



MCA NORTHERN TERRITORY DIVISION

SENATE SELECT COMMITTEE ON NORTHERN
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EXECUTIVE SUMMARY

The potential for sustainable development in Northern Australia remains one of the nation's great economic and social opportunities. Successive federal governments have applied policy to boost investment, education and training, develop infrastructure, support communities and work with Territory and State governments on priorities to enhance quality of life through greater prosperity, inclusion and sustainability.

The minerals industry is a significant contributor to the nation's economy and remains a key industry for Australia's future. The sector accounts for over half of Australia's export income and supports hundreds of thousands of high wage jobs across the country, with more than 60 per cent in regional and remote Australia.¹ The Australian minerals sector is more than three times bigger than it was at the start of the 21st century.

Mining is a critical industry for Australia and the north. The Minerals Council of Australia has a long standing *Agenda for Growth* emphasising mining's role in this task. While focussed on the Northern Territory, the elements of this agenda apply across the north.

In the Northern Territory alone, mineral production was \$4.92 billion in 2017-18, up \$1.29 billion in the past two years.² Untapped potential in the Northern Territory in particular is substantial, with more than a dozen new projects that can come online in coming years (see Appendix).

Deloitte Access Economics has also estimated the total economic contribution of mining and mining equipment, technology and services (METS) to the Northern Territory in 2015-16 at \$3.2 billion (10 per cent of total Territory activity) and 23,500 jobs.³

The minerals sector makes a substantial contribution to training and development of workers. Four per cent of the workforce is engaged in apprenticeships and training, with annual spending reaching as high as 5 per cent of payroll – among the highest levels of employment and spending in the country.

Most mining companies in the Northern Territory have programs to attract and retain Aboriginal workers, including Indigenous employment strategies, mentoring, flexible work arrangements, and workplace literacy and numeracy training. Many also support students from local communities through work experience and school-based apprenticeships. The industry is the largest private employer of Aboriginal employees in the Northern Territory, with an overall rate of 16 per cent across all minerals industries there.⁴

The challenge remains to build on this legacy of strong mining growth and to position Northern Territory mining for the next wave of economic opportunities.

This will require further improvements in productivity and competitiveness to attract investors. There needs to be a commitment to ensure domestic regulation does not unnecessarily delay and push up costs on mining projects.

Governments of all persuasion recognise the needs of the north for support on critical infrastructure as an enabler of investment and development. As budget conditions allow, public investment in infrastructure should continue.

With an efficient regulatory system, energetic marketing and ongoing bipartisan support for jobs and investment in the sector, the resources industry is Northern Australia's best path to future growth.

¹ Australian Workforce and Productivity Agency, *Resource sector skill needs*, Canberra, 2013

² NT Government, *Third straight year of record mineral production – boost for jobs and economy*, <http://newsroom.nt.gov.au/mediaRelease/31430>, viewed 13 September, 2019.

³ Deloitte Access Economics, *Mining and METS: engines of economic growth and prosperity for Australians*, 29 March 2017.

⁴ Minerals Council of Australia Northern Territory Division, *Agenda for Growth: Northern Territory Mining Industry (June 2016)*, MCA NT, 3 August 2016.

