



10 August 2018

Tim Brennan
Inquiry Secretary
Standing Committee on Industry, Innovation, Science and Resources
House of Representatives
PO BOX 6021
CANBERRA ACT 2600

By email: iisr.reps@aph.gov.au

Dear Tim

Inquiry into mining industry support for regional businesses

Thank you for the opportunity to provide input to the Inquiry into mining industry support for regional businesses.

The Association of Mining and Exploration Companies (AMEC) is the peak national industry body representing hundreds of mining and mineral exploration companies and service providers throughout Australia.

In responding to the Standing Committee Inquiry, we have sought input from members and addressed the Terms of Reference in the **Attached** Appendix.

We have provided some specific and unattributed case studies and examples of where mining companies are recognising their own corporate social responsibility obligations by supporting regional economic development.

During deliberations, we respectfully suggest that the Committee takes great care to not adopt a 'one size fits all' approach to the mining industry.

The industry is not homogenous as it contains a few mature multi-national companies, and a larger number of 'mid-cap' and comparatively smaller emerging miners. Each has different commodity types, corporate structures, financial profiles, cash margins, cost curves, ore grades, stripping ratios and processing techniques. For commercial and flexibility reasons some companies place a greater reliance on the use of sub-contractors engaged through a tender process, such as mining and processing operations.

As a direct result of these significant differences, commodity prices and exchange rates, each company has financial variability and capabilities to support regional businesses. Some of these variances are highlighted in the case studies and examples contained in the Appendix.

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If you have any specific questions please do not hesitate to contact me. We would be pleased to appear before the Committee if required.

Yours sincerely

Warren Pearce
Chief Executive Officer

APPENDIX

AMEC response to the Commonwealth House of Representatives Inquiry into how the development of the Mining sector can support businesses in regional economies

<u>Terms of Reference</u>	<u>AMEC comments</u>
1. The appropriateness of the payment terms offered to businesses by the mining sector;	<p>Payment terms tend to vary through the industry, as shown below:</p> <p><u>Case study 1</u> Payment terms are 30 days from the last day of the month in which the invoice is submitted. The rationale for this is that on average, the policy provides for a 45 day payment period. Market research indicates this is less than other more mature mining companies.</p> <p>The company also considers 14-day payment terms on a case by case basis. This has been offered to Indigenous companies to support their growth and competitiveness in the marketplace. Support is given to Indigenous companies through Indigenous Advisors who act as a liaison between the companies and business areas when required.</p> <p><u>Case study 2</u> Payment terms of 30 to 60 days as it provides the flexibility to confirm that the payment for services have been satisfactorily completed.</p> <p><u>Case study 3</u> Standard business practice is for payment terms to be 15 and 30 days.</p> <p><u>Case study 4</u> 30 days from the receipt of the invoice. This provides suppliers with regular payment and cash flow.</p>
2. Best practices between the mining sector and businesses, especially in regards to how they can support	<p>A number of companies have provided specific examples of best practice between the mining sector and regional businesses, as follows:</p> <p><u>Case study 5</u> During the construction and early operations period of the project, the organisation conducted general Supplier Briefings (Karratha, Newman, Port Hedland and Perth), targeted Aboriginal and Traditional Owner Supplier Briefings, and quarterly contractor forums. This ensured that the procurement opportunities available with the</p>

