near to mine sites.

3.168 The Code should also set out best practices in relation to advertising and promoting local procurement opportunities to make them more accessible to local small and medium enterprises. Contract opportunities should be advertised for at least 30 days in an accessible location, such as the company’s website, and should be presented in a simple format to create a more even playing field for small regional businesses competing with larger companies.
Recommendations

Recommendation 3

3.169 The Committee recommends the Federal Government work with state, territory and local governments, and land councils, who make licensing agreements with companies to ensure these agreements:

- include targets for minimum levels of *true local* procurement, based on the specific circumstances of the region and the project, including regional business capability;

- clearly define ‘local’, using the Queensland Government’s Local Zones model, or a similar model;

- require companies to make procurement opportunities readily available and accessible to regional small and medium enterprises and locally-based businesses of any size, and to advertise their contracts and tenders for at least 30 days; and

- require companies to ensure their higher-tier contractors also commit to local procurement.

Recommendation 4

3.170 The Committee recommends the Federal Government work with local governments and land councils to produce high-quality, accessible guidance materials for use by local councils and land councils in mining regions. These materials would help councillors to:

- negotiate effectively with mining and resources companies when setting up or reviewing agreements;

- maximise rates receipts and other compensation from mining and resources companies active in their local government area;

- secure commitments to minimum levels of local workforce participation, training and apprenticeships;

- negotiate guarantees around local procurement policies and processes; and
- develop a clear action plan and guarantee of adequate funding for rehabilitation, clean-up and community sustainability projects as mining retracts.

Recommendation 5

3.171 The Committee recommends the Federal Government review the mechanisms in place to support regional small and medium enterprises and locally-based businesses of any size to engage with the mining sector.

The review should identify any additional supports that need to be made available to ensure regional businesses have the skills and capacity to:

- find out about opportunities in the mining and resources sectors;
- negotiate effectively with mining and resources companies;
- secure and maintain the necessary accreditations; and
- complete tender processes effectively and efficiently.
4. Terms of payment and contract terms

They're asking for fair terms of trade. All they're asking for is fair and normal terms of trade.¹

4.1 As part of this inquiry, the Committee was asked to look into the appropriateness of the payment terms offered to businesses by the mining sector. This topic generated significant interest and a number of submissions were made that focussed primarily on this issue.

4.2 The Committee received public, confidential and ‘name withheld’ submissions outlining problems that small and medium sized businesses were facing as a result of ‘extended payment terms’.

4.3 Payment terms are the conditions written into business contracts that stipulate the length of time a mining company will take to pay the invoices they receive from suppliers and subcontractors. For the purposes of this inquiry, ‘extended payment terms’ are taken to be anything over 30 days.

4.4 In addition to extended payments terms, witnesses also raised concerns about unreasonable contract requirements, which made doing business with mining companies harder or more risky for smaller businesses.

4.5 This chapter presents evidence on the impacts of mining company payment terms on regional businesses provided throughout the course of the inquiry. It also looks at other contract conditions that submitters raised as a concern. The chapter concludes by considering what options are available to address these concerns, and presents recommendations.

¹ Councillor Gae Swain, Deputy Mayor, Gunnedah Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 7.
Extended payment terms

4.6 A number of businesses and organisations told the Committee they were being affected by extended payment terms offered by large mining companies operating in Australia.

4.7 One business (name withheld) submitted that it was being affected by terms of ‘90 days plus’ on a new contract to provide a development labour and management team for a Rio Tinto mine, explaining this had increased its debtor days.²

4.8 The business stated that, as a result of these terms, 50 per cent of profit for the year would now have to be ‘used to manage cash flow’.³

4.9 Raey Services Group, a contractor based in Mackay, submitted that payment terms of 60 days were putting pressure on the business, which still had to pay its bills on time. It said: ‘… basically we are carrying big companies at our expense’.⁴

4.10 Extended payment terms are a relatively recent phenomena. Historically, payment terms of 30 to 45 days from the date of invoice were widespread in the resources sector, but research indicates that many companies extended their terms globally in the wake of the Global Financial Crisis (2007/8).⁵

4.11 One mining services contractor (name withheld) reported that as well as increasing payment term days during the last industry downturn, mining companies asked their suppliers to ‘significantly reduce profit margins’. The contractor added:

Now in the upswing market cycle with these businesses enjoying renewed profitability we would expect that they would recognize the sacrifice made by their vital supply chain partners and revert to what have always been seen as standard industry payment terms, 30 days.⁶

4.12 Mr Kieran Moran from the Gladstone Engineering Alliance told the Committee that local content and extended payment terms ‘were at the top of the list’ of member concerns, revealing:

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² Name withheld, Submission 1, p. [1].
³ Name withheld, Submission 1, p. [1].
⁴ Reay Services Group, Submission 5, p. [1].
⁵ Lytton Advisory, Economic Analysis of Extended Payment Terms, p. 6. (Attachment to Submission 8.)
⁶ Name withheld, Submission 3, p. [1].
Difficulties in raising finance to cover extended payment terms have led a number of companies to cut back on employment, reduce investment in productive new plant and equipment and defer investment in research and development—and some have even closed the doors.\textsuperscript{7}

4.13 The Resource Industry Network, based in Mackay, submitted that it has been running a campaign to convince mining houses to revert to traditional 30 day payment terms. As part of this campaign, it commissioned Lytton Advisory to investigate and analyse the impact of extended payment terms.\textsuperscript{8}

4.14 The Lytton Advisory report found that one third of mining industry suppliers in the region have half or more of their revenue on extended payment terms. Over 70 per cent of affected businesses reported cutting back on new capital investments, such as equipment, not hiring new employees, and being unable to invest in new technology and innovation.\textsuperscript{9}

4.15 At her appearance in Mackay, Mrs Adrienne Rourke from the Resource Industry Network, expanded on the findings of the report, citing the example of a company with a turnover of around $30 million on 60-day payment terms, which would be ‘missing out on up to half a million dollars of missed opportunities’, as this money is being lost in finance costs.\textsuperscript{10}

4.16 Mrs Rourke further reported Lytton’s finding that ‘[r]everting to 30-day payment terms would add to our regional economy 380 jobs, $150 million in wages and $250 million in gross regional product flow-on impacts over the next five years.’\textsuperscript{11}

4.17 Affected companies reported using the following strategies for dealing with extended payment terms:

- drawing heavily on cash balances built up during the boom;
- drawing further on established lines of finance with their banks (overdrafts, equipment financing, invoice and debtor financing);
- accessing invoice financing provided by the large mining companies; or

\textsuperscript{7} Mr Kieran Moran, Media, Communication and Events Coordinator, Gladstone Engineering Alliance, Committee Hansard, Rockhampton, 29 August 2018, p. 7.

\textsuperscript{8} Resource Industry Network (RIN), Submission 8, p. 5.

\textsuperscript{9} RIN, Submission 8, p. 6.

\textsuperscript{10} Mrs Adrienne Rourke, General Manager, Resource Industry Network, Committee Hansard, Mackay, 30 August 2018, p. 45.

\textsuperscript{11} Mrs Rourke, RIN, Committee Hansard, Mackay, 30 August 2018, p. 45.
considering third party financing (e.g. Citibank).¹²

4.18 One business explained that it relies on a debtor finance facility to pay wages and suppliers, using its unpaid invoices ‘as collateral’. The business stated that the finance facility ‘costs our company $15,000 per year to keep open, plus 8% interest on money borrowed’.¹³ This was a common story in submissions.

4.19 Mr Moran reported that the ongoing viability of some businesses is being threatened by extended payment terms.¹⁴

4.20 Mr Neil Lethlean from Capricorn Enterprise, concurred that the practice ‘constrains employment growth and impacts on strategic business expansion’.¹⁵

4.21 One mid-sized engineering company (name withheld) confirmed that extended payment terms were limiting its capacity to invest:

> Operating on borrowed money makes us reluctant to spend on intangible investments like staff training, cadet engineers, and research and development; all of which are vital ingredients to innovation, but speculative in nature.¹⁶

4.22 Ms Vicki Leeson from the Central Highlands Development Corporation described extended payment terms as the ‘biggest problem’ impacting the mining services sector, adding:

> … I’m talking about a business that might turnover $500,000 a year. That’s 40 grand a month. When they start to get into three-month terms where they are $120,000 out, they themselves all of a sudden can’t eat. They’ve got to stop taking wages and they’ve got to stop paying their own personal bills.¹⁷

4.23 The Committee heard that businesses were waiting significant periods of time to be paid. For instance, Ms Leeson stated that businesses could be

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¹² Lytton Advisory, *Economic Analysis of Extended Payment Terms*, p. 16.

¹³ Name withheld, *Submission 25*, p. [1].


¹⁶ Name withheld, *Submission 25*, p. [1].

‘held out’ for ‘90 days minimum’\textsuperscript{18} and Mr Mark Bushell from CE Smith & Co Mackay Chartered Accountants in Mackay, stated that among his clients who work for the mining industry in the Mackay region, ‘a majority’ are facing terms of 90 days and sometimes longer.\textsuperscript{19}

4.24 Ms Bronwyn Reid (private capacity) asserted at the hearing in Rockhampton on 29 August that her own business had at least one invoice outstanding for a large mining company, for work performed in June.\textsuperscript{20}

4.25 It was clear from evidence that different mining companies had different payment terms and practices. Mr Moran stated that one Gladstone company’s payment terms are 60 days and another major company pays in 120 days.\textsuperscript{21}

4.26 Isaac Regional Council conducted a survey of local businesses which found that payment terms can range from 30 to 120+ days. It also found:

- Over 70% identified that payment terms offered by mining companies were in excess of 45 days; and
- Over 40% identified that payment terms offered by mining companies were in excess of 80 days.\textsuperscript{22}

**Payment terms of different mining companies**

4.27 Prior to November 2018, the biggest mining company in Australia, BHP, had 60 day standard payments terms, but offered better terms for small businesses. BHP submitted:

> … small businesses, local community suppliers and Indigenous suppliers are entitled to an exemption from our standard 60 day payment terms. For these suppliers, payments of 30 days or less apply. A supplier that does not qualify as a small business, local community supplier or Indigenous supplier, but is

\textsuperscript{18}Ms Leeson, Central Highlands Development Corporation, *Committee Hansard*, Rockhampton, 29 August 2018, p. 27.

\textsuperscript{19}Mr Mark Bushell, Director, CE Smith & Co Mackay Chartered Accountants (CE Smith & Co), *Committee Hansard*, Mackay, 30 August 2018, p. 23.

\textsuperscript{20}Ms Bronwyn Reid, Private capacity, *Committee Hansard*, Rockhampton, 29 August 2018, p. 35.

\textsuperscript{21}Mr Moran, Gladstone Engineering Alliance, *Committee Hansard*, Rockhampton, 29 August 2018, p. 8. Note: The Committee did not identify any mining companies that have payment terms of 120 days, despite these being reported by a number of witnesses. However, the Committee did not receive evidence from every company operating in Australia.

\textsuperscript{22}Isaac Regional Council, *Submission 31*, p. 7.
nonetheless experiencing significant financial hardship, may also be granted an exemption from our standard 60 days payment terms.  

4.28 However, BHP informed the Committee in late November 2018 that it was adopting a new policy on payment terms. It submitted:

The main difference between this and our previous policy is that where before you had to be small and local to qualify for 30 day terms, you can now be a local business of any size. … As a result of this change, around 700 local businesses across Australia will see a favourable adjustment in their payment terms.

4.29 The new policy from BHP provides an exemption from 60 days terms for Local Community Suppliers, defined as:

Suppliers that have their primary business location in one of the communities adjacent to our operations, or that are deemed to be affected by our operating presence, as determined by our Communities function.

4.30 A full list of towns and postcodes that BHP considers to be ‘local’ was provided in their Supplementary Submission 49.2. Businesses located in these postcodes will be entitled to payment terms of 30 days or better. The list includes Moranbah, Rockhampton, Mackay, Singleton, Muswellbrook, Port Hedland and Karratha and many others.

4.31 Despite BHP’s policy of paying small businesses in 30 days or less, many small businesses who do work for BHP’s mines are unable to access these terms because they work for a contractor to BHP, not BHP directly.

4.32 BHP confirmed that 80 per cent of its spend goes through tier 1 and tier 2 contractors, who are generally paid in 60 days. When asked if it tries to ensure its tier 1 contractors provide reasonable payment terms to subcontractors, including small businesses, BHP stated that it does not impose any conditions about payment terms onto its tier 1 and 2 contractors, because there ‘are practical and legal issues with the enforceability of this’.

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23 BHP, Submission 49, p. 7.
24 BHP, Supplementary Submission 49.2, p. [1].
25 BHP, Supplementary Submission 49.2, p. [2].
26 BHP, Supplementary Submission 49.2, pp. [6-7].
27 BHP, Supplementary Submission 49.1, Attachment 1, p. 2.
28 BHP, Supplementary Submission 49.1, Attachment 1, p. 2.
4.33 However, Origin submitted that it has recently begun to do just that. Origin has introduced clauses in new contracts with its major contractors requiring them to pay small businesses within 30 days – ‘to match our commitment to doing the same’. Origin has already secured these guarantees from three of its major contractors and is negotiating with others.29

4.34 Mr Graham McGarry from Mangelsdorf Engineering in Kalgoorlie, which provides services to nine mining companies, reported that Dampier Salt, a Rio Tinto company, provides 60 day payment terms. Mangelsdorf itself pays its suppliers within 25 days from the end of the month.30

4.35 Rio Tinto reported standard payment terms of 45 days, with 30 day terms offered to suppliers with contracts under $1 million. Rio Tinto’s payment terms were extended to 90 days in 2015, but the company chose to revert to 45 days after taking on board feedback from suppliers.31

4.36 The Committee did not receive a submission from oil and gas company, Woodside. However, Councillor Long said ‘Woodside is 45 days’.32 Woodside is also a signatory to the Australian Supplier Payment Code, which implies it pays small businesses within 30 days of a correct invoice.33

4.37 Roy Hill Holdings reported that its payment terms are 30 days from the last day of the month, with Indigenous businesses paid on 14 day terms.34 Terms of 30 days ‘month end’ can mean that, in practice, suppliers are not paid for up to 60 days.

4.38 Fortescue Metals Group’s standard payment terms are 30 days from the end of the month, but the company told the Committee in Port Hedland that it pays Indigenous businesses and Pilbara-based small businesses faster, in 14 days from the issue of invoice. Fortescue now also pays all small business

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29 Origin Energy Limited (Origin), Submission 52, p. 3.
30 Mr Graham McGarry, Managing Director, Beacon Minerals Ltd; and Director, Mangelsdorf Engineering Pty Ltd, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 17.
31 Ms Linda Dawson, General Manager, Communities and Communication, Rio Tinto, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 19.
32 Councillor Long, City of Karratha, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 12.
34 Ms Pippa McIntosh, Manager, Government Relations and Corporate Communications, Roy Hill Holdings Pty Ltd, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 4.
suppliers in 30 days, because it signed up to the Australian Supplier Payment Code.\textsuperscript{35}

4.39 ConocoPhillips Australia made a submission to the inquiry but did not address the issue of payment terms at all.\textsuperscript{36}

4.40 Peabody submitted that its payment terms are agreed on a case-by-case basis, with approximately 95 per cent of spend delivered according to terms of 30 days or less.\textsuperscript{37}

4.41 Peabody also announced that over the coming months it ‘will move to convert all small-to-medium enterprise (SME) vendors to 30 day terms’.\textsuperscript{38}

4.42 Yancoal submitted that its payment terms are negotiated with suppliers on a case by case basis and range from seven days after receipt of invoice to 45 days from the end of month in which invoice is received. It also said that over 90 per cent of suppliers ‘receive payment in 30 days or less’.\textsuperscript{39}

4.43 Origin Energy Limited reported that its payment terms for medium and larger businesses are ‘agreed with each supplier’. However, it pays small businesses (defined as those with less than $10 million annual turnover) in 30 days from receipt of invoice, and Indigenous businesses in 14 days.\textsuperscript{40} Origin also reported that it has actively sought to identify small businesses and transition them onto 30 days payment terms.\textsuperscript{41}

4.44 Mr Matthew Paull from the Australian Petroleum Production and Exploration Association said that the ‘industry standard’ in the oil and gas industries appears to be 30 days.\textsuperscript{42}

4.45 According to the Resource Industry Network, Glencore Coal has 30 day payments terms.\textsuperscript{43}

\textsuperscript{35} Mr Tom Weaver, Acting Group Manager, Government and Community, Fortescue Metals Group, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 30.

\textsuperscript{36} ConocoPhillips Australia, \textit{Submission 17}.

\textsuperscript{37} Peabody, \textit{Submission 76}, p. [1].

\textsuperscript{38} Peabody, \textit{Submission 76}, p. [1].

\textsuperscript{39} Yancoal, \textit{Submission 78}, p. [2].

\textsuperscript{40} Origin, \textit{Submission 52}, pp. 1-2.

\textsuperscript{41} Origin, \textit{Submission 52}, p. 3.

\textsuperscript{42} Mr Matthew Paull, Queensland Policy Director, Australian Petroleum Production and Exploration Association, \textit{Proof Committee Hansard}, Canberra, 17 October 2018, p. 7.

\textsuperscript{43} Mrs Rourke, RIN, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 48.
Evidence from Glencore at the Singleton public hearing confirmed that 40 per cent of its suppliers were on 30 day terms and 60 per cent were on ‘next month end’ terms, which means they are paid at the end of the month following the submission of the invoice. This can be up to 60 days.\(^{44}\)

The payment terms issue was less of a concern in some parts of New South Wales and in Port Hedland, where the local Chamber of Commerce responded to a question on payment terms in the Pilbara, saying ‘we’re fine. It’s pretty good at the moment’.\(^{45}\)

Councillor Andrew Hope, Mayor of the Liverpool Plains Shire Council said:

> My company works for seven major mining companies, which I will not name, and we have absolutely no issues with our payment terms—none whatsoever.\(^{46}\)

Whitehaven Coal, an Australian-owned miner active in NSW, reported payment terms of 14 to 30 days, depending on the supplier.\(^{47}\) Whitehaven’s 30 day terms are also 30 days ‘month end’.\(^{48}\)

Mrs Rourke reported that ‘minor players’ in the industry don’t have extended payment terms. However, some have suggested they may move to extended terms to be more competitive. She cited Anglo American, saying the company ‘has sent suppliers letters a number of times saying they’re going to move to 60 days but haven’t gone to that stage’.\(^{49}\)

Anglo American’s global payment terms are 60 days. However, its practice has been to offer terms of 30 days to many of its Australian suppliers.\(^{50}\)

Further, the company made a submission late in the inquiry which announced that it has decided to formalise 30 day terms for all small and medium sized suppliers in Australia.\(^{51}\)

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\(^{44}\) Mr Anthony Pitt, Director, Logistics and Procurement, Glencore Coal Australia, *Proof Committee Hansard*, Singleton, 5 November 2018, p. 6 and p. 8.

\(^{45}\) Mr Peter Carter, President, Port Hedland Chamber of Commerce, *Committee Hansard*, Port Hedland, 9 October 2018, p. 36.

\(^{46}\) Councillor Andrew Hope, Mayor, Liverpool Plains Shire Council, *Committee Hansard*, Tamworth, 4 September 2018, p. 11.

\(^{47}\) Mr Paul Flynn, Managing Director and Chief Executive Officer, Whitehaven Coal, *Committee Hansard*, Tamworth, 4 September 2018, p. 48.

\(^{48}\) Whitehaven Coal Limited (Whitehaven), *Submission 14*, p. [5].

\(^{49}\) Mrs Rourke, RIN, *Committee Hansard*, Mackay, 30 August 2018, p. 48.

\(^{50}\) Anglo American, *Submission 73*, p. [1].
Miner and mining services provider, Mineral Resources Limited, submitted that its payment terms for large and medium suppliers are 45 day end of month, ‘with smaller suppliers negotiated down depending on their specific needs and circumstances’. Mineral Resources Limited also has a large number of smaller suppliers that are paid upfront by credit card.  

**Impacts on individuals and families**

Witnesses highlighted the impacts on families and individuals caused by the financial strain of waiting months to be paid. Mr Moran asserted:

… this can be a source of people feeling like a failure, which leads to depression. A lot of people do give a stuff about their employees. They don’t want to lose their employees. Some of those employees have been there for years. Then there’s their own mental health and their business and family.

Mr Bushell told the committee that his accounting firm has clients who are ‘awake at night worrying about how they’re going to pay the wages but, more importantly, whether those people will have jobs tomorrow’.

Mr Simon Vigliante from the Mackay Region Chamber of Commerce explained that the impacts of extended payment terms don’t just affect mining services companies, but ‘ripple’ through the local economy. He said:

One of our members is a powder coater who powder coats pool fences. If people aren’t putting in pools, because they’re not getting paid by the mines, he hasn’t got any business… It essentially starves the region of working capital, and we all know that if you don’t have working capital you don’t have a functioning business.

Mr Jason Newitt, Director of Central Queensland Hire Pty Ltd, provided his personal story at the public hearing in Mackay. His business was affected by

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53 Mr Moran, Gladstone Engineering Alliance, *Committee Hansard*, Rockhampton, 29 August 2018, p. 11.