PRIORITIES FOR THE AUSTRALIAN MINERALS INDUSTRY

- Health and safety:
 - Pursuing a nationally consistent, risk-based preventative work health and safety system supported by industry-specific regulation. A safe workplace is the Australian minerals industry's foremost and unchanging priority.
- Tax:
 - Stimulating investment by maintaining a stable and competitive tax system that is consistent with international rules and does not tax business inputs. Fuel tax credits ensure that a significant input to mining, agriculture and tourism (namely diesel) is not taxed and that an effective road-user charge is not applied to off-road use of fuel. Royalties should remain consistent and globally competitive.
- Workplace relations:
 - Promoting productivity growth at enterprise level by allowing for flexibility and choice in employment arrangements (including labour hire and service contracting) and confining permitted content in bargaining to direct employment matters. In the Australian minerals industry, enterprise bargaining and flexible work practices have delivered attractive salaries and working conditions for the industry's changing workforce.
- Future minerals workforce:
 - Modernising tertiary and vocational courses, content and delivery to provide the knowledge and skills needed in the redesigned workplaces of the future supplemented by temporary skilled migration scheme for specialist skills. This will improve the quality of education and enhance opportunities for the existing workforce and the next generation.
- Environmental stewardship:
 - Ensuring clear and consistent obligations under a framework that promotes ecologically sustainable development by collaborating for progress towards the United Nations Sustainable Development Goals, without unnecessary duplication and delay on projects. Development and sustainability can and should go hand in hand. Governments should avoid duplication as this adds cost without improving outcomes.
- Energy and climate change:
 - Support for the Paris Agreement as the most efficient means of achieving the twin goals of stimulating economic development while meeting climate change policy objectives. Pursuing credible and verified international permits and carbon capture and storage to offset and reduce CO₂ emissions. Driving efficient investment in additional generation assets (including upgrades of existing plant) capable of supporting the competitiveness of Australia's energy dependent and trade-exposed industries. Removing the ban on nuclear energy in order to have a completely technology-neutral energy policy platform.
- Exploration:
 - Increasing funding for precompetitive, public geological survey work. Investment today in the public good of precompetitive exploration is essential to discovering and developing the minerals resources of tomorrow.
- Traditional Owner participation
 - Continuing investments that enable Traditional Owner organisations to develop and embed governance and strategic planning capability and structure.

BUILD OFF THE COAG RESOURCES AGENDA

The strategic reform agenda for resources agreed to in December 2018 by the Council of Australian Governments (COAG) Energy Council is an excellent opportunity to prosecute overdue structural reforms and to stimulate further development of the nation's minerals for the benefit of all. The co-operative approach of this agenda should be applied across the north in co-operation with the Western Australian, Queensland and Northern Territory governments.

The MCA submits that this framework should favour open, transparent and competitive markets; keep regulation minimal and effective to achieve policy objectives at least cost; maintain stable, internationally competitive tax rates and avoid the taxation of business inputs; encourage additional and ongoing investment in real capital goods and facilitate productivity growth at the enterprise level through offering choice and flexibility in workplace arrangements while maintaining a strong safety net of wages and conditions.

The MCA welcomes COAG's decision to 'support continuous improvement in our national competitiveness', informed by regular benchmarking of policies and regulations against best practice in Australia and overseas.

Education

The MCA supports the range of reforms advanced by the Resources 2030 Taskforce and the Productivity Commission to generate a high-quality education system that promotes skills formation and prepares students for technology adoption, use and diffusion, including:

- Developing a more coordinated national curriculum for earth sciences and resources sector qualifications at the tertiary and VET levels
- Introducing a more graduated system of student assessment to signal to employers the level of proficiency in vocational education and training (VET)
- Developing an objective VET accreditation system that signals the quality of skills, regardless of how they are acquired and accepting new models of skills formation
- Improving student outcomes by providing affordable, high-quality university education with qualifications that are relevant to labour market needs.

Sustaining regional development

Australia's complex and duplicative processes for approving projects are generating unnecessary delays and uncertainty and present a significant barrier to attracting international capital and investing in additional productive capacity. The Productivity Commission concluded in 2013 that duplication between federal and state processes can be greatly reduced without lowering the quality of environmental outcomes and estimated in August 2017 that adopting its 2013 proposals to improve major project assessment processes would reduce project delays and save the economy approximately \$240 million.

In recent years the comparative advantage that Australia had in stable and supportive policy settings has been eroded by a series of flawed proposals that have negatively affected perceptions of Australia's sovereign risk among mining companies and potential investors. The Fraser Institute's Survey of Mining Companies ratings of states' policy settings have been declining for the past few years.⁵ This is a particular challenge for state governments.

All Australian governments have an important role to play in supporting community confidence in regulation and maximising the shared benefits of mining. Effective and responsive community consultation across the life of a project underpins trusted relationships between stakeholders, including communities and mining companies.

⁵ Fraser Institute, [Annual Survey of Mining Companies: 2017](#), released 22 February 2018.

The governments of the north can support effective engagement by raising awareness of mining project approvals processes, including how community feedback is addressed and regulatory safeguards.

