



MINING & ENERGY

RELATED COUNCILS NSW

Susan Cardell
Committee Secretary
Standing Committee on Industry, Innovation, Science & Resources
PO Box 6021
Parliament House
Canberra ACT 2600

15th August 2018
P O Box 871
Tamworth,
NSW, 2340

iisr.reps@aph.gov.au

Dear Susan,

Re: Inquiry into how the mining sector can support businesses in regional economies

The Association of Mining & Energy Related Councils of NSW Incorporated (MERC) welcomes the opportunity to provide comment to the Inquiry by the Federal Government's Standing Committee on Industry, Innovation, Science and Resources into how the mining sector can better support businesses in regional economies.

MERC canvassed its members for comments which can be taken to the Inquiry and this submission summarises them with the inclusion of three case studies from Councils that are from Central Western NSW (Dubbo Regional Council), Hunter Valley (Singleton Council) and Namoi Valley (Gunnedah Shire Council). Their comments have been used throughout this paper at various times to emphasise points and have been attached for authenticity.

A. About MERC

MERC originated in 1978 with several Councils recognising that Local Government Areas associated with coal developments would benefit from a co-ordinated approach when liaising with proponents and the NSW State Government. In 1993 the scope broadened to include metalliferous mines.

In 1999 MERC expanded further to represent Local Government on all extractive industries, including unconventional gas and in 2017 added renewable energy projects to its remit. Currently there are 22 - member Councils in MERC, most of who are located in rural and regional mining areas of NSW.

MERC membership includes councils in coal mining areas such as Singleton Council in the Hunter Valley, Wollongong and Wollondilly south of Sydney and Gunnedah Shire Council in the north west of NSW. These LGAs have long histories of coal mining in their precincts. Other members such as Cobar, Bland, Broken Hill, Dubbo Regional and Lachlan Shire Councils are in the central west and far western regions that despite being long term mining areas are still emerging as high value mineral mining areas – gold, copper, scandium, rare earths, etc.

B. General Comments - Inquiry Brief

Local Councils are the sphere of government directly responsible for the daily governance of Local Government Areas. They strive to facilitate human endeavour that is sustainable environmentally, socially and economically. Often, they have to deliver services and facilities across vast distances and sparse populations. Thus, Councils are 'on the front line' interfacing closely with their communities.

They have a good understanding of the local issues and challenges and have ideas on how to maximise opportunities for local businesses to provide goods, services and workers to the mining industry, thus generating significant regional benefits.

Based on the grass roots experience of its members and the expert commentary from a snap shot of our membership breadth, MERC with its' mining diversity offers the following comments on the Inquiry's Terms of Reference.

C. Specific Comments – Selected Aspects of the Inquiry Brief

Given the nature of our members as Local Government Authorities in NSW (as Councils established under the Local Government Act 1993, as amended), some aspects of the Inquiry we are not in a position to respond to, however we submit comments on the following. Attached are comments from three member Councils to support the details herein.

(1) The appropriateness of the payment terms offered to businesses by the mining sector:

In a nutshell, the payment terms offered to businesses are not very appropriate at all!

The payment terms adopted by the mining sector for local businesses can be as long as 120 days in the Hunter Valley region and on average 45 days (one start up mine had 180 days terms for some initial works) in the Gunnedah Basin. Normal business practice in regions and local businesses is 30 days to ensure everyone has the cash flow to conduct their businesses effectively and to keep people in jobs, children fed, the school full, businesses viable and the community vibrant.

Such payment terms are not sustainable for small to medium enterprises in regional areas with little scope to get new markets. This discourages development of local economies as businesses will not take the risks and usually companies with contacts already with the miners set up shop and the local businesses miss out on contracts as they can't readily upskill or upgrade to meet the requirements of the miners.

MERC encourages the Federal Government to seek reforms by the mining sector on this important procurement issue for businesses in mining affected economies.

(2) Barriers to the greater use of regional businesses in the procurement of services by the mining sector:

Further to the point in (1), the mining sector, through their rigid procurement practices, can have a profound impact on local businesses and thus local economies.

For example, in the Singleton Local Government Area there are 26 different mining operations, predominantly owned by two multinational companies. Typically for such companies the majority of procurement (particularly major purchasing) is undertaken corporately, not locally.

While MERC understands the financial benefits to the companies of such an approach, it limits the ability of local businesses to break into the market and expand. MERC recommends incentive-based procurement strategies be implemented by State and Federal Governments to encourage local purchasing.