54 Mr Bushell, CE Smith & Co, *Committee Hansard*, Mackay, 30 August 2018, p. 23.

the payment terms offered by BHP when it was sub-contracting to a higher
tier contractor to BHP.\textsuperscript{56}

4.58 The contractor, MCG Quarries in Moranbah, eventually went into
administration, owing Mr Newitt’s company over $200,000, which he still
has not received.\textsuperscript{57}

4.59 According to correspondence provided by Mr Newitt, BHP initially
indicated that it could help him. However, it later said that it could not
because it had ‘no capacity to audit a second-tier contractor’.\textsuperscript{58}

4.60 While shorter payment terms may not have prevented the sub-contractor’s
collapse, Mr Newitt argued that faster payments for work completed would
have meant his losses would have been ‘reduced significantly’. He said:

\begin{quote}
Had payment terms been reduced to a 30-day payment term then I would
have had the cash to pay my school fees, to pay my ATO debt that’s small and
in arrears and to keep my truck on the road and going, yes—and to be able to
work and go forward.\textsuperscript{59}
\end{quote}

4.61 Mr Newitt stated that he could no longer work for the mining industry
because of the effect that extended payment terms had on cash-flow for his
business.\textsuperscript{60}

4.62 Further, Mr Newitt argued that extended payment terms result in first tier
contractors using money they owe to lower tier contractors to fund their
business expansion:

\begin{quote}
‘We’ll just push them back another month and we can put this piece of gear in
here, and we will expand our business in such a way, faster.’ It’s elevating the
first-tier primary contractors at the expense of the little fish.\textsuperscript{61}
\end{quote}

4.63 BHP was asked to comment on Mr Newitt’s case at its appearance in
Mackay. Mr Sundeep Singh stated that BHP had worked to ensure it had
paid the primary contractor on time. BHP further argued that ensuring ‘the

\begin{footnotes}
56 Mr Jason Newitt, Director, Central Queensland Hire Pty Ltd (CQH), Committee Hansard, Mackay, 30 August 2018, p. 18.
57 Mr Newitt, CQH, Committee Hansard, Mackay, 30 August 2018, p. 20.
58 Mr Newitt, CQH, Committee Hansard, Mackay, 30 August 2018, p. 18.
59 Mr Newitt, CQH, Committee Hansard, Mackay, 30 August 2018, p. 22.
60 Mr Newitt, CQH, Committee Hansard, Mackay, 30 August 2018, p. 22.
61 Mr Newitt, CQH, Committee Hansard, Mackay, 30 August 2018, p. 22.
\end{footnotes}
money ends up where it’s meant to go’ was ‘the responsibility of [the] primary contractor’.62

Late payment of invoices

4.64 Compounding the effects of extended payment terms was the issue of late, or delayed, payment of invoices. Numerous witnesses reported that some mining companies were effectively extending their payments even longer by paying invoices late.

4.65 Ms Leeson pointed to examples where invoices were sent in a day late and as such the company held them back an additional month. Or where an invoice may have contained an error, or a disputed figure, and was simply not paid by the mining company. She added:

But they don’t actually go back to the vendor and say: ‘Oh, your invoice is not really right. Could you reissue that invoice.’ They wait for the vendor to realise: ‘Holy crap! We haven’t been paid for two months. What’s happened?’63

4.66 Mr Moran claimed that the president of the Gladstone Engineering Alliance’s company ‘has had major issues with late payments, to the point where they had to let go the majority of their employees and they were less than 24 hours from closing their door’.64

4.67 One mid-sized engineering firm submitted that, despite payment terms of 60 days, ‘[i]n reality our invoices are paid an average of 78 days after submission, with average lock-up days (time from costs incurred to payment) of 84 days’.65

4.68 Mr Bushell provided the example of a client who was affected by a changeover of a mining company’s accounting system. Invoices had to be re-entered, the payment date was then reset and, with payment terms already at 60 days, the payment was ‘blown out to over 120 days’.66

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62 Mr Sundeep Singh, Vice President, Supply, Minerals Australia, BHP, *Committee Hansard*, 30 August 2018, p. 42.
63 Ms Leeson, Central Highlands Development Corporation, *Committee Hansard*, Rockhampton, 29 August 2018, p. 28.
64 Mr Moran, Gladstone Engineering Alliance, *Committee Hansard*, Rockhampton, 29 August 2018, p. 10.
65 Name withheld, *Submission 25*, p. [1].
4.69 Evidence of late payment in the mining sector was not simply anecdotal. Rockhampton Regional Council referred to research that found the mining sector was ‘one of the worst performing sectors, paying on average 15 days late’.  

4.70 Even Whitehaven Coal, whose terms of payment are 14 to 30 days, admitted that in practice this can mean businesses wait as long as 60 days, and that only 51 per cent are paid within 30 days.  

4.71 Mr Vigliante also stated that an absence of the correct delegate can hold up a payment. He provided an example where $9 million was outstanding to a company he worked for. The mining company allegedly held up the payment well beyond the contracted terms because the delegate was not available to authorise the payment.  

4.72 The Greater Whitsunday Alliance Ltd argued that mining companies had an obligation to work with SMEs to provide education and offer ‘readily accessible invoice dispute resolution’ information to SMEs on mining company websites.  

4.73 Mr Vigliante also said some mining companies are ‘doing the right thing’. He provided the example of Anglo American, which he argued paid its invoices in a timely fashion.  

4.74 BHP acknowledged that they sometimes pay invoices late. Mr Singh stated that 93 per cent are paid on time, adding:  

Things do go wrong in the process. You have 93 per cent, and we want to continuously improve that process. From time to time, there may be a late approval of an invoice.

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68 Mr Flynn, Whitehaven Coal, *Committee Hansard*, Tamworth, 4 September 2018, pp. 48-49.

69 Mr Vigliante, Mackay Region Chamber of Commerce, *Committee Hansard*, Mackay, 30 August 2018, p. 15.

70 Mr Vigliante, Mackay Region Chamber of Commerce, *Committee Hansard*, Mackay, 30 August 2018, p. 15.

71 Greater Whitsunday Alliance Ltd (GW3), *Submission 30*, p. 2.

72 Mr Vigliante, Mackay Region Chamber of Commerce, *Committee Hansard*, Mackay, 30 August 2018, p. 16. RIN Member C also cited Anglo American as an example of a company with good payment terms and processes, *Submission 39*, p. [1].

73 Mr Singh, BHP, *Committee Hansard*, 30 August 2018, p. 35.
4.75 In Mackay, BHP was asked to provide the Committee with information on notice about how long it was taking for suppliers to be paid from the date that a service was provided (as distinct from the date that an invoice was approved). BHP’s response was: ‘We do not currently have the ability to measure if vendors delay submitting their invoices after providing a service.’

**Short term finance**

4.76 Witnesses to the inquiry alerted the Committee to a concerning emerging practice among some mining companies – short term supplier financing.

4.77 Capricorn Enterprise’s Neil Lethlean reported that large mining companies are offering short-term finance ‘to allow the company to continue to operate while we defer your payment’. He said, finance is offered through a third party, but coordinated and arranged by the mining company.

4.78 BHP acknowledged it participates in this practice. BHP’s Supply Chain Financing Program ‘allows our suppliers to receive early discounted payment of their receivables from BHP at an attractive funding rate’.

4.79 Ms Reid suggested that the practice is, in effect, mining companies saying: ‘We’ll lend you the money that we actually owe you’.

4.80 CE Smith & Co asserted that the fact mining companies have identified the need for this service ‘surely recognises there is an underlying problem as a result of payment terms and conditions’.

4.81 Mrs Rourke from the Resource Industry Network provided this direct quote from a letter recently sent to mining company suppliers:

> If you would like to enjoy early payment terms as early as 10 business days and accelerated cash flow, you’re invited to take part in early payment program. Supply chain financing is an innovative solution that optimises your cash flow by allowing you to receive early payments for all approved invoices in exchange for a small

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74 BHP, *Supplementary Submission 49.1*, Attachment 1, p. 1.

75 Mr Lethlean, Capricorn Enterprise, *Committee Hansard*, Rockhampton, 29 August 2018, p. 17.


77 Ms Reid, *Committee Hansard*, Rockhampton, 29 August 2018, p. 36.

78 CE Smith & Co, *Submission 33*, p. 3.
settlement discount. Our solution improves your cash flow and reduces working capital requirements, allowing you to reinvest in your business.79

4.82 Witnesses also commented on mining company practices of paying invoices early at ‘a discount’. For instance, if the supplier needed to be paid earlier than the 60 days specified in their contracted payment terms, they could get their money, minus five per cent.80 The Lytton report quoted discount figures of 2 per cent of the face value of an invoice.81

4.83 Mrs Rourke revealed that the Resource Industry Network and many of its members ‘find it absolutely offensive to be offered [this] service’.82

4.84 BHP provided the following details about the program:

- it was launched recently;
- currently has just over $400 million of spend running through it; and
- includes around 40 suppliers globally.83

4.85 Ms Reid argued that the practice amounts to unconscionable conduct.84 However, the Australian Competition and Consumer Commission (ACCC) did not think this was likely.

4.86 The Committee asked the ACCC if BHP’s practice of offering its suppliers finance to cover the delay in receiving payment would likely constitute ‘unconscionable conduct’ under the Competition and Consumer Act 2010. The ACCC submitted:

... it does not appear to be a requirement that the businesses must accept the finance option provided by the mining company. It would therefore be unlikely that offering a finance option would be considered unconscionable conduct.85

79 Mrs Rourke, RIN, Committee Hansard, Mackay, 30 August 2018, p. 46.
80 For instance: Mr Vigliante, Mackay Region Chamber of Commerce, Committee Hansard, Mackay, 30 August 2018, p. 17.
81 Lytton Advisory, Economic Analysis of Extended Payment Terms, p. 14.
82 Mrs Rourke, RIN, Committee Hansard, Mackay, 30 August 2018, p. 46.
83 Mr Singh, BHP, Committee Hansard, 30 August 2018, p. 39.
84 Ms Reid, Private capacity, Committee Hansard, Rockhampton, 29 August 2018, p. 36.
85 Australian Competition and Consumer Commission (ACCC), Submission 70, p. 2.
Reluctance to come forward

4.87 The Committee was made aware of some reluctance on the part of businesses impacted by extended payment terms to come forward.

4.88 CE Smith & Co said that it emailed a lot of clients for input into the inquiry and had a large number of responses saying ‘I don’t want to be identified’. Businesses were worried about jeopardizing current and future contracts with the mining companies.

4.89 Mr Lethlean from Capricorn Enterprise gave the following explanation for the hesitation of businesses to speak on the record:

It’s the proverbial rabbit in the burrow: you stick your head out and, regrettably, if it’s a shooting competition, you lose your head — and that’s the same. These companies are reluctant.

4.90 The inquiry received more than 10 confidential submissions, as well as 11 submissions that were published with the submitter’s name withheld, all of which were focussed on the payment terms issue.

4.91 While the Committee believes that companies were concerned about the possible ramifications of complaining, there was no evidence to suggest companies pressured their suppliers.

4.92 Mrs Rourke from the Resource Industry Network told the Committee she had not heard of anyone being threatened by companies. When asked, she answered: ‘No, I’m not aware of that at all. It’s just a perceived fear.’

4.93 Ms Reid said that local business owners would not be willing to report unethical practices for fear of never getting another contract. She suggested mining companies should provide a facility where suppliers can report unethical behaviour anonymously.

4.94 BHP was asked to ‘give a guarantee’ that no employees or representatives of BHP or BMA (of which BHP owns 50 per cent) had told local companies not to appear before the inquiry. Mr James Palmer replied:

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86 Mr Bushell, CE Smith & Co, Committee Hansard, Mackay, 30 August 2018, p. 19.
87 Mr Lethlean, Capricorn Enterprise, Committee Hansard, Rockhampton, 29 August 2018, p. 17.
88 Mrs Rourke, RIN, Committee Hansard, Mackay, 30 August 2018, p. 48.
89 Ms Reid, Submission 24, p. 4.
I can certainly guarantee that is just not in line with our values. If there was a case, I would certainly want to hear about it. It’s just not in line with the way that we do business.\textsuperscript{90}

**Market power and contract terms**

4.95 A number of witnesses to the inquiry raised the question of the legality and fairness of mining company contracting practices and contract terms.

4.96 Anonymous RIN Member E submitted:

> It is unconscionable for major mining houses to use their suppliers (small, medium and large enterprises) to fund the working capital needs of their operations.\textsuperscript{91}

4.97 Mr Lethlean suggested mining companies were engaged in a form of predatory pricing, and said the way the mining houses negotiate their contracts ‘needs further scrutiny’.\textsuperscript{92}

4.98 Drawing attention to the incongruent size and power of mining companies and local businesses, Mr Lethlean proposed that ‘significant commercial disparities exist’, including: restrictive contract terms and conditions; a cap on labour hire rates; and extended payment terms. He added that local businesses could either accept these contract terms or forgo contracting with mining companies.\textsuperscript{93}

4.99 Ms Reid also stated that contracts from mining companies are offered on a ‘take it or leave it’ basis. She described the contracts as long and complicated, outside the understanding of many small business owners, and containing clauses unfair to the smaller business.\textsuperscript{94}

4.100 The contract clauses creating problems for small and medium businesses, according to Ms Reid, are termination clauses and liability and indemnity clauses. Termination clauses allow the mining company to terminate the contract ‘at any time for no reason’. Ms Reid stated that she has informed

\textsuperscript{90} Mr James Palmer, Asset President, BHP, *Committee Hansard*, 30 August 2018, p. 41.

\textsuperscript{91} RIN Member E, *Submission 41*, p. [1].

\textsuperscript{92} Mr Lethlean, Capricorn Enterprise, *Committee Hansard*, Rockhampton, 29 August 2018, p. 15.

\textsuperscript{93} Mr Lethlean, Capricorn Enterprise, *Committee Hansard*, Rockhampton, 29 August 2018, p. 14.

\textsuperscript{94} Ms Reid, *Submission 24*, p. 3.
several companies that such clauses constitute ‘an Unfair Practice’, leading to some, but not all, companies removing the clause.\(^{95}\)

4.101 Liability and indemnity clauses are also included in many contracts, according to Ms Reid, and these ‘distort the normal relationship between buyer and seller’ by attempting to impose unreasonable obligations on the supplier. Ms Reid further argued that these clauses can expose SMEs to unlimited liability.\(^{96}\)

4.102 Mr Moran proposed that the power imbalance between the mining companies and small businesses is exacerbated in Central Queensland because this region features a small number of mining companies and a large number of suppliers with much lower levels of turnover.\(^{97}\)

4.103 Mr Vigliante said ‘you don’t have a contract with a mining house; a mining house has a contract with you’.\(^{98}\)

4.104 The Lytton Advisory report also found that there is ‘a substantial likelihood of an imbalance in bargaining power’ between mining companies and their suppliers.\(^{99}\) Also that:

Some large mining companies appear to be using their market power to improve their own bottom lines at the expense of their suppliers. In some cases, they are passing on financing costs to their suppliers, and hence extracting a share of the profits generated in their supply chain.\(^{100}\)

4.105 Chartered Accountants Australia and New Zealand offered the view that the disparity caused by extended payments terms constitutes a market failure, where larger organisation are able to use their market power to ‘effectively demand that smaller organisation fund their operations’.\(^{101}\)

4.106 The Resource Industry Network argued that suppliers have ‘little or no ability to negotiate payment terms’.\(^{102}\)

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\(^{95}\) Ms Reid, Submission 24, p. 3.

\(^{96}\) Ms Reid, Submission 24, p. 3.

\(^{97}\) Mr Moran, Gladstone Engineering Alliance, Committee Hansard, Rockhampton, 29 August 2018, p. 8.

\(^{98}\) Mr Vigliante, Mackay Region Chamber of Commerce, Committee Hansard, Mackay, 30 August 2018, p. 17.

\(^{99}\) Lytton Advisory, Economic Analysis of Extended Payment Terms, p. 5.

\(^{100}\) Lytton Advisory, Economic Analysis of Extended Payment Terms, p. 11.

\(^{101}\) Chartered Accountants Australia and New Zealand, Submission 19, p. 1.

\(^{102}\) RIN, Submission 8, p. 7.
4.107 CE Smith & Co’s Mr Bushell agreed, telling the Committee it had direct feedback from clients who had tried to complain about payment terms and later found out that this was ‘a key factor for being unsuccessful in the tender process’. Mr Bushell was asked if he was willing to identify the mining company involved in this negotiation and he identified BHP.

4.108 Discussing what power small suppliers have in the relationship, Mrs Rourke proposed that some businesses are in a position to choose not to work for companies with 60 day payment terms, but many are not, because ‘BHP has such a big footprint in our region’.

Unfair contract terms

4.109 Ms Reid expressed the view that unfair contract terms have ‘always been a big issue in the mining industry’. She praised the recent addition of unfair contract provisions to the Australian Consumer Law but suggested it is a problem that small businesses must initiate proceedings in these matters.

4.110 The Isaac Regional Council recommended amendment of the unfair contract terms legislation to include stipulation that extended payment terms constitute an unfair contract term.

4.111 The Committee invited the ACCC to appear at a public hearing, as well as submitting written questions, to ascertain if any of these contracting practices or contract terms would constitute ‘unfair contract terms’ and what possible remedies there may be.

4.112 The ACCC submitted that the unfair contracts terms provisions:

- are limited in scope, only applying to new contracts;
- are only applicable to small businesses (employing less than 20 people) and small contracts ($300,000 or $1 million if over 12 months); and
- do not include any penalties for including unfair terms.

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103 CE Smith & Co, Submission 33, p. 2.
104 Mr Bushell, CE Smith & Co, Committee Hansard, Mackay, 30 August 2018, p. 24.
105 Mrs Rourke, RIN, Committee Hansard, Mackay, 30 August 2018, p. 47.
106 Ms Reid, Private capacity, Committee Hansard, Rockhampton, 29 August 2018, p. 34.
107 Isaac Regional Council, Submission 31, p. 8.
108 ACCC, Submission 70, p. 3.
4.113 The ACCC further clarified that under the existing law, a court can determine that a term is unfair and ‘declare it void’. However, ‘simply including an unfair term in a standard form contract is not prohibited’.109

4.114 In his appearance before the Committee, Mr Rami Greiss explained that the ACCC can only write to the company and seek assurances that the company will remove the clauses from their contracts. If they agree, there is no further action. Even if they have ‘been engaging in this conduct for years’, they cannot be prosecuted for it. He said:

… there’s no point going further to court, because all that the court could do is order the term void, whereas, if it were a contravention, the court could say, ‘Well you’ve engaged in this conduct for several years and we can impose a penalty.’110

4.115 The ACCC has begun campaigning for a strengthening of the Unfair Contract Terms provisions. It submitted that the laws:

… would be more effective if the inclusion of [unfair contract terms] in standard form contracts was prohibited, and if penalties were available for breaches of that prohibition. Additionally, the thresholds for a small business should be reviewed.111

Cost itemisation

4.116 Another practice of mining companies that businesses objected to was being forced to itemise their costs and profit margins when applying for a contract.

4.117 CE Smith & Co explained that at the beginning of the mining downturn many of its clients contracted by mining companies were asked to ‘open their books’ and provide details of their costs, financial statements and key performance indicators. This information was reportedly used to pressure suppliers into reducing their profit margins, which caused some businesses to fold.112

4.118 Ms Reid provided an example from her own company, which had a contract to undertake environmental monitoring on a large mine site. Ms Reid’s company was allegedly told to reduce its costs by 50 per cent. After working

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109 ACCC, Submission 70, p. 3.
110 Mr Rami Greiss, Executive General Manager, Enforcement, ACCC, Committee Hansard, Canberra, 17 October 2018, p. 13.
111 ACCC, Submission 70, p. 3.
112 CE Smith & Co, Submission 33, p. 8.
hard to find efficiencies, the company achieved a cost reduction of 38 per cent, which it put to the mining company who put the project out to tender regardless. Ms Reid said:

They took our intellectual property of how we would run that program and run it more efficiently. The contract documents had already been drawn up. Out of that we lost a $300,000 contract.\footnote{Ms Reid, Private capacity, \textit{Committee Hansard}, Rockhampton, 29 August 2018, p. 35.}

4.119 Ms Reid also explained to the Committee how mining companies expected her business to itemise costs when it submitted a tender:

Let’s say we were quoting $90 an hour. We had to break that $90 an hour down into superannuation guarantee, company payroll tax, workers compensation, other insurances, long service leave, management and admin, uniforms and PPE and so on and so forth. Then the last one on the list was ‘profit margin’.\footnote{Ms Reid, Private capacity, \textit{Committee Hansard}, Rockhampton, 29 August 2018, p. 38.}

4.120 Mrs Rourke stated that many members of the Resource Industry Network had similar experiences, especially during the mining downturn.\footnote{Mrs Rourke, RIN, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 46.}

4.121 The ACCC responded to questions about whether or not this practice constitutes unconscionable conduct or was a breach of the law in any other way. The ACCC’s view was that this was ‘unlikely’:

A requirement for businesses to include itemised costing in submitting a tender is likely to be considered a standard commercial procedure. Requiring companies to include their profit margin is unlikely to be unconscionable conduct. Using the information in a particular manner to the detriment of the small business may, in some circumstances, raise concerns of unconscionable conduct.\footnote{ACCC, \textit{Submission 70}, p. 2.}

Mining company perspectives

4.122 Over the course of the inquiry, mining companies were actively invited to provide a response about their payment terms and the other terms of reference. A number of mining companies chose to respond, but many did not.
4.123 Companies that made submissions were: Whitehaven Coal Limited; ConocoPhillips Australia; BHP; Origin Energy Limited; Anglo American; Glencore; Peabody Energy; Mineral Resources and Yancoal. Companies that appeared at public hearings were: BHP; Whitehaven; Rio Tinto; Roy Hill; Fortescue Metals Group; Origin Energy; and Glencore.

4.124 BHP’s submission included a justification for its 60 day standard payment terms on the basis of global competitiveness:

It is a business imperative to optimise our supply processes to ensure the sustainability of our business in a cyclical market for the benefit of our employees, shareholders, suppliers and host communities. As such, we must carefully balance the needs of suppliers with the needs of the business. This is true not just of BHP, but across the sector.  

4.125 At its appearance in Mackay, BHP argued that many of its global competitors have longer payment terms. Mr Palmer further asserted that the global standard terms of payment changed from 30 days to 60 in 2015.

4.126 Many of BHP’s supplier invoices are approved ‘on sight’, but not paid for 60 days because that is ‘in line with the payment terms of the agreement’.