The COAG Resources Council should consider developing a range of high-quality, community-centric guidance material that identifies and explains common features of state and territory and federal mining approvals and regulatory processes. This should include:

- Mapping the common features of mining approvals and regulatory processes across jurisdictions, noting specific legislation relevant to certain regions
- Highlighting opportunities within approvals processes for community input and feedback
- Examples of how environmental assessment processes are undertaken, demonstrating the depth of research and relevant timeframes. This project can build on the CSIRO work into communities' opinions of approvals and governance.⁶

Significant work has been undertaken by successive governments, the minerals industry, research institutions and other groups to understand how to support sustainable and inclusive economic growth in mining regions.

The MCA recommends COAG should use existing research to develop a series of guiding principles as part of a modern regional development and sustainability framework. This framework would assist governments to better leverage the economic stimulus and social investment of minerals development and target investment, including the equitable investment of mining taxes and royalties into opportunities that support economic resilience and diversification. This program could be modelled on COAG's 2013 Multiple Land Use Framework.

The MCA supports the recommendations of the Resources 2030 Taskforce to build stronger communities and stronger regions by working more closely with communities to make those relationships more collaborative and effective, and enable better planning by:

- Developing regional sustainability plans to strengthen community resilience, better deliver the benefits of resources development, and plan to create more diverse regional economies not solely reliant on the resources sector
- Ensuring there is an effective baseline of community consultation and support for new and existing resources projects
- Developing best-practice models for community engagement, and strategies to promote greater awareness and support for the resources sector
- Considering incentives and removing disincentives to attract and retain workers, and for businesses to locate and operate in regional communities.

Indigenous development

The Australian minerals industry recognises and respects the rights and interests of Indigenous peoples and has a long-history of working with Traditional Owners and Indigenous communities to achieve and sustain shared benefits. The last two decades has seen the establishment of more than 1,900 land use agreements between Indigenous peoples and the mining industry (99 per cent with no legal contest of rights) delivering economic and social benefits, supporting protection of cultural and environmental heritage.

Mining companies invest substantially in training and education to foster and increase employment of Indigenous peoples, particularly in regional and remote communities.

⁶ CSIRO, *Australian Attitudes Towards Mining Survey – 2017 Results*, Pullenvale, 5 May 2018.

As a result, the minerals sector now employs around 6,600 Indigenous Australians – 2.5 times more than in 2006 and significantly greater than the 1.5 times growth in non-Indigenous employment.⁷ The minerals industry's long-standing focus on Indigenous business engagement was key to the growth of the Indigenous business sector. This is reflected in the significant growth of Indigenous business diversity and incomes during the mining investment phase.⁸

The MCA supports the Resources 2030 Taskforce recommendation that industry, governments and other stakeholders work more closely with communities to drive better outcomes for Aboriginal and Torres Strait Islander peoples.⁹ As stated in the report:

Building on existing materials, governments, industry and communities should develop a comprehensive set of credible best-practice guidelines and standards for community engagement. These would incorporate guidance on the timeliness of engagement, local procurement reporting and strategies, including Indigenous businesses, employment and skills development, and engagement with Aboriginal and Torres Strait Islander communities and traditional landowners.¹⁰

Achieving this requires targeted reform and continued investment in programs and policies that support Indigenous communities to achieve their aspirations and priorities.

To this end the, the MCA is already working with others on new approaches, including:

- **Implementation of minerals-related land use agreements:** The MCA, together with the National Native Title Council, has established a new collaborative network to advance leading practice implementation of economic, social and other aspects of land use agreements between industry and Traditional Owner groups. Emphasising local and regional approaches, the initiatives aim to share between and across regions as well as Traditional Owner groups and organisations, industry, government agencies and academia. Initiative participants include Indigenous peoples and groups from mining regions, Aboriginal Enterprises in Mining, Energy and Exploration and the National Indigenous Australians Agency and the Department of Industry, Innovation and Science.
- **Asset management structures and governance tools and research:** The MCA supports research and activities to build understanding of leading practice approaches to Indigenous benefits management structures. This includes supporting the new Prescribed Body Corporate Economic Vehicle Status proposal and a seminar to test findings in 2019 report by the University of Western Australia *Co-designing benefits management structures*.
- **Case studies:** The MCA is preparing a new series of case studies to understand drivers of leading practice regional development, including integrating Indigenous development into broader regional economies.

