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Dear Sir/Madam,

Inquiry into how the development of the mining sector can support businesses in regional economies

Please find attached a submission in regards to the above mentioned inquiry.

Yours sincerely



Claire Wiseman
Chief Executive Officer

HOW THE DEVELOPMENT OF THE MINING SECTOR CAN SUPPORT BUSINESSES IN REGIONAL ECONOMIES

Background

The Far North region of South Australia, as per the Regional Development Australia Committee boundaries, covers approximately 80% of South Australia. The area has a land mass of approximately 800,000km² with a population of ¹27,500 and incorporates the Anangu Pitjantjatjara Yankunytjatjara Lands. The region takes in the iconic Flinders Ranges and Outback region, popular and well visited tourism destinations in the State. The Flinders Ranges is also now recognised as a National Landscape.

The main townships in the region include (but are not limited to) Port Augusta, Quorn, Hawker, Leigh Creek, Copley, Lyndhurst, Marree, Innamincka, William Creek, Oodnadatta, Marla, Mintabie, Coober Pedy, Glendambo, Pimba, Woomera and Roxby Downs. Some of these remote townships are between 800 - 1,000 kilometres from Port Augusta.

A region's comparative advantage can stem from various resources, such as its geographical location, availability of natural resources, the existence of industry clusters, access to infrastructure or the skill profile of the local population. These underlying attributes influence the types of economic activity that are likely to be successful. They also have implications for development initiatives, which are generally more effective where they build on an existing strength.

A critical input to the Far North SA region's economy, and central to its competitiveness, is its natural resources. Much of the economic activity in regional Australia is directly linked to local natural resources. The Regional Australia Institute (2015) asserts that access to natural resources can create economic opportunities through offering inputs to production (such as access to water or good quality soil), and can be used to generate production outputs (such as minerals or extractives), or as a foundation for services such as tourism and recreation.

Mining is undoubtedly the Far North region's dominant industry and will continue to be so given the potential revealed in exploration programs over the past 10 years. As of the 9 August 2018, there are currently ²12 operating mines in South Australia, 10 of which are located in the Far North region. These are Beverley and Beverley North Mine, Cairn Hill, Challenger, Four Mile Uranium Mine, Jacinth-Ambrosia, Olympic Dam, Portia, Prominent Hill (Ankata and Malu), Tarcoola Gold and White Dam. In addition, Carrapateena is at the stage of having the revised PEPR approved and has commenced on site construction works and Leigh Creek Mine is nearing the end of the rehabilitation stage. Of the 30 developing projects, 17 of these are in the Far North region, as follows:

- Atacama
- Crocker Well
- Flinders

¹ ABS Census 2016

² <http://www.minerals.statedevelopment.sa.gov.au/>

- Goulds Dam
- Hawks Nest
- Junction Dam
- Kalkaroo
- Khamsin
- Maldorky
- Mutooroo
- Mutooroo Magnetite Project
- North Portia
- Snaefell
- Sonoran
- Tripitaka
- Tunkillia
- Typhoon

According to the South Australian Centre for Economic Studies, ³*the decline in nationwide business investment since the peak of the boom in 2012 appears now to have run its course and a gradual recovery has been occurring. This is in spite of ongoing weakness in mining investment. Studies show that since the boom in 2012 investment in mining has been slowly decreasing from above 25% in March 2012 to below 10% in March 2018. Investment expectations data from the survey of new capital expenditure point to a soft investment outlook for 2018/19. Commonwealth Budget business investment forecasts – which have a broader scope – foreshadow a 7 per cent fall for mining.*

KPMG was commissioned in June 2012 to carry out a SWOT Analysis of the mining industry in the Upper Spencer Gulf, as part of their preparation of an Advisory Report on the Upper Spencer Gulf Heavy Industry Hub. The SWOT analysis revealed the following characteristics:

³ South Australian Centre for Economic Studies. Economic Briefing Report, June 2018