<p>regional communities and economies;</p>	<p>company were well communicated to businesses in the region and city. Over 1000 people attended one of the sessions held in Perth, reflecting industry enthusiasm to understand the company's procurement needs and requirements.</p> <p>The company has also facilitated a Contractor Briefing in Port Hedland, providing the unique opportunity for smaller companies to meet senior representatives and larger contractors employed by the organisation. This event enabled the company to introduce smaller regional businesses to the customer oriented philosophy adopted by larger contractors employed by the company, highlighting what is possible when innovative business philosophies align.</p> <p>The company is committed to supporting and making a positive difference to the communities in which it operates, leaving a positive legacy through helping to build capability and capacity.</p> <p>A Community Foundation was established in 2015 as a key strategy towards achieving this vision. This is a partnership that includes contractors and suppliers working together to make a lasting difference in the Pilbara. By taking a collaborative approach, the Foundation is maximising opportunities to collectively respond to community needs and aspirations with greater impact, while ensuring all members are given the same visibility and community recognition.</p> <p>The 11 companies which make up the Community Foundation contribute funding and their time to community projects across three areas:</p> <ul style="list-style-type: none"> • Education, Training and Employment • Culture, Arts and Enterprise, and • Health. <p><u>Case study 6</u></p> <p>In FY2017, the company made a public commitment in its Sustainability Report for 8% of its spend to be on goods and service providers sourced from regional areas. In FY2017, 8% was spent on regional suppliers and in FY2018, 13% was attributed to regional suppliers.</p> <p>As part of this, the company also looks to support suppliers and contractors located in the Midwest region where its mine is located. In FY2018, 7% of total spend went to the Midwest and 43% of procurement spend on the project was attributed to the Midwest.</p>
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	<p>The company has a mechanism in its tender process to give preferential treatment to tenderers who can show they have an agreement to provide employment and development opportunities to Native Title Partners. In 2015, the company entered an agreement with the Yagahong Alliance, a joint venture between Centrals Earth Moving Pty Ltd and Yugunga-Nya People, with whom the company has entered into a Native Title Agreement with. This Alliance has provided employment and training opportunities. Since the award of the initial tender for the ROM Pad Operations, Yagahong have increased their scope of services to undertake the civils work for an access road as well as site services.</p> <p><u>Case study 7</u></p> <p>The company used Desert Sands, a Laverton earthmoving contractor to upgrade the airstrip, following this they tendered for and were award early earthworks contracts for the project.</p> <p>In the initial engagement the company worked with them to understand the work and machinery required to upgrade the airstrip. The company then supported them to carry out the work, including providing an engineer to supervisor the work ensuring it met the required standard.</p> <p>Further afield, the company uses contractors and suppliers from Kalgoorlie for food and consumables, and light vehicle repairs and parts.</p> <p><u>Case study 8</u></p> <p>The company provided the following examples of supporting regional communities and economies:</p> <ol style="list-style-type: none"> 1. Nullagine Remote Community School Camps 2. Memorandum of Understanding: East Pilbara DFES and Nurses Station (extends to Telfer, FMG and possibly Roy Hill) as well as Nullagine and Marble Bar townships 3. ANZAC and NAIDOC Day celebrations 4. Community Facilities: MOY employees go to town for dinner regularly to support local economy 5. Marble Bar: future involvement in Marble Races/Soap Box/Billicart races. Employed people from Marble Bar also 6. Regular community BBQ's or sponsorship of them 7. Hire Services: utilise relevant business for the provision of services such as hire vehicles, supply management etc from Newman, Port Hedland as required.
<p>3. Barriers to the greater use of regional businesses in the procurement of</p>	<p>The following barriers were highlighted by AMEC member companies:</p> <ul style="list-style-type: none"> • Industry operates in a highly competitive marketplace, and as such, is constantly looking to drive efficiencies across the business' entire value-chain. These efficiencies are realised through the adoption of innovative technologies and the application of employee ideas to 'do things safer and better'. Industry is receptive to purchasing goods and services from regional businesses in order to realise these efficiencies, though the lack of technical expertise, scalability and price competitiveness

<p>services by the mining sector;</p>	<p>of regional businesses often means city suppliers are more successful in securing procurement contracts.</p> <ul style="list-style-type: none"> • One company noted that it is the more customer focussed regional organisations, who are culturally aligned with industry's focus on innovation that are more successful in securing procurement contracts. • One company stated that a barrier is not having the exact services they require, are too expensive and too far away from immediate access/use. Newman is 200 kilometres away, Marble Bar has no relevant services and Port Hedland is 350km's away from the project. • A company indicated that a barrier is the ability of regional businesses to meet high standards of health and safety in order to perform work on their site. • High cost, capacity and capability are the limiting factors to using businesses in our local community. Often they are the only supplier and therefore not cost competitive. At a regional context, distance and road conditions inhibit engagement with regional businesses, particularly in the maintenance/trade service area. There are a small number of service providers that are willing to travel to remote sites. • One company suggested that a remedy could be to improve regional roads, encourage small businesses to work together to share skills and expertise.
<p>4. Building the skills and expertise of businesses to leverage opportunities in the mining sector;</p>	<ul style="list-style-type: none"> • Industry considers that working with suppliers who are culturally aligned with an innovative and safety business philosophy are often the most successful in securing procurement contracts. • One company was recently approached by the Department of Industry, Innovation and Science regarding their Supplier Development Project, Aust Mine. The company believes it is a great initiative, with the potential to realise tangible supplier outcomes that are beneficial to not only regional businesses and their communities, but the mining industry as well. • On 27 July the Western Australian State Government announced the launch of a Local Capability Fund to assist regional Aboriginal businesses capitalise on industry opportunities. This initiative represents another positive step in supporting Aboriginal business development in regional areas. • Industry strongly urges the Commonwealth Government to work in partnership with State Governments to ensure programs developed to support regional businesses are complementary, and act to amplify rather than duplicate effort. • The company has worked with Traditional Owner businesses (Indigenous businesses which meet definitions in Native Title Agreements) to develop a process which supports opportunity and builds capacity, giving Aboriginal businesses the best possible opportunity to successfully secure a procurement contract. A database of these businesses is regularly updated and utilised to ensure that tender and procurement opportunities include all relevant Traditional Owner businesses with the potential to meet the terms and capabilities specified. Supporting this, the company's Community Development Manager is included in all procurement and tender processes, having the capability to

