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22 November 2019

Ms Lisa Gropp
Commissioner
Resource Sector Regulation
Productivity Commission
Level 12, 530 Collins Street
MELBOURNE VIC 3000

Dear Commissioner

RE PRODUCTIVITY COMMISSION REVIEW – RESOURCE SECTOR REGULATION

Isaac Regional Council (IRC) welcomes the opportunity to provide a submission to the Productivity Commission in relation to the Issues Paper on Resource Sector Regulation

About the Isaac Region

The Isaac region encompasses an area of 58,862 square kilometres from prime agricultural land to the resource rich Bowen and Galilee Basins housing the largest coal mining deposits in Australia. The area also includes a coastal strip that brings with it tourism opportunities.

Our region is home to 20,990 residents and approximately 12,075 non-resident workers who travel here primarily for work in the mining industry.

The Isaac produces more than half (57%) of Queensland's saleable coal, with the majority being world class metallurgical coal. There are approximately 53 operating coal mines in Queensland, 26 of those are in Isaac region. The Isaac also has significant deposits of coal seam gas primarily on the Isaac and Connors catchment areas. There are several petroleum leases in production in the region, co-existing with coal mining projects and a large number of Authority to Prospect leases in varying stages of development and approvals.

The Queensland Resources sector contributed \$5.2 billion in royalties in 2018-19. We are proud to be a region which is feeding, powering and building communities.

The Isaac economy is largely driven by the resources sector which contributes \$14.74 billion (or 83.6%) to the regions total output¹ with the gross annual value of agricultural commodities of close to half a billion dollars.

Isaac region also boasts a burgeoning renewable energy sector with 8 solar farms approved and one operational. In addition, approval has been granted for one of Australia's largest wind farms at Clarke Creek.

Isaac region has the highest concentration of top income earners in Queensland at 10.2% in the top bracket, which is 6.4% higher than the average and 7.1% higher than Queensland as a whole.

¹ REMPLAN Economy, accessed 12 November 2019

Responding to the Review

It is acknowledged that the Commission's review is focused on regulation with a material impact on business investment that is seeking to identify effective regulatory approaches to the resources sector.

Whilst regulation plays an important role in ensuring the standards of resource operators are managed and in providing the public with confidence in the resources sector it is also critically important that impacts from the resource sector on communities who host them, are mitigated, opportunities are maximised and there is a net benefit for the communities.

The responses provided below address specific areas of the Issues Paper and key themes highlighted by Isaac Deputy Mayor Kelly Vea Vea at the Local Government Association of Queensland, Resource Communities Advisory Group Forum to the Productivity Commission in Brisbane on 28 October 2019.

Response to the Productivity Commission Resources Sector Regulation Issues Paper

Scoping the Study

Information Request: *Is the Commission's proposed scope for this study appropriate? Is it too broad or too narrow? How should the proposed scope be adjusted?*

It is noted that the Commission has aligned the study with the definition of the mining industry in the Australian and New Zealand Standard Industrial Classification 'mining'. This classification covers coal, oil and gas (conventional and unconventional), iron ore, other metal ores including gold, silver, bauxite, uranium and mineral sands and construction material mining. The Commission has chosen to leave outside the scope of the study the regulation of large-scale renewables, such as wind and solar farms or hydrogen power plants (although commenting that these may be a useful comparator for some elements of the work).

It is recommended that the scope of the study should be extended to include large-scale renewables. Currently wind farms are assessable by the State Government as Assessment Manager. For Solar projects Local Government relies on the *Planning Act* and *Planning Regulation 2017* to manage these projects through impact assessable conditioning on development applications for cumulative impacts of these projects on resource communities.

A Queensland Government Solar Farm Guideline is available for reference (Department of Natural Resources, Mines and Energy – Queensland Solar Farm Guidelines, Practical Guidance for communities, landowners and project proponents). Whilst the guideline provides practical guidance, there needs to be further awareness of the impacts of renewables projects at the construction, operational and decommissioning phases and conditioning to mitigate the impacts, e.g. commercial waste disposal.

Whilst State Government assess solar and wind farm projects, local government work with the proponents of the projects to implement the projects on the ground. It is critical to ensure the impacts from solar and wind farm projects on communities are captured and managed for the net benefit of communities.

