



## MINING, REGIONAL AUSTRALIA AND THE DEVELOPMENT MULTIPLIER

**Paul Cleary - Phd Candidate**

Centre for Aboriginal Economic Policy Research  
Australian National University

*Mining in Australia has traditionally delivered a strong development multiplier for regional communities where most mines are based. This relationship has weakened in recent decades as a result of the introduction of mobile workforces - typically known as fly in, fly out. Political parties have responded with 'royalties for regions' programmes, though in designing them they overlooked long established Indigenous arrangements for sharing benefits with people from areas affected directly by mining.*

### Introduction

For most of Australia's history, the income generated by mineral extraction in remote and regional areas has boosted development through substantial investment in infrastructure by mining companies and state governments alike. Even though royalties were paid to and controlled by city-based governments, the investment multiplier has been a boon for regional economies, leading to the development of roads, railways and regional centres that have underpinned the expansion of the non-mining economy.<sup>1</sup>

But this paradigm has shifted with the most recent mining boom, which has relied on highly mobile and flexible work practices that involve non-resident workers, known in the industry as fly in, fly out (FIFO), or drive in drive out (DIDO). In this paper, FIFO and DIDO workers will be generally referred to as non-resident workers (NRW). The increased use of NRW in mining and gas projects has meant substantially less infrastructure investment in mining regions. Regional communities and their political representatives have responded to this lack of investment by advocating for 'royalties for regions' (RFR) to ensure there is a return of a share of the revenue from mining in the region to the regional areas - even if the royalty is not always spent in the mining region.

This paper will examine the design of these policies and their effectiveness for offsetting the loss of capital investment by the private sector. It will examine how these policies could be improved by looking closely at indigenous policies in the Northern Territory which have allocated a specific share of revenue for communities directly affected by mining. In addition, these arrangements have applied a bottom-up approach by funding proposals for specific infrastructure needs submitted by community organisations in both mining and non-mining regions. This approach contrasts with the centrally administered approach adopted by the mineral-rich states which have mostly developed large-scale infrastructure projects in a top-down fashion.

### Historical background

Mineral and energy extraction has been a minor part of the national economy for most of Australia's history. In the post-war era, the sector's gross value-added output<sup>2</sup> has averaged about five per cent of gross domestic product (GDP). For the past 150 years, this measure of output has only exceeded ten per cent of GDP on one occasion - for a brief period during the late 1890s mining boom.<sup>3</sup>

Only during periods of heightened activity does mining seem to influence and impact the rest of the Australian economy and society, which it did in spectacular fashion during the first boom of the 1850s centred on the

<sup>1</sup> Ric Battellino, 'Mining Booms and the Australian Economy' (Speech delivered at The Sydney Institute, Sydney, 23 February 2010).

<sup>2</sup> The term 'gross value-added' is misleading to some extent because it actually measures the value of production excluding inputs. Measures of the industry size based on the gross revenue, which thereby include the inputs to production, indicate that the mining industry is about double the size of its share of GDP.

<sup>3</sup> Battellino, above n 1.



Victorian and NSW gold fields. The legacy of this mining boom can still be seen today in the grand buildings of Melbourne. Former economics professor and Labor MP, Andrew Leigh, says of the legacy of this era:

Opened in 1880, the Melbourne Royal Exhibition Building is widely considered a national treasure. It was the first building in Australia to achieve World Heritage listing. It was made possible by the discovery of gold in the 19<sup>th</sup> century. If you want to see the legacy of the first Australian mining boom, you just need to look around central Melbourne.<sup>4</sup>

While Melbourne was a substantial beneficiary of this boom, it was not where the benefits for Victoria ended. Regional centres, such as Bendigo and Ballarat, also benefitted, as did smaller settlements that became better connected to markets through the building of roads and railways.

However, this first boom was atypical. The boom did not involve a substantial increase in private investment but the revenue generated directly and indirectly by state governments flowed back to the regional areas in the form of public works investment. The Victorian government's spending on roads increased by about 500 per cent within the first three years of the 1850s mining boom.<sup>5</sup> Later periods of heightened activity involved more substantial private investment to expand mineral production in and around the area being mined.