In addition, in communities seeking to diversify in order to ride the mining peaks and troughs, the current procurement practices of the industry tend to stifle innovative small business attempting to service the mining market because of the risk adverse nature of the industry.

(3) 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:

In rural and regional centres businesses are generally smaller than in the larger cities. As a result, the capacity to obtain business funding for R&D and METS through programs focused on individual business objectives and job allocation, makes it difficult for businesses to access this type of funding.

Thus, if funding options for R&D and METS could be clustered between businesses in regional centres this would serve regional centres much better. Cluster development helps to facilitate stable growth in these types of industry segments, encourages skills and knowledge sharing, encourages commercialisation and commercial scale-up of locally driven R&D solutions and builds capacity across the whole industry to diversify and deliver.

(4) How the Federal Government can support businesses in regional economies to benefit from mining development:

MERC believes there is much the Federal Government can do to support businesses in regional economies, so they and their communities can benefit more from mining development and build better economic and social resilience.

For instance, MERC recommends the Federal Government consider requiring mining companies to:

- source goods, services and workers from local communities, to the extent practicable;
- set local employment targets, including the different groups in the local population, to ensure the community has people in it that live there 24/7 so the mining affected towns and villages in the regions don't die;
- develop a plan that clearly articulates the commitments and strategies of the miners to deliver training and employment outcomes for local and regional stakeholders;
- develop appropriate local employment, training and business development plans for each stage of a project and ensure there is early knowledge of the labour and skills required for each phase of project development in order to maximise local employment. *(Such plans should develop a list of all occupations and qualification requirements for each phase of a project, supported by regular sessions for local businesses providing information on upcoming work, prequalification requirements and how to register interest. Part of the planning should encompass the development of training programs for Aboriginal and other local workers to develop the necessary skills and expertise to maximise opportunities for local employment);*
- work more proactively with local businesses and local government to ensure that local businesses are able and adequately skilled to compete for contracts, and to assist local businesses to be ready to participate in economic development opportunities as they emerge;
- provide prequalification requirements well in advance to enable business to understand the standards required to tender for specific work packages; and
- audit workforce skills and requirements and identify any gaps which can be addressed.

MERC also recommends the Federal Government provide stronger leadership to maximise the opportunities for local and regional businesses and economies by:

- Working with industry networks and stakeholder representative entities such as MERC and Chambers of Commerce to map the capabilities of local business and industry.

- They will identify opportunities to facilitate partnering or other collaborative approaches between local businesses so they can tender for work supporting the mining sector;
- Assisting local and regional businesses to obtain quality assurance certification and to partner with larger suppliers to encourage greater local supply, employment and knowledge transfer; and
- Providing better mobile phone and internet connectivity to enable local businesses to compete with those located in the capital cities.

(5) How royalties are shared between landholders on gas fields and State and Territory Governments:

The Federal, State and Territory Governments receive increased royalty and tax revenue from the onshore gas industry. MERC recommends the Federal Government investigate options for allocating revenues that facilitate economic, business and social development in the host regions.

Furthermore, MERC recommends the Federal Government work with the rural sector and the gas industry to determine the best way to compensate landholders for the impact gas operations have on their businesses.

Royalties could be shared by gas fields in the form of supplying the local towns with reduced rates or even free power and gas, this would provide an incentive for businesses to develop in regional Australia.

Another option is for the Federal Government to consider whether a royalty payment scheme should be implemented to compensate farmers prior to any further production approvals being granted.

(6) Any other related matter

A matter where MERC believes the Federal Government could generate a pivotal and lasting benefit is in raising the standard of the socio-economic impact assessment for proposed major mining developments.

If the adequacy of the base-line data collection, modelling and predictions regarding jobs and growth was improved, there is every prospect that regions would be more aware of the likely benefits and costs and hence more could be done to maximise the socio-economic benefits.

Dubbo Regional Council and some of our member Councils use the REMPLAN model to assess the impacts of mining on the regional and local economies. The Committee of Inquiry should have a closer look at this model and how it is used to estimate the real cost of the impacts of mining on regional economies, in order that Councils can negotiate with proponents using ABS data for agreement on the quantum for Voluntary Planning Agreements (VPA's).

In this way, there is data up front that reflects what the impact will be with the mining development on the regional economy, which can be reviewed as time goes by.

Singleton Council have a model which they have outlined in their commentary that the Inquiry should also consider closely. The model could be developed and rolled out for all mining affected regions to address the impacts of mining on regional economies and communities with their Community & Economic Development Fund (future fund) approach recognising that VPA funds could be used for longer term purposes, during and post mining.