Infrastructure

Infrastructure in Northern Australia is a major barrier to minerals industry growth. The impact of inadequate public infrastructure flows through to the broader economy and society. Inefficient transport infrastructure increases the cost of doing business and limits exports, and inefficient public infrastructure makes it difficult to attract and retain workers and their families particularly in remote and regional areas of the Northern Territory.

⁷ Department of Prime Minister and Cabinet, *Closing the Gap Report*, Australian Government, Canberra, 2018, p.78.

⁸ Department of Prime Minister and Cabinet, *Indigenous Business Sector Strategy*, Canberra, 2018, p. 22.

⁹ Resources 2030 Taskforce, *Resources 2030 Taskforce Australian Resources – providing prosperity for future generations*, Commonwealth of Australia 2018, Canberra, 2018, p.12.

¹⁰ *ibid.*

Governments of all persuasions recognise the needs of the north for support on critical infrastructure as an enabler of investment and development. In the Northern Territory, the Commonwealth and Territory governments have made a number of commitments to upgrade and seal important roads. As budget conditions allow, public investment in infrastructure should continue. As the Resources 2030 taskforce notes:

Australia has long benefited from having strong and established infrastructure. However, it is facing new challenges to developing infrastructure to support the resources sector as new projects and resources are located more remotely. Given the size of Australia, individual companies cannot always fully underpin the infrastructure or investment.¹¹

To maximising the gains from investment, COAG members should continuously work with industry to leverage private investment, as recommend by Resources 2030 Taskforce:

Governments should work with industry and local communities to identify and promote priority new basins and provinces for greenfield development. This could include the alignment of policies, information and investment services, and encourage a shared vision for infrastructure to develop the basins and provinces as efficiently as possible.¹²

¹¹ Resources 2030 Taskforce, *op.cit.*, p32.

¹² *ibid.*, p10.

THE IMPORTANCE OF EXPLORATION

Exploration is fundamental to the future success of the Australian mining industry. For mining companies, exploration is analogous to research and development expenditure; it is searching for business opportunities to develop in the future and has no guarantee of success.

Exploration expenditure is required not only to discover and initially measure ore bodies, but also to sustain mining activity once it has commenced – particularly for ore bodies that tend to be depleted quickly such as gold.

To maximise Australia's investment potential, federal and state governments should engage in an extensive program of geological survey work that gathers new precompetitive geological data on areas of Australia that remain largely unexplored or underexplored. Such data is vital for narrowing down the search areas for more advanced exploration activities that are costly and better suited to smaller target areas.

The benefits of precompetitive data were confirmed by the then Department of Finance and Deregulation in its 2011 Review of Geoscience Australia, which found that precompetitive data helps the government maximise the future value of resources on behalf of society. The department found that precompetitive data has strong 'public good' attributes because these data, once created, may be obtained by any user without diminishing its availability to other users; and any restriction on access either creates unacceptable efficiency or welfare losses, or is not practical.¹³

Modelling conducted by ACIL Tasman for the report on the value of precompetitive petroleum data investment concluded that a \$1 million increase in government expenditure on precompetitive data generates a \$31 million investment in private sector exploration (with a three-year lag).

The MCA welcomes COAG's recognition of the importance of precompetitive data in its communique following the December 2018 resources roundtable and the high level of bipartisan support across all levels of government for improving geological data sets.

But this commitment must be backed by funding from governments. Government investment in precompetitive data is an important public good that builds a better understanding of a state's mineral potential for all exploration investors and signals that a government is committed to fostering greater mining investment.