In the late 1890s, the regional centres of Broken Hill, in far-western New South Wales, Queenstown, in south-western Tasmania, and Kalgoorlie, in Western Australia, became the first developments to attract investment obtained from listings on the London Stock Exchange. British investors heavily backed these floats even though most of them never paid dividends and investors never recovered their capital. From 1894 to 1896, one Western Australian company was, on average, floated on the London stock exchange every day. In one month, April 1896, 81 were floated. British investors travelled to the remote town of Coolgardie, about 50 kilometres east of Kalgoorlie, in search of golden opportunities and for a few years the town 'flowed with French champagne'. British companies bought land in the main street, believing the place was destined to become a major city.<sup>6</sup> Likewise, the mining boom that swept south-western Tasmania in the late 1890s filled Queenstown with 'prospectors, financiers, swindlers, investors, clairvoyants and carpet-bag speculators'<sup>7</sup> to exploit the riches found underneath nearby Mt Lyell. As historian Geoffrey Blainey wrote: 'The Tasmanian press called it Copperopolis, the copper city. In Queenstown, in December 1897, it was said that you could not meet a businessman who was not dabbling in mining shares'.<sup>8</sup>

This period drove strong population growth in Australia and in regional centres. The population of Western Australia increased almost three-fold in the 1890s to 180 000, transforming it from a marginal agrarian settlement to a more diversified economy that reached into its remote regions. The population of Broken Hill tripled to 20 000 in the space of three years.<sup>9</sup> In Queensland, the remote centre of Charters Towers opened its own stock exchange.

As well as bringing capital to this country, mining booms also brought labour which helped to provide a pool of workers for the development of other sectors of the economy, especially manufacturing. Migrant communities in Australia trace their first generations to the men who migrated to work at these remote Australian mines. As Stapledon has argued, the first commodity booms actually proved to be a driver of industrial development, rather than being a source of de-industrialisation, because they created a pool of surplus labour when the boom ended.<sup>10</sup> These developments increased the diversification of Australia's regionally-based primary industries and, for the first time, exports of metals overtook the combined value of grains and wool.<sup>11</sup>

The biggest wave of mining-related development for regional Australia occurred in the 1960s in response to rising global commodity prices, which were largely influenced by Japan's industrialisation and the Vietnam War. These developments involved large-scale capital investment by multinational enterprises. Mining in-

<sup>4</sup> Andrew Leigh, 'Second thoughts on sovereign funds', *Australian Financial Review* (Sydney), 28 June 2011.

<sup>5</sup> Battellino, above n 1, 4.

<sup>6</sup> G Blainey, *The rush that never ended* (Melbourne University Press, 3<sup>rd</sup> ed, 1978), 88-90.

<sup>7</sup> Ibid.

<sup>8</sup> G Blainey, *The Peaks of Lyell* (Melbourne University Press, 2<sup>nd</sup> ed, 1959), 84.

<sup>9</sup> Battellino, above n 1, 5.

<sup>10</sup> N Stapledon, 'Australia's Major Terms of Trade and Resource Shocks, 1800-2012: Sources and Impacts', (Paper Presented at Conference on Commodity Price Volatility, Past and Present Centre for Economic History and Centre for Applied Macroeconomic Analysis Research School of Economics and the Crawford School of Public Policy, ANU, Canberra, 29-30 November 2012), 6-7.

<sup>11</sup> Ibid.



vestment reached three per cent of annual GDP; at the time, the highest on record. In addition to mine infrastructure, companies built ports and railway lines that stretched hundreds of kilometres to ship ore to global markets. Developments in the Pilbara region of Western Australia, in Queensland's Bowen Basin and in the Northern Territory's Arnhem Land involved the building of towns - in areas where European settlements did not previously exist - in which workers resided permanently. The substantial investment involved the building of houses, shopping centres and even the provision of power, water and sewage services. Governments contributed by building local hospitals and schools. Rio Tinto, formerly CRA Ltd, built five towns in the Pilbara region of Western Australia with its joint venture partner Hamersley Iron Ore during the 1960s and 1970s. Even today, in all of Rio's five Pilbara towns, the company owns and maintains essential services.<sup>12</sup> On the more remote island of Bougainville, CRA built an elaborate town that had extensive facilities designed to allow workers to live there along with their families. The facilities even included an international school that went to Year 12.

