



2nd August 2017

Commissioner Lindwall
Transitional Regional Economies
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Commissioner

Productivity Commission Transitioning Regional Economies Initial Report

The Association of Mining and Exploration Companies (AMEC) is pleased to be able to comment on the Initial Report of the Transitioning Regional Economies study.

AMEC represents hundreds of mining and mineral exploration members across regional and remote Australia.

AMEC remains concerned with the language chosen in the Productivity Commission's geographic study into Transitioning Regional Economies as was detailed in our initial submission. The focus of the Initial Report appears to be on talking down investment in mining, and perpetuating the false narrative that Australia is '*transitioning from the resources boom*'.

In spite of this focus, the Initial Report found that the majority of regions that have mining as their main source of employment have a relatively high adaptive capacity as assessed using the metric. Less than five mining areas were identified among the 244 regions named in the 'least adaptive' category. Whereas manufacturing was the "largest source of employment for almost 75 per cent of the urban regions in the "least adaptive category""¹.

AMEC is concerned that despite the Initial Report clearly stating that caution should be used when applying this document to policy decisions it will be used inadvertently.

As is acknowledged in the Initial Report², the metric underpinning this study is not suitable for guiding policy decisions. This is illustrated in Table 2.1³, where only two of the 17 "ideal" indicators that comprise the metric are available.

AMEC echoes the concerns voiced in the Initial Report relating to the proxy statistics applied. For example, the "value of discovered and undiscovered minerals" ideal indicator is measured by the "proportion of land used as national parks or nature reserves" and the

¹ Page 22, *Transitioning Regional Economies Initial Report*

² Page 107, *Transitioning Regional Economies Initial Report*

³ Page 56, *Transitioning Regional Economies Initial Report*

"proportion of people employed in mining". Neither of these statistics relate to the value of minerals in the ground, which is very hard to measure given that over 70% of Australia remains under explored or unexplored.

The viability of the metric is further eroded by the Australian Bureau of Statistics definition of the Australian population, which is on a 'usual residence' basis. The nature of this definition leads to a distortion of where the Fly-In-Fly-Out workforce is counted. They are expected to self-identify their usual residence, whether is at their home or at their workplace. Given the relatively small populations of some remote Australian statistical regions a change in who is counted as a resident will have a large effect on the outcome.

It must be noted that Australian mining and mineral exploration companies operate in a complex, discerning, sensitive and high-risk capital market involving thousands of current and prospective shareholders. The focus of this Initial Report and the broader study can erode confidence and have the potential to influence investment and business decision making.

The Final Report must acknowledge that the mining industry is an integral part of the Australian economy with each mine creating revenues, jobs and royalties.

Australia is the world's largest exporter of iron ore, metallurgical coal, alumina and lithium. According to the Federal Government's Office of the Chief Economist in 2016– 17, earnings from resources, the country's largest export, were up by 25 per cent to \$205 billion. This growth does not reflect a "transition", instead it demonstrates Australia is capitalising on its comparative advantage.

AMEC are willing to further consult prior to the publication of the Final Report.

Yours sincerely

Simon Bennison
Chief Executive Officer