This option provides an opportunity for Council, industries and business to work with the community more effectively than the current processes that operate in NSW.

The Federal Government could help by funding the development of these models through MERC using Singleton Council and Dubbo Regional Councils as the case studies or through the Councils directly for other regions to use eg Gunnedah Shire Council.

Other options are to develop programs to fund community development officers or entities to work with the miners, communities, businesses and Councils to revitalise the regional mining affected business sectors that are currently affected by mining to assess the impacts more closely on regional economies and undertake the skills audits, train the businesses, coach the locals to get the jobs, work with the schools and Registered Training Organisations, as outlined in these attached comments from Dubbo, Gunnedah and Singleton.

D. Conclusion

MERC values its role of participating in debate and discussion on relevant planning matters such as this and the Association thanks the Standing Committee for the opportunity to provide feedback on this important topic.

MERC is committed to helping its members facilitate the planning and delivery of sustainable futures for their communities. Such a future requires growth of social and economic capital that is resilient and adaptive and acknowledges and protects the environmental attributes of their region.

If you have any queries regarding the above please don't hesitate to contact the Executive Officer of the MERC Mr Greg Lamont on phone 0407 937 636 or email greg@yourexecutiveservice.com.au

Yours sincerely,

Peter Shinton
Chairman
Association of Mining & Energy Related Councils

(Attachments – Comments from Dubbo Regional Council, Gunnedah Shire Council and Singleton Council with additional attachments.)

ATTACHMENTS

A. COMMENTS FROM DUBBO REGIONAL COUNCIL'S GENERAL MANAGER - MICHAEL McMAHON

Thank you for opportunity to provide insight into the positive impacts that can be delivered from the mining sector to better support businesses in regional economies such as the Dubbo Regional LGA. As you are aware, although the actual mining production across the LGA is minimal, the service that the Dubbo Regional Council area provides to this very important industry across the Orana Region cannot be understated.

A significant number of businesses within the Dubbo Regional Council area provide services through trade and professional services to the mining sector across the Orana. In terms of business engagement the commitment from mining companies to maintain a regional and local industry engagement quota across the lifespan of the project is important to maintaining economic benefits in local business and the broader economy.

The ability of Dubbo to grow its capacity as a service centre to play a more significant role in the METS and R&D space for mining and manufacturing is significant, with available zoned land, strategic plans in place and businesses on the cusp of this type of development, government support for business expansion through capital grant funding would help to facilitate this as a viable business option for local businesses.

The capacity to obtain business funding through programs focused on individual business objectives and job allocation make it difficult for businesses to access funding for this type of development and diversification. If funding options for R&D and METS developments could be clustered between businesses in regional centres this would serve communities like Dubbo much better – businesses are smaller and the cluster development helps to facilitate stable growth in these types of industry segments, encourages skills and knowledge sharing and builds capacity across the whole industry to diversify and deliver.

In terms of effective implementation of mining benefit strategies it is important that the long term wider regional economy is also considered, it is important that the Committee understand the role played by local government and recognise the ongoing impact of mining projects and mitigation strategies employed to best service and protect the growth of the overall economy of the LGA.

The issue of the appropriate mitigation of the impacts of mining on communities is significant for local government and for the mining industry. Recognising a lack of government assistance across all tiers and the reasoned objective of preparing our community for the positive effects and to mitigate against the negative impacts of mining, the former Dubbo City Council worked closely with consultants REMPLAN to develop an Infrastructure Services Impacts Model. This Model has been utilised by Council in the past to negotiate a number of Planning Agreements.

Council's Model utilises Australian Bureau of Statistics data, current accounts data and data deriving from economic impact assessments associated with mining projects to provide an overall assessment of the following:

- Impacts of mining projects on roads;
- Impacts of mining projects on dwelling supply and short term accommodation;
- Impacts on the wider road network associated with the increased level of traffic and activity associated with a project workforce;
- Other impacts in respect of emergency services, law and order, education and others associated with both the permanent residents and fly in and fly out and drive in and drive out workforces.

Council has actively utilised this developed model to assist in negotiations around a number of Planning Agreements, which have resulted in the negative impacts of mining and in particular impacts on roads and residential accommodation being somewhat mitigated against for the future. An example of some of the Planning Agreements Council has negotiated are as follows:

- Cobbora Coal
- Toongi Rare Earth
- Rawsonville Quarry
- Bodangora Windfarm
- Sheraton Road basalt quarry

Council in pursuing the development of this model, which is based on real, relevant and publicly available data, highlights the fact that all tiers of government need to continue to work together to ensure our communities can share in the positive impacts of mining and mining projects, whilst ensuring the negative impacts are suitably planned for and mitigated against for the future.

