

Wednesday 15 February 2017

Commissioner Lindwall  
Transitional Regional Economies  
Productivity Commission  
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MELBOURNE VIC 8003  
transitioning.regions@pc.gov.au

Dear Commissioner Lindwall,

Thank you for the opportunity to provide a submission to the Productivity Commission's study into the transition of regional economies following the resources investment boom.

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

Due to the limited time for submissions, at a time which spans the festive season and that the Commission has not yet issued an issues paper, QRC has elected not to address each of the terms of reference individually in favour of providing some broader context around Queensland's experiences of resource sector growth over the past decade.

QRC endorses the views of the [Treasurer](#) in announcing the Study (on 14 December 2016) that

*"...the transition of regional economies following the resources boom ... is presenting different challenges and opportunities for Australia's regions." (emphasis added)*

It is important that the Study recognise both sides of the argument and properly considers both the opportunities and challenges of resource development in regional Australia. Queensland offers a number of success stories of regions that have thrived. A recent example was Toowoomba being hailed by the Courier Mail (12 February 2017) as an example of a "[miracle economy](#)" on the basis of diversification. That article quotes John Wagner, Chair of the family business which funded and built the new Brisbane West Wellcamp Airport at Toowoomba, who said:

*"What we didn't actually understand when we built the airport was the level of confidence it would give other people to invest in our region."*

This boost in confidence in investing in the Toowoomba region is a direct parallel with the broader expansion of the resources industry in other Queensland resource regions. The medium to long term demand fundamentals for Queensland's resource commodities remains strong, so

the resource industry will remain an engine for growth in many regional economies in Queensland for decades to come.

The resource sector's expansion in Queensland over the past decade is unprecedented and even though many sectors are adjusting to the current global oversupply of many commodities, the resources industry in Queensland continues to generate substantial numbers of regional jobs, widespread regional economic activity and royalties for the State.

Importantly for Queensland's regions, unlike conventional gas where much of the capital is invested upfront, coal seam gas (CSG) production will require each of the three liquid natural gas (LNG) projects to invest substantially in the exploration and development of new gas wells for at least the 20-30-year economic life of the three projects (see for example CSRM's [industry overview](#)). That's a tremendous long-term fillip for the growth of regional Queensland economies.

The creation of the onshore gas industry in Queensland was the largest concentration of private capital in Australia's history. With the best part of a \$70 billion investment it is - in today's dollar terms - the equivalent of three Snowy Mountain Schemes. Importantly more than \$43 billion of this spending was procurement from Queensland businesses. Queensland's gas industry is a vital employment pillar, providing regional jobs across construction, fabrication and operations. And perhaps lesser known is the contribution natural gas has made to upskilling Queenslanders to build and manage a globally significant industry.

Minerals and energy production is a cornerstone of the Queensland economy, providing a primary source of export income. The resources sector continues to play a fundamental role in shaping Queensland's regional future by contributing to economic growth, creating high-paying jobs, and supporting regional infrastructure, new services and investment.

Strong and sustainable resource communities are vital to the resources sector as they help to attract and retain workers to live locally. Importantly the majority of resources sector workers continue to live in resource communities or in nearby regions with many long distance commuters living in Queensland's flourishing regional centres such as Mackay, Rockhampton, Yeppoon, Cairns, Townsville and Toowoomba.

The extent of the resources sector's economic contribution to regional Queensland is demonstrated by the fact that 46 of the state's 78 Local Government Areas received more than \$3 million in direct industry spending. At the state level, the Queensland resources sector contributes one in five dollars to the Queensland economy, and supports one in every seven Queensland jobs.

For the past seven years (2009/10 to 2015/16), the QRC has asked our full members to submit expenditure data for goods and services, salaries and community contributions – and all identified by postcode. This comprehensive dataset of the Queensland resources sector contribution to the Queensland economy allows a very granular analysis of the industry's local benefits. Customised fact sheets are available on QRC's website at for each of the local government areas, state and federal electorates as well as by major commodity group – coal, gas and metals.

QRC's unique [economic contribution](#) data shows that in 2015/16, resource activity provided a direct injection of \$26.9 billion dollars into the State economy of which \$4.9 billion is wages paid to 33,800 employees. Across the state, the industry spent \$19.8 billion on local goods and services with more than 20,200 businesses and provided contributions to close to more than 900 different community

organisations and charities. This unique primary data is then modelled for flow-on effects by QRC's independent consultant whose technical report is at [Attachment one](#).

