



Queensland Parliament

Finance and Administration Committee

**Inquiry into the North Stradbroke Island
Protection and Sustainability (Renewal of
Mining Leases) Amendment Bill 2015 and
North Stradbroke Island Protection and
Sustainability and Other Acts Amendment
Bill 2015**

February 2016

AMMA is Australia's national resource industry employer group, a unified voice driving effective workforce outcomes. Having actively served resource employers for more than 97 years, AMMA's membership spans the entire resource industry value chain: exploration, construction, commercial blasting, mining, hydrocarbons, maritime, smelting and refining, transport and energy, as well as suppliers to those industries.

AMMA works to ensure Australia's resource industry is an attractive and competitive place to invest and do business, employ people and contribute to our national well-being and living standards.

The resource industry is and will remain a major pillar of the national economy, and its success will be critical to what Australia can achieve as a society in the 21st Century and beyond.

The Australian resource industry currently directly generates over 8% of Australia's GDP. In 2014-15 the value of Australian resource exports were \$171.9 billion. This is projected to increase to \$256 billion in 2019-20. It is forecast that Australian resources will comprise the nation's top three exports by 2018-19. Over 50% of the value of all Australian exports are from the resource industry.

Australia is ranked number one in the world for iron ore, uranium, gold, zinc and nickel reserves, second for copper and bauxite reserves, fifth for thermal coal reserves, sixth for shale oil reserves and seventh for shale gas reserve.

AMMA members across the resource industry are responsible for significant level of employment in Australia. The resources extraction and services industry directly employs 219,800 people. Adding resource-related construction and manufacturing, the industry directly accounts for 4 per cent of total employment in Australia.

Considering the significant flow-on benefits of the sector, an estimated 10 per cent of our national workforce, or 1.1 million Australians, are employed as a result of the resource industry.

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INTRODUCTION

1. AMMA welcomes the opportunity to provide this submission to the Queensland Parliament Finance and Administration Committee in relation to the *North Stradbroke Island Protection and Sustainability (Renewal of Mining Leases) Amendment Bill 2015* and *North Stradbroke Island Protection and Sustainability and Other Acts Amendment Bill 2015*.
2. AMMA notes the primary objective of the *North Stradbroke Island Protection and Sustainability (Renewal of Mining Leases) Amendment Bill 2015* is to sustainably end mining activities in the North Stradbroke island region by the end of 2024, while also allowing rehabilitation of land in the region to the end 2029.
3. AMMA notes the primary objective of the *North Stradbroke Island Protection and Sustainability and Other Acts Amendment Bill 2015* is to repeal the 2013 amendments made to the *North Stradbroke Island Protection and Sustainability Act 2011* to achieve the objective of substantively phasing out sand mining by 2019.
4. North Stradbroke Island has not been shy of recent legislative intervention. For example, there was the Bligh government's 2011 legislation which extended expired mining leases to 2019, the Newman government then passed legislation in 2013 to permit mining activities in the North Stradbroke Island region until 2035. The current government now proposes to repeal this legislation and phase out mining activities by 2019.
5. AMMA's understanding is that Sibelco, the company that generates the most economic growth on North Stradbroke Island, and the major employer on the island, has proposed a mining end-date at the end of 2027.

BACKGROUND AND CONTEXT

6. Sand has been mined on North Stradbroke Island for over 65 years.
7. There is only one mining company operating on the island; Sibelco Australia Limited (Sibelco). Sibelco's operations encompass 19 mining leases, seven of which are active at three active mine sites (Yarraman Mine, Vance Mine and Enterprise Mine).
8. Sibelco generates the majority of economic activity on the island, and is the largest employer. Sibelco is also a significant employer of local Indigenous people.
9. Sibelco employ 110 people on North Stradbroke Island, with 20 per cent being Indigenous. They directly employ a further 458 people in Queensland.
10. Sibelco directly and indirectly supports the 500 to 750 residents of the North Stradbroke Island.