With one operational solar farm in the Isaac region and 8 solar farms approved there is potential for enormous economic benefit for the region, but also substantial impacts through construction, operation and longer-term decommissioning phases which need to be captured at the approvals stage of the process. Without conditioning there is potential for significant community impacts such as commercial waste impacts, to not be addressed.

CASE STUDY – Extensive waste is generated during the construction phase of a Solar Farm. Regulation needs to capture the requirement for a comprehensive waste management plan to mitigate and manage the waste generated during construction. Construction waste is a significant contributor to regional landfill volumes. Although solar panel recycling has not become a major issue yet, it will in the coming decades as solar panels need to be replaced. Conditioning and mitigation of these impacts from renewables projects need to be considered when the projects are in the assessment phases to enable the potential waste impacts into nearby community landfills to be appropriately managed and mitigated.

General

The Australian resources sector makes a significant contribution to the overall economic performance of the country. The Isaac region, with 26 operating coal mines, a burgeoning gas and renewables sector makes a significant contribution to the state and commonwealth economy. However, resource activities also have potential for significant social and environmental impacts which are essentially managed through regulation.

Best Practice Regulatory Approaches

As noted in the Issues Paper, best-practice regulatory approaches require governments and regulators to take the course of action that imposes the least burden to businesses, subject to achieving policy goals. The resulting framework being one that delivers the greatest possible net benefit for the community.

In delivering the greatest possible net benefit for the community it is critical that assessment and approval frameworks consider the whole life cycle of the resources project. In advocating for the implementation of the *Strong and Sustainable Resources Communities Act (Qld) 2017* (SSRC Act) it was Council's position that geographic labour mobility, including Fly in Fly Out (FIFO), is a critical factor influencing the economy's capacity to adjust to shocks and structural change.

In the past, the Isaac experience suggests that when FIFO is promoted as the only workforce solution to participation in certain industry sectors, the long-term sustainability of regional economies and communities is significantly threatened. A key area of concern for the Isaac is the removal of genuine choice as to where employees live.

Whilst the introduction of the SSRC Act has gone some way to bringing about change to ensure future sustainability of communities, there are still challenges. These challenges are being experienced where mines are brought out of care and maintenance, are expansion or extension projects which don't meet the trigger an EIS. This is an identified risk as there is no mechanism for the local government to provide feedback to the assessment process and to engage on minimizing impacts and maximizing net benefits to its communities.

Current assessment processes are front end loaded, attempting to cover off on potential social impacts of a project and set conditions for the life of the project. The variability of social and economic conditions for the long life of resource projects could be managed better by the ability to renegotiate project conditions when there are changes in the social impacts of a project, including the cumulative impacts of projects in a single region.

CASE STUDY – GLENDEN – Isaac Region

Isaac region experiencing an upswing in the resource sector. This would usually see an increase in activity by way of families, housing and businesses to communities. This is not what is happening in Glenden.

In Glenden, the reality is, the bakery has closed, the playgroup has closed, the Golf and Bowls Club have closed, the Newsagency will close in December. There are reduced trading hours at some businesses and some risk of further withdrawal of service from others.

The absolute dichotomy for Glenden is that within a short commuting distance from the town there are substantial long-life new resource projects, approved resources projects and established mines:

- Byerwen Mine – 50 year mine life, 20 km from Glenden, 10 mtpa, 500 employees
- Hail Creek – 19 year mine life, 9.4 mtpa
- Burton New Lenton (approved) – construction 2019, operational 2020 – 25 year mine life, 3mtpa
- Hillalong – 17 year mine life, construction 2021, 5 mtpa
- Newlands – exit strategy announced from 2020 complete by 2023

These dynamics have created a high degree of uncertainty and naturally, a pessimistic outlook for the town of Glenden. This is the subject of continued discussion with the State Government for assistance to overcome the impasses currently preventing the community of Glenden from seeing practical and positive on-the-ground opportunities from these major nearby projects which will enable Glenden to once again become the resilient liveable community it once was.

Glenden is a prime example of a community where there is significant decline through loss of families, businesses and services where there are several large-scale projects on the doorstep which preceded the commencement of the *Strong and Sustainable Resource Communities Act*.

The State Government have committed to a post-implementation review of the *Strong and Sustainable Resource Communities Act* to examine its effectiveness.