This type of development showed that mining and energy projects could produce a substantial multiplier for regional economies; areas that had previously relied on grazing and cultivation developed more diversified economies.

However, this type of development suddenly changed from the mid-1980s when mining companies developed a new model of attracting a workforce that eliminated the need to build towns.

## Mobile mining

In the mid-1980s mining companies adopted a strategy of flying workers into temporary camps rather than building permanent towns for workers. One of the first such FIFO operations was the Argyle Diamond mine in the East Kimberley region of Western Australia, built by a joint venture which was partly owned and fully operated by CRA. In FIFO operations, workers live in demountable aluminium sheds known as 'dongas', a word defined in the Macquarie Dictionary as a 'makeshift shelter'. Typically, workers are flown in and engaged at these sites on a string of 12-hour shifts, spanning as many as nine to fourteen days, before being flown out for five to seven days leave. From the mid-1980s onwards, new mines located in remote areas became FIFO operations exclusively, even when they were situated near existing towns. MIM Ltd opened its McArthur River mine in 1995 as a FIFO operation even though it was located only about 40-minutes drive from the town of Borroloola.

The mining boom that began in about 2004 created a sharp increase in labour demand in the industry, prompting companies to respond by extending the FIFO model to existing mining regions that had previously relied exclusively on permanent residents. One such area is Queensland's Bowen Basin where, in the 1970s, mining companies had built several towns to provide permanent housing for their employees. The introduction of temporary work camps allowed non-resident workers to commute to and from the mine from their homes, which were generally located two to three hours drive away. In some instances, such as with the Xstrata's Oaky mine in Central Queensland, workers spend more than seven hours driving from coastal towns to the remote mine.<sup>13</sup> As the boom continued and labour demand increased further, mining companies responded by building even more camps to supplement their DIDO and resident workers with FIFO workers.

One of the major Bowen Basin towns, Moranbah, is now surrounded by and in-filled with temporary work camps. Council officials say the work camps have become a drain on the town because workers use the roads and medical services, but the camps, run by The Mac, a listed company, do not buy provisions locally.<sup>14</sup> The mining companies argue that the building of camps is easing housing pressure which have pushed rents in Moranbah to as much as \$3000 per week for a three-bedroom home, in line with the highest rents found in Karratha, WA. Moranbah businessman Peter Finlay, who heads the town's traders' association, says the spike in rents has come about because companies and governments have not been investing sufficiently in housing for many years.<sup>15</sup> He points out that the BHP subsidiary, BMA, has expanded the local airport so that it can bring more FIFO workers into the town. The company is planning a 100 per cent FIFO workforce for its latest development, known as Caval Ridge.

<sup>12</sup> Rio Tinto Ltd, 'Our contribution to Western Australia' (Community Investment Review, 2007) 13 <[http://www.riotinto.com/documents/ReportsPublications/rtwa\\_community\\_investment\\_review\\_.pdf](http://www.riotinto.com/documents/ReportsPublications/rtwa_community_investment_review_.pdf)>.

<sup>13</sup> Interview with former Oaky mine worker Josh Talbot (16 December 2011).

<sup>14</sup> Interview with Cedric Marshall (26 November 2011).

<sup>15</sup> Interview with Peter Finlay (28 November 2011).



Estimates of the NSW mining workforce developed by Carrington et al indicate that it could exceed 150 000 workers, or more than 70 per cent of the mining workforce.<sup>16</sup> However, there remains a lack of definitive information because mining companies are not required to report numbers of workers to regulators. Hancock Prospecting, the private company owned by Gina Rinehart, was fined \$20 000 in 2007 for building an unauthorised camp for workers at its Roy Hill prospect. Two years later the company was fined again.<sup>17</sup> In the far western NSW town of Cobar, mining companies have bluntly refused to pay for the local services they use or to disclose their numbers of NSW. The Cobar council had been negotiating with the listed mining company, Cobar Consolidated Resources, to upgrade a road for its proposed silver mine but the company has refused to pay. Council adviser, Angela Shepherd, says the council is unable to put additional levies on companies to pay for services because rates are capped by the state government.<sup>18</sup>