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> • Significant existing heavy industry capability and capacity, and support industry • Pro-development community • Steel fabrication infrastructure • Geographic proximity to mining provinces • Training infrastructure (High School Trade Centre, TAFE, private providers operating in region) • Committed Local Government and RDAs 	<ul style="list-style-type: none"> • Lack of trust between potential competitors • Lack of firm leadership for joint bidding and coordinating local industry responses • Lack of deep sea port for importing products • Lack of skilled labour force • Proximity to Adelaide labour market may see employers hiring outside the region rather than within it, and this will push up wages and prices • Challenges in attracting workers to the region • Social infrastructure (education, health) and town amenities • Whyalla, Port Pirie and Port Augusta identify with different regions (Eyre Peninsula, Northern Region, Mid North). Also reflected in the RDA structure. • Townships compete rather than coordinate • Lack of gas capacity required for further industrial expansion 	<ul style="list-style-type: none"> • Existing and developing major projects (Olympic Dam, Prominent Hill, Eyre Peninsula) • Grow the scale of operations, through industry consolidation • Indigenous employment • Attraction of skilled migrants to the region (457 visas) • Industrial diversification away from Olympic Dam and existing industry to net projects • Compared with mine sites, the USG may be an attractive place to live and raise a family • In the medium to long term former mine workers may wish to settle in the USG 	<ul style="list-style-type: none"> • Bypass of the USG, i.e. goods/services may be cheaper from Adelaide or overseas • Retention. Churn of skilled labour does not encourage investment in skills, apprentices etc • Fly In Fly Out • Loss of workers. Labour rates well below Western Australia and Queensland • Future of existing industry base unclear

Industry Output and Value-Added

The estimated value of regional exports in some areas in the Far North SA region is as follows:

- ⁴Outback Communities Authority - \$3.6b (84% of the region's economic output) with mining the largest contributor with 85% of total export value compared to 72% for the wider Far North region.
- Roxby Downs - \$927.5m (77% of the region's economic output) with mining the largest contributor with 89% of total export value compared to 72% for the wider Far North region.
- The Flinders Ranges Council - \$42.3m (42% of the region's total economic output) with accommodation and food services, agriculture and transport generate over 70% of those exports.

Employment

Census data reveals the following in terms of Far North SA regional population and employment:

	Unincorporated Far North	Port Augusta	Leigh Creek	Coober Pedy	Roxby Downs
2001 Population Unemployment Main employment industry	*7,274 3.2% Oil & Gas - 3.3%	13,474 10.4% n/a	618 1.6% Coal Mining – 34.7%	2,877 16% Other Mining (Opal)– 3%	3,803 2.9% Metal Ore Mining – 29.8%
2006 Population Unemployment Main employment industry	1,568 5.2% Metal Ore Mining – 9.8%	13,874 7% **Electricity Generation – 3.4%	549 .9% ***Coal Mining – 5.9% Electricity Generation – 46.3%	1,913 9.5% Other Mining – 8.7%	4,055 2.3% Metal Ore Mining – 41%
2011 Population Unemployment Main employment industry	2,046 2.4% Metal Ore Mining – 16%	13,985 5.8% n/a	505 0% Coal Mining – 45.9%	1,695 8.9% Other Mining – 4.5%	4,702 1.9% Metal Ore Mining – 40.3%
2016 Population Unemployment Main employment industry	3,524 n/a Mining – 56.6%	13,808 9.7% ****Correctio nal and Detention Services – 4.6%	245 6% *****Combin ed primary and Secondary Education – 22.9%	1,762 9.9% Accommodation – 10.4%	3,884 3.5% Copper Ore Mining – 30.4%

⁴ Economic Growth and Investment Strategies (Outback SA, Roxby Downs and Flinders Ranges, SC Lennon & Associates, 2016/17

* Population data in 2001 incorporates APY Lands and other areas, which are separate in later Census data

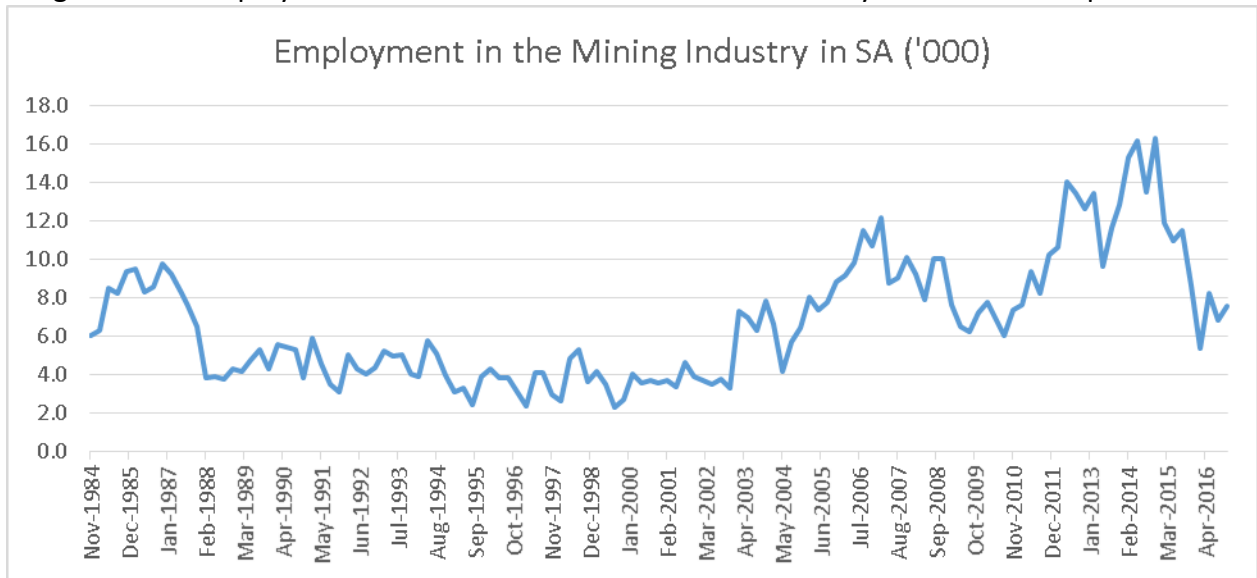
** Electricity generation is linked to the mining of coal at Leigh Creek