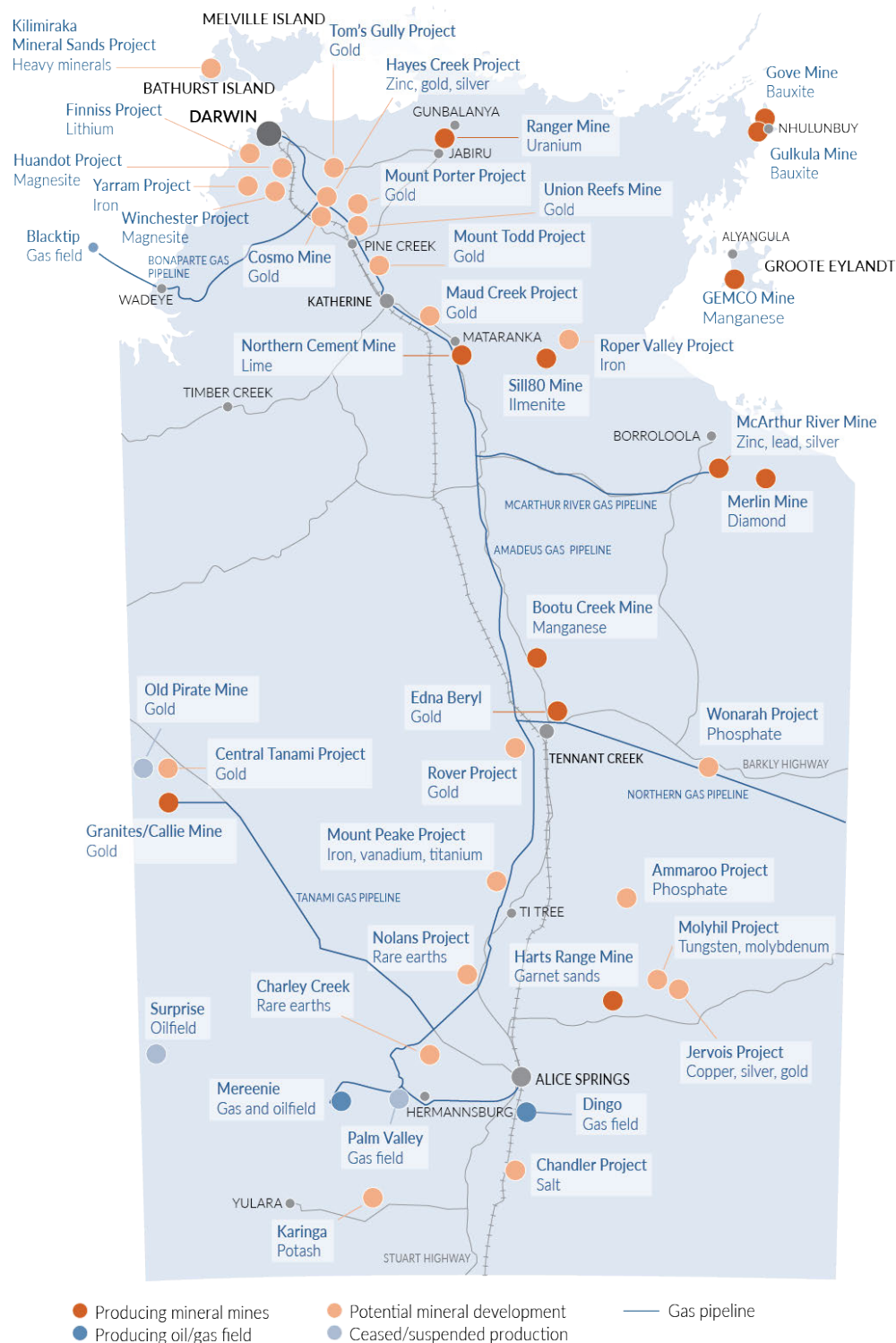
The MCA has previously recommended that the federal government extend and expand Geoscience Australia's Exploring for the Future program by allocating \$100 million per annum to the program. Exploring for the Future has delivered highly valuable geological data on remote parts of Australia as recommended in the UNCOVER roadmap. State and Territory governments should also look at their allocations of pre-competitive funding for the north.

Geoscience Australia's approach to engaging with Aboriginal and Torres Strait Islander peoples, including Traditional Owners, is integral to the Exploring for the Future program. The MCA supports Geoscience Australia's ongoing direct engagement as part of its field work program as well as increase access to geoscience information.

The MCA also supports the continued delivery of other aspects of the UNCOVER roadmap through industry and government research partnerships such as the Minex Cooperative Research Centre (Minex CRC) and Cooperative Research Centre Optimising Resource Extraction (CRC ORE), which are developing new drilling methods and data collection systems that can enhance exploration results and reduce costs.

¹³ Department of Finance and Deregulation (as was), *Strategic Review of Geoscience Australia*, released May 2011.

APPENDIX: CURRENT AND PENDING RESOURCES PRODUCTION IN THE NT



Source: Department of Treasury and Finance, Northern Territory economy, <https://nteconomy.nt.gov.au/industry-analysis/mining-and-manufacturing>