This additional workforce creates an extra load on existing health services, given that most mines and work camps do not have their own clinics. The Moranbah Medical Service (MMS) reports that about a quarter of its patients are NSW and, in the hospital's emergency section, about one in three patients are NSW. MMS manager, Laura Terry, says this 'hidden population is not funded'. MMS commissioned James Cook University's medical students to study the types of illnesses that caused mine workers to seek outside medical help. The study found that half the non-resident patients treated in the emergency ward were classified as 'inappropriate', meaning that they were suffering minor conditions that could have been treated by a GP. This indicates the mines are using 'free' local services rather than sending staff to local GPs or providing their own medical clinics.<sup>19</sup> Recently, BMA did send doctors to its mines on a FIFO basis, but Terry points out that, because they are not locally registered, they are unable to refer patients for procedures such as x-rays.

The growing number of NSWs means that large numbers of men are moving into regional communities, resulting in increased social problems. Rates of violence in mining regions have risen to levels that are more than double the national average.<sup>20</sup> Alcohol and drug abuse are part of the explanation. Prostitution has also increased markedly, including women who operate on a FIFO basis.

Should the mining boom continue, research indicates that companies will expand the use of NSW for new and existing mines. The 'mega mines' planned for the Galilee Basin in Queensland are all based on the use of FIFO workforces, some of them with labour brought in from overseas under the Federal government's Enterprise Migration Agreements (EMA). By 2020, resource companies in Queensland expect to have 80 per cent of their workers on a FIFO/DIDO basis in the Bowen Basin and the Northwest, with 55 per cent in the Surat Basin.<sup>21</sup>

As a result, an increasing amount of the income earned in regional mining regions now flows back to major capital cities, unlike what happened in previous booms. A study by Professor John Rolfe of the University of Central Queensland University found that 46 per cent of all the income generated by mining in the state and 55 per cent of all contracts and community spending flowed back into Brisbane via FIFO workers and contractors.<sup>22</sup>

As the income flows back to the capitals, it seems that less of the royalties and taxes paid by mining companies is returned to the regions that produce a substantial share of the state's income base. The coal mines that fall within the Isaac Regional Council produce more than 80 per cent of the state's coal and generate about \$9 billion of the state products and yet very little of this money can be seen invested in the area's infrastructure.<sup>23</sup> The local community cites the Peak Downs Highway as a notable sign of the region's neglect. Its traffic is dominated by the heavy vehicles that carry machinery and fuel to mines in the region as well as a steady stream of commuting mine workers; the narrow and windy road has seen a 35 per cent increase in the number of accidents between 2004 and 2009 - the latest available year - and the number of casualties from heavy vehicle accidents more than doubled between 2004 and 2008. The Warrego Highway that connects Toowoomba and the expanding gas fields and coalmines of the Surat Basin and Darling Downs has seen a

<sup>16</sup> Kerry Carrington, Russell Hogg, Alison McIntosh and John Scott, 'ARC Research Team Submission to APH Inquiry' (Standing Committee on Regional Australia, Parliament House, Canberra, 2011) 5

<sup>17</sup> 'State Calls on Mining Companies to Clean up Act', *WA Today* (Perth), 13 November 2007.

<sup>18</sup> Interview with Angela Shepherd (16 October 2011).

<sup>19</sup> Paul Cleary, 'Miners Strain Regional Medical Facilities', *The Australian* (Sydney) 17 October 2011.

<sup>20</sup> Kerry Carrington, Russell Hogg and Alison McIntosh, 'The Resource Boom's Underbelly: Criminological Impacts of Mining Development' (2011) 44(3) *Australian & New Zealand Journal of Criminology* 342.

<sup>21</sup> Deloitte Access Economics, 'Queensland Resource Sector State Growth Outlook Study' (Queensland Resources Council, Brisbane, 2011) 34.