4.127 BHP referred the Committee to C-Res and the Local Buying Program, which offers better payment terms, saying:

In 2017-18, we processed over 7,000 work instructions and completed more than 14,200 payments. Our average payment term right now is 13.6 days.

4.128 C-Res’s Chairman, Ms Kylie Porter confirmed that BHP pays C-Res in 7 days, which allows it to pay suppliers within 21 days: ‘which is a mandate as part of our charter’.

4.129 Ms Porter confirmed that medium and larger businesses that work with BHP want access to the payment terms offered by BHP through C-Res.

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117 BHP, Submission 49, p. 7.
118 Mr Palmer, BHP, Committee Hansard, 30 August 2018, p. 35.
119 Mr Palmer, BHP, Committee Hansard, 30 August 2018, p. 39.
120 Mr Singh, BHP, Committee Hansard, 30 August 2018, p. 37.
121 Ms Kylie Porter, Chairman, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 27.
122 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 28.
123 Ms Porter, C-Res, Committee Hansard, Mackay, 30 August 2018, p. 28.
However, the C-Res program is only for small businesses with less than 20 staff and limited turn-over.

4.130 Mrs Rourke pointed out another limitation of the C-Res model, which is that work is only available through the Local Buying Program if it comes direct from BHP. She explained:

Most businesses don’t fit into the small business category and many don’t actually receive the work direct from the mining house but rather the work flows through the supply chain to major contractors, down the tiers to small businesses and then onto subcontractors or small businesses with each having to pay the other for their product or service. An extended payment term at the start usually means everyone is now experiencing similar terms.\(^{124}\)

4.131 Ms Reid advocated for the payment terms of the Local Buying Program to be rolled out by BHP through tier 1 and 2 contractors, so that they must offer the same terms to small businesses.\(^{125}\)

4.132 During its appearance in Mackay, BHP responded to a suggestion that mining companies are profiting from extended payment terms at the expense of smaller businesses, saying that is ‘just not in line with our values’.\(^{126}\)

4.133 However, Mr Palmer also admitted that the change from 30 day to 60 day payment terms would have improved BHP’s balance sheet, saying: ‘I don’t have the numbers, but it will have’.\(^{127}\)

4.134 Asked if BHP would consider changing its payment terms back to 30 days, Mr Palmer replied:

Certainly one of the reasons we’re here is listening as well as speaking with our suppliers. We’ve certainly heard some things that make you take a look at that. It’s continually under review for us.\(^{128}\)

4.135 BHP mentioned that it offers exemptions to the standard 60 day terms for businesses experiencing financial hardship, but Mrs Rourke stated that

\(^{124}\) Mrs Rourke, RIN, *Committee Hansard*, Mackay, 30 August 2018, p. 45.

\(^{125}\) Ms Reid, Private capacity, *Committee Hansard*, Rockhampton, 29 August 2018, p. 40.

\(^{126}\) Mr Palmer, BHP, *Committee Hansard*, 30 August 2018, p. 35.

\(^{127}\) Mr Palmer, BHP, *Committee Hansard*, 30 August 2018, p. 39.

\(^{128}\) Mr Palmer, BHP, *Committee Hansard*, 30 August 2018, p. 40.
‘businesses [are] very reluctant to take up this offer due to the perception there might be if they’re actually saying that they’re in financial hardship’.\textsuperscript{129}

4.136 It appears BHP has made moves to bring more suppliers onto 30 days payment terms. In its supplementary submission, BHP stated:

\begin{quote}
During FY2018, a total of 473 vendors were considered small, local or Indigenous. … Since 1 July 2018, 706 small vendors have been proactively moved to 30 day payment terms.\textsuperscript{130}
\end{quote}

4.137 Fortescue acknowledged the positive impact that providing better payment terms could have for small businesses. In Port Hedland the company’s representatives explained that moving its Indigenous and Pilbara-based small businesses onto 14 days terms has had a big impact:

\begin{quote}
This has had a profound effect on the way that these businesses manage their cash flow. As they’re small businesses, in many cases their creditors are requiring cash on delivery or within seven days. So we’ve seen a remarkable uptick for a number of those small businesses.\textsuperscript{131}
\end{quote}

4.138 Miner and mining services provider, Mineral Resources Limited, which has payment terms of 45 days from the end of the month for all medium and large businesses, explained that its average total payment cycle time is 58 days from receipt of invoice.\textsuperscript{132}

4.139 As both a customer and supplier to the mining industry, Mineral Resources Limited submitted that it is ‘very conscious of the impact of onerous payment terms on small & medium regional enterprises’. The company went on to say that it has ‘carefully considered’ its payment terms and settled on 45 days which it believes are appropriate.\textsuperscript{133}

4.140 Glencore submitted that the company made a deliberate decision not to increase its payment terms during the last commodity downturn ‘when commodity prices were low and there was pressure on individual mining operations’.\textsuperscript{134}

\textsuperscript{129} Mrs Rourke, RIN, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 46.

\textsuperscript{130} BHP, \textit{Supplementary Submission 49.1}, p. [3].

\textsuperscript{131} Mr Tom Weaver, Acting Group Manager, Government and Community, Fortescue Metals Group, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 30.

\textsuperscript{132} Mineral Resources Limited, \textit{Submission 69}, p. [1].

\textsuperscript{133} Mineral Resources Limited, \textit{Submission 69}, p. [1].

\textsuperscript{134} Glencore, \textit{Submission 68}, p. 4.
4.141 Origin Energy submitted that it is ‘proud’ of its procurement policies, which include 30 day payment terms for small businesses, 14 day terms for Indigenous businesses and some other small business types, and individually agreed terms for medium and larger businesses.\(^\text{135}\)

4.142 Some witnesses to the inquiry proposed that there was a role for minerals councils and resources councils in setting industry standards. Mr Moran proposed these bodies play a role in creating an industry standard ‘that will work for industry and the businesses that work within that industry.’\(^\text{136}\)

4.143 The Minerals Council of Australia submission did not address the issue of payment terms.\(^\text{137}\)

4.144 When she appeared before the Committee in Canberra, Minerals Council of Australia CEO, Mrs Tania Constable PSM was asked about the possibility of creating an industry standard around payment terms – not just for small businesses but for all suppliers. She rejected the idea:

> As I said, we see these as commercial arrangements that are put in place. We don’t dictate, to the industry as a whole or to companies, what those payment terms should look like. They are always seeking to be more competitive than other parts of the industry. Going back to where I started with the last question: it was around social licence to operate—the relationships that they need to have within communities—and that is taken into account, but we haven’t sought to have an industry-wide standard.\(^\text{138}\)

**Options for regulation**

4.145 The Committee asked witnesses, including industry groups, local businesses, and government agencies what role governments could or should play in relation to payment terms.

4.146 A number of industry participants, especially those in Rockhampton and Mackay, proposed that government regulation may be the only way to address the problem of extended payment terms. For instance, Ms Reid

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\(^\text{136}\) Mr Moran, Gladstone Engineering Alliance, *Committee Hansard*, Rockhampton, 29 August 2018, p. 8.

\(^\text{137}\) Minerals Council of Australia (MCA), *Submission 48*.

stated that, while she generally did not advocate government interference in markets, in this case it was justifiable.\textsuperscript{139}

4.147 The Resource Industry Network agreed, and explained that it had been running a campaign directed at the mining industry which had ostensibly failed. It submitted that over the course of the campaign more businesses had adopted 60 day terms.\textsuperscript{140}

4.148 In light of the failure of this campaign, the Resource Industry Network recommended the government legislate for payment terms no longer than 30 days.\textsuperscript{141}

4.149 Some witnesses advocated for even shorter payment terms. For instance, Councillor Hope argued that rural and regional businesses should be paid in seven or 14 days.\textsuperscript{142}

4.150 Mr Jason Russo from the Department of Industry, Innovation and Science explained that the Department does not play any role in regulating industry contracts, and has not conducted any significant research on the issue at this stage, but has ‘a watching brief on this and are monitoring it’.\textsuperscript{143}

4.151 The ACCC confirmed that extended payment terms do not in themselves constitute a breach of the Competition and Consumer Law, particularly as the issue is between a large company and smaller suppliers, rather than between competitors:

\begin{quote}
... on the facts available, the conduct is unlikely to damage the competitive process. ... Even in the situation where there is only one large business, a requirement that suppliers accept payment terms of 60 or 90 day payment terms is unlikely to be considered unconscionable within the meaning of the [Competition and Consumer Act 2010].\textsuperscript{144}
\end{quote}

4.152 Small businesses unhappy with their payment terms can currently request assistance from the Australian Small Business and Family Enterprise Ombudsman (ASBFEO). The ASBFEO has a role in mediating between the

\textsuperscript{139} Ms Reid, Private capacity, \textit{Committee Hansard}, Rockhampton, 29 August 2018, p. 33.

\textsuperscript{140} RIN, \textit{Submission 8}, p. 15.

\textsuperscript{141} Mrs Rourke, RIN, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 46.

\textsuperscript{142} Councillor Hope, Liverpool Plains Shire Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 8.

\textsuperscript{143} Mr Jason Russo, General Manager, Onshore Minerals, Department of Industry, Innovation and Science (DIIS), \textit{Committee Hansard}, Canberra, 15 August 2018, p. 6.

\textsuperscript{144} ACCC, \textit{Submission 70}, p. 1.
parties and, where necessary, coordinating alternative dispute resolution processes.145

4.153 Mining services businesses have previously sought the assistance of the ASBFEO, including one in 2017:

... in 2017, we received a request for assistance from a complainant who supplied goods to a large mining company who maintained that payment times of up to 4 months was impacting business. ... A satisfactory outcome was achieved with the small business being moved to 30 day payment terms. When we contacted the mining company they advised that the business had not been registered as a ‘small’ business, so they were on a 60 day payment time.146

4.154 As this example shows, there may be some ability for businesses to seek better terms through the ASBFEO, but this is restricted to small businesses. In addition, the ASBFEO’s powers are limited. It can only require the parties engage in dispute resolution processes. It cannot institute court proceedings or arbitration. If a party chooses not to participate in mediation, the ASBFEO can publish this information, publically naming them.147

4.155 In April 2017, ASBFEO released the report of its ‘Payment Times and Practices Inquiry’. This report made a number of recommendations including:

Recommendation 8: The Australian Government to introduce legislation for larger businesses to publicly disclose all of their payment times and practices and performance against those terms. Larger businesses being the top 100 listed on the ASX and multinationals.

Recommendation 9: Australian Government to introduce legislation which sets a maximum payment time for business to business transactions. Certain industries may need terms greater than the maximum which can be agreed providing they are not grossly unfair to one party. Where a longer term is called into dispute it will be considered an unfair contract term.148

145 Australian Small Business and Family Enterprise Ombudsman (ASBFEO), Supplementary Submission 60.1, p. 1.

146 ASBFEO, Supplementary Submission 60.1, p. 1.

147 ASBFEO, Supplementary Submission 60.1, p. 2.

4.156 In November 2017, the Australian Government published its response to the ASBFEO report. The government response indicated that it wanted to see payment times reduced, and an end to extended payment terms in contracting between businesses. However, it was reluctant to ‘add more regulation to address a problem unless it is absolutely necessary’.149

4.157 The Government noted recommendations 8 and 9, which proposed legislating business to business payment times, saying:

The Government is willing to give industry the first opportunity to address the problem. However, the Government’s support is not unconditional and I will be carefully monitoring the effectiveness of the [Business Council of Australia’s industry-led Australian Supplier Payment Code] and reserve the right to take stronger action should we see a lack of progress over time.150

4.158 Further, the response indicated the Government is ‘carefully monitoring the effectiveness’ of the Australian Supplier Payment Code to see if it reverses the trend towards longer payment times. The Government suggested that the Business Council of Australia continue to review the Code and consider incorporating sanctions for non-compliance.151

4.159 The Business Council of Australia stated that 46 Business Council members and 37 non-members, who collectively earn revenue of more than $416 billion, have adopted the Code.152

4.160 On 6 September 2018, the Business Council of Australia launched a planned independent 12 month review into the Code, headed by former ACCC Chair, Professor Graeme Samuel AC. As of November 2018, the review is open for submissions, and the objective of the review is to assess whether the Code is fit-for-purpose and is improving payment times and practices,


particularly for small business suppliers. The reviewer is required to provide a draft report by 11 December 2018.

4.161 A number of witnesses to this inquiry suggested the Code has been unsuccessful. The ASBFEO claimed that voluntary codes of conduct in relation to payment terms have been ‘proven to be ineffective’. As such, ASBFEO advocate for regulation.

4.162 Rockhampton Regional Council also argued that the industry has failed to self-regulate, citing that only 80 companies have become signatories to the Business Council of Australia’s voluntary Australian Supplier Payment Code.

4.163 Rockhampton Regional Council recommended that the Australian Government give further consideration to implementing ASBFEO Recommendation 8 (forced disclosure), and to legislating maximum payments terms of 30 days, with compliance and enforcement mechanisms.

4.164 Chartered Accountants Australia and New Zealand also recommended the Committee consider the recommendations of the ASBFEO report.

4.165 As a first step, the Lytton Advisory report proposed the development of a Regulatory Impact Statement for public consultation on regulating payment terms.

4.166 Not everyone supported regulating payment terms. The Association of Mining and Energy Related Councils instead encouraged the government to ‘seek reforms by the mining sector on this important procurement issue for businesses in mining affected economies’.

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155 ASBFEO, *Submission 60*, p. [1].

156 Rockhampton Regional Council, *Submission 63*, p. 5.


159 Lytton Advisory, *Economic Analysis of Extended Payment Terms*, p. 23.

4.167 BHP argued that legislating 30 days payment terms would not represent an ‘optimum’ outcome, as it would bring all suppliers under the same conditions, reducing the flexibility provided by current arrangements.\(^{161}\)

4.168 The Local Government Association of Queensland proposed the Federal Government should lead the development of a ‘National Code of Conduct for Local Content Procurement in the Resources Sector’. It argued this should enforce ‘a maximum payment term of 20 business days’.\(^{162}\)

4.169 Councillor Camilo Blanco, Mayor of Port Hedland, argued that local councils can easily negotiate better payment terms with multinationals:

> If we have a good working relationship with them, we can influence their business model. We’ve done that as a local government, and the likes of BHP and [Fortescue] have reduced their payment terms, ranging from seven to 14 days. This has been a great benefit to local businesses that engage with multinationals.\(^{163}\)

4.170 The Committee notes this has not been achievable for local councils in the Rockhampton and Mackay regions, who have been advocating for shorter payment terms for some time.

4.171 Finally, witnesses implored the government to act quickly on payment terms. Mrs Rourke said:

> … as businesses are not in the position to wait another year or two for recommendations or further investigations. Fair 30-day payment terms will not only bring financial opportunity to our region, which we are rightly entitled to, but would go a long way towards repairing the relationship between suppliers and the mining houses to encourage collaboration, to innovate and to improve the wellbeing of people in our sector.\(^{164}\)

### Committee comment

#### Payment terms

4.172 Extended payment terms are impacting negatively upon businesses, communities and the health and well-being of individuals and families in

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\(^{161}\) Mr Palmer, followed by Mr Singh, BHP, *Committee Hansard*, 30 August 2018, p. 42.


\(^{163}\) Councillor Camilo Blanco, Mayor of Port Hedland, *Committee Hansard*, Port Hedland, 9 October 2018, p. 9.

\(^{164}\) Mrs Rourke, RIN, *Committee Hansard*, Mackay, 30 August 2018, p. 46.
regional areas. The Committee was moved by stories told by witnesses and submitters around Australia who have been and continue to be affected by these practices.

4.173 Payment terms of 60 and 90 days are impacting the entire economies of some regional areas, with businesses unable to invest, employ and grow. This has flow-on effects for the whole community and is detrimental to the growth and sustainability of Australia’s regional towns.

4.174 There is no doubt that large mining companies achieve a fiscal benefit from holding off payments to suppliers for products and services for longer than 30 days. However, the Committee believes that this practice is short-sighted and does not ultimately benefit the mining sector or the communities in which it operates.

4.175 The Committee believes that 60 and 90 day payment terms are damaging the reputation of mining companies in some regions. Further, that these practices can erode good will towards mining projects in regional areas and reduce mining companies’ social licence to operate.

4.176 Also damaging to the relationships mining companies enjoy with regional businesses is the practice of delaying the payment of invoices due to minor administrative errors or late submission. Mining companies should work to reduce and avoid these delays, and ensure on-time payment for suppliers in relation to when the service was provided.

4.177 The Committee applauds BHP’s Local Buying Program as an example of best practice in paying small regional suppliers. However, the Local Buying Program only captures the very small players in the sector, and does not provide any protection for businesses contracting to one of BHP’s tier 1 or 2 contractors, through which 80 per cent of BHP’s spend is flowing.

4.178 BHP’s argument that it would impractical or legally-difficult for BHP to require its tier 1 and 2 contractors to pay small businesses in 30 days or less is not convincing. Origin Energy has been able to include such provisions in a number of its contracts, proving it is achievable.

4.179 All mining companies should work to ensure their tier 1 and 2 contractors ‘pass down’ 30 days or better payment terms, especially for small and medium regional businesses.

4.180 The Committee was concerned to hear of the practice of offering finance to suppliers through a third party to help them manage cash-flow problems caused by extended payment terms. Programs like BHP’s Supply Chain
Financing Program represent an acknowledgement that extended payment terms are unsustainable for many suppliers.

4.181 Even if BHP does not receive any direct financial benefit from offering these financing arrangements, the Committee is uncomfortable with the impression such an arrangement gives, and questions the appropriateness of these programs.

4.182 The Committee applauds those mining companies that pay all suppliers according to 30 day terms, especially those with shorter terms for small and Indigenous businesses. Many medium-sized businesses are crucial players in regional economies and these businesses are experiencing hardship as a result of extended payment terms.

4.183 The Committee acknowledges mining companies that are offering 30 day or better payment terms already. However, companies who pay 30 days from the end of the month should change this to 30 days from receipt of the invoice.

4.184 The Committee was pleased to receive Anglo American and Peabody’s submissions, which stated that they had recently decided to formalise 30 day payment terms for all Australian small and medium sized businesses.

4.185 The Committee was happy to be informed by BHP that, in light of this inquiry, it has decided to offer payment terms of 30 days or better to all Local Community Suppliers, regardless of the size of the business. This is the right thing to do and will make a real difference in regional economies.

4.186 All companies who offer 30 day terms (or better) to small businesses should extend them to medium sized businesses and all local businesses based in regional areas, regardless of the size of the business.

4.187 Despite these promising statements from BHP, Anglo American and Peabody, the Committee does not believe the industry as a whole intends to reduce payment terms back to 30 days, especially not for large and medium sized suppliers.

4.188 This view was reinforced by the statement from the Minerals Council of Australia that it sees payment terms as a commercial decision for each company and doesn’t intend to ‘dictate’ what terms should be.\(^{165}\)

4.189 The mining industry has had opportunities to standardise payment terms and has chosen not to. While the Committee supports the Business Council

\(^{165}\) Mrs Constable PSM, MCA, Proof Committee Hansard, Canberra, 24 October 2018, p. 12.
of Australia’s voluntary *Australian Supplier Payment Code* (the Code), many mining companies are not signatories. In addition, the Code does nothing to protect medium sized enterprises from 60 or 90 day terms. Nevertheless, the Committee will be interested to see the results of the current review of the Code being headed up by Professor Graeme Samuel AC, and notes that a draft report is due to the Business Council of Australia by 11 December 2018.

4.190 In order to avoid the need for regulation, the Business Council of Australia’s *Australian Supplier Payment Code* would need to:

- be extended to cover all SMEs and regional businesses of any size;
- include reporting and enforcement mechanisms; and
- be signed by more companies, including from the mining sector.

4.191 If the Code were strengthened, state and territory governments could make being a signatory to the Code a requirement of companies seeking exploration licences in that state or territory. Local councils can also play a role in demanding fair payment terms for their regional businesses.

4.192 In light of the damage inflicted on regional economies by extended payment terms, and evidence that a majority of mining companies do not intend to change these for medium or large suppliers (if at all), the Committee is recommending further government action in relation to payment terms.

4.193 Unless the *Australian Supplier Payment Code* is significantly strengthened and extended to medium sized business and regional businesses of any size, government action on payment terms should include scoping and developing legislation for regulating maximum payment terms for contracts involving small and medium sized businesses in Australia.

4.194 The Committee notes that the Minister for Small and Family Business, Skills and Vocational Education, Senator the Hon Michaelia Cash, asked the Australian Small Business and Family Enterprise Ombudsman on 12 November 2018 to provide the government with further evidence on the ‘effects of late or extended payment practices on the cash flow of small businesses and family enterprises in Australia’.  

4.195 The Committee further notes the announcement on 21 November 2018 from the Prime Minister, the Hon Scott Morrison MP, that the government ‘will work with the sector to develop an annual reporting framework, requiring

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large businesses over $100 million turnover to publish payment information on how they engage with small businesses’.  

4.196 The Committee is pleased to see the government moving forward on this issue and is encouraged that small business payment times will be placed on the Council of Australian Governments agenda for its December 2018 meeting.  

4.197 However, the Committee notes that these announcements only relate to small businesses and encourages the government to consider stronger action, including legislation.

Other contracting practices

4.198 The Committee was also concerned to hear of mining companies seeking to protect themselves from risk, and limit potential liabilities, through imposing unreasonable termination, liability and indemnity clauses onto suppliers. Most regional suppliers have a limited capacity to protect themselves from being pressured into accepting these unfair terms.

4.199 Also of concern was the practice reported by a number of businesses whereby mining companies require suppliers to itemise all of their costs, including their profit margin, when tendering for contracts. This practice may not be illegal, but it does not meet standards of fairness.

4.200 Unfortunately, the existing consumer law does not provide much protection for SMEs against unfair contracting practices, or unfair contract terms, as these terms are not currently a ‘contravention’ of the law, and as such there are no penalties for imposing them.