*** Coal mining and electricity generation related to the same industry which equals a percentage of 52.2% representing employment in mining industry

**** Expansion of Port Augusta Correctional Facilities and a focus on employment programs for Correctional Officers has resulted in an increase in employment opportunities.

***** Gradual closure of Leigh Creek Mine in 2016/2017

These data show that the population in the Unincorporated Areas has increased slightly over the years, Coober Pedy has traditionally declined with an increase in 2016 data, Port Augusta, Leigh Creek has declined and Roxby Downs has traditionally increased with a decline in 2016. The rapid declining population in Leigh Creek is certainly attributable to the fact that the mine life has always been targeted for an end date, therefore as that end date drew nearer people sought secure employment elsewhere and as the mine closed they left the township.



Source: ABS, Labour Force, Australia, Category Number 6291.0.55.003

The above data shows clear spikes in employment in the mining industry in SA since 2003 when the mining boom started, with some downturns in 2009 and at the end of the boom in 2013. Even though the “mining boom” was seen to finish in 2013, the spikes for 2014 and 2015 show that it was certainly still a key area of employment with some mines still growing and expanding outside of what was called the “boom”.

Analysis:

The historical data around mining being the major employment industry and main growth industry in the Far North SA region is not surprising, as per the previous reported data which shows that 83% of the operational mines and 57% of the developing projects are in the Far North region. However, the change in main employment industry for Coober Pedy, Leigh Creek and Port Augusta reflect a change in major industries within the region. Coober Pedy has had a focus on opal mining historically, however, that change to accommodation may reflect a

generational shift in traditional practices and career paths. The last 12 months has seen one of the best tourism seasons for Coober Pedy in many years, and therefore the shift towards accommodation provision is reflective of this. For Leigh Creek and Port Augusta, the closure of the Leigh Creek mine and Port Augusta Power Stations in 2016 and 2017 (with some remediation work still being undertaken) is reflected in the figures which show the power and mining industry to be just about non-existent in these townships. 2016 ABS Census data shows the mining industry at only 9.6% for Leigh Creek.

Responses to the Terms of Reference

Best practices between the mining sector and businesses, especially in regards to how they can support regional communities and economies

In the Far North SA region we have many different mining companies operational, however, we tend to liaise with the ones that impact on townships more e.g. Oz Minerals (for Prominent Hill and Carrapateena) and BHP Billiton for Roxby Downs. In relation to Oz Minerals, RDA Far North has had a sound and productive working relationship with them since they began operations in the region. Some of this success can be related to Oz Minerals forward thinking approach to community and business consultation and communication. Oz Minerals are a great example of “how to do it right” with regards to this. Over the years they have held numerous information sessions for community and businesses to keep everyone up to date on mining operations and opportunities for engagement with contracts etc from the first announcement of the Carrapateena mine operations. Their information sessions are very well attended with up to 150 people attending one held in Port Augusta recently. They also ensure they provide realistic information in relation to contract, tender and employment opportunities.

Oz Minerals are also a major sponsor of many regional events. With mounting cost pressures on smaller regional and remote communities and lack of volunteers, without this high level sponsorship, many events would not continue to be held. Their support for playing in this community space is very important and assist their image as a community minded company.

The engagement of staff to directly liaise with regional businesses is also key to the mining industry successful engaging with businesses. These positions work one on one with regional and local businesses to assist them with any questions or hurdles and make the transition to a successful contract/tender a lot smoother.

