



Australian Government

Department of Infrastructure, Regional Development and Cities

**Secretary
Dr Steven Kennedy PSM**

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

Dear Ms Cardell

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

Thank you for your invitation to the Department of Infrastructure, Regional Development and Cities (the Department), to make a submission to the Inquiry into how the mining sector can support businesses in regional economies.

The mining industry plays an important role in some regional economies and the Department is committed to supporting it and Australia's regions through its infrastructure and regional development programs.

These programs make a significant contribution to activities in the broader context of the Government's support for businesses in mining regions.

Thank you for providing the opportunity to make a submission to this very important inquiry.

Steven Kennedy

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

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Department of Infrastructure, Regional Development and Cities Input

The Infrastructure, Regional Development and Cities portfolio contributes to the prosperity of the economy and the wellbeing of all Australians through the design and implementation of the Australian Government's regional development, infrastructure and transport policies and programs. The portfolio promotes new jobs, productivity improvements, economic growth and sustainability through significant social and infrastructure investment in all areas of Australia, including to communities in regional Australia.

The mining sector can make a significant contribution to driving growth in regional economies. For example, coal, Australia's second largest export commodity accounting for 14.8 per cent of exports by value in 2015, is sourced entirely from regional Australia.¹ While the Productivity Commission report *Transitioning Regional Economies* found some employment reduction in mining in a number of marginal mining regions, it concluded that adjustment from the mining boom is typically not a source of significant disadvantage.² However, for regions that are significantly dependent upon the mining sector, problems can arise when the mining sector contracts or departs all together. An example of this is Jabiru in the Northern Territory which is facing the closure of its major employer, the Ranger uranium mine.

The Department of Infrastructure, Regional Development and Cities' (Infrastructure) regional programs do not target mining regions specifically. However, regional programs such as the Regional Jobs and Investment Packages and the Regional Growth Fund, enable communities and businesses to build scale, capability and the associated skills to benefit from industries such as mining, and access both regional and export markets. These programs can also assist regional economies to develop alternative sources of growth and contribute to the mining industry's support for businesses in regional economies.

In addition, investments in a range of enabling infrastructure used by the mining industry such as roads, ports and Inland Rail, will in the long term, contribute to a reliable, accessible, flexible and responsive national infrastructure designed to meet Australia's significant increasing freight task.

Below is a range of programs administered by the Department which support businesses in regional economies.

RDA Committees

The \$75.3 million RDA program comprises a national network of 52 committees, made up of local leaders, working to strengthen Australia's regional economies and communities.

The RDA Committees work with all levels of government, business, industry, educational institutions and community groups to attract investment to their regions, create jobs and drive innovation and economic development. The program also funds Regional Investment Officers who are located in the Indian Ocean Territories, on Norfolk Island and in the Jervis Bay Territory.

RDA Committees play an active and facilitative role in their communities and have a clear focus on growing strong and confident regional economies that harness their competitive advantages, seize economic opportunities and attract investment.

RDAs collaborate with relevant stakeholders to identify economic opportunities and leverage private and public sector investment to the regions. In mining regions, this will include opportunities in the mining sector. For non-mining regions, this could include opportunities to participate in the mining supply chain.

RDA Committees also engage with regional entrepreneurs and emerging business leaders to explore new opportunities to grow local jobs in their regions. Many RDAs also work closely with local representatives from

¹ Bureau of Transport, Infrastructure and Regional Economics (BITRE) 2016, *Freightline 4 – Australian Coal Freight Transport*, BITRE, Canberra

² Productivity Commission 2017, *Transitioning Regional Economies*, Study Report, Canberra

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AusIndustry, AusTrade and the Department of Jobs and Small Business to identify suitable support programs that will strengthen the ability of local businesses and entrepreneurs to take advantage of opportunities in the mining sector, for example, via supply chains.

In addition to identifying economic opportunities, RDA Committees also connect regional businesses, councils and industry sectors with international trade partners, financial markets and potential investors. These activities serve to support regional businesses including those in mining regions.

Regional Jobs and Investment Packages

The Regional Jobs and Investment Packages (RJIP) program is a \$222.3 million investment by the Australian Government to help diversify regional economies, stimulate economic growth and deliver sustainable employment in ten pilot regions.

The RJIP program aims to drive economic growth and create jobs in ten pilot regions by investing in projects that will: diversify regional economies; stimulate long term growth; deliver sustainable employment; and enable applicants to enter new markets and sectors.