Dubbo Regional Council asks that these comments be taken into consideration by the panel in terms of best planning for mining projects and potential impacts on regional economies, both engaging and developing business for positive growth and the engagement of correct and effective planning tools to mitigate the long term effects of the projects on community assets.

Michael McMahon
General Manager
Dubbo Regional Council

Email: mgm@dubbo.nsw.gov.au

B. COMMENTS FROM GUNNEDAH SHIRE COUNCIL MANAGER ECONOMIC DEVELOPMENT - CHARLOTTE HODDLE

(1) What works well now in how the mining companies support local businesses:

On the whole Whitehaven have set targets and benchmarks for employing locally. According to Whitehaven's company publication, "Committed to the Gunnedah Community". Whitehaven makes the following statements in relation to their operations and their impact on Gunnedah:

- Approximately 337 of the company's employees live in the Gunnedah Shire area;
- We do not promote 'fly in fly out' for our employees;
- Whitehaven takes pride in our reliance on local employees, with over 75% living in the area of operations;
- Whitehaven made \$46.2m in payments in wages and superannuation to employees and contractors living in Gunnedah in FY2015. Since 2012, the amount paid to people living in Gunnedah is \$119.2m;
- Whitehaven has paid more than \$291.4m to local Gunnedah businesses over the past three years. In FY2015 Whitehaven supported 326 businesses and suppliers in the Gunnedah LGA. Contribution to roads – Whitehaven pays 95% of maintenance costs on Bluevale Road and Blackjack Road.
- Whitehaven has contributed over \$5m towards construction and upgrade of roads in the area of mining related activity, including Wean Road, Kamilaroi Highway, Blackjack Road and Quia Road Underpass.
- On the whole Whitehaven further contribute to our local community groups and projects including:
 - Whitehaven provided more than \$600k to various Gunnedah community initiatives in recent years:-

- Projects supported in the last year included:
 - Gunnedah Charity Bowls Day
 - Gunnedah Scholarship Fund
 - Gunnedah Chamber of Commerce Gift Card
 - Gunnedah Urban Landcare Group
 - Dorothea Mackellar Poetry Awards
- As part of our ongoing work to support local Aboriginal communities, we employed 60 local Indigenous people at our local operations at the end of 2015.
- In H1 FY16 Whitehaven has supported the NAIDOC Reconciliation Concert, Aboriginal Rugby League and the Young Indigenous Art and Literacy Program;
- Whitehaven and our employees have also donated more than \$500k to the Westpac Rescue Helicopter over the past five years. The Company supports the service by matching staff payroll deductions. In 2015 the total raised for the service was more than \$100k;

Mining companies are consultative. Meetings are regularly held with staff and executives of mining companies with Councils. Whitehaven has a preference to locals in workforce recruitment including offering training programs and employment targets for groups such as Indigenous.

(2) What needs to change to improve how mining companies engage with local businesses:

- More training should be done at community facilities rather than on site, ie Gunnedah TAFE and Gunnedah Community College;
- Payment terms for works rendered and provision of products should be a uniform 30 days. Some mine payment terms are 45 days. Anecdotal evidence exists that a proposed mine had 180 day terms for some initial works. This is not acceptable to small and medium sized businesses;
- Mining companies need to invest in getting local high school children “job ready”. Many of these students leave town upon finishing school meaning they are lost to the local worker pool;
- Mining companies need to invest more in local training to help retain and attract workers;
- Further emphasis on local procurement of various supplies and equipment;
- Mining companies need to upskill local businesses in order to allow them to be competitive;
- Increased local preference policies for employment, often mining companies are able to get around this by using contractors instead of employees for their numbers;
- Ensuring that pre-qualification requirements are made known early.

(3) How the Federal Government could better support businesses in regional economies to benefit from mining development:

- Reduce Payroll Tax to incentivise small to medium size businesses to take on more staff so that they are able to compete with the disparity of income with the mining companies;
- Further investment into local schools, hospitals and training facilities;
- More investment from the federal government back into the communities that the minerals are being extracted from;
- Improve transport services to mining communities;
- Need to upskill local businesses in order to allow them to be competitive;
- Greater emphasis on socio economic impact assessment of projects including environment/economic and social aspects.

