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Submission to the Parliamentary Inquiry into how the mining sector can support businesses in regional economies.

Capricorn Enterprise formally acknowledges the opportunity to table a Submission to the Parliamentary Inquiry into how the mining sector can support businesses in regional economies. Capricorn Enterprise is one of Queensland's official membership based Regional Tourism and Development Organisations and is recognised as the peak tourism and economic development body for the Capricorn Region within Central Queensland. Our organisation is chartered to deliver a variety of key services, including assisting with the facilitation of a strong, healthy and diverse local economy.

The mining sector is a primary contributor to sustainable investment and business and industry growth across the Central Queensland region.

Mining Sector – major contributor to the national economy – time is right for a review: Due to the current positive and buoyant status on the resources sector, with the minerals industry enjoying global leadership (being in the top five producers of most of the globe's key mineral commodities) the time is right for the Commonwealth to take a leading hand in influencing existing arrangements and practices, both as prescribed via legislation and the approvals process, plus those adopted and implemented by mining houses.

It is appropriate to emphasise that, whilst a buoyant resources sector provides positive economic benefit to regional communities, it also places extreme pressure on regionally based businesses particularly as it relates to employment. This is principally due to the ability of mining houses and their Tier 1 Contractors to pay above award wages for both skilled and unskilled labour, which local SME's can afford or sustain.

Mining procurement – opportunities and barriers – overview: Mining is predominately a regional industry: exploration, development, extraction, transport and in many cases, value-adding to Australia's wealth of resource endowment. This all starts in the regional and remote areas of our nation. Mining operations provide an invaluable opportunity for economic and social development of those regional communities, businesses and supply chains.

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Due to the emergence of relatively high commodity prices and strong growth in export demand for resources, mining is again experiencing significant growth. The question then needs to be resolved as to what level the industry should share its profits with regional communities to compensate for the right to extract Australia's finite resources from these locations by contributing to building community infrastructure and wealth (social licence to operate).

We acknowledge that the key benefits of the resources sector are economic: contribution to exports and GDP, employment, government revenue, investment and innovation in new technology and project development; however, from experience the regions from which the resource is extracted doesn't necessarily enjoy the "economic spoils".

Maximising regional spend (community engagement, local industry participation, supply chain opportunities etc) from major private and public projects is paramount in driving investment and economic prosperity in regions. Resource operations are just part, albeit an important part, of this national opportunity for our regions.

We define local content as the *full, fair and reasonable* economic contribution made to the local communities by industry investment in local goods and services, employment and training, social and community development initiatives, and local industry capability development programs.

Mining procurement – opportunities and barriers – Local Industry Participation: Paramount to the advancement of regional economies is the involvement of local business/industry in mining services and associated activity. Whilst there are examples of mining corporations and their primary contractors engaging proactively with regionally based commercial operators (business/industry) regrettably this is "the exception rather than the rule".

Noting that there is now a significant emphasis by Governments (plus a limited number of private entity group) to incorporating local industry participation (including Indigenous involvement) in regional infrastructure projects, it is appropriate that the mining industry incorporate like principles in their procurement/supply chain/engagement planning.

I reference ADANI Australia's engagement policy in respect to its Carmichael Mine and Rail Projects (Galilee Basin) whereby they developed a corporate direction to engage with a selection of regionally based Local Government Areas (LGAs) to supply labour plus goods and services ensuring economic and social benefit for these areas.

Another example of local industry participation in our region is the ADF's Shoalwater Bay MTA Remediation Project, a \$135M investment in upgrading the MTA, attracting a commitment by the Managing Contractors Downer FKG JV that a minimum of 80% of the "spend" will be attributed to local contractors (companies based with the Rockhampton and Livingstone LGA areas).

Mining procurement – opportunities and barriers – Commercial Sustainability: Essential to the longer-term sustainable involvement of regional business with the mining industry is the conduct of commercial activity, particularly relating to supply chain opportunities (local procurement), development, construction, maintenance and service contracts. These are all critically reliant on acceptable commercial contracts between mining corporations, their appointed Tier 1 Contractors and regional enterprise, and commercial agreements associated with payment terms.

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Research undertaken by associated industry groups including the **Resource Industry Network {RIN}** demonstrates that due to the "hard line" policies of mining houses regarding deferred payment terms (60 > 120 days), many regional SMEs struggle financially in maintaining a presence in servicing the mining industry let alone in investing in skilled labour, investment, innovative systems and overarching profitability.

Mining procurement – opportunities and barriers – Social Licence to Operate: Regional communities are experiencing a weakening of the requirement for resource companies to activate their "social licence to operate" resulting in a downturn of the community's acceptance and appreciation of resource activity.

Influencing this perception are issues such as:

- An increase in FIFO operations;
- Increased traffic congestion including the transportation of mining equipment and supplies;
- Upward pressure on wages;
- Gouging of skilled workers;
- Pressure on housing affordability and rentals.
- Infrastructure degradation (predominately roads and bridges) resulting from increased mining activity.

Acknowledging that we are currently experiencing positive economic indicators due to the upturn in resource activity, the last thing mining regions want to experience is the "madness" created by the most recent mining boom of the early to mid 2000s and the negative results that followed with the inevitable BUST.

The resource sector profited handsomely from the last mining boom (2003 – 2010) with regional communities now seeking greater community investment in their areas to offset the impacts that accrue due to increased mining influence.

Positive community engagement and the sharing of intelligence relating to mining activity will assist in securing a more positive community response. In its absence communities will align with the proliferation of pro-active anti-mining groups accentuating the lobbying to restrict or close mining activities.

The opportunity to table this submission is acknowledged and we look forward to participating at the Rockhampton regional hearing on Wednesday August 29th.

Yours sincerely

~~Mary Carroll~~
Chief Executive Officer.

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