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Capricorn Tourism & Economic Development Ltd  
Trading as Capricorn Enterprise

**Subject – Parliamentary Inquiry into how the mining sector can support businesses in regional communities:**

**Submission by Capricorn Enterprise**

**Focus: Mining sector review**

**Status – Observations – Central Queensland Coal operations:**

- The mining sector relies on resources – the nation’s resources are our “inheritance”;
- Larger mining houses account for >60% of Qld coal mines = BHP/BMA = 7, Glencore = 7, Peabody = 7 Anglo American = 5 and Yancoal = 3 (DNRM);
- Mining sector in Central Queensland (CQ) predominantly related to coal extraction/export;
- Approximately 50 operating coal mines in Qld across three Basins (Surat, Bowen and Galilee);
- Bowen Basin has 37 metallurgical (met) coal mines - >70% of Qld coal exports are met coal (163Mt in 2015-2016);
- Mining royalties to contribute \$3.768Billion to the current State budget (QRC);
- Coal exports Qld = \$60.1 billion = 80% of total State exports (current year) (QRC);
- Qld resources sector supports 280,000 full-time jobs, contributing \$55Billion to the State’s economy (2016/17) (QRC);
- Between May 17 and May 18 resource sector jobs increased by 15% or an extra 8500 direct jobs (QRC);
- Resource jobs well paid – highest weekly wage adult earnings – over \$138,000 (avg) p.a. (QRC).

**Contribution to regional communities:**

- Employment: Mining across Queensland provides employment for both the local workforce and non-resident workforce (FIFO);
- Social benefit: Mining houses adopt various forms of social interaction and support; however, there is a lot more that can strategically be contributed under a framework of “social license to operate” – including: supporting indentureships (trainees, apprentices plus indigenous employment); decentralization – establishing operating and procurement facilities in regional centres; implementing regional supply chain and industry capability frameworks to maximise regional procurement; supporting industry/business capability and growth; and contributing to social infrastructure.

### Positives

- Jobs creation – high wages;
- Supply chain opportunities for regional industry/business (subject to stringent commercial conditions);
- Export revenue for Governments; and
- Extraction royalties paid to Government.

### Negatives

- High wages results in losses of skilled workers from regionally based business and industry sectors;
- Lack of indentureships for trainees and apprenticeships;
- Securing supply chain opportunities subject of extreme scrutiny and contract conditions;
- Marginal support from mining houses to regional communities;
- Infrastructure degradation (transport and social infrastructure) lacks investment; and
- Royalties paid to Government don't support regional communities via grants, investment and infrastructure.

### Focus: Mining Procurement – Opportunities and Barriers – Local Industry Participation

In consultation with locally based supply chain companies and service groups, it is very evident that in negotiating commercial contracts with mining companies, significant commercial disparities exist including:

- Contract terms and conditions – evidence of predatory pricing; cap on labour hire rates plus extended payment terms (60 day from end of month, with experiences of payments being delayed in excess of 100 days):
  - ❖ Contract negotiations – extended payment terms. The financial implications associated with extended payment terms include:
    - a) securing short term finance to operate, pay wages (weekly), maintain a reliable supply chain (30 days maximum) plus maintain secure relationships with financial institutions;
    - b) restricts investment in business;
    - c) constrains employment growth; and
    - d) impacts on strategic business expansion.
  - ❖ Contract negotiations - predatory pricing. Contracts with mining service and supply chain businesses are generally negotiated on a two (2) year tenure. Questions arise as to the methodology adopted by selected mining companies as it relates to 'predatory pricing'.

## **Focus: Mining Operations – Mining Procurement, Decentralised Operations, Local Industry Participation (Local Content)**

**Decentralised Operations.** The lack of presence of the major mining houses impacts significantly of regional business either involved in servicing the industry – plus those wishing to enter the market. Having a regional presence (procurement/operations/accounts/community liaison etc) will assist regional business enter the market and importantly for regional communities to understand and support the resources industry.

**Local industry participation (LIP)** has significant merit for regionally based business and industry groups and adopting the principals of LIP in the mining industry will support the sustainability of local businesses.

With Governments and various Departments (including Defence) implementing LIP for regional projects, local businesses secure the opportunity to compete for components (work packages) contained within these projects.

## **Focus: Mining – “Social License to Operate, SLO” (Corporate Social Responsibility]**

The social licence to operate (SLO) refers to the level of acceptance or approval by local communities and stakeholders of mining companies and their operations. The concept has evolved fairly recently from the broader and more established notion of “Corporate Social Responsibility” and is based on the idea that mining companies need not only secure government permission (or permits) but also “social permission” to conduct their business. Increasingly, having an SLO is an essential part of operating within democratic jurisdictions, as without sufficient popular support it is unlikely that agencies from elected governments will willingly grant operational permits or licences.

Whilst recognizing that the mining industry is required to fulfil its formal regulatory conditions (its licence to mine), incorporating realistic expectations and requirements of local communities is paramount if the mining industry is to remain sustainable.

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