4.201 The Committee supports the Australian Competition and Consumer Commission’s campaign to see the laws around unfair contract terms strengthened and their scope increased to take in larger businesses and contracts than is currently the case.

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Recommendations

Recommendation 6

4.202 The Committee recommends that the Australian Government closely consider the outcome of the independent review into the Business Council of Australia’s voluntary *Australian Supplier Payment Code* (the Code) when it is finalised. If the review does not result in a significant strengthening of, and compliance by industry with, the Code, the Australian Government should move to legislate maximum payment terms. A strengthened Code would need to include:

- coverage for medium sized businesses;
- reporting and enforcement mechanisms; and
- more signatories, especially from the mining and resources sectors.

Recommendation 7

4.203 If the *Australian Supplier Payment Code* is not significantly strengthened by July 2019, the Committee recommends the Australian Government implement recommendation 9 from the Australian Small Business and Family Enterprise Ombudsman’s *Payment Times and Practices Inquiry - Final Report* (2017):

- Recommendation 9: Australian Government to introduce legislation which sets a maximum payment time for business to business transactions. Certain industries may need terms greater than the maximum which can be agreed providing they are not grossly unfair to one party. Where a longer term is called into dispute it will be considered an unfair contract term.

Recommendation 8

4.204 The Committee recommends that, in the absence of legislated payment terms, the Federal Government work with state, territory and local governments, and land councils, who make licensing agreements with mining and resources companies to ensure any new exploration licences are only granted to companies that agree to sign up to the *Australian Supplier Payment Code*. 
Recommendation 9

4.205 The Committee recommends that the Australian Government prioritise reviewing the Australian Consumer Law with a view to:

- Amending the law so that Unfair Contract Terms in business-to-business contracts are prohibited under the law;

- Including potential penalties for imposing Unfair Contract Terms;

- Clarifying or widening the definition of a ‘standard form contract’, as required to meet the intent of the legislation; and

- Amending the thresholds to ensure a larger proportion of small and medium sized businesses can be protected by the law.
5. Skills, innovation and diversification

“There’s all this opportunity, all these contracts available, but we can’t get the people.”

5.1 Skills and education arose as key issues during the inquiry. Witnesses talked about skills shortages, and the need for more investment in training and upskilling of individuals and businesses in regional areas to meet the demands of the mining sector.

5.2 Witnesses also talked about the need for businesses in the mining equipment, technology and services (METS) sector to work together to maximise opportunities to compete for mining company contracts, through ‘clustering’.

5.3 The inquiry sought to discover how businesses and communities can better prepare themselves for mining ‘boom and bust’ cycles, and for the eventual wind-down and withdrawal of mines.

5.4 This chapter discusses skills and training, technology, innovation and opportunities for diversification in regional economies where mining plays an intricate part. It concludes with recommendations for increasing the capacity and sustainability of mining towns and regions.

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1 Mrs Stacey Cooke, President, Gunnedah and District Chamber of Commerce and Industry, Committee Hansard, Tamworth, 4 September 2018, p. 20.
Skills shortages and skills development in regional areas

5.5 At public hearings in Tamworth, Port Hedland and Kalgoorlie, the Committee heard evidence that many regional communities are struggling to meet the demands of mining investment boom cycles. Communities struggle to provide enough skilled workers and skill-up potential workers quickly, while businesses struggle to take on contracts because they can’t expand fast enough.

5.6 Mr Drew Wagner from the Northern Territory (NT) Division of the Minerals Council of Australia cited issues with the ‘preparedness of service providers, businesses and suppliers to be ready for the next wave of investment’. Mr Wagner specifically identified skills shortages in surveying and mine site rehabilitation as pressing in the Northern Territory.

5.7 Mr Michael Broekman from the Gunnedah and District Chamber of Commerce and Industry, reported a significant loss of potential income for his brick making business caused by a lack of available workers:

In the 2016-17 financial year, I reckon we lost on a million dollars worth of work because we couldn’t find enough staff. That happened again in 2017-18.

5.8 Mr Broekman elaborated that it was becoming impossible to employ truck drivers, plant operators, and other skilled trades, and that, in his opinion, TAFEs were underfunded and no longer focused on trades training.

5.9 Councillor Andrew Hope from the Liverpool Plains acknowledged that small businesses struggle with the costs of accreditation and ongoing retention of skilled staff, especially with the cyclical nature of the mining

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2 Mr Drew Wagner, Executive Director, Northern Territory Division, Minerals Council of Australia (MCA), *Committee Hansard*, Darwin, 31 July 2018, p. 1.

3 Mr Wagner, MCA (NT), *Committee Hansard*, Darwin, 31 July 2018, p. 3.

4 Mr Michael Broekman, Vice President, Gunnedah and District Chamber of Commerce and Industry, *Committee Hansard*, Tamworth, 4 September 2018, p. 18.

5 Mr Broekman, Gunnedah and District Chamber of Commerce and Industry, *Committee Hansard*, Tamworth, 4 September 2018, p. 16.
industry. He proposed subsidies for small businesses in the towns and regions of greatest need to help address this.

5.10 Mining companies submitted that they undertake various training programs, including apprenticeships. Examples included:

- The BMA Apprenticeship Program for people living in Central Queensland, which took 41 apprentices in 2018 for trades such as electricians, mechanics, diesel fitters, auto-electricians and boilermakers.
- Roy Hill’s ‘greenie’ program, which trains people who have no experience in the mining industry, including Indigenous people.
- Rio Tinto’s local trainee program, which has about 60 trainees from the local Pilbara region, and formal apprenticeships programs, which takes on between 30 and 50 apprentices a year.
- Local Hunter miner, Bloomfield’s apprenticeship and trainees programs, which have around 40 apprentices currently engaged.

5.11 Some witnesses argued that mining companies are not doing their fair share of training. Mr Owen Pike from the NT Manufacturer’s Council asserted that mining companies do not take on enough apprentices:

They demand such an influx of trades, but they’re not committing enough back. ... I’ve got more apprentices at that trade school than the big mining companies. They’re the first ones to demand all the labour.

5.12 Mr Pike referred specially to the INPEX project in Darwin, which recently launched 250 apprenticeships. He acknowledged that 250 apprentices may...

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6 Councillor Andrew Hope, Mayor, Liverpool Plains Shire Council, *Committee Hansard*, Tamworth, 4 September 2018, p. 9.


12 Mr Owen Pike, Chairman, Manufacturer’s Council, Chamber of Commerce, Northern Territory, *Committee Hansard*, Darwin, 31 July 2018, p. 9.
seem like a lot, but it represents less than one per cent of the workforce of more than 14,000 people.\textsuperscript{13}

5.13 Witnesses proposed that businesses in mining areas needed to be supported so that they could take on more apprentices, which would provide more capacity to service the mining sector.

5.14 Mrs Adrienne Rourke from the Resource Industry Network reported that a lack of confidence in the future of mining sector work leads small and medium sized enterprises (SMEs) to fear putting on apprentices:

> An apprentice is a four-year commitment. It’s a catch 22 at the moment. They need the skilled workers now, and so everyone is saying, ‘What about apprentices?’ Yes, that’s right, but we need to actually fill the work that we’ve got happening now, so that we can look at apprentices and have the cash flow and the work there as well to do that.\textsuperscript{14}

5.15 Mrs Rourke suggested industry associations, government and the private sector ‘still have a job to do on the messaging’ around assuring apprentices and others that there is a future in the mining and METS sectors.\textsuperscript{15}

5.16 One mining services company (name withheld) suggested that businesses would have more confidence to put on apprentices and trainees if mining company contracts were longer, for instance four years. The proposal included a suggestion to incorporate apprenticeships into the contract.\textsuperscript{16}

5.17 Where training is available, some witnesses questioned if it is imparting the right skills. Mr Broekman explained that his business needs employees who are ‘work ready, and what’s coming out of the education system isn’t work ready’.\textsuperscript{17}

5.18 Most witnesses agreed that trades training and apprenticeships were the responsibility of large and small businesses, communities, and governments

\textsuperscript{13} Mr Pike, Manufacturer’s Council, \textit{Committee Hansard}, Darwin, 31 July 2018, p. 9.

\textsuperscript{14} Mrs Adrienne Rourke, General Manager, Resource Industry Network (RIN), \textit{Committee Hansard}, Mackay, 30 August 2018, p. 52.

\textsuperscript{15} Mrs Rourke, RIN, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 52.

\textsuperscript{16} Name withheld, \textit{Submission 1}, p. [2].

\textsuperscript{17} Mr Broekman, Gunnedah and District Chamber of Commerce and Industry, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 16.
alike. However, Mr Broekman believed that the small business sector is supplying more trained staff into ‘the pool’ than other sectors.\footnote{Mr Broekman, Gunnedah and District Chamber of Commerce and Industry, Committee Hansard, Tamworth, 4 September 2018, p. 16.}

5.19 Mrs Stacey Cooke from Gunnedah and District Chamber of Commerce and Industry suggested local businesses are paying to train employees who then leave to work in the mines, meaning the local business has, in effect, subsidised the mining sector.\footnote{Mrs Cooke, Gunnedah and District Chamber of Commerce and Industry, Committee Hansard, Tamworth, 4 September 2018, p. 15.}

5.20 Councillor Hope identified a lack of focus on trades by TAFE NSW and other training bodies and a paucity of relevant course offerings in regional New South Wales.\footnote{Cr Hope, Liverpool Plains Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 9.}

5.21 Mayor of Cessnock, Councillor Bob Pynsent said his region has the same issue, with TAFE losing funding and courses being withdrawn or moved to Newcastle. He questioned: ‘… how does a young person without a vehicle themselves get to Singleton or Muswellbrook to be trained?’\footnote{Councillor Bob Pynsent, Mayor, Cessnock City Council, Proof Committee Hansard, Singleton, 5 November 2018, p. 21.}

5.22 Mr Angus Russell from Rockhampton Regional Council said training should be conducted closer to where industry works.\footnote{Mr Angus Russell, Manager Strategy and Planning, Rockhampton Regional Council, Committee Hansard, Rockhampton, 29 August 2018, p. 6.} Similarly, Gunnedah Councillor, Gae Swain proposed that mining companies should engage with TAFE to deliver trades training to students on local campuses, which would ‘go a long way to help keeping them in the district, thus addressing skill shortage’.\footnote{Councillor Gae Swain, Deputy Mayor, Gunnedah Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 2.}

5.23 Mr John Walker, CEO of the City of Kalgoorlie-Boulder suggested that companies and governments at all levels need to anticipate and prepare for skills shortages by developing education and employment plans.\footnote{Mr John Walker, Chief Executive Officer, City of Kalgoorlie-Boulder, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 7.}
5.24 Mr Robert Hicks reported that, during the mining construction boom, Kalgoorlie was the first region in Western Australia to develop a workforce development plan. However, despite its history of workforce planning, the Committee heard Kalgoorlie businesses are now experiencing great difficulties in sourcing and retaining staff.

5.25 Owner of the Overland and Miners Rest Motels, Mr Aaron Heal, explained that sourcing staff was a constant problem for his business, with many locals preferring to work in mining, where the pay rates are much higher.

5.26 Mr Heal said that backpackers were a good source of workers. However, they are limited in how long they can work for him, because his business is not eligible to be a regional provider of the ‘88 days’ backpackers require to get a second year visa. Mr Heal also relies on skilled migration visas to bring in chefs, but these are getting harder to obtain.

5.27 Kalgoorlie business owner, Mr Laurie Ayers reported that he had 10 roles to fill that he could not fill: ‘I want to venture and grow my company, but I know that there is no chance after 28 years and four cycles of wasting my money on Seek.’

5.28 One way witnesses suggested dealing with this issue was through skilled migration. Mr Walker said he was lobbying government to provide more accessible pathways for skilled migration to regional areas desperate for workers. He asserted:

... we need that commitment, because we have some 1,500 jobs available here today. We have a shortage in skilled people coming through from the schools, the School of Mines particularly, and we need in the short term to be able to bring skilled migration here through a DAMA ... We’ll be seeing Minister Tudge on Monday as well to see whether the Kalgoorlie area and the Goldfields can become a trial for migration in this country.

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25 Mr Robert Hicks, Private capacity, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 10.
26 Mr Aaron Heal, Owner, Overland Motel and Miners Rest Motel, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 22.
27 Mr Heal, Overland and Miners Rest Motel, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 22.
28 Mr Laurie Ayers, General Manager, Goldfields Conferences and Events, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 23.
29 Mr Walker, City of Kalgoorlie-Boulder, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 3.
Competition for skilled workers

5.29 Regional business owners and industry associations described the significant problem of losing workers to the mining sector. Mr Neil Lethlean, from Capricorn Enterprise said that the high wages offered by mining companies result in a loss of skilled personnel from other sectors.\(^{30}\)

5.30 CEO of the Northern Territory Farmers Association, Mr Greg Owens confirmed that the agricultural sector also competes with mining companies for skilled labour, especially machinery operators. The issue is compounded by the fact that businesses in agriculture and horticulture can’t generally offer such high wages.\(^{31}\)

5.31 The problem was also apparent in Kalgoorlie. Mr Heal reported losing chefs ‘to drive trucks out at the nickel smelter because they could pay them almost twice the amount we could.’\(^{32}\)

5.32 Mr Jason Russo from the Department of Industry, Innovation and Science confirmed that the Department is aware of some regions reporting an ‘outflux of skills, labour and young people’ to go and work in the mines where incomes are higher.\(^{33}\)

5.33 Some witnesses went further, claiming that mining companies actively ‘poach’ workers through labour hire companies. Mr Lethlean reported that labour hire companies are engaging employees of local businesses ostensibly to complete a set task with a limited timeframe, then ‘poaching’ those workers by asking them to quit their jobs and sign on with the labour hire company.\(^{34}\)


\(^{31}\) Mr Greg Owens, Chief Executive Officer, Northern Territory Farmers Association, *Committee Hansard*, Darwin, 31 July 2018, p. 17.

\(^{32}\) Mr Heal, Overland and Miners Rest Motel, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 27.

\(^{33}\) Mr Jason Russo, General Manager, Onshore Minerals, Department of Industry, Innovation and Science (DIIS), *Committee Hansard*, Canberra, 15 August 2018, p. 2.

\(^{34}\) Mr Lethlean, Capricorn Enterprise, *Committee Hansard*, Rockhampton, 29 August 2018, pp. 18-19.
Training strategies

5.34 The Committee heard evidence about the kinds of training and education strategies that could boost the capacity of regional workforces to service the mining industry.

5.35 Prof Carthew from Charles Darwin University highlighted the importance of partnerships in teaching, training and research, providing the example of the partnership between Charles Darwin University, Rio Tinto and the Indigenous Gumatj Corporation.³⁵

5.36 The Gumatj Corporation are opening a bauxite mine in East Arnhem with support from Rio Tinto. In partnership with Rio Tinto, the university has developed a training program for Indigenous people wishing to work in the mine. Prof Carthew added:

> These sorts of partnership opportunities can really facilitate and enable regional communities and Indigenous communities to engage in the mining industry and get the skills and training that they require.³⁶

5.37 Professor Fiona McKenzie explained that Rio Tinto has also initiated a local apprenticeship program where apprentices train with the local Shire, ‘enabling the apprentice to live locally but also bolstering resources in the local government sector’.³⁷

5.38 Professor Sue Carthew confirmed that people who come from the regions and are trained in the regions are ‘much more likely to stay in those regions than those recruited from elsewhere’.³⁸

5.39 Prof McKenzie argued that training programs are becoming inaccessible in rural, regional and remote locations. She gave the example of the TAFE system in Western Australia, which she said no longer supports local traineeships. She wrote:

> Without the support of mining companies, in Broome for example, the opportunity for local residents to train for mining jobs and engage with the mining sector would be non-existent.³⁹

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³⁵ Professor Sue Carthew, Vice-President, and Provost, Charles Darwin University, Committee Hansard, Darwin, 31 July 2018, p. 23.
³⁷ Professor Fiona McKenzie, Submission 61, p. [6].
³⁸ Prof Carthew, Charles Darwin University, Committee Hansard, Darwin, 31 July 2018, p. 23.
5.40 Whitehaven Coal’s CEO, Mr Paul Flynn told the Committee that Whitehaven partners with local businesses to inform the Gunnedah TAFE about the general need for tradespeople:

Say the local service station has a need for electricians, for instance, and we’ve got a need for 10. What we’re doing is pooling all the needs so that we can actually have a community based picture of what the need is for those trades…

5.41 Mr Flynn suggested that more training could be done in Gunnedah, because at the moment a lot of apprentices have to travel to Tamworth to attend courses.

5.42 Councillor Swain agreed with this assessment of Gunnedah TAFE, saying the town’s excellent TAFE campus ‘is grossly underutilised’ and locally-based training would help keep young people in the town.

5.43 Hunternet’s Mr Wayne Diewmar said that TAFE training also needs to keep up with new skills and technologies required by modern tradespeople.

5.44 Witnesses in Singleton complained that the New South Wales school system does not allow its students to engage with TAFEs, because they prefer to promote university entrance. Mr Adrian Price, from Australian Industry Group said:

We need engineers, but we also need the technicians and tradespeople, because they’re the ones who have the ability to turn ideas into reality, and they also maintain, in the mining sense, equipment and structures.

5.45 The Committee heard that universities should also play a role in educating the mining and METS workforces of the future.

5.46 Prof Carthew argued that regional universities needed to provide courses suited to regional students and Indigenous students, who may be lacking in

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39 Prof McKenzie, Submission 61, p. 8.
40 Mr Paul Flynn, Managing Director and Chief Executive Officer, Whitehaven Coal, Committee Hansard, Tamworth, 4 September 2018, p. 49.
41 Mr Flynn, Whitehaven Coal, Committee Hansard, Tamworth, 4 September 2018, p. 49.
42 Cr Swain, Gunnedah Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 1.
43 Mr Wayne Diewmar, Senior Project Director, HunterNet, Proof Committee Hansard, Singleton, 5 November 2018, p. 22.
44 Mr Adrian Price, Regional Manager, Hunter Region, Australian Industry Group, Proof Committee Hansard, Singleton, 5 November 2018, p. 22.
experience in the higher education system. She proposed ‘nested systems’, where students can ‘build from a VET certificate 1 through to 2, 3 and 4 and into a diploma, associate degree, bachelor and so on’.45

5.47 The Professor also encouraged governments to fund scholarships and cadetship schemes, the creation of high-quality distance-learning course materials, and regional study centres focussed on learning the skills required for mining and METS.46

5.48 Mayor Hope confirmed the importance of online learning for regional and remote tradespeople.47

5.49 Mining company, ConocoPhillips advocated for more pathways for students to move into the industry through education, citing programs like the Queensland Minerals and Energy Academy and the Central Queensland University STEM Central.48

5.50 Best practice examples were presented in relation to Newcastle University. Dr Richard Bush, from the University of Newcastle, talked about the new tertiary knowledge hub opened in Muswellbrook in partnership with TAFE and local government, saying:

We’re bringing our academics up there and we’re working on professional short courses with industry people, upskilling those that are working in the industry.49

5.51 Big mining companies also reported on their training strategies. Fortescue’s Mr Tom Weaver talked about Fortescue’s VTEC training program, which he said ‘literally takes people from welfare to work’, and their ‘trade-up program’. The trade-up program allows workers without a qualification to become qualified in a trade with Fortescue’s support.50

45 Prof Carthew, Charles Darwin University, Committee Hansard, Darwin, 31 July 2018, p. 23.
47 Cr Hope, Liverpool Plains Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 11.
48 ConocoPhillips, Submission 17, p. 3.
49 Dr Richard Bush, Director, International Centre for Balanced Land Use, The University of Newcastle, Proof Committee Hansard, Singleton, 5 November 2018, p. 23.
50 Mr Tom Weaver, Acting Group Manager, Government and Community, Fortescue Metals Group, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 31.
5.52 Fortescue also provide financial support for the Hedland Senior High School Trade Training Centre and provided four school based traineeships in 2018, which guarantee employment with the mine.\textsuperscript{51}

5.53 The Minerals Council of Australia stated that ‘Australian mining invests more in training its workforce than other industries’ and presented a number of examples, including:

- Programs to encourage young people to pursue careers in science, technology, engineering, maths, and trades.
- Employing approximately 7,600 apprentices, representing around four per cent of the workforce (double the national average of 2.1 per cent).
- Contributing more than $50 million to higher education, supporting 4,500 people to graduate with tertiary qualifications in mining disciplines.
- A Future Minerals Workforce Program, launched in 2016, to determine what skills and capabilities are needed for the future of the industry.\textsuperscript{52}

5.54 Western Australian-based witnesses talked about the Western Australian School of Mines, which saw a big reduction in enrolments due to the mining downturn and changes to skilled migration which affected international student numbers.\textsuperscript{53}

5.55 Kalgoorlie Mayor Mr John Bowler said in 2013 there were 321 enrolments in the School of Mines, and in 2018 it was only 90. He proposed governments need to ‘move quickly’ to ensure mining, engineering and metallurgy are offered and supported at major universities.\textsuperscript{54}

5.56 Mr Walker said that there was a perception that the mining boom ended, but in reality, it did not:

The construction boom did but mining continues at record levels. I think the gold production out of Kalgoorlie last year was at record levels. The risk of filling skilled mining engineering roles through overseas workers is high if we can’t get them up. We recommend strongly that government and education

\textsuperscript{51} Mr Weaver, Fortescue, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 31.

\textsuperscript{52} Mrs Tania Constable PSM, Chief Executive Officer, Minerals Council of Australia, \textit{Proof Committee Hansard}, Canberra, 24 October 2018, p. 8.

\textsuperscript{53} Councillor John Bowler, Mayor, City of Kalgoorlie-Boulder, \textit{Proof Committee Hansard}, Kalgoorlie, 10 October 2018, p. 5.