(4) How sharing royalties between landholders on gas fields & the State Govt could work; or not:

Royalties could be shared by gas fields in the form of supplying the local town with reduced rates or even free power and gas. This would be a great way of incentivising businesses to develop in regional Australia due to lower costs of doing business.

Charlotte Hoddle
Economic Development Manager
Gunnedah Shire Council

Email: charlottehoddle@infogunnedah.com.au

C. COMMENTS FROM THE GENERAL MANAGER SINGLETON COUNCIL - JASON LINNANE

Many thanks for the opportunity to provide comment to the Federal Government Inquiry into the mining sector.

Singleton is a community that has both benefited from and been significantly affected by mining. As a Council we have refocused the way we respond to and execute our role in managing the positive and not-so-positive impacts of mining now and into the future.

We acknowledge that mining is a temporary land use endeavor in our region and one that will transition away from our LGA in the future. When that happens:

- We want to make sure there will be no economic downturn;
- No rise in social disadvantage;
- Singleton will be stronger and more vibrant than ever because of the contribution mining has made;
- We want to make sure Council has prepared its community for change;
- It has robust transition plans in place and being enacted to make that change a positive experience for residents, visitors and all stakeholders.

As such, we see it as Council's role to, amongst other things, to:

- Identify the current local socio-economic impacts of mining and work with our community to mitigate them;
- Identify the future desired characteristics of the Singleton community and economy, post mining; and
- Advocate, collaborate and deliver services, infrastructure, programs and initiatives to make that future a reality.

The mining industry and its impacts on local business, through procurement practices that are not conducive to local investment, have immediate short-term effects on the economy of Singleton. Singleton is surrounded by 26 different mining operations, predominantly owned by Glencore and Yancoal. These two multinational companies undertake the majority of their procurement globally. Often the payment terms used by the industry (in some cases as long as 120 days) are not sustainable for small to medium enterprises in local communities.

Importantly, in communities seeking to diversify in order to ride the mining peaks and troughs, the current procurement practices of the industry stifle innovative small business in breaking into the mining market because of the risk adverse nature of the industry; commercialisation and commercial scale up of locally-driven R&D solutions and a lack of investment by the industry in commercial scale R&D outcomes.

One of the key issues around mining procurement is that mining procurement is not done locally. The majority of procurement (particularly major purchasing) is done corporately. While we appreciate the benefits of such an approach, this limits the ability

of small businesses to break into the market. This needs to change with incentive based procurement strategies, to encourage local purchasing by the miners and their contractors.

To this end, Singleton Council has prepared a draft discussion paper as attached ("Mining for a Better Singleton") which outlines what we believe is a strong evidence based approach to securing a future for Singleton post mining. It involves the following:

- Undertaking investigations to understand the impact of mining and forecasting changes into the future;
- Developing a set of principles by which we judge the future security, prosperity and wellbeing of our community;
- Developing a plan to transition to a future economy post mining, in a way that minimises the impact on Singleton and builds on its strengths;
- Developing a program of activity that strengthens our community, builds resilience and improves connectivity to secure the liveability of Singleton post mining;
- Identifying sources of funding, including VPA funds, to enact the evidence based plan; and
- Developing a Performance Management Framework to track and when required course correct to ensure outcomes are attained.

Plans will be enacted through collaboration with industry, agencies, all levels of government and community groups. In taking this approach, we are looking to drive sustainable growth of the social and economic capital of our community. It will help us deal with the issues most important to the people of Singleton - future economic development planning and creation of a stronger community.

The strategy also provides an opportunity for Council and industry to work together with the community to promote the ongoing role of industry in our programs, as well as demonstrate our desire to work together to provide a sustainable future. This in itself becomes the legacy of mining in Singleton:

“that our LGA is left in the same or better condition than before mining and without any lasting detriment to residents”.

Our intention is to create a Singleton Community and Economic Development Fund (future fund) to support the delivery of the program with VPA funds being just one source of funding. Our intention is to preserve capital and use the investment returns to fund the programs articulated in our strategy. We believe this approach allows us to have a longer-term view on the use of VPA funding and not only spend on immediate or short-term issues.

We believe our model is one that could potentially be expanded across all mining affected areas and would be happy to participate in discussions further.

Jason Linnane
General Manager
Singleton Council

Email: jlinnane@singleton.nsw.gov.au

(Attachments – Mining for a Better Singleton and Action Plan to implement the Strategy)