QRC is writing to express support for submission number 5 from the Association of Mining and Exploration Companies (AMEC). Like AMEC, QRC is concerned that study's terms of reference appear to be built on a flawed assumption that implies that resource activity is not a basis for sustainable economic development. The terms of reference for the Study say:

*"...since the mining investment boom, to identify those regions and localities that face significant challenges in successfully transitioning to a more sustainable economic base..."*

It is important to reiterate that in Queensland the investment boom was just as much about investing in new gas production capabilities as it was expanding Queensland's mining capacity. [McKinsey](#) make the point that Australia's 'mining investment boom' was actually an LNG and mining investment boom.

*Australia has been very successful in attracting investment into its resources sector, which has spread wealth throughout the country. Within resources, the LNG sector has seen the largest absolute growth, attracting investment over A\$200 billion in the last decade.*

What all these resource investments have in common is that they have delivered Queensland resource regions and the Queensland economy with an important long-term source of employment, training and export wealth.

Sustainability and regional development are both phrases which are in common use, but the Commission's Study will require an accurate definition of these key terms. The resources industry draws a definition from the 1987 Brundtland Commission's "*Our Common Future*" report which defined sustainable development as:

*"...meeting the needs of the present without compromising the ability of future generations to meet their own needs".*

QRC is a proud member of the peak national mining body, the Minerals Council of Australia (MCA) who have developed [Enduring Value](#), which draws on the Brundtland Commission's definition of sustainable development, along with the International Council on Mining and Minerals Sustainable Development Framework. The MCA define sustainability in the mining and metals sector to mean that investments in minerals projects should be:

- financially profitable,
- technically appropriate,
- environmentally sound and
- socially responsible.

QRC recommends that the Commission should adopt this definition of sustainability not just for the resource industry, but more broadly in assessing the sustainability and vibrancy of all investments in regional economies.

QRC also supports the reservations expressed in the conclusion of submission number 3, from Regional Development Australia (RDA) Tasmania:

*“Picking winners is not the business of government and therefore any planning must be community driven, long term and strategic. Project development should carefully consider future employment, a region’s livability and skill development.”* (emphasis added)

While the Tasmanian RDA have a particular local experience with forestry transition agreements, they make the important point that it is the responsibility of Governments (ideally all three levels of Government working in tandem) to encourage diversification in regional economies by creating a regulatory environment which is conducive to investment, business growth and innovation. A genuine transition towards regional diversification needs to reflect the unique regional differences and be firmly anchored in accurate analysis of local data. Too often, regional communities facing rapid growth are drawn into debates over the current local relevance to their community of census data collected several years ago.

The resource sector is inherently cyclical, as are many other key regional industries in Queensland such as agriculture and tourism. Each of these industries makes a contribution to regional communities, but no single industry should be expected to provide social and economic infrastructure for these communities. Government is responsible for providing a stream of services which underpin livability in regional communities. The past is littered with failed regional strategies which have talked about economic transition; but in reality have been about trying to transfer responsibility from Government to a local industry for the provision of basic services, social and economic infrastructure.

In 2015, the Commonwealth Office of the Chief Economist reviewed the [socioeconomic impacts](#) of coal seam gas in Queensland. The report concluded that it found that the economic impacts of gas development are consistent with other natural resource developments; with net positive impacts on employment, income, output, and government revenue. Broader community impacts, including social, demographic, and health outcomes, differ from other developments as a result of the geospatial dispersion of gas activities and uncertainties about potential environmental impacts.

In Queensland, the resources industry is bringing infrastructure and investment to several rural and regional districts, providing new jobs and strengthening and diversifying regional economies.

A [2013 study](#) by KPMG shows that resources developments are not only making regions more prosperous, but also making their communities more stable and socially sustainable. The study compiles key standard-of-living measures and basic demographic profiles of Australia’s nine main resources regions. The research was jointly undertaken for APPEA and the Minerals Council of Australia.

It is clear that resources developments are driving these regions’ economies. KPMG found that in the five years to 2011, the number of people employed in the resources sector across the nine sampled regions grew by 13,810 – or 50%. The number employed in all industries – including resources – grew by just 14%.

In that same period, the population of Australia’s resources regions had grown at 1.5% per year. This was the same as the national average but substantially greater than the 0.8% for regional Australia more generally.

Queensland's Surat Basin, is an interesting example of KPMG's findings that resource projects add enduring value to regional communities and regional economies. In the Surat Basin between 2006 and 2011:

- the population increased by 3.2%
- the total number of dwellings increased by 8%
- students finishing Year 12 increased by 4.3%
- residents with tertiary degrees increased by 2%.