\textsuperscript{54} Cr Bowler, City of Kalgoorlie-Boulder, \textit{Proof Committee Hansard}, Kalgoorlie, 10 October 2018, p. 5.
work together to offer scholarships with the mining industry to make sure we get people there.\textsuperscript{55}

5.57 Glencore told the Committee that it is directly involved in initiatives to increase numbers of mining engineers, including scholarships, involvement in secondary schools, promoting STEM subjects, and community forums.\textsuperscript{56}

5.58 Mayor Bowler appealed to the federal government to revert to the old skilled migration system for overseas students enrolled in mining and metallurgy, where, upon graduation, these students were ‘almost assured’ that they would get residency in Australia.\textsuperscript{57}

**METS, innovation and ‘clustering’**

5.59 The mining equipment, technology and services (METS) sector is a major contributor to regional jobs and economies. Deloitte Access Economics estimates that the METS sector employs approximately 1.1 million Australians, which is significantly more than the approximately 220,000 people employed directly by mining.\textsuperscript{58} Research undertaken by industry growth centre, METS Ignited, suggests the number is even higher at 314,00013 people.\textsuperscript{59}

5.60 The METS sector is also an export success story. Witnesses submitted that Australia has a significant presence in the international METS sector, with over 150 Australian METS companies operating in Chile, and over 50 operating in Peru.\textsuperscript{60}

**Initiatives to support the METS sector**

5.61 The federal Department of Industry, Innovation and Science (DIIS) administers a number of initiatives to help grow and support the METS sector, including:

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\textsuperscript{55} Mr Walker, City of Kalgoorlie-Boulder, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 3.

\textsuperscript{56} Mr David Patterson, General Manager, Human Resources, Glencore Coal Australia, *Proof Committee Hansard*, Singleton, 5 November 2018, p. 10.

\textsuperscript{57} Cr Bowler, City of Kalgoorlie-Boulder, *Proof Committee Hansard*, Kalgoorlie, 10 October 2018, p. 5.


\textsuperscript{59} Department of Industry, Innovation, Science and Resources (DIISR), *Submission 29*, p. 8.

\textsuperscript{60} Mr Ric Gros, Chief Executive Officer, METS Ignited Australia, *Committee Hansard*, Rockhampton, 29 August 2018, p. 20.
The AusIndustry initiative, which provides ‘a range of services and advice to help businesses start, run, innovate and grow’.  

The Entrepreneurs’ Programme, delivered by AusIndustry, which aims to improve business competitiveness and productivity though providing a national network of 130 business advisors and facilitators, as well as grants to facilitate business management and innovation and accelerate commercialisation.

The Industry Growth Centres initiative, which includes six industry growth centres, focussing on increasing collaboration and commercialisation and improving international opportunities. Two of these work with the mining sector: the oil, gas and energy resources growth centre, National Energy Resources Australia (NERA); and the METS growth centre, METS Ignited.

- NERA Growth Centre: The NERA Growth Centre is working with the energy and resources sector to ensure it ‘competitive, sustainable, innovative and diverse’. Part of NERA’s role is to promote fit-for-purpose regulation.

- METS Ignited Growth Centre: METS Ignited is located at the Queensland University of Technology and supports the development of the sector, by working with Australian mining industry suppliers, global miners, researchers and capital providers.

NERA runs an Innovations Vouchers Program, which provides a $20,000 voucher to eligible businesses to help them respond to technical challenges and innovate.

METS Ignited activities include provision of the:

- METS Ignited Project Fund which provides co-funding for collaborative, industry-led projects with commercial applications (with matching investment from industry);

- METS Masterclasses which operate in regional areas to assist METS companies to understand and benefit from the evolving industry landscape;

- METS Accelerator Program which is a pilot program to accelerate the commercialisation rate of mining technologies in Australia. Activities are

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61 DIISR, Submission 29, p. 6.
62 DIISR, Submission 29, p. 7.
63 DIISR, Submission 29, p. 7.
64 DIISR, Submission 29, p. 8.
65 DIISR, Submission 29, p. 8.
undertaken in conjunction with the Queensland Government (six of eight late-stage start-ups and small-to-medium enterprises selected for the METS Accelerator Program are based in regional Queensland. Further information is available at METS ignited start-ups); and

- METS Bowen Basin Cluster Program which is designed to identify and support the clustering of technical and business expertise in the Bowen Basin. The program aims to foster high-tech innovation for distribution to a growing international market, which in turn will lead to jobs and growth in regional areas.  

5.64 In addition to the above, DIIS reported on a government commitment to fund $50 million towards the MinEx Cooperative Research Centre, in partnership with the mining industry. The MinEx Cooperative Research Centre will focus on improving drilling methods; developing new technologies for collecting data while drilling; bringing forward mine production; and the Implementation of a National Drilling Initiative.

5.65 Other initiatives detailed by DIIS included:

- The Northern Australia Infrastructure Facility: A $5 billion loan facility that aims to support economic and population growth in northern Australia.

- The Exploring for the Future Program: A four-year $100.5 million investment by the Australian Government ‘to drive the next generation of resource discoveries in northern Australia, boosting economic development across this region’.

- Investments through Geoscience Australia.

- Working with CSIRO Futures to ‘help translate science into strategy and plan for an uncertain future’. This includes the development of the METS Roadmap in May 2017.

5.66 METS Ignited submitted that ‘targeted industry-government matched assistance’ is required to ensure a positive future for regional METS economies. Further, that governments and industry need to assist METS

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66 DIISR, Submission 29, p. 8.
67 DIISR, Submission 29, p. 9.
68 DIISR, Submission 29, p. 9.
69 DIISR, Submission 29, p. 10.
70 DIISR, Submission 29, p. 9.
71 DIISR, Submission 29, p. 11.
72 METS Ignited, Submission 50, p. 2.
companies to diversify into other sectors such as energy, agriculture and transport.\(^{73}\)

5.67 Isaac Regional Council commented on the complexity of accessing some of the federal and Queensland Government industry support programs, saying:

… navigating the web of federal and state grants and applying for such grants can be challenging for small businesses. IRC recommends that the Federal Government … co-fund [with industry] a Community Grants Advisor/Officer within mining regions to assist regional businesses to navigate and apply for grants.\(^{74}\)

5.68 The Minerals Council of Australia applauded Austrade’s initiatives to promote and support Australian METS companies in expanding into overseas markets.\(^{75}\)

5.69 The Minerals Council also cited Queensland’s 10-Year METS Roadmap and Action Plan, which ‘seeks to leverage’ expertise within Queensland’s mining and METS sectors, and research organisations, and includes funding a new Centre of Excellence in Mackay.\(^{76}\)

R&I Tax Incentive

5.70 Witnesses also commented on the Research and Development (R&I) Tax Incentive (the Incentive), which encourages businesses to invest in R&I by providing:

- a refundable tax offset for certain eligible entities whose aggregated turnover is less than $20 million
- a non-refundable tax offset for all other eligible entities.\(^{77}\)

5.71 Reay Services Group submitted that, while welcome, the Incentive provides funding in arrears, meaning businesses still rely on cash-flow throughout...
the year. Further, that the complicated process acts as a deterrent to some companies getting involved in R&D.\textsuperscript{78}

5.72 CE Smith & Co Chartered Accountants also proposed that the Incentive is ‘prohibitively complicated’, further stating:

We have experienced a number of clients who would be eligible for benefits under the R&D concession arrangements who choose not to pursue a claim due to the administrative burden.\textsuperscript{79}

5.73 As such, CE Smith & Co recommended the Government review and simplify the Incentive, introducing:

- a simpler application process;
- streamlined reporting;
- a cap to the value of refundable tax offsets available; and
- removing the requirement for activities to be conducted by a corporate entity.\textsuperscript{80}

**Clustering**

5.74 A major topic in discussions around supporting the regional METS sector was the topic of ‘clustering’. Clustering is a practice whereby industry, research organisations, and the government sector partner together to foster innovation.\textsuperscript{81}

5.75 Mr Ric Gros from METS Ignited argued that clustering is the most effective way for governments to support the METS sector. However, a ‘well-defined, long-term commitment to clustering in Australia’ is lacking and funding levels are low and unclear. He argued for the creation of ‘an integrated policy around clustering’.\textsuperscript{82}

5.76 The Association of Mining and Energy Related Councils claimed that cluster development facilitates stable growth in the METS sector, encourages the sharing of skills and knowledge, boosts commercialisation of local products, and builds capacity across the broader industry.\textsuperscript{83}

\textsuperscript{78} Reay Services Group, *Submission 5*, p. [3].

\textsuperscript{79} CE Smith & Co Chartered Accountants (CE Smith & Co), *Submission 33*, p. 7.

\textsuperscript{80} CE Smith & Co, *Submission 33*, p. 7.

\textsuperscript{81} Mr Gros, METS Ignited, *Committee Hansard*, Rockhampton, 29 August 2018, p. 21.

\textsuperscript{82} Mr Gros, METS Ignited, *Committee Hansard*, Rockhampton, 29 August 2018, p. 21.

\textsuperscript{83} Association of Mining and Energy Related Councils, *Submission 55*, p. [3].
5.77 Mr Gros suggested Australia should adopt the European clustering business model as best practice for developing regional economies. He explained that Europe has ‘adopted this model over 30 years and currently have over 2500 clusters across the European Union with 1 in 3 jobs within clusters’.

5.78 Witnesses suggested many mining jobs of the future will be in the METS sector, because of the move to automation. Mr Gros argued for clear regional development policies, coupled with cluster policies, to develop capacity in the METS sector, especially in the regions.

5.79 One way to boost clustering in regional areas, Mr Gros said, is through ensuring Cooperative Research Centres Projects (CRC-P) are located in regional areas and complementing the research focus with a focus on innovation. He suggested a percentage of CRC-P Grants should be reserved for particular regions.

5.80 METS Ignited also submitted that all of the current mining Remote Operating Centres are currently based in metropolitan locations, but there’s no reason they should not be in regional centres.

5.81 Mr Gros reported that METS Ignited is in the early stages of discussions with major mining houses about developing regional cluster initiatives and needs an investment commitment from the Federal Government. He said:

I’ve got major miners saying that they’re prepared to put funding into a start-up slush fund initiative—they’re keen about a [venture capital] structure—if that was to be matched by government.

5.82 The Greater Whitsunday Alliance Ltd suggested the Committee should recommend that the federal government ‘commit to engaging with METS Cluster programs to develop new initiatives to expand the supply chain’.

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84 METS Ignited, Submission 50, pp. 2-3.
85 METS Ignited, Submission 50, p. 3.
86 Mr Gros, METS Ignited, Committee Hansard, Rockhampton, 29 August 2018, p. 23.
87 Mr Gros, METS Ignited, Committee Hansard, Rockhampton, 29 August 2018, p. 24.
88 Mr Gros, METS Ignited, Committee Hansard, Rockhampton, 29 August 2018, p. 25.
89 METS Ignited, Submission 50, p. 4.
90 Mr Gros, METS Ignited, Committee Hansard, Rockhampton, 29 August 2018, p. 21.
91 Greater Whitsunday Alliance, Submission 30, p. 5.
Examples of clustering

5.83 Witnesses provided some examples of clustering in action.

5.84 The Minerals Council of Australia talked about a project between Commit Works and Anglo American which provided a ‘real-time platform’ for managing frontline work plans. This project won the METS Ignited Collaboration Award in 2017.92

5.85 BHP submitted evidence on local industry partnerships in Port Hedland, including the Hedland Collective, which is working on a long term plan for investment in infrastructure and programs, and the Web Business Hub. The Web Business Hub is an online tool to promote growth and diversification of East Pilbara businesses through the Port Hedland Chamber of Commerce and other funding partners, including BHP. BHP invested $1.7 million in the project.93

5.86 The Greater Whitsunday Alliance Ltd talked about the Bowen Basin Cluster Program, which includes a Development Manager employed by METS Ignited, and funding for cluster projects provided by the federal and state governments.94

5.87 The Resource Industry Network in Mackay referred to the Innovative Solutions Program, conducted in Moranbah and Brisbane in successive years. The Program provided training to business leaders on how to promote themselves and pitch their product or service.95

5.88 The Association of Mining and Exploration Companies also talked about the Pollinators project, based in Geraldton, which is a regional business innovation incubator.96

5.89 Mr Walker described the Kalgoorlie-Boulder mining innovation hub, the Cooperative Research Centre for Optimising Resource Extraction, which supports regional development, and builds skills and expertise in the region. Mr Walker recommend that the federal government continue to fund the hub beyond 2021.97

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92 MCA, Submission 48, p. 19.
93 BHP, Submission 49, p. 10.
94 Greater Whitsunday Alliance, Submission 30, p. 5.
95 RIN, Submission 8, p. 9.
96 Association of Mining and Exploration Companies (AMEC), Submission 16, p. [8].
97 Mr Walker, City of Kalgoorlie-Boulder, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 3.
Opportunities for businesses to diversify

5.90 The Committee heard from many witnesses that towns and regions needed to diversify their economies to survive in the long term, and that regions with diversified economies are better able to weather mining downturns.98

5.91 Prof McKenzie cited research that demonstrates the importance of communities avoiding dependency on the mining sector and pursuing economic diversification. She submitted:

The federal government does not have to necessarily intervene but where there is the leadership opportunity to guide new development and employment opportunities it will make a difference.99

5.92 Councillor Swain suggested Gunnedah’s mix of mining, agriculture, manufacturing and processing provides diversification that ‘shields’ the community in the event of a downturn in one sector:

Many young farmers and farmers sons are presently employed by the mining sector, enabling them to continue to carry on their farming activities, as well as providing a steady source of income during this very difficult time.100

5.93 A number of witnesses saw mining investment as a potential catalyst for growth in other areas. Mr Drew Wagner from the NT Minerals Council said mine investment could be ‘the catalyst that spurs on a further chain of development’.101

5.94 Mr Owens from the NT Farmers Association concurred that the presence of a vibrant mining industry tends to lift a region’s capacity in terms of plant and equipment operators and those who can do repairs and maintenance to machinery. He said these workers could then be employed in agriculture and horticulture.102

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98 Prof Carthew, Vice-President, and Provost, Charles Darwin University, Committee Hansard, Darwin, 31 July 2018, p. 23.

99 Prof McKenzie, Submission 61, p. 8.

100 Cr Swain, Gunnedah Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 1.

101 Mr Wagner, MCA (NT), Committee Hansard, Darwin, 31 July 2018, p. 1.

102 Mr Owens, NT Farmers Association, Committee Hansard, Darwin, 31 July 2018, p. 17.
Mr Wagner highlighted the infrastructure and logistics chain improvements that may be brought into remote areas to facilitate mining. He said this benefits agriculture, livestock and tourism.\\footnote{Mr Wagner, MCA (NT), \textit{Committee Hansard}, Darwin, 31 July 2018, p. 1.}

The Minerals Council of Australia commented that the wider community does not seem to recognise the transferability of METS sector capabilities. It suggested there could be a role for governments in breaking down these misconceptions.\\footnote{MCA, \textit{Submission 48}, p. 20.}

The Greater Whitsunday Alliance Ltd reported that the region has been engaging with the Centre for Defence Industry Capability to promote Mackay/Isaac/Whitsunday METS companies, who ‘already have the capability to match specialist skills and develop innovative solutions for defence sector requirements’. Rockhampton Regional Council also talked about tapping into Defence work.\\footnote{Greater Whitsunday Alliance, \textit{Submission 30}, p. 4.}

Mr Lethlean suggested that Rockhampton has ‘a broad-spectrum economy’ and capability to service many sectors, including Defence.\\footnote{Rockhampton Regional Council, \textit{Submission 63}, p. 9.}

However, the story was not so positive everywhere. The Cessnock City Council identified Singleton as an area with a lack of diversity of industry and an over-reliance on mining. Mayor of Karratha, Councillor Peter Long, stated that there is not enough diversification occurring among Pilbara businesses.\\footnote{Mr Lethlean, Capricorn Enterprise, \textit{Committee Hansard}, Rockhampton, 29 August 2018, p. 17.}

Reliable data on the ability of mining regions to diversify is not necessarily available. Professor Will Rifkin from Newcastle University said he had the sense that some rural resource-dependent communities are doing well, some are doing not so well and some are in between; ‘but there’s not good data’.\\footnote{Cessnock City Council, \textit{Submission 12}, p. 5.}

Councillor Camilo Blanco, Mayor of Port Hedland, argued that Port Hedland could diversify into downstream processing of lithium ore or other

\\footnote{Councillor Long, City of Karratha, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 9.}
\\footnote{Professor Will Rifkin, Director and Chair, Hunter Research Foundation Centre, University of Newcastle, \textit{Proof Committee Hansard}, Singleton, 5 November 2018, p. 13.}
minerals, and that he has been lobbying companies and governments to make this happen. He said:

A $1.2 billion downstream processing plant should be built on Boodarie industrial estate. … This is where we create diversification in our economy, build population, support local business and obviously the local population as well as reduce the extreme social issues that we have in our region.¹¹¹

5.102 The Department of Infrastructure, Regional Development and Cities (DIRDC) confirmed that the Government is progressing many projects to diversify regional economies that have a heavy dependence on mining.¹¹²

5.103 DIRDC provided the following examples of Government spending aimed at diversifying these economies:

- Signature Onfarm Pty Ltd in Mackay-Isaac-Whitsunday: A $26 million project to construct a greenfield on-farm beef processing facility with accommodation for 70 workers.
- Wind and solar farm projects in Collinsville, outside Moranbah, and in Mackay.
- Farm to Institution Project in the Central West Region of NSW: Project to develop new markets for small-to-medium food producers to supply local hospitals, universities, aged care and disability homes and schools across the region.
- Onslow Marine Support Base in the Pilbara: A $115.5 million project to construct a berth pocket in Beadon Creek to form a landbased wharf facility.
- Newman/Marble Bar Road: A $54.5 million project to realign Marble Bar Road through Coongan Gorge.
- Asian Renewable Energy Hub (Pilbara): A proposed $20 billion project to build the world’s biggest wind and solar hybrid project to export energy to Asia.¹¹³

¹¹¹ Councillor Camilo Blanco, Mayor of Port Hedland, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 14.

¹¹² Ms Maxine Loynd, General Manager, Local Government and Regional Development Australia, Department of Infrastructure, Regional Development and Cities (DIRDC), Committee Hansard, Canberra, 22 August 2018, p. 3.

¹¹³ DIRDC, Submission 4.1, pp. [1-4].
Life after the mine closes

5.104 The communities that the Committee visited during the inquiry had mining sectors at various stages of maturity. A significant area of concern was around what happens to ‘mining towns’ and regions when the industry retracts, or shuts down completely.

5.105 Cessnock City Council submitted that mine closures could be ‘devastating’ for local communities, leading to high levels of long term unemployment, poverty and social problems, and declining community resources.\(^\text{114}\) The Council listed the following socio-economic impacts from post mining:

- 39.7 per cent of Cessnock’s population earns less than the minimum weekly wage (the NSW figure is 36.1 per cent);
- Cessnock has 2,100 jobless families equating to nearly 1 per cent of Australia’s jobless families;
- the HSC completion rate is 38 per cent (the national rate is 69 per cent);
- Cessnock has poor health indicators; and
- 25 per cent of the working age population is on welfare benefits.\(^\text{115}\)

5.106 Where communities are highly dependent on mines, the Council submitted, there may be a lack of capacity, experience and ‘entrepreneurial tradition’ required to boost other industries, and members of the community who have the most capacity may be the ‘first to leave’ as the industry shuts down.\(^\text{116}\)

5.107 Prof Rifkin observed that there may also be fewer young people with a university education, which can inhibit people’s ability to transition to other sectors if the mining sector declines.\(^\text{117}\)

5.108 Witnesses reported that the Cessnock Council is working to grow other industries, but:

The transition into other industries, particularly from blue collar jobs to service roles can be a challenging and incongruent process. Generational

\(^{114}\) Cessnock City Council, Submission 12, p. 6.

\(^{115}\) Cessnock City Council, Submission 12, p. 5.

\(^{116}\) Cessnock City Council, Submission 12, p. 6.

\(^{117}\) Prof Rifkin, Hunter Research Foundation Centre, Proof Committee Hansard, Singleton, 5 November 2018, p. 12.
challenges associated with disadvantage and lack of foundation skills can mean some unemployed are harder to place in available jobs.\textsuperscript{118}

5.109 Cessnock City Council recommended the federal government provide a greater percentage of royalties under the Horizontal Fiscal Equalisation to states or territories with regions negatively impacted by mining withdrawal for the sole purpose of supporting these communities with critical infrastructure to support economic growth.\textsuperscript{119}

5.110 Councillor Long said the end of the mining construction boom took a serious toll on the Pilbara, as mining companies tried to limit their losses by cutting costs and bringing in foreign labour.\textsuperscript{120}

5.111 While some communities suffered as a result of the last mining boom and bust cycle, this was not the case everywhere. Mr Jason Russo from the Department of Industry, Innovation and Science referred the Committee to the Productivity Commission’s study into transitioning regional economies, published in 2017.\textsuperscript{121}

5.112 The study looked at how regional centres adjusted from the ‘boom’ to the ‘bust’, and how resilient and adaptable communities are. Mr Russo reported that the research found major centres are a more adaptable and more diverse than many remote areas.\textsuperscript{122}

5.113 The report also found that, while regional areas experienced overall employment growth and improved social connections through technology during the mining construction boom;

... some regions have been more directly affected by the pressures of changing economic circumstances and face substantial and perhaps insurmountable challenges in forging a sustainable future.\textsuperscript{123}

5.114 The Sustainable Minerals Institute at the University of Queensland commented on research that shows regional communities are afraid of a ‘population exodus’ when the mining sector retreats. However, these concerns can be mitigated, the Institute said, by ‘re-orienting local

\textsuperscript{118} Cessnock City Council, \textit{Submission 12}, p. 23.

\textsuperscript{119} Cessnock City Council, \textit{Submission 12}, p. 25.

\textsuperscript{120} Cr Long, City of Karratha, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 9.