	<p>assess the potential for Indigenous participation opportunities and requirements, and add these businesses into the procurement process.</p> <ul style="list-style-type: none"> • A suggestion was made to educate businesses on what skills and expertise the mining sector needs and identify the gaps and provide a pathway for the business and the community to upskill. This might be RTOs who have a regular regional circuit, deliver a range of training to those that are not able to travel to larger regional towns. • A company suggested the establishment of alliances between a skilled and experienced supplier with an Indigenous group / smaller contracting groups. • A company suggested having the business and infrastructure capability to deliver the services required, such as transport and drivers.
5. Opportunities for businesses to diversify to other markets; including the mining industry in Australia and overseas, and across different industries;	<ul style="list-style-type: none"> • Industry considers that when businesses are customer focussed, they are better placed to identify and implement innovative ideas to meet the needs of their stakeholders. This culture of continuous improvement fosters innovative thinking, which in turn can see businesses positively predisposed to identifying and open to diversifying their product/service offerings. • Government could support this mindset by supporting local social enterprise initiatives to hold workshops for regional business owners on how businesses can evolve to adopt this mindset, and be more customer focussed. Case studies on how other regional businesses have successfully/unsuccesfully transitioned to take advantage of emerging markets could also be shared through this channel. • Government can continue to provide trade support and insight for those businesses looking to enter overseas markets for the first time, through established Austrade networks, with targeted service offerings for regional businesses.
6. 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;	<ul style="list-style-type: none"> • Without the support of mining companies, research and development (R&D) can be stifled and prove to be non-competitive, when compared to other countries. • A company has proven the model of support for R&D innovation by funding, providing expertise, access to data and access to equipment and sites. This support has enabled smaller organisations to successfully progress their R&D programs, which otherwise might not have happened. Examples include: <ul style="list-style-type: none"> ○ ESCO Ground Engaging Teeth (GET) automatic changers – with the company providing support by way of access to expertise, data and sites. ○ Westrac's Mine Q development of an agnostic analytics, asset health, platform – with the company providing funding and expertise. ○ FTP Solutions funded development has seen the organisation now form a partnership with Caterpillar – the company's contribution to this initiative was by way of funding and expertise.

	<ul style="list-style-type: none"> ○ Maptek mine modelling automation – was a joint development, with the company providing access to data and funding. ○ Support for wearable technologies through a foundation supply contract with Souter. The company provided the first contract and test site to this group. ○ Unearthed CORE development program has successfully upskilled geologists with data science skills – the company’s contribution to this was by way of funding and expertise. • The company has adapted its processes, both commercial and its project management methods, to accommodate the unique nature of R&D development. Whilst there is more to do to accelerate development and refine the R&D process, the commitment and mindset in leveraging the eco system of the mining sector has demonstrable benefits for the economy. For example, the Pilbara Autonomous Zone initiative along with other organisations from the mining and transport industries and the local community, can only serve to increase the profile of regional business capability. The potential opportunity in this case is to open up an area for such entities as UBER and other organisations to test their autonomy solutions in a safe area outside Australian cities.
7. How the Federal Government can support businesses in regional economies benefit from mining development;	<ul style="list-style-type: none"> • The Hedland Economic & Resources Forum was held in Port Hedland on 4 July 2018, where Angie West from social enterprise organisation Pollinators Inc., presented. Pollinators is based in Geraldton, and is a strong example of how a regional business innovation incubator can have a positive economic and social impact on the greater community. • Support for regional initiatives such as this would support the visibility of regional talent and emerging industries in remote areas, as well as deliver practical business development opportunities through enabling the enterprise to fund and tailor online forums, peer action-learning calls, mixed-mode training modules and tours to other regions to share best practice.
8. How royalties are shared between landholders on gas fields and State and Territory Governments; and	<ul style="list-style-type: none"> • AMEC does not represent the oil and gas sector. However, industry is proud of its relationship with the Native Title Groups, and values the difference these partnerships make to the success of projects, and to the lives of the people on whose land the project operates. • Negotiated Native Title Agreements include royalty streams and a range of commitments related to employment, business opportunities, cultural awareness and support. In order to progress and fulfil these commitments, individual companies meet regularly with nominated representatives of Native Title Groups through various Implementation and Liaison Committees. Interactions with the Traditional Owners are based on genuine partnerships, mutual respect and shared responsibility.
9. Any other related matter.	<ul style="list-style-type: none"> • No comment
10. How relationships between mining and businesses	<ul style="list-style-type: none"> • AMEC is not aware of any specific differences between Australian jurisdictions, but notes that relationships can vary at the individual company level.

differ between jurisdictions and in overseas countries;	
11. The policies of State and Territory Governments in regards to mining procurement.	<ul style="list-style-type: none">• Industry does not support a regulatory approach stipulating a minimum spend (or percentage spend) in regional communities. The mining sector operates in a highly competitive market. Any regulated demands in this regard will diminish its international competitiveness as well as its local competitiveness at a company level.• Governments should consider policies aimed at enabling competitiveness, for example initiatives that can lower input and operating costs, increased access to R&D or innovation funding, and/or support for start-ups through business planning and capability building.