

Association of Mine Related Councils Inc
26 Calool Street
Lidcome NSW 2141
Australia

1st May 1998

Ms Andrea Coulter
Industry Commission Inquiry
Into the Black Coal Industry
Productivity Commission
Locked Bag 2
Collins Street East Post Office
MELBOURNE VIC 8003

Dear Ms Coulter

The Association wishes to comment on the Commission's allegation that mines pay relatively high Local Government rates and these add an unjustified burden on the mines' competitiveness. Also, on the comment by Camberwell Coal that the mine received little in return for their rates

Firstly, it must be understood that Local Government rates are a form of taxation, not a fee for services rendered.

Local Government has consistently borne a disproportionately high level of costs of coal development in NSW compared to the benefits It receives from mining In council areas.

The Association argues that there is a massive Imbalance in the distribution of costs borne by councils and the benefits derived by State and Federal Governments which needs to be redressed to counter the high net cost of coal development at the local level.

Some of the costs to Local Government are redressed by Section 94 contributions which can be claimed at the beginning of a mining development. But, the new and/or upgraded Infrastructure needed because of the mining development needs to be maintained and the only recourse open to councils are rates.

Local Government rates when combined with State land taxes are consistently less than three per cent of all other Federal and State taxes charges and royalties and in no way can be considered to be any appreciable burden on coal mines competitiveness. (The estimate for mine rates alone is around 1.5%, but as rates and land taxes are in the same statistical category the exact figure is unclear).

It also must be made clear that mine rates based out mine output have not been available to Councils for a number of years and all mine rates In NSW are based on land value as determined by the Valuer General's Department.

Camberwell mine in Singleton states that it gets little in return for its Local Government Rates. AS stated before, the mine must accept that Local Government rates are not a fee for service but a general tax for the benefit of the community.

What the mine does not appear to appreciate is that its very existence creates infrastructure maintenance and social service costs the council. Roads and amenities need to be maintained, usually at a much increased rate because of the extraordinary additional damage and use by the mining companies, community services which would not have been required if there were not an influx of miners into the community need to provided. Mining is still a male dominated Industry and this aspect alone causes addition burdens on Local Government. For example, mining creates a significant pool of unemployable females in relatively small rural communities. This situation creates the need for a wide variety of social services additional to the needs of the original rural community. Mine rates, in Part, go to fund such additional needs as well as may others not listed here.

The mine does benefit directly In having a well serviced community, even though It may not recognise this as the reality of the situation.

And just as there are the regularly quoted positive economic multiplier effects by the establishment of a mine in a small rural community, there are also the negative multiplier effects of structural adjustment In time of mine downsizing and closures. The Associations member Councils are In the process of Investigating the establishment of post mining funds from mine rates to be put In reserve for this purpose, as there are presently no established programmes to systematically address problems of mine closures. A separate submission detailing the problems cause by mine closures has been prepared and Is attached for your information

In conclusion, It may superficially appear that mine rates compared to Individual rates and local business are comparatively high, (though there are examples that mines pay a lower rate In the dollar than local businesses), the rates rarely cover the commitments arising from coal development.

In times when economic conditions are difficult, It Is understandable that developers seek to minimise their costs. However, costs at the Local Government level are minor compared with other costs, taxes and charges, and communities where mining developments exist or are planned to take place, should never be put In a position where they have to financially subsidise a mining development In addition to frequently experiencing a decline In lifestyle and degradation of environmental conditions.

Yours faithfully

Marika Janis
Executive Director

NSW Association of Mine Related Councils Inc.
Post Mining Relief Scheme/Fund
Submission for Post Mining Assistance Programmes

Summary

The Association Is seeking the commitment of Federal and State Governments to the instigation of post mining strategies and the establishment of a fund to assist In the Implementation of such strategies to be financed by Local Councils, State and Federal Governments

Over the years various assistance packages have been provided during structural adjustment of the mining Industry. These for the most have concentrated on the direct assistance to unemployed miners In the form of retraining, relocation and Income assistance. The Association applauds the assistance given to retrenched miners, but It also wishes to focus on the failure of state and federal governments to address the amplifying effects of Industry shutdown on entire communities.

The coal mining Industry has periodic episodes of readjustment, such as presently being experienced In the Southern Coalfield and In the near future, In parts of the Hunter. Metalliferous mining can be even more uncertain, with boom/bust operations having severely disrupting impact on entire communities.

Industry readjustments may even be more rapid than even presently expected If Australia starts to fulfil Its International obligations to reduce greenhouse gasses.

Local Councils have borne and continue to bear a disproportionately high level of costs of mining development In relation to the benefits they derive when compared to State and Federal Governments and are urged to focus on the benefits gained by the whole State and country.