\textsuperscript{121} Mr Russo, DIIS, \textit{Committee Hansard}, Canberra, 15 August 2018, p. 2.

\textsuperscript{122} Mr Russo, DIIS, \textit{Committee Hansard}, Canberra, 15 August 2018, p. 2.

\textsuperscript{123} Productivity Commission, \textit{Transitioning Regional Economies, Study Report}, December 2017, p. 4.
businesses to opportunities for mine rehabilitation and post-mining economic uses of the sites’.  

5.115 The Committee was interested in the Northern Territory community of Jabiru, which is transitioning from mining to tourism. Mr Wagner explained:

As the mining removes itself from the community and from the environment it’s looking at that furtherment and betterment of the economy, and the opportunity, from the basis of what was originally developed as a mining services facility.  

5.116 DIRDC explained that the transition of Jabiru is being led by the Department of the Environment and Energy. The lease of the mining company ends in 2020 and the federal government is working with the local community, the Northern Territory government and the mining company to consider options for the town and the environmental clean-up.  

5.117 Mine site rehabilitation offers opportunities in communities where mining is declining or withdrawing. Roy Hill talked about its rehabilitation program for mines that reach their end of life. These programs are started ‘on day one’, involve traditional owners in the Pilbara and Kimberley regions, and offer future work to communities when mines close.  

5.118 Dr Bush from the University of Newcastle announced that there is a ‘massive’ global need for companies with the capacity, and people with the skills, to ‘rehabilitate, restore, remediate and re-use land’. He said that the Hunter could be a national and international exporter of knowledge around post-mining land rehabilitation.  

5.119 The Committee heard examples of private sector legacy programs designed to ease the transition of mining towns and regions. Mr Hawes said the AGL Legacy Fund in Gloucester, New South Wales, was an example of best practice.  

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124 Sustainable Minerals Institute, Submission 23, p. 17.  
125 Mr Wagner, MCA (NT), Committee Hansard, Darwin, 31 July 2018, p. 4.  
126 Ms Nicole Pearson, General Manager, Regional and Dams Policy, DIRDC, Committee Hansard, Canberra, 22 August 2018, p. 1.  
127 Ms Hasleby, Roy Hill, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 8.  
128 Dr Bush, International Centre for Balanced Land Use, Proof Committee Hansard, Singleton, 5 November 2018, p. 25.  
129 Mr Bob Hawes, Chief Executive Officer, Hunter Business Chamber, Proof Committee Hansard, Singleton, 5 November 2018, p. 28.
5.120 The Gloucester Independent Community Legacy Fund involved a $2 million investment by AGL Energy aimed at promoting sustainable economic development, education and employment opportunities in Gloucester. The Fund supported projects like:

- a new Long Day Care Service with 14 new jobs;
- eight new jobs with a logging company;
- funding to expand the premises of a design and manufacturing company and create three new jobs; and
- new production facilities for a local engineering firm, and six new jobs.¹³⁰

5.121 Mr Greg Lamont from the Association of Mining and Energy Related Councils highlighted a ‘future fund’ model for communities affected by mining withdrawal. He said the approach was demonstrated by the Singleton Council’s use of the Bulga Optimisation Project Voluntary Planning Agreement funds for projects to support the community post mining.¹³¹ The funds were used for improvements to parks and recreational facilities, tree planting, signage and children’s facilities.¹³²

## Committee Comment

### Skills and education

5.122 The mining industry in Australia is experiencing a ‘silent boom’. This means that the need for skilled and unskilled labour is increasing across many mining regions.

5.123 The Committee was concerned to hear that regions such as Rockhampton and Mackay in Queensland, and Kalgoorlie in Western Australia, have significant numbers of vacant jobs and that businesses are struggling to employ staff, especially staff with a trades qualification.

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¹³¹ Mr Greg Lamont, Executive Officer, Association of Mining and Energy Related Councils, *Committee Hansard*, Tamworth, 4 September 2018, p. 24.

5.124 Addressing this problem is not simple. However, the Committee believes that there are a number of actions that industry and governments can take to increase capacity of regional areas to service the mining sector as well as other business sectors in town.

5.125 Mining companies and governments must work to dispel the myth that the mining sector in Australia is in decline and that mining careers are unstable.

5.126 The Committee strongly suggests mining companies and their large contractors should significantly increase the numbers of apprenticeships and traineeships they offer, as these provide opportunities for local people to join the industry to relieve pressure on the existing businesses trying to train and retain staff.

5.127 Towns in mining regions need access to high quality vocational training which is responsive to the needs of industries employing in the region. Local TAFEs must be funded to provide training in the trades required by local industries, including the mining industry. Mining companies should contribute funds towards this training, offer industry work placements, and provide job opportunities for successful graduates.

5.128 State and federal governments must ensure adequate funding for regional TAFEs and prioritise the teaching of the trades most in demand.

5.129 The Committee recognises Australia’s high quality mining-related university centres, including the Western Australian School of Mines, University of New South Wales School of Minerals and Energy Resources Engineering, University of Adelaide School of Civil, Environmental & Mining Engineering and University of Queensland School of Mechanical & Mining Engineering, which educate future leaders in the sector.

5.130 Initiatives like the tertiary knowledge hub in Muswellbrook, opened by Newcastle University in partnership with TAFE, are an inspiration and an example of best practice approaches to integrating mining-related education into communities.

5.131 The Committee would like to see more collaboration between the tertiary and vocational sectors to make education more accessible for young people from regional areas, and to provide courses that are both practical and technical to meet the demands of the industry.
Clustering in the METS sector

5.132 The METS sector in Australia is a critical employer now and into the future. Governments at all levels must invest in empowering Australian METS businesses and helping them to thrive.

5.133 The Committee was convinced by evidence that ‘clustering’ initiatives offer an effective way to build the sector, increase its capacity, and open up avenues for further commercialisation and export of Australian METS technologies.

5.134 The Committee would like to see governments focus their METS investments in regional areas, with the aim of creating centres of innovation and excellence in mining towns.

5.135 In addition, the mining industry should harness opportunities to build METS capabilities in regional areas. One way to do this would be to ensure that, as the mining sector becomes increasingly automated, Remote Operating Centres and other facilities that support automation are based in regional locations, rather than major metropolitan areas far from the mines.

Diversification and sustainability

5.136 Mines can provide opportunities and wealth to the communities near to them. However, without proper planning, any gains can be quickly lost when mining retreats.

5.137 Governments at all levels must work to ensure communities do not become solely dependent on mining at the expense of other sources of economic activity. Such communities experience terrible hardships when mines close.

5.138 Mining companies have a responsibility to set aside funds and create plans for community sustainability post-mining. These plans must form part of mining company agreements with local and state governments.

5.139 The Committee notes the current federal government investments focussed on diversifying mining regions, including into areas of agricultural processing and renewable energies. These investments must continue and further investments should be considered for the communities most dependent on mining.

5.140 The Committee also suggests governments could support local communities in advocating for down-stream resource processing industries to be developed in regional towns. For instance, the Committee notes Port
Hedland Council’s bid to secure a facility for the processing of lithium ore in the region.

Recommendations

Recommendation 10

5.141 The Committee recommends the Federal Government work through the Council of Australian Governments (COAG) Industry and Skills Council to develop a plan to increase the availability and accessibility of mining-related trades training, and mining-related tertiary courses, in mining regions. Such training should be:

- Developed in consultation with mining and other local industries to ensure the right skills are being taught;
- Funded and promoted jointly by government and industry;
- Affordable and accessible to local young people in mining regions;
- Available through online learning wherever appropriate; and
- Connected to industry, with specific job opportunities attached to successful completion of training.

Recommendation 11

5.142 The Committee recommends the Federal Government work with state, territory and local governments and land councils who make licensing agreements with companies to ensure these agreements include a requirement for companies to invest in skills training, provide minimum numbers of apprenticeships and traineeships, including Indigenous opportunities, and report on these investments. Levels of investment required should be based on the specific circumstances of the region and the project.
Recommendation 12

5.143 The Committee recommends the Federal Government partner with the mining sector to promote careers in mining, and mining equipment, technology and services (METS). Initiatives should:

- Be aimed at recruiting workers for the industry from the towns and regions closest to the mines;
- Incorporate promotion aimed at recruiting tradespeople and apprentices, as well as engineers and other tertiary-qualified professionals;
- Work to challenge the perception that the mining industry is in decline, or that a career in mining is unstable;
- Promote the Western Australian School of Mines and other mining specialist tertiary education centres; and
- Promote the industry as being at the cutting-edge of technology and innovation.

Recommendation 13

5.144 The Committee recommends the Federal Government partner with relevant state, territory and local governments and land councils to develop localised plans to increase capacity and skills in mine site rehabilitation and post-mining clean-up within mining regions.

Recommendation 14

5.145 The Committee recommends the Federal Government provide support to assist local governments and land councils to advocate for downstream resources processing industries to be developed in regional locations.

Recommendation 15

5.146 The Committee recommends the Federal Government continue to fund initiatives promoting innovation and commercialisation in the mining equipment, technology and services (METS) sector. Specifically, the Australian government should direct more funding towards ‘clustering’
initiatives, especially those located in mining regions and involving local businesses and organisations.

**Recommendation 16**

5.147 The Committee recommends the Federal Government partner with state, territory and local governments to provide incentives to mining and resources companies to develop Remote Operating Centres in regional towns close to mining operations, rather than in metropolitan areas.

**Recommendation 17**

5.148 The Committee recommends the Federal Government work with relevant state, territory and local governments, land councils, resource companies and community groups to establish well-funded, region-specific resilience and sustainability plans to help mining-dominated regions diversify and thrive in the long-term.
6. Social licence to operate

The Utah Development Company first came into this region in 1972 and built most of the Central Queensland towns—Murrumba, Dysart, Glenden ... What changed was a focus on the bottom line—a focus via mining companies, as they became more internationalised, less and less on regional communities and more and more on their bottom line.¹

6.1 Mining impacts on the environment and land, as well as on communities. The resources are removed from the environment by private companies for the purposes of sale, making profits for the companies who mine them. As such, mining companies secure and maintain permissions to extract resources, as well as to access the land, sea or waterways involved in the extraction.

6.2 As well as needing a license to explore and extract the resources, mining companies must secure a ‘social license to operate’. Social license to operate has been defined as an ongoing acceptance of a project by the community and other important stakeholders.²

6.3 This chapter explores mining’s social licence to operate in regional areas. It considers the impacts of the use of fly-in/fly-out (FIFO) and drive-in/drive-out (DIDO) workforces on companies’ social licence to operate and looks at the trend away from direct employment towards the use of contracted casual labour employed through labour hire companies.

¹ Councillor Greg Williamson, Mayor, Mackay Regional Council, Committee Hansard, Mackay, 30 August 2018, pp. 3-4.

The chapter looks at the interactions between mining and agriculture and landholders, and considers the types of social licence agreements that exist in various parts of Australia and the roles of local, state and federal governments in making agreements.

Finally the chapter addresses the question of whether current agreements are sufficient to ensure mining is beneficial for regional communities, and looks at the Canadian ‘Towards Sustainable Mining’ framework as a possible model.

**FIFO/DIDO and local workforces**

The issue of FIFO work practices was discussed at length in the report of the 2013 House Standing Committee for Regional Australia inquiry into the use of fly-in, fly-out workforce practices in regional Australia.3

The ‘Cancer of the bush’ report made 21 recommendations, including:

- increasing funding for FIFO towns;
- conducting research into FIFO practices and populations;
- addressing the need for supply for affordable housing in resource communities;
- reviewing various taxes; and
- funding health initiatives.4

The federal government response was provided in June 2015 and of the 21 recommendations, 12 were noted, five were not agreed and only four were agreed to. The response stated that FIFO work practices are ‘a legitimate way for employers to meet their skills needs, particularly in remote locations’ and, ‘that FIFO work is preferable for some employees in a range of industries’.5

The intention of the current report is not to repeat information presented in the 2013 report. However, the Committee heard evidence from many

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3 Department of the House of Representatives, *Cancer of the bush or salvation for our cities? Fly-in fly-out and drive-in, drive-out workforce practices in Regional Australia* 2013.

4 Department of the House of Representatives, *Cancer of the bush or salvation for our cities? Fly-in fly-out and drive-in, drive-out workforce practices in Regional Australia* 2013, pp. 19-23.

individuals and organisations about the impacts of FIFO, and presents some of the most relevant evidence here.

6.10 FIFO is particularly prominent in Western Australia, where there are 96,200 people working in the mining industry with an estimated 63 per cent of that workforce being FIFO.6

6.11 Queensland witnesses also felt FIFO was an issue. Isaac Regional Council stated that FIFO practices reduce the local consumer base which would support local businesses.7

6.12 A number of witnesses told the Committee that FIFO practices often require people to live in major cities in order to be employed in the mining industry.

6.13 Mr Ryan Hough from Lakes Electrical Distributors Kalgoorlie said his brother, who currently lives in Perth, had expressed the wish to move back to Kalgoorlie, but could not because his mining work requires he fly in and out of Perth.8

6.14 Mr Owen Pike from the Northern Territory Chamber of Commerce pointed out that FIFO workers for mines in that territory were not sourced from urban areas from Darwin, but were being sourced from capital cities in other states where managers live and have relationships with employment contracting companies. He said the loss to the Northern Territory of payroll taxes from this practice was significant.9

6.15 Mayor Greg Williamson from the Mackay Regional Council pointed out that the use of FIFO incentivises living in capital cities which means lost revenue for regional communities in the form of rates and spending at local businesses.10

6.16 The Greater Whitsunday Alliance also stated that FIFO practices have a flow on negative effect on regional economies, preventing local business from developing capacity to service the mining sector and wider economy. These

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6 City of Greater Geraldton, Submission 2, p. [5].
7 Isaac Regional Council, Submission 31, p. 11.
8 Mr Ryan Hough, Branch Manager, Lakes Electrical Distributors, Goldfields, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 25.
9 Mr Owen Pike, Chairman, Manufacturer’s Council, Northern Territory Chamber of Commerce, Committee Hansard, Darwin, 31 July 2018, pp. 8-9.
10 Cr Williamson, Mackay Regional Council, Committee Hansard, Mackay, 30 August 2018, p. 1.
businesses then cannot provide support and training to local residents which lead to stagnation of regional communities.\textsuperscript{11}

6.17 Mr Paul Flynn from Whitehaven Coal said that FIFO workforces have less commitment to the communities they work in. He said:

The very things that go into making up a community and society—families, sports and services—wouldn’t be as incentivised to move into the region as when you have a residential workforce.\textsuperscript{12}

6.18 Dr Kim Houghton from the Regional Australia Institute stated he understood the economic reasons behind mining companies moving to a FIFO model from the older ‘company town’ model but that this model was detrimental to regional communities from a social and economic point of view. He added that the social benefits of mining have shifted to urban centres since the FIFO model began.\textsuperscript{13}

**Barriers to local employment**

6.19 The Committee received evidence that one of the major barriers to reducing FIFO work practices was the lack of ‘liveability’ of regional areas.

6.20 Dr Houghton said that the difficulty in attracting workers to live in remote areas was why wages for these jobs are so high. Regional councils in places like Port Hedland and Karratha have been trying to improve on their ‘liveability’ to attract workers to live there.\textsuperscript{14}

6.21 Dr Houghton defined ‘liveability’ as a combination of cultural vibrancy and economic diversity. Health and education services are also major factors in why people choose to live in certain places.\textsuperscript{15}

6.22 Ms Jeanette Hasleby from Roy Hill said the reason for the use of FIFO at its mine site was due to the remoteness of its operations as well as the lack of

\textsuperscript{11} Greater Whitsunday Alliance Ltd, *Submission 30*, p. 4.

\textsuperscript{12} Mr Paul Flynn, Managing Director and Chief Executive Officer, Whitehaven Coal, *Committee Hansard*, Tamworth, 4 September 2018, p. 48.

\textsuperscript{13} Dr Kim Houghton, General Manager, Policy and Research, Regional Australia Institute, *Proof Committee Hansard*, Canberra, 19 September 2018, p. 1.

\textsuperscript{14} Dr Houghton, Regional Australia Institute, *Proof Committee Hansard*, Canberra, 19 September 2018, p. 3.

\textsuperscript{15} Dr Houghton, Regional Australia Institute, *Proof Committee Hansard*, Canberra, 19 September 2018, p. 3.
SOCIAL LICENCE TO OPERATE

available land and high cost of building within Port Hedland at the time of Roy Hill’s construction.\textsuperscript{16}

6.23 Ms Linda Dawson from Rio Tinto said a significant reason why Rio Tinto uses a FIFO employment model is to support where its workers choose to live.\textsuperscript{17}

Reducing FIFO

6.24 A number of people and organisations gave evidence to the Committee about ways they had reduced FIFO in regional areas. This included:

- negotiations between local councils and mining companies;
- incentives from mining companies for their workforce to live close to their workplace; and
- mining companies allowing more flexibility for their employees to move between different work models.

6.25 Councillor Gae Swain from the Gunnedah Shire Council said the Council had taken a firm anti-FIFO stance in their region, saying that this improved the social aspects of the community.\textsuperscript{18}

6.26 Mr Stephen Galilee from the NSW Minerals Council reinforced that there is very little FIFO in New South Wales, with 80 per cent of the workforce living close to mining operations. There is some FIFO workforce in more remote areas like Broken Hill and Cobar but predominantly mining workers live close to their work places.\textsuperscript{19}

6.27 Mr Galilee said this lack of FIFO workforce was largely due to New South Wales mining companies being ‘established members of the community’. As a result, the wealth generated by mining tends to stay more local than in other Australian states.\textsuperscript{20}

\textsuperscript{16} Ms Jeanette Hasleby, Manager, Community Development, Roy Hill Holdings Pty Ltd, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 6.

\textsuperscript{17} Ms Linda Dawson, General Manager, Communities and Communication, Rio Tinto, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 22.

\textsuperscript{18} Cr Gae Swain, Deputy Mayor, Gunnedah Shire Council, \textit{Proof Committee Hansard}, Tamworth, 4 September 2018, p. 2.

\textsuperscript{19} Mr Stephen Galilee, Chief Executive Officer, New South Wales Mineral Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 30.

\textsuperscript{20} Mr Galilee, NSW Minerals Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, p. 30.
Mr Paul Flynn from Whitehaven Coal echoed this, saying the company does not support FIFO employment models and 75 per cent of its workforce resides locally. This figure is something Whitehaven is looking to improve further.21

Mr Flynn said there was little need for FIFO due to the viable towns in the area. For instance, when the Maules Creek mine was established, workers were given support to transition into the community and encouraged to ‘put roots down’.22

Mr Flynn was asked if this had made it difficult for Whitehaven to source labour. He conceded that it had initially been difficult, but training and upskilling the local workforce had improved these shortages.23

Also in New South Wales, Glencore encourages its employees to live locally to their operations. Approximately 40 per cent of Glencore’s employees in New South Wales live in the township closest to their workplace, the remaining 60 per cent live further away but are able to commute daily to their workplaces.24

Mr David Patterson from Glencore Coal stated that in Queensland, the townships of Tieri and Glenden were created for its Oakey and Newlands mines. Glencore has had a strong role in encouraging their workers to live in these communities by subsidising rent. In Clermont, Newlands and Collinsville rent is $30 per week for a Glencore employee.25

Origin Energy Limited also has strong policies about the use of FIFO workforces. It submitted that having its workforce living and residing in areas close to its operations supports regional communities and their economies.26

Origin uses the following to encourage employees to live closer to their workplaces:

21 Mr Flynn, Whitehaven Coal, Committee Hansard, Tamworth, 4 September 2018, p. 46.
22 Mr Flynn, Whitehaven Coal, Committee Hansard, Tamworth, 4 September 2018, p. 48.
23 Mr Flynn, Whitehaven Coal, Committee Hansard, Tamworth, 4 September 2018, p. 48.
24 Mr David Patterson, General Manager, Human Resources, Glencore Coal Australia, Proof Committee Hansard, Singleton, 5 November 2018, p. 5.
25 Mr Patterson, Glencore Coal Australia, Proof Committee Hansard, Singleton, 5 November 2018, p. 5.
26 Origin Energy Ltd, Submission 52, p. 5.
- employees living within 150km of their worksite receive an allowance worth 10 per cent of their employment package;
- workers in regional Qld who live within a 45 minute drive of their workplace receive $15,000 per annum;
- FIFO and DIDO staff are encouraged to reside locally (as opposed to in workers camps or temporary accommodation) with a one off payment of $5000 as well as the above allowances.\textsuperscript{27}

6.35 Origin stated it has also changed its recruitment practices to include local advertising of regional roles, prioritising the employment of locals and the development of local talent pools for needed skills.\textsuperscript{28}

6.36 In November 2017, Origin closed down its temporary workers accommodation facilities at Talinga and Condabri in response to feedback from local councils. Those workers were resettled in Chinchilla and Miles with the assistance of the allowances outlined above. Approximately half of those employees now reside permanently in the area. This had initially been a challenge for their employees due to the change in lifestyle but over time the feedback became positive.\textsuperscript{29}

6.37 Mr Mark Schubert from Origin Energy stated that Origin’s decision to relocate workers to Miles had made a large difference to the community and he had anecdotally received a lot of positive feedback.\textsuperscript{30}

6.38 Origin works with local councils to improve the amenity of the towns its employees work in. This had been a need particularly in Miles but less so in Roma which was a more established community.\textsuperscript{31}

6.39 When asked if regional communities are better off with FIFO or locally sourced workforces, Mr Schubert said that the needs of each individual community need to be taken into account. Origin had considered building accommodation in Wallumbilla and Yuleba but had found, after consulting with the local councils, that it would be a detriment to those communities. Any attempts to move to a local workforce need to be done in a planned and

\textsuperscript{27} Origin, Submission 52, p. 5.

\textsuperscript{28} Origin, Submission 52, p. 5.