11. There is no viable, proven alternative industry on North Stradbroke Island that will be able to offset the same levels of economic activity and employment generated by the sand mining industry.
12. It has been externally and independently quantified by RPS¹ that if there is an end to sand mining operations in 2019, opposed to 2027, it will result in the local community and State economy foregoing \$70 million in social and economic benefits. If extrapolated out to 2035, the benefit forgone extends beyond \$100 million.
13. An end to sand mining operations in 2019 as opposed to 2027, will result in the Queensland Government forgoing \$44 million (nominal) in tax and royalty revenue. If extrapolated out to 2035, this amount extends to \$70 million (nominal)².
14. These are significant amounts of money that could be reallocated by government to help pay for schools, hospitals and other community services, and prematurely, abruptly ending sand mining will thereby be to the detriment of the entire Queensland community in addition to the acute local damage it would cause.
15. Furthermore, \$8 million in future Indigenous Land Use Agreement revenues will be lost by the Quandamooka Common Law Holders if mine operations end in 2019 opposed to 2027³.

GOVERNMENT'S ECONOMIC TRANSITION STRATEGY

16. To facilitate the economic transition of North Stradbroke Island economy from one industry to another, the Queensland government has allocated \$20 million and developed a Draft North Stradbroke Island Economic Transition Strategy which aims to drive sustainable tourism.⁴ Funds have been earmarked to educate and train individuals as well as foster business development growth.
17. While there may be some arguments to support the position that the Government has taken to transition the North Stradbroke Island economy entirely away from sand mining to one focussed on tourism, the economic equation and opportunity costs in the short-to-medium term fail to stack up, without any longer term guarantee of success.
18. As history shows, transitioning an economy or sectors of an economy from one industry to another is not easy, and there are no guarantees of success. In this

¹ RPS AUSTRALIA EAST PTY LTD, North Stradbroke Island Economic Transition Strategy: Critical Review. Refer to Sibelco submission.

² RPS AUSTRALIA EAST PTY LTD, North Stradbroke Island Economic Transition Strategy: Critical Review. Refer to Sibelco submission

³ RPS AUSTRALIA EAST PTY LTD, North Stradbroke Island Economic Transition Strategy: Critical Review. Refer to Sibelco submission

⁴ <http://www.statedevelopment.qld.gov.au/industry-development/north-stradbroke-island-economic-transition-strategy.html>

instance:

- a. The proposed transition will be complex, time consuming, labour and capital intensive and it will create significant social and community challenges and anxiety.

19. Taking into account:

- a. The planned shift from one industry to another.
- b. The close proximity of the timeframe for mine date closures (particularly year-end 2019 as well as year-end 2024).
- c. The previous length of Sibelco's tenure.
- d. The region's reliance on sand mining.

The transition will at a minimum cause structural unemployment challenges, labour market uncertainty as hundreds of jobs will be lost as soon as the mine gears down and closes, as well as posing immediate and significant skill gap deficiencies as the economy gradually transitions.

20. Given the close knit North Stradbroke Island community, it is appropriate that there are plans in place to inform, collaborate, and manage community expectations etc. during times of significant and structural change. Transitioning the local economy will inevitably create significant labour force and societal challenges and disruptions, such as:

- a. ↓ in employment when mining operations close (unavoidable).
- b. ↓ in employment when rehabilitation and restoration concludes (unavoidable).
- c. ↑ in employment when construction of tourism operations and civil infrastructure commences.
- d. ↓ in the construction employment levels when tourist infrastructure is built (unavoidable if construction proceeds).
- e. ↑ (then stable) employment rates when (if) the tourism industry is operating sustainably (noting there will be industry related cyclical trends due to peak and seasonal periods etc.).

21. However, it should be noted that:

- a. It is far from guaranteed that forecast new employment opportunities will cover certain job losses under the proposed closure schedule.
- b. It seems somewhat incongruous that a Labor state government is proposing to end full time jobs in a regional area, many of which are held by union members, and to 'replace' them with tourism jobs, which we hear in other quarters decried as being casual or seasonal, and as such,

as “insecure” – the term widely used by unions and some state governments.