<sup>22</sup> John Rolfe, 'Minerals and Energy Resource Sector Economic Impact Study' (Queensland Resources Council, Brisbane, 2010) 22.

<sup>23</sup> Isaac Regional Council, 'FIFO/DIDO Enquiry Response' (Isaac Regional Council, Moranbah, 2011) 2.



similar trend. Annual casualties rose by 35 per cent from 2004 to 2009 and the number of accidents involving heavy vehicles rose by 60 per cent with 66 casualties.<sup>24</sup>

Regional communities have begun fighting the financial drain from their region by demanding a fixed share of royalty income. So far, the reaction to their demands has been mixed.

## Royalties for regions - Indigenous origins

Policies for distributing royalties back to regions have been pursued by major political parties since 2008, starting in Western Australia. They have since been replicated in a fashion in Queensland. National Party MPs from mining regions in New South Wales have made similar calls for such a scheme but the Coalition government is yet to respond. The WA and Queensland initiatives have been widely regarded as a new phenomenon in Australian public policy but, in fact, such measures have their origin in arrangements created in the 1950s for Aboriginal people in the Northern Territory. In designing the more recent initiatives, politicians and their advisers appear not to have looked at this experience.

The principle of compensating local Aborigines for mining activities first emerged in 1951 when a proposal to mine bauxite within the Arnhem Land reserve emerged. At the time, entry onto reserves was prohibited. The Territories Minister, Paul Hasluck, proposed what Altman and Pollack described as an 'ingenious' solution: if the national interest required mining on Aboriginal reserves, then this could proceed on the condition that a double statutory royalty was paid. The entire double royalty was reserved exclusively for Aboriginal interests.<sup>25</sup> In 1952, the Federal government gave Aboriginal people in the Northern Territory the legal right to earn a direct share of royalty revenue. The Federal government amended the *Northern Territory (Administration) Act 1910* to create the Aborigines Benefit from Mining Trust Fund (ABTF). The amendment added s 21 to the *Act* which said the Commonwealth should pay an amount into the ABTF that was equal to the royalties collected by the government for mining on Aboriginal reserves and that the Minister for Aboriginal Affairs was empowered to approve payments out of the Fund 'for the benefit of aboriginals or aboriginal institutions'.<sup>26</sup>

The first payments into the ABTF were made in 1961 when Cabinet decided that royalties paid for timber cut on reserves should also be paid into the ABTF. This was followed by the payment of royalty equivalents for manganese mining on Groote Eylandt from 1965 onwards. The first transfers out of the fund began in 1968 when the Federal government approved \$28 000 for a housing project at Yirrkala on the Gove Peninsula. However, it was not until 1971 that the government actually guaranteed compensation to communities affected directly by mining. Regular transfers of royalty equivalents to Aboriginal communities began in 1972 when the Federal government approved payments worth ten per cent of the royalties earned from the NABALCO mine at Gove to the Yolngu people on the peninsula. This was followed by similar payments relating to the GEMCO operation on Groote Eylandt.

These arrangements were formalised across the Northern Territory following the passage of the *Aboriginal Land Rights (Northern Territory) Act 1976* ('ALRA'), which was developed by the Whitlam government and then passed by the Fraser government in 1976. Section 64 of this *Act* created fixed percentage shares for distributing the royalty equivalent payments from the Fund, which, under the *Act*, became known as the Aborigines Benefit Trust Account (later renamed the Aborigines Benefit Account (ABA), its current title). These monies were allocated as follows: under s 64(1), the Commonwealth paid 40 per cent of the royalty equivalents to fund the operations of three land councils in the Territory; under s 64(3), the Commonwealth paid 30 per cent of the royalty equivalents to Aboriginal incorporated groups or communities in 'areas affected by a mining operation'; and under s 64(4), the Commonwealth committed to pay up to 30 per cent in special grants to Aboriginal people as approved by the Minister.

This distributional design was significant in two ways. First, it explicitly recognised the primacy of compensation for communities living near mining operations. Second, it gave these communities and the wider Aboriginal community in the Territory the opportunity to submit applications for special grants to fund community activities or infrastructure projects in their areas. This meant that the distribution of mining royalties was not only decided by central or local governments but also had strong grassroots involvement

<sup>24</sup> Accident statistics provided to author by Queensland DTMR, 3 April 2012.