Within the Isaac Region, the first project to progress under the Act is Pembroke Olive Downs. This project is not finalised and is unlikely to be finalised before the completion of the review. We are positive the Act review will provide an opportunity to address not only the timing of the review and its effectiveness, but also importantly, the critical dichotomy of regional communities experiencing significant decline to enable communities to maximise the opportunities of resource and renewables projects.

One thing past experience has proven in the Isaac is that Local Government is key to managing social impacts of resources projects on its communities and that it absolutely requires a seat at the table to be able to deliver the greatest possible net benefit for the community.

Genuine engagement with resource proponents needs to be two way. It is not about resource proponents informing local government it is about genuine engagement and consultation about mitigating the impacts and maximising the opportunities for regional communities to ensure sustainable futures. This genuine engagement is increasingly important to manage the cumulative impacts from the many resource projects in the Isaac region.

Summary

- Local government as a partner to proactively identify solutions through genuine early engagement;
- Streamlined processes to ensure resource projects are considered from a cumulative perspective (based on scaleable assessment of the project) rather than a project by project basis;
- Local governments to be solution based, identifying issues with considered suggestions;
- Focus on mitigating impacts and maximising benefits for the greatest net benefit for community.

Service Planning

Current funding models by the State Government are calculated on permanent population. This methodology fails to recognize the substantial impact of non-resident workers on demand for facilities and services in resource communities.

Isaac region's serviced population is 50% greater than existing funding methodologies provide for. The most recent Bowen Basin Population Report (produced by Queensland Treasury) highlights a resident population of 20,990 and a non-resident population of 12,075.

Failure to acknowledge the additional strain on government services and facilities in regional and remote communities created by large non-resident populations, means these services and facilities are not adequately or equitably funded to support total population demand.

This places a significant burden on local government to fund infrastructure to meet the demands of the industry operations directly and also the population required to support industry, both resident and non-residents.

Present funding models place affected communities in a position of greater disadvantage, for example Clermont community when its essential services are called on by Galilee Basin projects to respond to emergencies or anti-coal protests leaving no mechanism to respond to community essential service needs.

Further, on any given night, you can see the real impact of non-resident workers on essential services. If you were to go to Moranbah Hospital tonight, you could be guaranteed that half of the patients are mine related. This is not reasonable on either residents or non-residents and Council are concerned it is only a matter of time before there are fatal consequences.

A collective approach by Commonwealth, State and Local government is required to successfully manage the cumulative impacts of resource developments on regional communities. There needs to be a change to current funding models to recognize the impact of non-resident workers on local and state government facilities and services – before case studies begin to reflect fatalities due to underfunded servicing.

Waste Management

The resource industry is the largest driver in Isaac region's economy. Maintaining landfill capacity to sustain economic development opportunities is paramount.

With the resource industry in an upswing, waste volumes to landfill increase. Previous resource project expansion have seen waste levels increase by 30 to 40%.

Isaac Regional Council has developed a Waste Management Strategy (draft) to mitigate and manage the impacts of waste from the increased economic activity in the region. Isaac region has limited capacity to deal with large volumes of commercial waste from resource projects.

By way of example in Isaac Region Dysart Landfill, which has a 30+ life expectancy and a license threshold of 2,000 tonnes is having to divert waste to other regional landfills by around 3,000 tonnes per annum. Clermont landfill has a life expectancy of 30+ years and is close to capacity. Glenden landfill has a life expectancy of 30+ years and has minimal capacity and is being monitored with Byerwen Mine with a 50 year life operations from this year 20 klm from Glenden community.

It is imperative that all levels of government work collaboratively with the resource sector to understand future needs and to ensure long term landfill planning can support economic opportunities.

Road Network

Isaac's 58,000 kilometres is connected by almost 3,200 kilometres of Council controlled roads including 28 bridges and 1,457 kilometres of State controlled roads including the Peak Downs Highway, Fitzroy Developmental Road, May Downs Road and Clermont Alpha Road.

Half of the State controlled roads within the Isaac local government area are determined to be Local Roads of Regional Significance and many are eligible for funding under the Northern Roads and Beef Roads Funding Programs.

A well-maintained road network is crucial for not only the connectivity of our region, but also for efficient and effective transportation of freight in support of our resources, renewable and agricultural sectors.