RDA Far North has also worked very closely with Oz Minerals in relation to the shutdown of their Prominent Hill above ground operations over time. RDA Far North meets regularly with Oz Minerals and has assisted many employees made redundant find new employment. The sound relationship between these two parties is key to the trust built around knowledge and information sharing and enabled this success.

Barriers to the greater use of regional businesses in the procurement of services by the mining sector

Some of the barrier faced by regional businesses to gaining work and contracts with the mining sector include lack of adequately skilled staff, inability to upskill or restricted access to upskilling opportunities, too small to tender for work but lack of knowledge of how to partner with other companies to tender and sometimes the short term nature of the contracts.

Some regional businesses also find that if they are successful in gaining a tender in the mining industry that this then takes them away from their local area for an amount of time. This means that their local customers need to source services from elsewhere and then when the contract is finished and the company is ready to re-engage with their customers sometimes these customers will stay with the new supplier and the company loses their business.

Another barrier to consider is that mining companies may not know what regional and local business capabilities actually are and therefore may assume that what they require doesn't exist locally or regionally, when it does. The use of a central tendering system such as the Industry Capability Network (ICN) can assist this with businesses encouraged to upload a profile to ICN and ensure that they sign up for contract and tender opportunity updates and tender for them when they are available.

Building the skills and expertise of businesses to leverage opportunities in the mining sector

Oz Minerals has recently partnered with Global Maintenance Upper Spencer Gulf, which is a regional industry cluster with over 100 members. This partnership has been instrumental in some regional businesses gaining major contracts and also for Oz Minerals to identify the variety and strengths of local businesses that they may not have considered. The businesses work with an Oz Minerals local engagement person whose role is to assist the business with tendering processes as well as assistance with linkages to any other partnering companies. This has resulted in considerable success for many small to medium sized businesses in Port Augusta, as an example, with businesses supplying tyres, hardware, transport, cranes, fire and emergency equipment, signing, surveying, storage and general kitchen and camp supplies to the Carrapateena mining operation.

As highlighted earlier, situations arise where local businesses are unsure where to access upskilling for their staff, or in remote areas, their staff may not be able to easily access this upskilling without it being a major cost to the business for travel etc. Making training more accessible and cost effective for these businesses is key.

Opportunities for businesses to diversify to other markets; including the mining industry in Australia and overseas, and across different industries

To enable businesses to do this, firstly the reward and opportunities must be there for them to make the transition. They also need to be aware of what they will need to diversify, which is

where the work that RDA Far North comes in, where we can assist businesses map out their pathways and recognise their goals and work towards the diversification.

In addition, diversification into another industry or market may also require considerable capital investment. This is now always possible for smaller and medium businesses to do off their own back, therefore access to funding and grant opportunities for private businesses is essential.

This diversification and growth may also have negative impacts on a business. For example, when the Olympic Dam Expansion was first announced, RDA Far North is aware that a few local businesses invested heavily in their business to grow and to buy machinery and engage extra staff to enable them to meet the new demands. However, when the expansion project was delayed and eventually withdrawn, these businesses were unable to regain their investment and suffered losses, some of them major, and only now are some of them regaining what they lost. So whilst businesses need to prepare themselves for new opportunities and diversification, they need to be sure of the real opportunities that will be available to them. This also puts an onus on mining companies to ensure they are realistic when providing information about possible opportunities for these businesses to tap into and keep them up to date along the way.

How the Federal Government can support businesses in regional economies benefit from mining development

As mentioned above, for many small and medium and sometimes large businesses to grow and be able to benefit from mining developments they need support for business investment. Many of these are unable to support the capital growth themselves and therefore require access to funding and grant opportunities. Many grant and fund opportunities are not necessarily centered on particular growth areas or industries or regions. However, an example of where this has been targeted and has worked for other industries is the Regional Jobs and Investment Program for the Upper Spencer Gulf. A local highly regarded business was successful in gaining considerable funding towards the purchase of Australia-first equipment to enable their expansion into the renewable energy sector. The investment from the Federal Government was key to enabling this business to succeed in this project and without it, the renewable energy companies would have had to go overseas to access this equipment.

A suggestion is for funding to be targeted towards key areas of growth or sustainable industries where, perhaps, local and regional business engagement is low. Therefore, access to this funding will enable these businesses to tap into the industries and keep the business in the region, South Australia and ultimately in Australia.