<sup>25</sup> Jon Altman and David Pollack, 'Native Title Compensation: Historic and Policy Perspectives for an Effective and Fair Regime' (CAEPR Discussion Paper No 152, Canberra, 1998) 2.

<sup>26</sup> Jon Altman, 'Aborigines and Mining Royalties in the Northern Territory' (Australian Institute of Aboriginal Studies, Canberra, 1983) 28.



from the community. Both of these elements are missing from the recent models to address the issues in the mining industry unveiled by state governments in recent years.

Amendments to *ALRA* under the Howard government changed the distribution formula so that land councils did not automatically receive a total 40 per cent share of the royalty equivalents. Instead, the proportions paid to land councils were paid 'in accordance with the estimates of expenditure approved by the Minister'. But the two key elements discussed above remained.

The mining boom in the Northern Territory has substantially increased the amount of money flowing into the ABA, along with the retained equity of the account. Transfers into the ABA averaged about \$50 million a year in the early part of last decade. By 2008-09 the amount had increased to more than \$200 million - a figure that reflects the amount of royalties paid in the previous year, prior to the global financial crisis. Following the GFC, royalty-equivalent transfers eased back to \$175 million in 2009-10 and \$155 million in 2010-11.<sup>27</sup> These substantial transfers increased the amount of equity retained by the fund. From 2008 to 2011, this increased from \$200 million to \$412 million.<sup>28</sup> These figures indicate that the ABA is emerging as a substantial asset which has the capacity to deliver significant benefits to people affected by mining in regional areas. Indeed, the amount of specific grants distributed by the ABA has increased three-fold in the latest financial year to \$70.7 million. As Indigenous groups in the territory have become more aware of the availability funds in the ABA, they have increased the number of applications considerably. In early 2012, the ABA's secretariat put a freeze on processing or accepting any further grant applications because it had been overwhelmed by them.

Some critics of the program argue that the grants made under s 64(4) often involve expenditure on basic infrastructure or health and education services that should have been provided by the Territory government. While this argument has some validity, it is also true that the grants scheme allows Aboriginal communities and organisations to have a direct input into how public money is allocated. The grants have also supported commercial and cultural initiatives, including Aboriginal arts enterprises and musicians. The ABA has awarded grants to Aboriginal organisations so that they can buy their own premises, avoid dependency on landlords and build an asset base. These grants have been particularly valuable in Darwin where rents have increased sharply as a result of the mining boom.

Ongoing ministerial control of the ABA, however, appears to be resented by many Aboriginal communities and prominent individuals, including members of the advisory committee. The government's move in recent years to use some of the funds to pay for township leases is seen as 'using' Aboriginal money. Maurie Ryan, a Kalkarrindiji man who is one of the Central Land Council's representatives on the advisory committee, says the minister should relinquish control of the ABA and that it should become a statutory authority run exclusively by Aboriginal people. Ryan says his views are shared by several of the 15-member advisory committee but other members are unwilling to speak out.<sup>29</sup>

The ABA's history and current practices represent an important though imperfect model for distributing the benefits of mining revenue for both Indigenous and non-Indigenous communities. These lessons could be applied more widely around Australia. The reasons for this outcome may, in part, reflect ignorance or they may reflect the power of the urban majority to capture mining revenue and use it for their own benefit.

## Royalties for regions in WA and Queensland

Following the 2008 state election in Western Australia, the National Party held the balance of power and was able to use this position to demand that 25 per cent of mining royalties be spent on regional parts of the state. The policy was called 'Royalties for Regions'. The program involves three components: a local government fund worth about \$500 million over five years which allocates money to regional councils based on a formula; a Regional Community Services Fund worth almost \$1 billion over five years which funds better access to government services in regional areas; and the Regional Infrastructure and Headworks Fund which provides \$2.66 billion over five years for large-scale projects such as the Ord River expansion and the Pilbara Cities plan (the latter is worth almost \$1 billion alone).