A road network which does not keep pace with the demands of business and industry creates a barrier to unlocking the full economic potential of the Isaac region, which is helping to energise the world through our resources, renewables and agriculture.

Isaac Regional Council understand the important of partnership with Government and with key stakeholders in industry to ensure a productive, reliable and safe road network. Our extensive road network supports all of our industries. The resource industry is a significant user of the road network in our region.

By way of example, recent advocacy by Isaac Regional Council has highlighted the significance of the road network to the resource sector. Two critical projects being the Phillips Creek Bridge Partnership Proposal on Saraji Road and the May Downs Road project near Clarke Creek. Both projects are critical to the sustainability of Isaac region, both reliant on significant funding to ensure critical upgrades are enabled.

A critical corridor demanding attention and investment is May Downs Road, it is a vital east-west connector between the Fitzroy Developmental Road and Marlborough-Sarina Road, Central Queensland, which supports community and industry.

The May Downs Route reduces travel time by up to half an hour from Rockhampton to the Bowen Basin. It is also a major road supply chain route. Funding is being sought for:

- Construction of a bridge across Isaac River with flood immunity of Q20 at 3.6 m high to avoid road closures during flood events;
- Upgrading the gravel road to a sealed road of 8.5 m width;
- Staged rehabilitation of worn-out sealed sections;
- Rehabilitation of damaged drainage structures;
- Safety improvements and continued maintenance of the May Downs Road.

The Phillips Creek Bridge Partnership Proposal is for a new bridge which will be wider and significantly higher than the existing structure. This will enable the current speed restriction to be removed, eliminating a 'pinch point' on this heavy vehicle route and improving flood mitigation.

The Saraji Road on which Phillips Creek Bridge is located is an essential connection between Moranbah and Dysart. It is classified as a Local Road of Regional Significance by the Bowen Basin Regional Roads and Transport Group and the Queensland Roads and Transport Alliance as a critical link in the Bowen Basin.

On average the current low-lying Phillips Creek Bridge is closed for at least two days per year due to flooding, cutting the transport path to BMA Peak Downs, Jellinbah Lake Vermont and Anglo American and Saraji mines.

The estimated financial impact to the mining sector is significant, based on coal production of 129,121 tonnes per day, sale price of US\$200 per tonne and an FOB cash cost of \$US60 per tonne, mining companies could incur a net loss of US\$18.084 M per day.

It goes without saying that our roads and bridges are the gateways to our communities, which service our resources and agricultural sectors and our communities.

The Phillips Creek Bridge route provides a faster travel time between mine sites and Moranbah hospital in cases of emergencies. Without the bridge, detours would add more than one-hour travel time.

The benefits of the project and redesign of the bridge and approach allow for greater visibility and improved safety.

It is critical that all levels of government and industry work together to ensure our critical road networks support and sustain economic opportunities in our regions.

Local Government Rating

The key principles for forecasting and managing rates effectively are Transparency, Sustainability, Efficiency, Community representation, Fairness, Equity, Meaningful contribution, Predictability and User pays.

Balancing the various principles when creating a rating strategy is critical to forecasting and managing rates and charges effectively. It is noted that Queensland Councils can implement their rating strategies in any appropriate way, within the bounds of the Regulation.

In addition to the key practice principles, in determining rates and charges, Council will be guided by the principle of user pays so as to minimise the impact of rating on the efficiency of the local economy.

Council will also have regard to principles including:

- having in place a rating regime that is simple and inexpensive to administer; and
- having flexibility within the rating regime to take account of changes in the local economy.

Through the local government budget process reviews of rating mechanism are undertaken. The Isaac region current mining rating is based on employee numbers and valuations, other options have been investigated and Council has engaged with the resources sector on the recent rating reviews.

It is acknowledged that with the variability of size and scale of local government areas and rating bases, including resident and non-resident population bases, it makes comparison of local government rating complex.

What has worked

Experience in the Isaac has taught us that what has worked is that local government needs to be a genuine partner in the process. Experience has also highlighted that the best outcomes are achieved when local government identifies community-based solutions. Key examples to demonstrate positive community engagement and benefit sharing in the Isaac are:

Local Buying Program

The Local Buying Program has been established to support small businesses to engage with BHP, BHP Mitsubishi Alliance (BMA) and BHP Mitsui Coal (BMC). The Program is delivered in a strategic partnership between BHP and C-Res – a cost neutral organization and has been operating in Queensland since 2012.