- c. Even if the assertions by the government about new tourism employment seamlessly and comprehensively substituting for existing sand mining employment to hold true, the tourism jobs are likely to be casual or seasonal. Whilst AMMA in no way endorses the insecure work slogans of the union movement, nor decries casual employment, it is the case that that full time, continuous employment will at best in many cases be replaced by casual positions that will not be offered (or not offered full time) for a significant part of the year.
 - d. We also note that many of the theorised new tourism jobs are not going to easily translate into opportunities for existing sand mining employees. A chef or hotel manager, is almost certain to be recruited outside of the existing employees of Sibelco, and transitions from machine operating (for example) into waiting tables, cooking or leading tours is often not as simple or sustainable as it may seem on paper.
22. Proportionately there are fewer North Stradbroke Island people in the higher weekly gross income brackets (\$800 or more) compared to the State of Queensland generally⁵. Lower incomes typically equate to lower savings and lower net disposable income. As a result, these people in the lower income tax brackets will be more rapidly susceptible to changes in the transition of the North Stradbroke island economy.
23. However, Sibelco's average annual yearly remuneration package is in excess of \$100,000 per person, which places on average their employees in the upper quartile of weekly individual incomes. Therefore, it is important for the Committee to take note of the following:
- a. Sand mining industry employees are comparatively well paid in the North Stradbroke Island community, and any loss of their jobs will be likely have more significant negative flow on affects from the removal or reduction of what their salaries inject into the local community.
 - b. Indirect beneficiaries, workers supporting the sand mining industry, and those residents who benefit from the economic and social contributions made by the sand mining industry to the local community, are likely to be on average in the lower income quartiles, and will likely be on average, significantly and more immediately impacted by the cessation of mining operations.

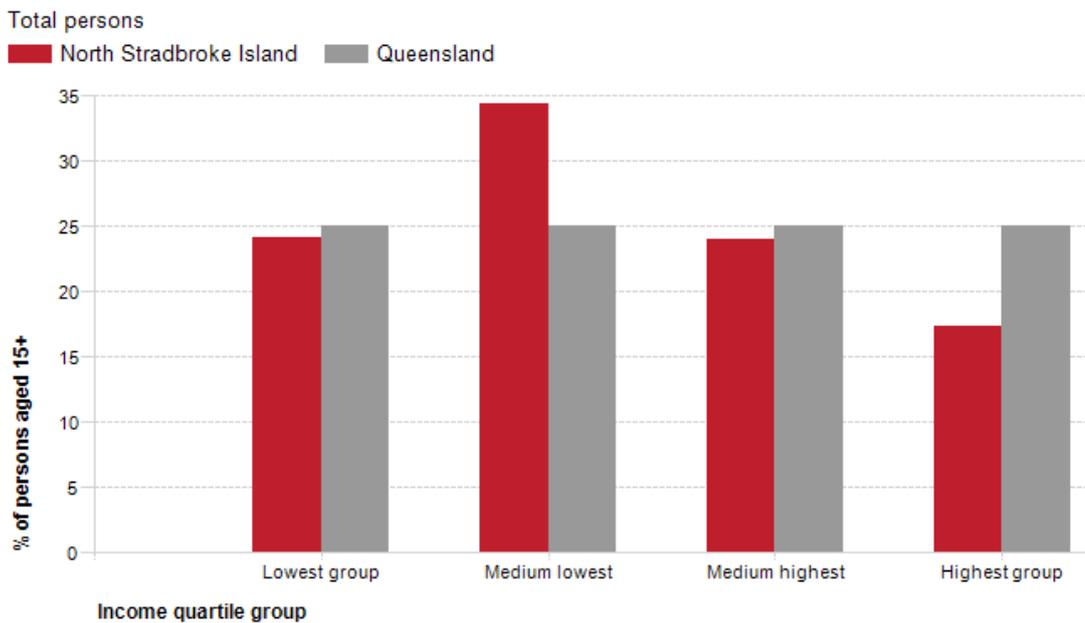
⁵<http://profile.id.com.au/redland/individual-income?WebID=160>

Weekly individual income, 2011



Source: Australian Bureau of Statistics, Census of Population and Housing, 2011 (Usual residence data)
 Compiled and presented in profile.id by .id, the population experts.

