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Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

(Via email: economics.sen@aph.gov.au)

Australian Jobs Bill 2013 – Exposure Draft

The Queensland Resources Council appreciates the opportunity to respond to the exposure draft.

The QRC is the peak representative organisation of the Queensland minerals and energy sector. The QRC's membership encompasses minerals and energy exploration, production, and processing companies, and associated service companies. The QRC works on behalf of members to ensure Queensland's resources are developed profitably and competitively, in a socially and environmentally sustainable way.

Whilst not mandating the purchasing of local content, the bill prescribes a process to improve local industry engagement and retain and create jobs by expanding (and legislating) AIP requirements; embedding bureaucrats into procurement teams; and developing a new agency that would have extensive information collection powers and powers to impose penalties for non-conformance. Including 24 staff per year for these functions once the agency has been established, the cost of these activities over the forward five year estimates is estimated at \$18.9 million.

Consistent with the exposure draft, the QRC also supports the creation of jobs and improved local industry engagement. We do however strongly disagree with the mechanisms proposed in the policy to achieve this. We would urge government to pursue a far less costly, and more effective way of achieving these policy objectives. As an alternative we would encourage the Australian government to pursue a self-regulatory approach akin to QRC's recently adopted Code of Practice¹. This code will adopt a shared responsibility framework between the resources sector, peak bodies, local industry and governments; provide practical assistance to assist companies; address information asymmetries; and deliver improved reporting at a minimal compliance effort.

The QRC does not support this bill for the following specific reasons.

We reject the premise that the resources sector needs significant government intervention to create and retain jobs....

The Queensland resources sector has experienced unprecedented capital expenditure activity over the past five years. Expenditures associated with current operations as well as significant new capital investments in the CSG/LNG and coal and metals sectors (and associated hard and soft infrastructure) has sustained and created many tens of thousands of jobs.

¹ https://www.qrc.org.au/01_cms/details.asp?ID=3209

As set out in our <http://queenslandeconomy.com.au/> website, it is estimated that in 2011/12 the Queensland resources sector sourced \$28 billion of goods and services from Queensland businesses. Combined with the positive impacts associated with workers spending their \$8 billion in wages, economic consultants have estimated that the sector's cumulative expenditures of \$36 billion generated in excess of 400,000 positions directly and indirectly in 2011/12. These figures are consistent with the recent Reserve Bank of Australia modelling of the employment linkages from Australia's natural resources activities.

Whilst this contribution could be larger, our data demonstrates that local spending is already very high, reflecting the strong social licence to operate and commercial drivers at play (that is, Queensland has a number of well established service hubs into the sector that are globally competitive).

We also reject the premise that government intervention and more red tape and consequences for non-compliance are needed to improve how the resources sector engages with local industry....

The QRC acknowledges that not all resources companies have well established policies and procedures for engaging local industry and peak bodies like the QRC and perhaps government have a role in educating companies of the latest developments and general best practice. To that end, the Board of QRC on 15 February endorsed the Resources and Energy Sector Code of Practice for Local Content (Code). Supported by the Queensland Government, the code and supporting governance framework is an outcomes-based, flexible policy model for encouraging local industry participation in major projects that, inter alia, will allow companies to tailor their approaches based on their individual circumstances.

The code (the 'what') is supported by a practical implementation guideline (the 'how') that will give resource companies guidance in implementing the code's framework, being:

1. Implementing the 'full, fair and reasonable' principle
2. Developing a local content strategy
3. Utilising complementary capacity and capability programs
4. Monitoring and evaluating local content strategy effectiveness.

Under the Code, Queensland operating resources and energy companies will be encouraged to:

- Adopt the Principle of 'full, fair and reasonable' opportunity for capable local industry to participate and a supporting delivery framework (the code is written with large investment projects in mind, but can also be extended to operational phases).
- Access a dedicated (secure access) local content section of the QRC website for guidance on how to comply with the Principle and delivery framework. The QRC website will also be updated with a public access section with key details about the Code.
- Participate in an annual forum of resources companies and stakeholders where company initiatives and commercial and government funded supplier programs will be discussed.
- Complete an annual Code Industry Report that builds on the postcode data request that most QRC members currently complete.
- Participate on the Code Steering Committee as appropriate (consisting of resource sector and peak bodies representing the interests of local industry).

This framework promises to deliver a number of benefits to government and industry:

- A substantial reduction in red tape at a time when both industry and government are looking for tangible efficiencies and cost savings.
- Enhanced opportunities for Queensland suppliers.
- Provision of practical advice to resources and energy companies to assist them to develop tailored local content strategies that build upon the already strong commercial and social licence to operate drivers to maximise local content.

- Improved opportunities for resources and energy companies to share positive experiences to refine their local content strategies.
- Improved company reporting that will more effectively quantify local content expenditure; better identify the reasons why local suppliers may be missing out on work; and how commercial and government funded local content programs may be improved.

Because the Queensland Coordinator-General under the *State Development and Public Works Organisation Act 1971* has agreed that if a proponent commits to adopt the Code, the final Coordinator-General's Evaluation Report (CGER) will acknowledge the proponent's commitment and emphasise the expectation that it will be implemented, the code resides within a strong regulatory framework to encourage implementation.

In terms of broader consultation and support, the QRC has held discussions with representatives of the Mackay Area Industry Network, Australian Industry Group, Enterprise Connect, Australian Steel Institute, BlueScope Steel Australia, Industry Capability Network (Queensland), the Chamber of Commerce and Industry Queensland and senior government officials, both state and federal. Support from all parties has been positive.

Of significance is that the code framework and supporting governance structure is generally consistent with the primary obligations of project proponents under the exposure draft. In effect, government is allocating significant funding and imposing more costs onto industry (at a time when competitiveness is being compromised by other factors) to achieve a policy objective that Queensland resource companies already support and are prepared to achieve - with some practical assistance – voluntarily.

Of concern also is the inclusion of provisions that would allow information to be obtained from project proponents as well as significant administrative consequences for non-compliance. Given that the sector has given its commitment to the code, and deserves the right to make decisions and allocate its resources reflecting its own priorities, this type of intervention is unnecessary, and indeed deeply patronising to the sector.

Furthermore, we would encourage government to devote the \$18.9 million to pursuing capability and capacity programs such as that commenced under the *Buy Australian at Home and Abroad* program.

Please feel free to contact David Rynne, QRC Director Economics and Infrastructure on any aspects of this submission.

Yours sincerely

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