Local Government Is seeking a combination of solutions:

1. The establishment of a fund from mining royalties and taxes to aid communities experiencing difficulties resulting from the closure of mines. The fund to be administered by Federal, State and Local Government.
2. Practical assistance from State and Federal Government for development of mining affected areas.

3. Councils, If they find It feasible and they are agreeable, to establish a fund from mine rates to be used to ease the trauma of mine closures and Investigate/attract alternative Industrials.

Background.

When mining development comes to an area, Section 94 contributions, to a large extend, cover the costs Incurred by the Council In accommodating the additional Infrastructure needs.

When resources are depleted and the mining activity ceases, there Is no assistance to the community to lessen the blow of the end of mining.

Where the mining has taken place In a larger and diverse local economy, the Impact of the end of mining may not be significant. A community such as Wollongong City, where mining has diminished as a substantial component of the local economy and Is expected to completely come to an end In the foreseeable future, though will experience pockets of severe unemployment and related problems, may not experience critical effects on the general community, or on the ability of the Council to provide the facilities and services at the present level, because of the size and diversity of the local economy.

this, as a rule, Is an Infrequent occurrence. Mostly, mining takes place in areas which have small communities, generally In rural districts, with restricted economies. Mining often becomes a mayor economic influence, if not the major economic factor in the local economy, accounting for significant numbers of direct employees and usually even a larger number of employees In affiliated Industries, which are drawn to the area because of the mine.

The conclusion of mining typically results In a substantial number of people having no prospect of local employment, and a significant number of local businesses having little prospects of alternate customers. The usual outcome Is a rapid exodus from the area, reducing the rating base a council has from which It can raise revenue to pay for the community facilities and services.

The council Is then faced with the problem of keeping up the infrastructure and services, the remaining community continues to demand, with fewer funds. Costs cannot always scaled down to the new circumstances, because the infrastructure can't be appropriately reduced. A proverbial example is that of a community swimming pool. It is not possible to fill in a few lanes of the pool to reduce the running costs.

Consequences of cessation of mining in a relatively small community can Include some or all of the following to varying degrees:

With no opportunities for employment locally, an exodus of a substantial number of residents, reducing the total wealth of the community.

With the reduction In population, a reduction In numbers of school age children could occur, leading to a possible cutback in education facilities by the State Government, making the area less attractive to residents with school age children.

Less local consumption would lead to lower profitability and possible closure of some of the local retail Industry.

If major retailers leave, shopping patterns could change, with people shopping at larger neighbouring centres. This would further shrink the local economy.

A reduction of the manufacturing and retail and services would mean fewer opportunities for local youth, which could lead to an additional exodus, this time of school leavers, looking for career opportunities In larger regional centres and major cities

An excess of accommodation can depress the local real estate market. Those who choose to leave, and sell their properties, will not be able to purchase the same level of housing in the cities or larger regional centres.

Those unemployed who choose to stay, may now need to rely on the Social Security System and local community assistance programmes.

The Council, with a reduced rating base, could then be in the position of having to reduce the services provided to the remaining community (and would probably need to lay off some staff, exacerbating the unemployment situation); and/or may have to let infrastructure run down; or Increase individual rates to maintain revenue and level of infrastructure and services, Increasing the burden on the remaining community.

Reduced facilities and services or increasingly expensive facilities and services make the area unattractive to potential new residents and business.

A downward spiralling local economy is unattractive to alternate businesses prospects and new residents.

Relief Schemes or Funds.

Any form of mining is an uncertain industry, the market as well as the geology are not easily foretold, and often it Is not possible to accurately, or even roughly, estimate the life of a mine, so It Is not easy to determine specific timetables for assistance programmes in advance of mine closures.

Therefore, any assistance programmes have to be readily available and have to be able to be rapidly Implemented.

Also, each local government area is distinctive with its unique circumstances and needs, and It would be impossible to establish a single assistance programme formula which would solve the problems of all communities. However, a range of different types of assistance can be made available to the Councils, which would help reduce the Impact of mine closure or major restructure.

(a) State and Federally funded programmes.

1. A Percentage of mining royalties and taxes returned to the councils.

The Association has presented a number of submissions on this issue to the State and Federal Governments In 1983, 1985, 1987 and 1989. over this period of time there has been no acknowledgment by the Federal and State Governments that there is any Justification for any royalties or taxes to be returned to the communities.

By Ignoring crises at the local level, State and Federal Governments are refusing to maintain an Integral part of the total economy and society. Rural NSW Is diminished and part of the problem in the form of adult and youth unemployment Is transferred to the cities, creating further problems.

The rationale for the claim on the royalties and taxes remains essentially the same:

1. to reduce personal, social, local economic and community disruption resulting from mine closures or significant restructuring;
2. to maintain local employment opportunities through diversification of local, sub-regional and regional economies and if possible, to maintain mining Industry skills in the area for future redevelopment of the industry;
3. to support the role of Local Government in economic and community development.