Any other related matter

Far North SA Case Studies

Leigh Creek

Leigh Creek is a township situated in the unincorporated areas of the northern Flinders Ranges in SA which does not fall under the traditional form of Local Government management. Leigh Creek is a purpose built town to support mining in the immediate area. The township was moved in 1982 from its original location to allow expansion of the mine and as a result, most facilities and buildings in towns are a little over 35 years old. Due to a downturn in mining production, the population of the township has slowly decreased over the years with the population dropping approximately 55% from 2001 to 2016. (⁵In 2001 the population was at 618 and down to 245 in 2016.) Due to the closure of the Leigh Creek mine in April 2016, management of the township was handed back to the South Australian Government under the Outback Communities Authority (OCA) as of 1 January 2017. The majority of mine workers sought employment elsewhere and they and their families left the township and area. However, a few of them remain with some of them having sought other work locally. Some residents have also stayed to manage the towns' assets such as the Caravan Park, service station and post office etc.

RDAFN is working with the Outback Communities Authority, other organisations and government entities to look at sustainable options for the future of the Leigh Creek Township, which include diversifying into tourism. A major hotel company (1834) has taken on the lease on the old tavern, which is now known the Leigh Creek Outback Resort, for a term of two years which will assist in the transition and allow time for the other businesses to survive and develop.

Leigh Creek is a prime example of a township that was purpose built for the mine/resources industry, and when that industry no longer exist the township has to fight to stay viable with less resources and financial support.

Roxby Downs

Roxby Downs, like Leigh Creek, was built in 1987 to support the Olympic Dam mine and processing plant, which is located 16km north of the township. The town is subject to a specific Indenture Act and is administered by the Municipal Council of Roxby Downs. Roxby Downs has many community facilities including swimming pool, schools, cultural precinct, shopping centre etc. The population of Roxby Downs has fluctuated over the years from 3,803 in 2001; 4,055 in 2006; 4,702 in 2011 and 3,884 in 2016. The fluctuations are in line with downturn and increased production at the mine.

Most of the residents and families that live in Roxby Downs work at the mine site, or own or work at a business that supports and services the site and township, this includes teachers, doctors, hairdressers etc.

⁵ ABS Census Quick Stats Data

The township is quite young in terms of its life span and certainly in terms of the long term life span of the mine. As a township it continually develops and reassess its priorities to keep in line with other towns and cities that are in similar circumstances. It is predominantly a drive-in drive-out (DIDO) mine operation for the mine employees that do not live in Roxby Downs. This DIDO market comes from not only locally (Woomera, Andamooka), or regionally (Port Augusta, Quorn) but also from as far away as Adelaide.

Whilst the town is still thriving in its current economic environment, it is still reliant on the mine operations and like Leigh Creek, should the operations ever cease, the town would shrink back to a skeleton. If the mine operations were to cease, considerable research would need to be undertaken into the sustainability of the township beyond the mine life, especially considering its remote location and the support services it provides to other regional and outback townships.

Promoting the competitive advantage of regional location for businesses

RDAFN has produced Economic Growth and Investment Strategies (EGIS) for Port Augusta, Flinders Ranges, Outback SA and Roxby Downs with work still underway on Coober Pedy. The EGIS's are designed to build towards a robust, sustainable economic future for the region.

The EGIS show a collated forward looking approach to the future of the Far North Sa region and will inform a targeted approach to project selection to maximise the economic benefits to the region of any form of funding packages or other resources directed to the region. The EGIS's are available for download from <http://www.rdafn.com.au/publications>

Summary

The following is a summary of the opportunities and challenges around how the mining sector can support businesses in regional economies:

- Development of sound, productive and trusting working relationships between mining companies and key sector support agencies such as RDA's.
- Holding of information sessions for communities and businesses and giving keep the expectations around contract, tender and employment opportunities realistic.
- Sponsorship of key local and regional events by mining companies and legacy building opportunities.
- Engagement of local content liaison officers by the mining companies to work with local and regional businesses to build their strengths and assist them with contract and tendering processes, which can sometimes be intensive.
- Use of a central industry system such as ICN to link local and regional businesses with opportunities and ensuring these businesses have up to date profiles.
- Partnerships between mining companies and major industry clusters such as Global Maintenance Upper Spencer Gulf.
- Making training more accessible and cost effective for regional and remote businesses.

- Access to funding and grant opportunities for private businesses to grow and diversify.
- Support for business investment.

We wish to thank you for the opportunity to contribute to this inquiry and invite the committee to undertake a tour of the Far North SA region and to continue the discussions face to face.