Despite the rise in population, the unemployment rate remained stable at about 4% – well below the Australian and Queensland averages. The number of residents at the same address that they were living in five years previously increased by 3.3%. So despite an influx of new workers, there are strong indications that locals no longer have to leave the region to find work.

Over the five-year period of the study, the retail trade sector has overtaken healthcare and social assistance as the Surat Basin's largest employer. This rebuts claims that money being made in the region from resources is not being spent there. These figures indicate that the resources sector is making the Surat region more prosperous, stable and sustainable.

A significant resources sector investment phase is winding down in Queensland following an unprecedented period of peak construction and operational activity. During a period of less than 10 years, employment in the sector tripled. At the same time, the resources sector was also experiencing strong growth in other states and territories, particularly in Western Australia.

This concurrent demand for skilled labour placed unsustainable pressure on the Australian labour market. This was evident immediately in 'traditional' Queensland resource communities (e.g. Emerald, Moranbah, Mount Isa) where effectively zero unemployment became the norm and resources companies were unable to recruit essential skilled labour locally.

Resources companies – pressured by the prospect of losing important Queensland markets to overseas competitors – responded by sourcing additional skilled labour necessary to respond to workforce demands, from other parts of Queensland, interstate and, for some highly specialised roles, from overseas.

Long distance commuting (LDC) in the resources sector is not exclusively a product of 'boom times' but a fact of working life. The ability to offer choice between residential and non-residential options is essential if the resources sector is to respond to the changing demographics of society and to enable workers to choose the accommodation arrangement that best suits themselves and their families.

While most in demand for construction, expansion and maintenance projects, long distance commuting is essential for a range of operations across Queensland. While once confined to isolated or remote locations, a significant number of resources sector employees now choose to commute from coastal regions to live on or near their workplaces. This trend is most evident in the Bowen and Surat Basins where workers commute from coastal regions.

If more workers are to be attracted to live in resources communities, they need to know that they are not being asked to sacrifice the level of government services, economic and social infrastructure which is taken for granted in more populous parts of Queensland.

A key issue for resource communities is that often the onus of local planning and provision of community infrastructure falls to local Governments in those regions. While local Governments welcome the many opportunities for their community that accompany resource development, in Queensland the Councils struggle to find an appropriate source of revenue.

QRC has long worked with the Local Government Association of Queensland to advocate for resource communities to secure a fair share of Queensland's existing [royalty revenue](#). See for example, this story in the [industry news](#) from back in 2011. To emphasise the revenue upside for Governments, the sharp upswing on coal prices in the second half of 2016 delivered the Queensland Government with an additional billion dollars in royalties.

While the resource belongs to all Queenslanders, a fair share of royalties should be invested into the regional communities that generated the revenue. Royalties should not be increased, but local Governments should see a share of that existing revenue. Royalties should not be seen to replace existing funding sources for these cash-strapped local Governments, but rather provide additional revenue directly to these resource communities.

In summary, QRC welcomes the objective scrutiny of Productivity Commission being brought to bear on the complex issue of helping regional economies manage the opportunities and challenges of resource development. Critical to meeting the Study's terms of reference will be a workable and objective definition of "sustainable development". QRC recommends that the Commission adopts the definition developed by the Minerals Council of Australia (MCA).

QRC also endorses the concerns expressed by the Association of Mining and Exploration Companies (AMEC) that the study's terms of reference appear to be built on a flawed assumption that implies that resource activity is not a basis for sustainable economic development. Finally, QRC recommends that the Commission should look at the distribution of royalties and resource taxation across three levels of Government. QRC has long advocated that local Governments in resource regions only get a very slim slice of these resource revenues and would welcome the Commission's views on whether a different distribution of existing royalties is warranted.

QRC is confident that the Commission will find a number of examples in Queensland of sustainable regional development underpinned by existing and future resource developments. QRC would welcome the opportunity to host the Commission to visit these thriving Queensland communities.

If you have any follow-up questions, or would like any further information on any of the matters raised in this brief submission, the contact at QRC is Andrew Barger

Please note that QRC's submission is not confidential and the Commission is welcome to publish it.

Yours sincerely

Ian Macfarlane  
**Chief Executive**

**Attached:** Lawrence Consulting, October 20016, *Economic Impact of the Minerals & Energy Sector on the Queensland Economy 2015/16*