\textsuperscript{29} Origin, Submission 52, p. 5.

\textsuperscript{30} Mr Mark Schubert, Executive General Manager, Integrated Gas, Origin Energy, Proof Committee Hansard, Canberra, 24 October 2018, p. 4.

\textsuperscript{31} Mr Schubert, Origin Energy, Proof Committee Hansard, Canberra, 24 October 2018, p. 4.
staged manner in order to avoid too much stress on local resources and infrastructure.\textsuperscript{32}

Ms Dawson gave evidence that Rio Tinto had built and maintained several towns in the Pilbara to support its workforce living in the region. Roughly one third of Rio Tinto’s workforce lives in the Pilbara, with another 2,300 employees flying in and out from other regional Western Australian areas.\textsuperscript{33}

Rio Tinto has used a regional FIFO program since 2006, allowing employees to commute from various regional towns, rather than just from Perth. Rio Tinto’s Indigenous employment capacity has also improved through similar programs flying out from Broome and Derby.\textsuperscript{34}

Rio Tinto also has a program called ‘site switch’ which allows its workers to move between FIFO and residential work models. Ms Dawson said the program was about giving employees the ability to make the right choices for them and their families.\textsuperscript{35}

Mayor Grant Henley of the City of Busselton (a major source of Rio Tinto’s FIFO workforce) echoed the success of Rio Tinto’s program, saying that it had been a great benefit for their community and allowed them to expand to one of the largest regional local governments in Western Australia.\textsuperscript{36}

Mayor Baker from the Isaac Regional Council said there needs to be a commitment from both government and the mining sector to make regional centres more attractive to live in with a view to moving away from FIFO and DIDO work practices.\textsuperscript{37}

Dr Houghton said tax concessions for living in regional areas might help to decrease FIFO work practices and incentivise people to live in regional areas.\textsuperscript{38}


\textsuperscript{33} Ms Dawson, Rio Tinto, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 19.

\textsuperscript{34} Ms Dawson, Rio Tinto, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 21.

\textsuperscript{35} Ms Dawson, Rio Tinto, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 22.

\textsuperscript{36} Councillor Grant Henley, Mayor, City of Busselton, \textit{Proof Committee Hansard}, Port Hedland, 9 October 2018, p. 21.

\textsuperscript{37} Councillor Anne Baker, Isaac Regional Council, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 9.

\textsuperscript{38} Dr Houghton, Regional Australia Institute, \textit{Proof Committee Hansard}, Canberra, 19 September 2018, p. 5.
Fringe Benefits Tax

6.46 In Western Australia, Mayor Peter Long from the City of Karratha gave evidence that the Fringe Benefits Tax incentivises companies to use a FIFO workforce. He explained that a company can fly people into the Pilbara and accommodate them, getting a tax deduction for those costs. A local business, on the other hand, may try to subsidise their employee’s accommodation and will have to pay fringe benefits tax on that accommodation. Mayor Long viewed this as unfair and stated the federal government needs to makes changes to the law in order to ‘level the playing field’.

6.47 This view was echoed in Kalgoorlie by Mr Nicholas Fardell and Mayor John Bowler. Mayor Bowler said one of the unintended consequences of the Fringe Benefits Tax was the reduction in residential development in regional areas. He reiterated that the effect of current taxation was to incentivise companies to use FIFO and that this issue needed federal government intervention.

6.48 The Australian Tax Office website states that the Fringe Benefit Tax may apply when a business provides accommodation to their employees rent-free or at a reduced rent where that accommodation is their usual place of residence.

6.49 This issue was also raised in the 2013 ‘Cancer of the bush’ report, which recommending changes to the Fringe Benefits Tax Assessment Act 1986 (Cth):

- removal of impediments to the provision of residential housing in regional communities;
- removal of the exempt status of fly-in, fly-out/drive-in, drive-out work camps that are co-located with regional towns; and
- removal of the exempt status of travel to and from the workplace for operational phases of regional mining projects.

39 Councillor Peter Long, Mayor, City of Karratha, Proof Committee Hansard, Port Hedland, 9 October 2018, p. 9.

40 Mr Nicholas Fardell, Private capacity, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 2; and Councillor John Bowler, Mayor, City of Kalgoorlie-Boulder, Proof Committee Hansard, Kalgoorlie, 10 October 2018, p. 5.


42 Department of the House of Representatives, Cancer of the bush or salvation for our cities? Fly-in fly-out and drive-in, drive-out workforce practices in Regional Australia 2013, p. 21.
6.50 The federal government agreed with the recommendation and said that these tax arrangements would be considered in the White Paper on the Reform of Australia’s Tax System.\textsuperscript{43}

6.51 As at November 2018, the recommended changes have not been made to the \textit{Fringe Benefits Assessment Act 1986} (Cth).

### Casualised labour and labour hire companies

6.52 The Committee received submissions from workers unions detailing a trend towards workforce casualisation by large mining companies, through the use of labour hire companies.

6.53 Mayor Anne Baker said casualisation of the workforce has impacted the job market in the Mackay region, with permanent jobs being replaced with casual or contract positions flown in from Brisbane or Townsville to workers camps. She said the region missed out on benefits from local employment through taxes and purchases at local businesses.\textsuperscript{44}

6.54 The Construction, Forestry, Maritime, Mining and Energy Union (CFMMEU) and the Electrical Trades Union (ETU) noted that mining companies started moving from permanent employees to a casual labour hire workforce in 2012 at the time of the mining downturn.\textsuperscript{45}

6.55 The CFMMEU submitted that:

- research indicates 33 per cent of underground mine workers and 44.5 per cent of open cut mine contractors are now casualised labour hire workers;\textsuperscript{46}
- labour hire workers are paid on average 30 percent less than permanent workers (even taking into account casual loading, and considering unpaid leave arrangements);\textsuperscript{47}
- 82 per cent of mining industry job advertisements on Seek.com were placed by labour hire contracting companies;\textsuperscript{48} and


\textsuperscript{44} Cr Baker, Isaac Regional Council, \textit{Committee Hansard}, Mackay, 30 August 2018, p. 11.

\textsuperscript{45} Construction, Forestry, Maritime, Mining and Energy Union (CFMMEU), \textit{Submission 71}, p. 7, and Electrical Trades Union (ETU), \textit{Submission 75}, p. [1].

\textsuperscript{46} CFMMEU, \textit{Submission 71}, pp. 5-6.

\textsuperscript{47} CFMMEU, \textit{Submission 71}, p. 3.
72 per cent of workers on labour hire contracts reported they are worse off than their previous employment in regards to pay and conditions.\textsuperscript{49}

The Minerals Council of Australia (MCA) was questioned about the use of casual labour hire and stated that 14 per cent of labour hire workers are considered to be casual workers. Mrs Tania Constable said that this is an issue being considered by the MCA and its members.\textsuperscript{50}

The CFMMEU believes the reason for increasing labour hire employment to allow mining companies to cut the wages and conditions of their permanent employees.\textsuperscript{51}

The ETU noted the following impacts on its members in Queensland from the move to labour hire employment:

- the hourly rate for Electricians special class fell from $42 per hour to $25 per hour, being a 40 per cent reduction;
- all employment was moved to casual employment despite no change in hours worked and conversion from casual to full time work was stopped;
- local workers were actively blocked from jobs;
- apprentices and trainees were no longer engaged and there was no access to training or skill development for ongoing employees;
- there were difficulties getting appropriate safety equipment;
- the preferred location of employees was typically Brisbane or Sydney and drive-in, drive-out work arrangements were introduced on mass; and
- employee rosters were extended ‘beyond the 21/7 model’.\textsuperscript{52}

The effect of these changes on ETU members was:

- employees moving their families to major cities in order to maintain their employment;
- employees were required to purchase their own flights and travel during days off;

\textsuperscript{48} CFMMEU, \textit{Submission 71}, p. 6.

\textsuperscript{49} CFMMEU, \textit{Submission 71}, p. 6.

\textsuperscript{50} Mrs Tania Constable PSM, Chief Executive Officer, Minerals Council of Australia (MCA), \textit{Proof Committee Hansard}, Canberra, 24 October 2018, pp. 12-3.

\textsuperscript{51} CFMMEU, \textit{Submission 71}, p. 7.

\textsuperscript{52} ETU, \textit{Submission 75}, p. [2].
workers were required to drive for 12 hours at the start and end of their shifts; and
employees were afraid to speak to their union representatives, raise safety concerns or ask for safety equipment due to the ‘insecure nature of their employment’.53

6.60 The Australian Workers Union provided a case study of the effects of workforce casualisation on the town of Cobar. Cobar has a population of 4,647 with five operational mines in the area, mining gold, copper, lead, zinc and silver. The only residential mine in the region is the Aurelia Metals owned Peak Gold Mine, which has a workforce of 130 people.54

6.61 Aurelia Metals engaged Pybar Mining Services, a large mining contractor, to move their workforce from Aurelia’s employment to Pybar’s. The AWU believes this is an attempt to reduce worker’s salaries and remove conditions such as redundancy and leave entitlements.55

6.62 Pybar Mining intends to add 60 employees to the mine with no guarantee it will hire from the local population.56

6.63 The AWU submitted that:

… the replacement of the workforce by an external workforce would almost certainly see the town of Cobar into recession, and an unemployment rate in excess of 12% (more than double the national average).57

6.64 Both the CFMMEU and the ETU recommend changes to the Fair Work Act 2009 (Cth) that would redefine casual employment to be consistent with the common law definition and the Federal Court decision of WorkPac Pty Ltd v Skene58 (this should include provisions to specifically preclude ‘permanent casual’ work) as well as including provisions for casual conversion (allowing casuals to convert to full time work after six months).59

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53 ETU, Submission 75, p. [3]
54 Australian Workers Union (AWU), Submission 77, p. 3.
55 AWU, Submission 77, p. 3.
56 AWU, Submission 77, p. 4.
57 AWU, Submission 77, p. 4.
59 CFMMEU, Submission 71, p. 15 and ETU, Submission 75, p. [4].
6.65 The CFMMEU also recommends state governments consider attaching specific social criteria to the approvals of mine leases.60

**Mining and agriculture**

6.66 Part of mining companies’ social license is to ensure it has proper approvals and community support to access agricultural land. This can be impacted by environmental concerns, competition for water, and ineffective consultation processes with land owners.

6.67 The NSW Minerals council provided the following examples of successful interactions between mining and agriculture:

1 Edderton is a property owned by BHP Mt Arthur Coal which is leased and is currently used for producing Wagyu and Angus beef.61

2 In Central West NSW, the copper and gold mine Northparkes owns and operates a series of farms around their mine site. These farms produce canola, barley, wheat and field peas.62

6.68 The NSW Minerals Council believes that the presence of successful farming operations so close to a mine site shows the minimal impact that mining can have on agriculture.63

6.69 Mr Greg Owens from the Northern Territory Farmers Association was concerned about that contamination and biosecurity risks posed by the increased people and vehicle movement caused by mining activities. He argued there is a need for the Australian agriculture sector to keep its ‘clean-and-green’ image for their Australian and overseas markets and it can be difficult for famers to address contamination issues.64

6.70 Mr Owens noted that the heavy rain which falls in the Northern Territory can lead to contaminated water from mining sites running into the agricultural and horticultural water supply.65

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60 CFMMEU, Submission 71, p. 17.
62 NSW Minerals Council, Submission 45, p. 11.
63 NSW Minerals Council, Submission 45, p. 11.
64 Mr Greg Owens, Chief Executive Officer, Northern Territory Farmers Association, Committee Hansard, Darwin, 31 July 2018, p. 17.
65 Mr Owens, NT Farmers Association, Committee Hansard, Darwin, 31 July 2018, p. 19.
Mr Owens also wanted mining companies to engage more with land managing stakeholders during the planning stage of a new mine so that stakeholders can maximise any benefits from the project.  

Mayor Andrew Hope from the Liverpool Plains Shire Council stated that competition for water resources between agriculture and the mining sector, as well as fears of water contamination, were major issues. This was often exacerbated by long wait times for decisions about development approvals which Mayor Hope felt were detrimental to regional communities.

Mrs Patricia Duddy, a farmer from the Liverpool Plains, echoed this view, saying that agriculture’s need for water and fears about water contamination from mining activities were a great concern for the community.

Mr Mitchum Neave, Chair of the Red Chief Local Aboriginal Land Council, said that mining companies did not allow enough time for traditional owners to perform surveys and inspect land for significant Indigenous sites. He also felt that government should be doing more to ensure that environmental law and practices were upheld.

CE Smith & Co Chartered Accountants stated they have clients who have farms near mines that have found the dust and noise from mining operations has a large impact on their farming operations as well as their daily lives.

CE Smith & Co’s clients would like to see more engagement from mining companies with their neighbouring farmers as well as compensation payments for properties impacted by their close proximity to mining operations.

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66 Mr Owens, NT Farmers Association, Committee Hansard, Darwin, 31 July 2018, p. 17
67 Councillor Andrew Hope, Mayor, Liverpool Plains Shire Council, Committee Hansard, Tamworth, 4 September 2018, p. 13.
68 Mrs Patricia Duddy, Private capacity, Committee Hansard, Tamworth 4 September 2018, p. 39.
69 Mr Mitchum Neave, Chair, Red Chief Local Aboriginal Land Council, Committee Hansard, Tamworth, 4 September 2018, p. 39.
70 Mr Neave, Committee Hansard, Tamworth, 4 September 2018, p. 43.
71 CE Smith & Co, Submission 33, p. 8.
72 CE Smith & Co, Submission 33, p. 8.
Compensation for gas extraction

6.77 The issue of mining’s interactions with agriculture is particularly prominent in the area of the natural gas and petroleum extraction industries.

6.78 The Australian Petroleum Production and Exploration Association Ltd (APPEA) conceded that there had been significant tension between the industry and the agriculture sector in the past:

There were complaints of a lack of mutual understanding and respect, a short-term focus on development rather than first building long-term relationships, and breaches by the industry of the standards of behaviour expected by landholders.\(^{73}\)

6.79 APPEA stated that there had been changes within its industry and a determined effort to learn from previous mistakes. In Queensland, there is now a much more constructive approach to relationships between the natural gas industry and different stakeholder groups.\(^{74}\)

6.80 APPEA detailed how landholder payments are calculated in Queensland. Payments are based on the level of disturbance to the land, as well as the value of the affected land. This model provides consistent annual payments to landholders, and also allows landholders to be paid during the exploration phase, rather than waiting for extraction to commence, possibly years later.\(^{75}\)

6.81 APPEA provided the following information about the payment of compensation to landholders by its members:

- in Queensland, $387 million in compensation was paid to landholders in the years 2011-17;
- Santos has paid $11.1 million in compensation to landowners;
- Origin has negotiated 167 conduct and compensation agreements in Queensland since 2012;
- Australia Pacific Liquid Natural Gas (APLNG) has paid $50 million to landholders for compensation in the 2017-18 financial year;\(^{76}\)
- APLNG’s total compensation to be paid over the 30-year terms of the 167 agreements will be $627 million; and

\(^{73}\) Australian Petroleum Production and Exploration Association Ltd (APPEA), Submission 51, p. 17.

\(^{74}\) APPEA, Submission 51, p. 17.

\(^{75}\) APPEA, Submission 51, p. 22.

\(^{76}\) APPEA, Submission 51, p. 22.
average compensation over the life of each well is $265,000.\(^{77}\)

6.82 Dr Malcolm Roberts from APPEA stated that APPEA’s member companies have almost 6,000 conduct and compensation agreements with 2,100 landowners in Queensland and attitudes towards coal seam gas exploration in the agricultural sector should not be ‘generalised’. Dr Roberts reported on the differences of opinion among farmers in relation to coal seam gas,\(^{78}\) and said compensation to landowners can be a steady income during times of drought.\(^{79}\)

6.83 Dr Roberts also said that gas exploration companies in Queensland do not ‘aggressively assert their rights’ to explore agricultural land because mining companies want to operate in a community on a long term basis, and it is not in their interests to work against landowner sentiment.\(^{80}\)

6.84 Mr Schubert echoed this view, saying agreements with landowners are more than a financial transaction but are about finding ‘mutual agreement’, adding that Origin does not have a ‘one size fits all’ model for these agreements.\(^{81}\)

6.85 Origin and APPEA were questioned about whether landowners should be paid using a model based on how much the well produces. Mr Schubert did not support this approach, saying such a scheme would have drawbacks:

- any return would be related to the commodity price, leading to increased risk to the landowner;
- the certainty of the current payment scheme allows landowners to plan their investments; and
- returns are not currently dependant on the amount of product flowing from the well and are also protected if wells stop producing.\(^{82}\)

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\(^{77}\) APPEA, Submission 51, p. 22.

\(^{78}\) Dr Malcolm Roberts, Chief Executive, Australian Petroleum Production and Exploration Association (APPEA), Proof Committee Hansard, Canberra, 17 October 2018, p. 6.

\(^{79}\) Dr Roberts, APPEA, Proof Committee Hansard, Canberra, 17 October 2018, p. 1.

\(^{80}\) Dr Roberts, APPEA, Proof Committee Hansard, Canberra, 17 October 2018, p. 9.


\(^{82}\) Mr Schubert, Origin Energy, Proof Committee Hansard, Canberra, 24 October 2018, pp. 2-3.
Social licence agreements

6.86 The Committee received evidence from many organisations and individuals about the importance of mining companies’ social licence to operate, what can cause this relationship to break down, and how it can be improved to the benefit of both mining companies and regional communities.

6.87 Mr Brian O’Gallagher of the Northern Territory Chamber of Commerce stated it was imperative that mining companies have a social licence to operate. He defined this concept as ‘giving value back to the regional and local communities you’re actually operating in’.\(^{83}\)

6.88 Capricorn Enterprise submitted that regional communities are less accepting of mining company activities in their areas due to the weakening of social license to operate. The factors affecting this perception include:

- an increase in FIFO workforces;
- increased traffic congestion and infrastructure degradation on roads and bridges due to increased mining activities;
- upward pressure on wages as well as housing affordability and rentals; and
- gouging of skilled workers.\(^{84}\)

6.89 Capricorn Enterprise also said that regional communities are now seeking greater investment from mining companies, having gone through the mining boom of 2013-10 and subsequent bust period.\(^{85}\)

6.90 Mr Pike said that mining companies currently advertise and promote their efforts to gain social license but communities have no way of policing whether they are actually following through on their promises. He said governments should ensure mining companies are accountable for what they have committed to.\(^{86}\)

6.91 Ms Stacey Cooke of the Gunnedah and District Chamber of Commerce and Industry said communities appreciate the contributions of mining

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\(^{83}\) Mr Brian O’Gallagher, Deputy Chief Executive Officer, Northern Territory Chamber of Commerce, *Committee Hansard*, Darwin, 31 July 2018, p. 8.

\(^{84}\) Capricorn Enterprise, *Submission 18*, p. 3.

\(^{85}\) Capricorn Enterprise, *Submission 18*, p. 3.

companies, like sponsoring sporting teams, but the industry needs to provide more for the future of the region as well.  

6.92 Mr Neil Lethlean from Capricorn Enterprise said mining companies could contribute a lot more to improve their social license to operate and listed: supporting training; apprenticeships and Indigenous employment; decentralisation of their offices to regional centres; implementing local procurement programs and improving their regional supply chains; as well contributing to local business growth and social infrastructure.

6.93 Mr Ric Gros from METS Ignited said a code of conduct for social license to operate should be strongly encouraged but hoped it would not need to be legislated.

6.94 From an industry perspective, Ms Tania Constable of the Minerals Council of Australia said the industry ‘takes their social license to operate very seriously’ while also needing to remain competitive at a global level.

6.95 The Minerals Council of Australia stated that social investment by its member companies had expanded over time, from sponsorships and donations to include long term investments and partnerships in regional communities.

**State government requirements**

6.96 A number of people and organisations gave evidence to the Committee about various state government frameworks to encourage mining companies to expand their social license to operate.

6.97 The Regional Australian Institute stated that social impact assessments are required as a part of state governments’ environmental impact assessments process. However, it submitted that the disappointing outcomes for local

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87 Ms Stacey Cooke, President, Gunnedah and District Chamber of Commerce and Industry, *Committee Hansard*, Tamworth, 4 September 2018, p. 17.


89 Mr Ric Gros, Chief Executive Officer, METS Ignited Australia, *Committee Hansard*, Rockhampton, 29 August 2018, p. 22.


communities from many mining projects approved under these arrangements suggest this approach is insufficient.\textsuperscript{92}

6.98 The Cessnock City Council submitted that state governments had previously issued mining leases with conditions that companies support community infrastructure. However, there was little support for the future economic and social resilience of regional communities after mining activities ceased.\textsuperscript{93}

6.99 In most states, the state government makes decisions about whether private or public projects require government management, and assesses various factors to determine if the project may proceed, including the cumulative impacts. Cessnock City Council stated that cumulative impacts are a major concern but are not taken seriously by mining companies. It submitted that cumulative impacts should be one of the major assessment criteria for project approval.\textsuperscript{94}

6.100 In New South Wales part of the approvals process for major mining projects is that a mining company ‘may’ form a Community Consultative Committee, but this not a requirement.\textsuperscript{95}

6.101 Mayor Andrew Hope of the Liverpool Plains Shire Council said he was a member of the Shenhua and BHP Community Consultative Committees and had found the process ‘slow and bureaucratic’ with little information going back to the community through that model. He said the approvals process for mines needs to be more transparent.\textsuperscript{96}

\textbf{The Strong and Sustainable Resource Communities Act 2017 (QLD)}

6.102 The Queensland government has a number of initiatives in place to increase mining companies’ social license to operate.

6.103 In 2013, the Queensland government started requiring companies to adhere to the Queensland Resources Council \textit{Code of Practice for Local Content} as a

\textsuperscript{92} Regional Australia Institute, \textit{Submission 28}, p. 6.

\textsuperscript{93} Cessnock City Council, \textit{Submission 12}, p. 6.