<sup>27</sup> Department of Families, Housing, Community Services and Indigenous Affairs, 'Annual Report 2010-11', (FaHCSIA, Canberra, 2011) 283

<sup>28</sup> Ibid, 285

<sup>29</sup> Interview with Maurie Ryan (26 January 2012).



The program has been strongly criticised for directing money into National Party seats rather than returning money to the regions that actually generate the revenue. Nationals leader Brendon Grylls agreed that the scheme did, in fact, favour these seats but simply because it funded all local councils. 'It does favour the wheatbelt because it's a local government fund. There's 110 regional local governments, 43 of them are in the wheatbelt region of the state'.<sup>30</sup> The Auditor-General has also criticised the poor guidelines originally provided to country councils, which led many councils to claim expenses not allowed under the scheme. The guidelines have since been overhauled.<sup>31</sup>

Analysis of the program by the Grattan Institute concluded that some of the grants made through the Country Local Government Fund and the Regional Grants Scheme 'are primarily directed towards inland areas, especially in the southern parts of the state, that are not expected to experience large population growth'.<sup>32</sup> The Institute also cited the risky nature of government involvement in large-scale infrastructure projects. 'History suggests that government-driven economic development programs are unlikely to accelerate growth of slow-growing regions,' the Grattan Institute said.

Queensland's LNP government has adopted a more modest and loosely defined policy of allocating a nominal amount of royalty income to the regions of the state. In the 2012 election it pledged funding of \$495 million over four years for this program and said that, over time, this would increase to \$200 million a year. On an annual basis, the initial promise of \$495 million over four years amounts to just 4.5 per cent of the \$2.7 billion in mining and petroleum royalties collected by the state in 2010-11. Even if the government lifts funding to \$200 million a year, this will amount to only 5.4 per cent of the projected \$3.6 billion of royalty income in 2012-13.<sup>33</sup>

The Queensland policy has two key elements: a proposed 'Resource Community Building Fund' of \$170 million over four years, with the promise of 'building up to \$100 million a year' - this fund is open to local councils to apply for grants for improved community infrastructure such as 'education and health facilities, community centres and sporting facilities'; a 'Roads to Resources' program and a 'Floodplain Security' investment scheme - to date, the government has announced funding for the floodplain program of \$40 million a year<sup>34</sup> and funding for the Roads to Resources program of \$285 million over four years.<sup>35</sup> Unlike the ABA, Queensland's community fund is restricted to local councils and does not directly fund mining regions.

## Conclusion

Diminishing benefits from mining for regional and remote parts of Australia raise a raft of public policy issues for the state governments that license these projects. The trend towards even greater numbers of NRW at new and existing mines calls for more prescriptive policies to ensure that these mining operations do contribute to regions and avoid draining the resources of these communities. For example, policies that mandate the purchase of local goods and services could be one of a number of interventions. Mining operations could be required to declare publicly the numbers of NRW they are bringing into a region and to contribute to the local government via a rates assessment based on these numbers. The Federal government should also look at tax reform to boost the mining multiplier for regions. At present, the Fringe Benefits Tax discourages businesses from building private accommodation for their workers because this creates a tax liability while the cost of building and operating of work camps is tax-deductible expense. An exemption from FBT for mining regions could be an option. This shift could be strictly limited to mining regions and it could be paid for at no cost to revenue via a surcharge on flights taken by NRW.

<sup>30</sup> 'The city-country divide', (7.30 Report, Australian Broadcasting Corporation, Sydney, 1 March 2011).

<sup>31</sup> Ibid.

<sup>32</sup> John Daley and Annette Lancy, 'Investing in Regions: Making a Difference' (Grattan Institute, Melbourne, 2011) 47.

<sup>33</sup> Queensland Treasury, *Budget Strategy and Outlook*, 2011-12 (Budget Papers 2, 2012) 216

<sup>34</sup> Jeff Seoney, 'Four year plan will flood-proof Queensland', Ministerial Media Statement, 31 July 2012.

<sup>35</sup> Campbell Newman, "'Royalties for the Regions'" applications open soon' (Ministerial Media Statement, 4 July 2012).