Initially a working party representative from Federal, State and Local Government (association of Mine Related Councils Inc), would establish the parameters a fund would include and a realistic amount to cover intended work to be carried out.

Once a fund was established, it is expected that funding would be incorporated In Treasury Estimates and that there would be regular reevaluation of the needs of the fund by an administrative committee.

Ongoing administration would be by a committee of representatives from the Federal and State Governments, Local Government (Association of Mine Related Councils Inc.), and possibly from the NSW Minerals Council and Unions.

The Committee would work with appropriate government departments and individual councils to establish regional and local programmes and projects.

2 Practical assistance from State and Federal Governments.

(1) Marketing assessments of alternative business possibilities.

Before mining ceases, a study, funded by either the State or Federal Government, can be made of the area's Potential for alternate Industry and/or business opportunities and diversification.

Even though, as noted earlier, It Is not easy to determine the life of a mine, there would come a time when a company could see the end of reserves, or a diminishing market and would have clear indications that the mine was coming towards the end of Its life.

Timely Information Is Important, and there should be constant communication between the council, company and Department of Mineral Resources

Positive Aspects:

If opportunities are recognised and Initiated, the transition from mining to a non-mining community can be less traumatic.

The existing local Industry may remain relatively Intact.

Additional new industry/commerce comes to the area.

(11) Retraining programmes.

Although there may be existing Job opportunities, or newly created ones, there Is little benefit to workers from the closing mining and affiliated Industries If they do not have the skills to be employed In other Industries.

Retraining programmes relevant to the local opportunities are essential to maintain the community after mining ends.

(111) Regional development.

(Business relocation information and Incentives programmes).

Both State and Federal Governments are Interested in getting Industry to relocate from the major metropolitan centres to country areas.

The studies of alternative business potential In mining areas could be made available to targeted industries.

The State and Federal Governments have a variety of regional development programmes and can be requested to target areas where mining is in decline.

There are various incentives that can be offered by the State and/or Federal Government to encourage industry to relocate to the country.

major drawbacks to attracting industry out of metropolitan centres to rural centres is the increasingly diminishing transport infrastructure the further from the seaboard the rural centre is located and the high fuel costs in the country.

This makes it difficult for rural based industries to compete effectively on a cost basis with industries in metropolitan areas. Any incentive scheme to attract industry to the country, must consider measures to alleviate the additional cost burden of transporting goods back to metropolitan centres for domestic consumption and export.

(b) Council initiated and funded programmes.

1. Self assistance fund from mine rates.

some Councils also see the benefit of putting aside or “quarantining”. all or part of the rates collected from mining companies into a fund to be accessed when mining ends or the local mining industry faces a major restructure. this fund would be used to maintain existing council services at the same level and to fund any programmes the council would see fit, to assist the community during the transition period.

2. Promotional activities.

Each council already has programmes to promote its area and attract business. But, there should always be investigation of new opportunities for the area.

Notwithstanding, there may be opportunities to link into State and Federal regional development programmes.

Tourism development is frequently offered as an answer for all local government economic ills, but development, or redevelopment of attractions, or creation of new attractions, should not be ignored as a genuine opportunity of bringing money into an area.

Conclusion.

Councils have, and will continue to help themselves out of difficulties caused by mining activities and the downturn or cessation of mining, where they can. This submission shows that if they are permitted, Councils will attempt to fund at least in part, their own reconstruction programmes.

But, It Is an Indictment of both State and Federal Governments that they are willing to accept the fiscal benefits of mining, but are not willing to help the communities that help when these communities are faced by mine restructuring and closures.

Funds sought by Local Government are meagre when compared with the total income from mining received by State and Federal Government, but would alleviate many of the problems caused by the vagaries of mining In rural and urban NSW.

The Association calls on the Federal and State Government take steps to implement the proposals In this submission namely:

1. Agree in principal that there should be a commitment from Federal and State Government to strategies and programs to alleviate post mining trauma in NSW.

2. The establishment of a fund from mining royalties and taxes to aid communities experiencing difficulties resulting from the closure of mines. The fund to be administered by Federal, State and Local Government.

3. Practical assistance from State and Federal Government for development of mining affected areas.

4. Councils, If they wish, establish a fund from mine rates to be used to ease the trauma of mine closures and investigate/attract alternative industries.

Executive Committee for 1998

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Wyong Shire Council*

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Executive Officer: Marika Janis

List of member councils as at 1.1.98

Blayney Shire Council
Broken Hill City Council
Cabonne Shire Council
Camden Council
Campbelltown City Council
Cobar Shire Council
Gloucester Shire Council
Greater Lithgow City Council
Gunnedah Shire Council
Mudgee Shire Council
Muswellbrook Shire Council
Newcastle City Council
Parkes Shire Council
Singleton Shire Council
Wollondilly Shire Council
Wollongong City Council
Wyong Shire Council