The Program enables small local businesses to supply goods and services to BHP, BMA and BMC operations via a competitive tender process with reduced payment terms whilst receiving direct support from C-Res Business Development Advisors.

A critical element of the Local Buying Program is the Local Buying Foundation which aims to enhance the economic sustainability of local regions through the support of programs and

initiatives that target local business training and development needs. For every transaction processed through the Local Buying Program in Queensland, BMA / BMC make a financial contribution to the Foundation.

Some benefits of participating in the Local Buying Program include:

- Greater supplier exposure to BMA and BMC operations through an online supplier directory
- Greater exposure to work opportunities
- A simplified engagement tool (Local Buying Program website)
- Appropriate payment terms (21 days from receipt of invoice)
- Simpler supplier on boarding process
- Qualification criteria specific for small business
- Continuous support from C-Res

To register for and work with the Local Buying Program in Queensland suppliers must have a significant physical presence in the relevant local government area. Highlights for the program from 1 July 2019 to 30 September 2019 are:

- \$20,022,684 approved spend to local suppliers
- 1,884 approved work opportunities
- 927 businesses approved to supply via the Local Buying Foundation
- 20 days average payment period from receipt of invoice

Isaac Affordable Housing Trust

Isaac Affordable Housing Trust is a not for profit organization whose sole purpose is to address the balance of the housing market within the Isaac region.

The Isaac region faces unique challenges created by the resources sector, which has seen incomes, rent and property prices sometimes reach astronomical heights. This means that essential service personnel and people who work in non-mining related careers are being squeezed out of the region.

With economic growth comes challenges and unprecedented demand for accommodation in the Isaac region and the associated pressures on the cost of living is one such challenge.

Investment in the Trust provides capital to build units of accommodation, which are rented to tenants based upon clear criteria. Calculated on a sliding scale that considers applicants' average income, number of dependents and size of property, the Trust is a fair and ethical landlord who believes that its tenants are the life blood of their communities.

An objective of the trust is to provide long-term sustainable housing investment in Isaac region by bringing together resource proponents, developers, investors and the manager will ensure that all parties work together towards this goal.

The Social Impact Assessment provides a mechanism for resource sector proponents to consider investment in affordable housing in the regions in which they operate to mitigate impacts on the housing market.

Land Development Advisory Committee

The Land Development Advisory Committee was established by Isaac Regional Council in 2018. The overall purpose of the Committee is to provide advice to Council in relation to the planning and implementation of land and housing development projects to meet and mitigate supply /

demand imbalance anticipated with economic activity principally in the mining and renewable energy sectors.

The aim of the committee is to ensure that appropriate research and analysis (including stakeholder engagement) is undertaken to determine commercially viable and economically optimal development triggers and to make recommendations to Council about the business case for respective developments and oversee implementation.

Related economic, environmental and social issues form part of the range of topics discussed by the Committee, though any strategic or policy matters identified for further research or action are referred to Council.

The Committee has provided an avenue for engagement of key landholders and stakeholders within Isaac region and acts as a conduit for resource sector proponents to connect to key land holders and developers in the region.

Conclusion

Councils have the local knowledge to assist project proponents to identify challenges and opportunities arising from projects on an individual project and cumulative basis and can assist with identifying community-based solutions. Local Government is the tier of government closest to community and best placed to understand the needs of its communities.

Councils have significant responsibilities for providing services and infrastructure to their communities such as services (water and wastewater), building and maintaining infrastructure (roads) and making land use planning decisions (housing).

Resource sector projects increase the demand on council assets and services and significantly affect land use in and around communities. Where these costs are not covered by the resource project proponent, they fall to residents in the form of higher rates, degraded assets and reduced services.

While State Government are responsible for setting project conditions, councils are integral to the Social Impact Assessment and Social Impact Management Plan processes. Continued early engagement and collaborative relationships between State Government, resource proponents and Councils will deliver effective outcomes for all stakeholders.

We thank you for the opportunity to provide comment on the Productivity Commission Issues Paper for Resource Sector Regulation. If you wish to discuss any aspect of this submission further please contact Tricia Hughes, Coordinator Executive Support

Yours faithfully

GARY STEVENSON PSM
Chief Executive Officer