Regional Growth Fund

The Regional Growth Fund will provide grants of \$10 million or more for major transformational projects, which support long term economic growth and create jobs in regions, including those undergoing structural adjustment.

The Regional Growth Fund provides significant funding to eligible applicants for major transformational projects. This may include businesses in regional economies that wish to expand their current activities or diversify their businesses to support mining developments.

Infrastructure Investment Program

The Government's Infrastructure Investment Program (IIP) provides significant grant funding to state and local governments to deliver road, rail, intermodal facilities, bridges and heavy vehicle projects. The Australian Government is investing \$75 billion in transport infrastructure over the coming decade, with \$24.5 billion committed to a new pipeline of major projects in the 2018-19 Budget.

The IIP facilitates greater connectivity between regional Australia and domestic and international markets by improving transport connections. This connectivity helps regional businesses to diversify to new markets.

National Freight and Supply Chain Strategy

The viability of Australia's key bulk commodity exports, such as iron ore, coal and minerals, is influenced by the productivity of their freight movements across the supply chain.

The *National Freight and Supply Chain Strategy* (the Strategy) will seek to increase the productivity and efficiency of Australia's freight supply chain. Once developed, the Strategy will be agreed between all levels of government and will provide an integrated national approach to improve the efficiency and effectiveness of freight systems across Australia including through ports, airports, maritime and air transport. To the extent mining activities attract greater efficiencies, these gains will flow through to regional economies and businesses.

Mineral and resource supply chains stretch across much of regional Australia, beginning in resource rich regions and generally ending in resource ports in regional areas. These ports contribute to the regional economy in which they lie by providing employment and income for the area. For example, the Port of Newcastle is Australia's largest coal exporting port and Port Hedland has Australia's largest iron ore throughput.

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The Strategy will aim to lower the average transport costs of moving commodities and products to global markets, making Australian exports of mineral and agricultural products more efficient and competitive.

Roads of Strategic Importance (ROSI) initiative

The Government's new ROSI initiative aims to improve freight access to domestic and international markets from key industries, including mining. The initiative will facilitate greater connectivity between regional Australia and domestic and international markets by improving transport connections. This may enable regional businesses to diversify to new markets and support mining activities, by facilitating improved access for the movement of supplies and machinery into resource areas.

The Government's investment through ROSI will ensure that key freight roads efficiently connect mining and agricultural regions to ports, airports and other transport hubs, and improve economic opportunities for regional communities. Improved access provided through ROSI will deliver substantial social and economic benefits, including opportunities for greater regional employment and business growth.

Coastal Trading Licencing Regime under the *Coastal Trading (Revitalising Australian Shipping) Act 2012*

The *Coastal Trading (Revitalising Australian Shipping) Act 2012* supports a licencing regime for Australian and foreign flagged vessels to carry cargo and passengers. Australian businesses wanting to compete for carrying sea cargo for the mining sector can apply for a general licence to undertake coastal trading. Australian general licence holders operating in mining areas can bid to carry mining sea cargo, if they are not already doing so – assuming the vessel is appropriate for the task.

Inland Rail

Inland Rail is a once-in-a-generation infrastructure project connecting regional Australia to global markets, transforming the way freight is moved around the country. Inland Rail will improve access to and from regional markets including improved linkages to regional areas for intercapital freight and improved mine to port accessibility between coal mines in the Surat and Clarence–Moreton Basins and the Port of Brisbane. Regions will also experience improved access to key local and international markets. The Australian Government has funded the Australian Rail Track Corporation (ARTC) through a combination of grant (\$0.9bn) and equity (\$8.4bn) funding to construct Inland Rail from Melbourne to Brisbane.

The project will deliver a competitive rail service, increase national productivity, and, importantly, boost the regional economies along the Inland Rail corridor. Infrastructure is developing a program of work to support industries (including mining) and regions identify, realise and maximise the benefits of Inland Rail.

Reduced transport costs may improve the competitiveness of key economic activity, particularly in the coal and agricultural sectors. Coal freight in the Surat and Clarence–Moreton Basins should also benefit from reduced above-rail operating costs.

The construction of Inland Rail may provide a legacy skills base in the regions which can be leveraged by regional businesses; potentially reducing the lack of skills as a barrier to economic growth. The development of Inland Rail may also stimulate regional economies through business attraction and clustering in rail freight industry sectors. This may enhance the regional and local availability of service providers to industries, including the mining industry.