\textsuperscript{94} Cessnock City Council, \textit{Submission 12}, p. 9.


\textsuperscript{96} Cr Hope, Liverpool Plains Shire Council, \textit{Committee Hansard}, Tamworth, 4 September 2018, pp. 13-14.
part of their Environmental Impact Statement. However, the broad definition of ‘local’ used in this document means that any Australian or New Zealand business can be counted as local.

6.104 More recently, the Queensland government has introduced the *Strong and Sustainable Resource Communities Act 2017* (Qld) (the Act) which is designed to ensure residents of communities near large resource projects benefit from these projects. A ‘large resource project’ is defined as:

- a project where an environmental impact statement (EIS) is required or holds a site specific environmental authority under the *Environmental Protection Act 1994* (Qld); and
- a project with 100 or more workers (or a smaller workforce if be decided by the Coordinator General).

6.105 A ‘nearby regional community’ is defined as a town within 125km radius of the main access to the project and has a population of more than 200 people. The Coordinator-General may decide on a greater or lesser radius or a smaller population.

6.106 The Act requires large resource projects to prepare a social impact assessment which is to be done in consultation with stakeholders. The social impact assessment requires the project to develop management plans for worker management, housing plans, local procurement, community wellbeing and stakeholder engagement.

6.107 The Act also prohibits a 100 per cent FIFO workforce.

6.108 The Local Government Association of Queensland strongly supported the introduction of the Act.

6.109 Mayor Greg Williamson from the Mackay Regional Council said the Act has acknowledged that the FIFO work model is harmful to regional communities and made the mining industry recognise this too.

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100 *The Strong and Sustainable Resource Communities (SSRC) Act 2017* (Qld), s 5, sch 1.

101 *SSRC Act 2017* (Qld), s 5, sch 1.

102 *SSRC Act 2017* (Qld), s 9.

103 *SSRC Act 2017* (Qld), s 6.

104 Local Government Association of Queensland (LGAQ), *Submission 46*, p. 3.
6.110 Mayor Anne Backer from, the Isaac Regional Council said that the Act was too new to know if it is positively affecting regional communities, though she has received anecdotal evidence that living arrangements are changing, but this may be due to the mining upswing rather than the Act.\textsuperscript{106}

6.111 The Mayor suggested the Queensland Act could be a model employed by the federal government and represents an improvement over previous models and voluntary codes.\textsuperscript{107}

6.112 Ms Millicent Bradley-Woods, also from the Isaac Regional Council pointed out that one limitation of the Act is that it only prohibits 100 per cent FIFO workforces. Mining companies can comply with the Act by hiring only one local employee.\textsuperscript{108}

6.113 The Isaac Regional Council stated that regulation such as this Act is a positive step to reducing FIFO workforces but the federal government should also support regional liveability though:

- ensuring accessible housing, including rental accommodation;
- introducing industrial laws which prevent 100 per cent FIFO workforces and amending existing laws to foster rostering which is more family friendly;
- updating taxation zone allowances for residents living in regional areas; and
- reducing air travel costs to and from regional communities.\textsuperscript{109}

**The Canadian model**

6.114 The Committee heard evidence about the Canadian ‘Towards Sustainable Mining’ program. This model does not incorporate Canadian government legislation, but is a framework developed and administered by industry.

6.115 Towards Sustainable Mining was established by the Mining Association of Canada in 2004 and participation in this program is compulsory for all

\begin{itemize}
\item \textsuperscript{105} Cr Williamson, Mackay Regional Council, *Committee Hansard*, Mackay, 30 August 2018, pp. 3-4.
\item \textsuperscript{106} Cr Baker, Isaac Regional Council, *Committee Hansard*, Mackay, 30 August 2018, p. 11.
\item \textsuperscript{107} Cr Baker, Isaac Regional Council, *Committee Hansard*, Mackay, 30 August 2018, p. 12.
\item \textsuperscript{108} Ms Millicent Bradley-Woods, Acting Senior Advisor, Isaac Regional Council, *Committee Hansard*, Mackay, 30 August 2018, p. 13.
\item \textsuperscript{109} Isaac Regional Council, *Submission 31*, p. 10.
\end{itemize}
members of the Association. It has both internal and external reporting requirements for member companies.\textsuperscript{110}

6.116 Towards Sustainable Mining’s main objective is to allow ‘mining companies to meet society’s needs for minerals, metals and energy products in the most socially, economically and environmentally responsible way’.\textsuperscript{111}

6.117 The Towards Sustainable Mining model requires member companies to have a ‘Community of Interest Advisory Panel’, which is a group comprising mining company members, Indigenous and community groups, labour and financial organisations, and environmental and social non-government organisations, in order to discuss ‘issues of mutual concern’.\textsuperscript{112}

6.118 The Towards Sustainable Mining model does not have a focus on regional businesses or economies.

6.119 Mr Lethlean drew the Committee’s attention to this model, proposing it as a successful corporate social responsibility model. He felt that most mining companies in Australia do not prioritise social license to operate, and that this framework might provide a model for Australia.\textsuperscript{113}

**Committee Comment**

**FIFO/DIDO work practices**

6.120 The negative impacts of FIFO and DIDO work practices on mental and physical health, community cohesion and community safety have been well-documented. But FIFO and DIDO also represent opportunities to the economies of many mining region towns.

6.121 The Committee noted the importance of not having a ‘one size fits all’ approach to FIFO. In some cases, mining companies rely on FIFO workers due to the extreme distance of their mining operations from any sizable working population.


\textsuperscript{113} Mr Lethlean, Capricorn Enterprise, *Committee Hansard*, Rockhampton, 29 August 2018, p. 15.
6.122 The Committee also noted FIFO practices that were helping to build regional areas, such as the relationship between the town of Busselton in Western Australia and Rio Tinto, which flies workers from the town to its mines.

6.123 The Committee noted however the damaging effect of FIFO and DIDO work practices on other communities, their economies, and how these practices affect the social license of mining companies to operate. Also concerning were the reports from a number of witnesses that in order to work for the mines, people were being forced to move from regional towns to major cities from which the FIFO workforce flies out.

6.124 The Committee encourages mining companies to look at improving the flexibility of work practices in regards to FIFO. Being able to fly in and out from different and more regional locations would allow their employees to live closer to their families and contribute more to regional economies.

6.125 The Committee commends the work of Origin Energy and other companies providing financial incentives for employees to live permanently in areas close to their workplace. Origin’s consultation with the communities of Miles and Chinchilla is a model that could be emulated by other companies.

6.126 The Committee was concerned to hear that Australia’s Fringe Benefit Tax system may be acting to incentivise companies to use FIFO work practices instead of locating workers in communities near their mines.

6.127 The Committee notes that this issue was explored in the 2013 ‘Cancer of the bush’ report. That report recommended changes to the Fringe Benefits Tax, however no changes have been made. The Committee believes the federal government should revisit this issue.

Casual labour hire

6.128 The Committee was concerned by the increased use of casual labour hire by mining companies and the associated increases in FIFO and DIDO workforces associated with this practice. Workers who are employed under this model face financial difficulty and are often forced to move to capital cities for work, creating a ‘second class’ of mining employee.

6.129 The Committee understands that during the downturn the mining industry was looking for ways to economise, but these kinds of work practices can be damaging to communities, impacting on companies’ social licence to operate, and should be reviewed.
6.130 The Committee is watching this issue closely and supports moves to legislate to prevent further casualization and outsourcing of mining workforces.

**Mining and agriculture**

6.131 The interaction between mining and agriculture attracts a great deal of commentary and opinions. However, the Committee did not receive a lot of evidence from the agricultural sector during this inquiry.

6.132 The Committee notes positive examples of cooperation and co-existence of mining and agriculture, as well as recognising negative impacts of mining, such as competition for water resources, dust and noise pollution.

6.133 The Committee notes the gas industry’s evidence about its work to improve relationships between the industry and landholders. However, the Committee also notes that the coal seam gas industry has failed to engage successfully in New South Wales, and that coal seam gas still has a very poor public image in that state.

6.134 The Committee explored the possibility of land owners being compensated based on the production levels of wells on their land, rather than receiving a set annual amount.

6.135 Some members of the Committee believe that such an approach would make landholders and agricultural communities more amenable to the idea of coal seam gas extraction in their regions. The Committee strongly suggests the industry consider this approach for future agreements.

**Social license models**

6.136 The *Strong and Sustainable Resource Communities Act 2017* (Qld) represents a step in the right direction for enforcing corporate social responsibility in Australia but the Committee suggests the Act could be strengthened. For instance, a mining company should not be able to satisfy the requirements of the Act by hiring a single local worker.

6.137 The Act should include provisions to address community concerns about levels of local procurement and barriers to entering the mining services sector for local businesses.

6.138 The Committee also notes the relative newness of the Queensland Act and encourages the Queensland government to conduct a thorough evaluation of its impacts on regional communities. Provisions to strengthen the Act...
should be considered by the Queensland government, informed by the evaluation.

6.139 Other states and territories, especially New South Wales, should explore if a similar Act would be appropriate in their jurisdiction.

6.140 The Committee notes the Canadian resource sector’s ‘Towards Sustainable Mining’ framework. The Minerals Council of Australia should consider developing a similar social license framework for the mining sector in Australia.

6.141 Any Australian framework must include provisions for local procurement, fair payment terms and ethical contracting practices, best practice in employment and training, and mining companies’ responsibilities in terms of planning for the long-term sustainability and viability of mining towns and regions.

6.142 In addition, the federal government should advocate though the Council of Australian Governments that the state and territory governments develop a consistent framework for negotiating mining agreements which would include minimum standards for resource companies in relation to securing and maintaining a social license to operate, and include the development of social impact assessments as part of granting a mining license.

Recommendations

Recommendation 18

6.143 The Committee recommends the Federal Government review the provisions of the Fringe Benefits Tax that relate to businesses providing housing for their workers. The aim of the review should be to remove the existing incentives for companies to use fly-in/fly-out workforces as opposed to providing housing for their workers to live in regional communities close to mines.

Recommendation 19

6.144 The Committee recommends the Federal Government conduct a review into the use of casualised workforces and labour hire companies in the mining and other sectors with a view to amending the Fair Work Act 2009 (Cth) in order to prohibit the move towards replacing directly-employed, full time workers with ‘permanent casual’ employees, and other similar casualised employee types.
Changes to the Act should also include provisions that guarantee that employees have a legal right to convert from casual to permanent employment after a set period of time.

**Recommendation 20**

6.145 The Committee recommends the Federal Government consult with state and territory governments on existing legislation and frameworks that govern the issuing of licences for gas extraction. Frameworks should be amended to ensure:

- Transparency: affected landholders should be informed of the gross production of wells on their land;

- A fair return: affected landholders should be entitled to a share of the revenue produced by the well/s, of no less than 2 per cent; and

- Dispute resolution: affected landholders should have access to an accessible arbitration process to settle disputes with companies.

Similar measures should be considered for landholders whose land is affected by other extractive industries.

**Recommendation 21**

6.146 The Committee recommends the Federal Government consult with state and territory governments on existing legislation and frameworks that govern the issuing of licences for resource extraction, with a view to developing a national framework to take to the Council of Australian Governments (COAG) for endorsement.

The framework should set minimum standards for mining and resources companies in relation to securing and maintaining a social licence to operate in regional areas, including the requirement to develop social impact assessments for their projects.

Hon Barnaby Joyce MP, Chair
28 November 2018
A. Submissions

1. Name Withheld
2. City of Greater Geraldton
3. Name Withheld
4. Department of Infrastructure, Regional Development and Cities
   - 4.1 Supplementary to submission 4
5. Reay Service Group
6. Confidential
7. Name Withheld
8. Resource Industry Network
   - 8.1 Supplementary to submission 8
9. EconomX
10. Confidential
11. Confidential
12. Cessnock City Council
13. Mine Super
14. Whitehaven Coal Limited
15. D&S Pumps
16. Association of Mining and Exploration Companies Inc
17. ConocoPhillips Australia
18. Capricorn Enterprise
• 18.1 Supplementary to submission 18

19 Chartered Accountants Australia and New Zealand

20 Mackay Regional Chamber of Commerce

21 Confidential

22 Confidential

23 Sustainable Minerals Institute, University of Queensland

24 Ms Bronwyn Reid

25 Name Withheld

26 Regional Development Australia Far North

27 Name Withheld

28 Regional Australia Institute

29 Department of Industry, Innovation and Science

• 29.1 Supplementary to submission 29

30 Greater Whitsunday Alliance Ltd (GW3)

31 Isaac Regional Council

32 Vayeron Pty Ltd

33 CE Smith & Co Chartered Accountants

34 Confidential

35 Name Withheld

36 Central Queensland Hire Pty Ltd

37 RIN Member A

38 RIN Member B

39 RIN Member C

40 RIN Member D

41 RIN Member E

42 Regional Business A

43 Confidential

44 Confidential

45 NSW Minerals Council
- 45.1 Supplementary to submission 45

46 Local Government Association of Queensland

47 Tasmanian Government - Hon Guy Barnett MP

48 Minerals Council of Australia

49 BHP
  - 49.1 Supplementary to submission 49
  - 49.2 Supplementary to submission 49

50 METS Ignited

51 APPEA
  - 51.1 Supplementary to submission 51

52 Origin Energy

53 Liverpool Plains Shire Council

54 Confidential

55 Mining & Energy Related Councils NSW

56 CSIRO

57 City of Kalgoorlie-Boulder

58 Susan Lyle

59 Mr Robert Hicks
  - 59.1 Supplementary to submission 59

60 Australian Small Business and Family Enterprises Ombudsman
  - 60.1 Supplementary to submission 60

61 Professor Fiona McKenzie

62 Confidential

63 Rockhampton Regional Council

64 Australian Drilling Industry Association

65 Regional Development Australia Pilbara

66 Hunter Business Chamber

67 Confidential

68 Glencore
Mineral Resources Limited
Australian Competition and Consumer Commission
CFMEU
Bland Shire Council
Anglo American
Muswellbrook Chamber of Commerce and Industry
Electrical Trades Union
Peabody
Australian Workers Union
Yancoal Australia Ltd
Singleton Council
B. Public hearings

Tuesday, 31 July 2018, Darwin

Minerals Council Australia

- Mr Drew Wagner, Executive Director, Northern Territory Division

NT Chamber of Commerce

- Mr Brian O’Gallagher, Deputy Chief Executive Officer
- Ms Kate Morrissey, Assistant Manager, Industry Councils
- Mr Paul Sedman, Member

Manufacturers Council

- Mr Owen Pike, Chairman
- Mr Kevin Peters, Executive Committee Member
- Mr Paul Stone, Executive Committee Member

NT Farmers

- Mr Greg Owens, Chief Executive Officer

Charles Darwin University

- Professor Sue Carthew, Vice-President and Provost

Wednesday, 15 August 2018, Canberra

Department of Industry, Innovation and Science

- Dr Gino Grassia, General Manager, Resources 2030 Taskforce
- Mr Jason Russo, General Manager, Onshore Minerals
Wednesday, 22 August 2018, Canberra

Department of Infrastructure, Regional Development and Cities

- Ms Maxine Loynd, General Manager, Local Government and Regional Development Australia
- Ms Nicole Pearson, General Manager, Regional and Dams Policy

Wednesday, 29 August 2018, Rockhampton

Rockhampton Regional Council

- Councillor Anthony (Tony) Williams
- Mr Angus Russell, Manager Strategy and Planning

Gladstone Engineering Alliance

- Mr Kieran Moran, Media, Communication and Events Coordinator

Capricorn Enterprise

- Mr Neil Lethlean, Economic Development Manager

METS Ignited

- Mr Ric Gros, Chief Executive Officer

Central Highlands Development Corporation

- Ms Vicki Leeson, Business Facilitator
- Ms Catherine Spalding, Marketing Officer

Ms Bronwyn Reid (private capacity)

Thursday, 30 August 2018, Mackay

Mackay Regional Council

- Councillor Greg Williamson, Mayor

Isaac Regional Council

- Councillor Anne Baker, Mayor
- Mr Gary Stevenson, Chief Executive Officer
- Ms Millicent Bradley-Woods, Acting Senior Adviser

Mackay Chamber of Commerce

- Mr Simon Vigliante, Treasurer
CE Smith & Co Mackay Chartered Accountants

- Mr Mark Bushell, Director
- Mrs Stacey Quinn, Manager

Central Queensland Hire

- Mr Jason Newitt, Director

C-Res

- Ms Kylie Porter, Chairman

BHP

- Mr Sundeep Singh, Vice President, Supply, Minerals Australia
- Mr James Palmer, Asset President
- Mr Sean Milfull, General Manager

Resource Industry Network

- Mrs Adrienne Rourke, General Manager

Greater Whitsunday Alliance (GW3)

- Mr Garry Scanlan, Chief Executive Officer

Tuesday, 4 September 2018, Tamworth

Gunnedah Shire Council

- Councillor Gae Swain, Deputy Mayor

Liverpool Plains Shire Council

- Councillor Andrew Hope, Mayor

Gunnedah and District Chamber of Commerce and Industry

- Mrs Stacey Cooke, President
- Mr Michael Broekman, Vice President

Association of Mining and Energy Related Councils

- Mr Greg Lamont, Executive Officer

NSW Minerals Council

- Mr Stephen Galilee, Chief Executive Officer
Whitehaven Coal

- Mr Paul Flynn, Manager Director and Chief Executive Officer
- Mr Michael van Maanen, Executive General Manager, Corporate and External Affairs

Mrs Patricia Duddy (private capacity)

Red Chief Local Aboriginal Land Council

- Mr Mitchum Neave, Chair

Wednesday, 19 September 2018, Canberra

Regional Australia Institute

- Dr Kim Houghton, General Manager, Policy and Research

Tuesday, 9 October 2018, Port Hedland

Roy Hill Holdings Pty Ltd

- Ms Jeanette Hasleby, Manager, Community Development
- Ms Pippa McIntosh, Manager, Government Relations and Corporate Communications

Town of Port Hedland Council

- Councillor Camilo Blanco, Mayor

City of Karratha Council

- Councillor Peter Long, Mayor

Rio Tinto

- Councillor Grant Henley, Mayor, City of Busselton (appeared with Rio Tinto)
- Ms Linda Dawson, General Manager, Communities and Communications
- Mr Bilal Kably, Business Partner, Mines Procurement

Port Hedland Chamber of Commerce

- Mr Peter Carter, President

Fortescue Metals Group

- Mr Dean Powell, Category Manager, Category Management Services
- Mr Tom Weaver, Acting Group Manager
Wednesday, 10 October 2018, Kalgoorlie

Mr Nicholas Fardell (private capacity)

City of Kalgoorlie-Boulder

- Councillor John Bowler, Mayor
- Mr John Walker, Chief Executive Officer
- Ms Almetra Bethlehem, Policy and Research Advisor

Mr Robert Hicks (private capacity)

Mr Graham Thomson (private capacity)

Kalgoorlie-Boulder Chamber of Commerce & Industry Inc

- Ms Simone De Been, Chief Operating Officer
- Mr Bill McKenzie, Board Member

Becon Minerals/Manglesdorf Engineering Pty Ltd

- Mr Graham McGarry, Managing Director

Goldfields Conferences and Events

- Mr Laurie Ayers, General Manager

Lakes Electrical Distributors, Goldfields

- Mr Stuart Fleming, General Manager
- Mr Ryan Hough, Branch Manager

Overland Motel and Miners Rest Motel

- Mr Aaron Heal, Owner

Shire of Coolgardie

- Mr James Trail, Chief Executive Officer

Wednesday, 17 October 2018, Canberra

Australian Petroleum Production and Exploration Association

- Dr Malcolm Roberts, Chief Executive
- Mr Matthew Paull, Queensland Policy Director

Australian Competition and Consumer Commission

- Mr Marcus Bezzi, Executive General Manager, Specialised Enforcement and Advocacy
- Mr Rami Greiss, Executive General Manager, Enforcement

**Wednesday, 24 October 2018, Canberra**

Origin Energy
- Mr Mark Schubert, Executive General Manager, Integrated Gas
- Mr Tim O’Grady, General Manager, Public Policy and Government Engagement

Minerals Council of Australia
- Mrs Tania Constable PSM, Chief Executive Officer
- Dr Gavin Lind, Director, Workforce and Health, Safety Environment and Communities and Executive
- Ms Jillian D’Urso, Adviser, Communities

**Monday, 5 November 2018, Singleton**

Singleton Council
- Councillor Sue Moore, Mayor
- Mr Jason Linnane, General Manager
- Mr Tony Chadwick, Senior Social Economic Planner

Hunter Research Foundation Centre, University of Newcastle
- Professor Will Rifkin, Director and Chair
- Dr Anthea Bill, Lead Economist

University of Queensland
- Dr Katherine Witt, Research Fellow

Glencore Coal Assets Australia
- Mr Anthony Pitt, Director, Logistics and Procurement
- Mr David Paterson, General Manager, Human Resources
- Mrs Kylie Kelly, Group Manager, Shared Services

Roundtable 1 - Government, Research, Training and Employment organisations
- Mr Adrian Price, Regional Manager, Hunter Regional, Australian Industry Group
- Mr Chris Cork, Director, Forsythes Recruitment
- Dr Richard Bush, Director, International Centre for Balanced Land Use, University of Newcastle
- Councillor Bob Pynsent, Mayor, Cessnock City Council
- Mr Stephen Glen, General Manager, Cessnock City Council

*Roundtable 2 - Business and Industry representatives*

- Mr Andrew McIntosh, Representative, Hedweld Engineering Pty Ltd
- Mr Wayne Toms, Representative, Muswellbrook Chamber of Commerce and Industry
- Mrs Laura Hordern, Board Member, Singleton Business Chamber
- Mr Bob Hawes, Chief Executive Officer, Hunter Business Chamber
- Ms Norah St George, Chief Financial Officer, The Bloomfield Group
- Mr Wayne Diemar, Senior Project Director, HunterNet