Individual income quartiles, 2011



Source: Australian Bureau of Statistics, Census of Population and Housing, 2011 (Usual residence data)
 Compiled and presented in profile.id by .id, the population experts.

24. Dependent on the success of the proposed transition, it will likely impact house prices, rental incomes and occupancy rates of investment properties on North Stradbroke Island. As the family home generally is the most significant (monetary) asset owned by families, a material drop in price may have significant consequence for these individuals (who may also be job losing Sibelco employees).
 - a. Some may counter that a tourism boom on the island will increase house prices, however this is far from guaranteed, and would only emerge over time. Job losers from any sand mining closure may lose their houses prior to any such increase, and there is no guarantee that the skills of current sand miners will translate into the hospitality and tourism sector.
25. A looming issue that will impact how successfully North Stradbroke Island transitions will be to the tourism industry, will be on how private enterprises in conjunction with government strategise, execute, manage and navigate the barriers to entry to the market. This transition is not easy and success is far from guaranteed:
 - a. The international and domestic tourism industry is mature and highly competitive – with established connections and networks. North Stradbroke Island is a tourism destination, but in future would have to forge new markets, and new market share to even begin to substitute for the loss of sand mining.
 - b. Within an eight hour drive (and ferry) from North Stradbroke Island, there already is significant and established tourist coastal towns such as Mooloolaba, Coolumb, Noosa and Fraser Island, with the latter holding world heritage listing - that will attract greater touristic attention. Expanded and higher spending North Stradbroke Island tourism is far from a sure bet.
 - c. Significant sums of time and money will be required to construct the infrastructure required to build a sustainable and prosperous tourism industry.

QUEENSLAND AS A PLACE TO DO BUSINESS

26. Investors in the resource industry typically make long-term, large scale, multi-million/billion investment decisions. Investors require certainty for their investment, and given that capital is highly mobile, will seek to invest in alternative jurisdictions where they believe they get the best return for the nominated/tolerated amount of risk, and political and policy stability falls into the category.
27. For more than a decade, Sibelco's sand mining operations has been at the mercy of politics, with various amendment bills and lobbying endeavours designed to close the mining operation down. Not only does this send the wrong signal to the international investor community (mining related or not), it interferes with an organisations' ability to create and execute short, medium and long-term plans.

28. Furthermore, uncertainty is distressing for all those directly and indirectly involved in the company, and its suppliers, shareholders etc. Employees are particularly effected, as rely on their wage incomes to maintain their standard of living.
29. According to a Fraser Institute survey of international mining executives⁶:
 - a. Queensland is increasingly regarded as a less favourable destination to invest (Table 1, below).
 - b. Queensland government policies⁷ are regarded as less internationally competitive – which is a discouraging sign for future domestic and foreign investment into the state (Table 2).
30. In short, Queensland's mining sector is becoming less internationally competitive as viewed by mining executives that control and/or influence the allocation of international mining investment capital.

Table 1: Investment Attractiveness Index

		Score					Rank				
		2014	2013	2012/2013	2011/2012	2010/2011	2014	2013	2012/2013	2011/2012	2010/2011
Australia	New South Wales	58.9	63.0	52.1	58.3	60.2	51/122	39/112	50/96	47/93	45/79
	Northern Territory	68.5	74.7	68.7	72.4	68.1	51/122	17/112	22/96	21/93	29/79
	Queensland	71.5	73.5	68.3	71.0	69.2	27/122	21/112	23/96	23/93	26/79
	South Australia	75.1	73.8	71.6	77.4	74.0	10/122	20/112	17/96	12/93	18/79
	Tasmania	65.3	63.5	49.8	54.2	64.0	39/122	36/112	58/96	60/93	35/79
	Victoria	51.2	59.5	51.0	42.8	48.1	66/122	43/112	53/96	82/93	68/79
	Western Australia	82.0	85.3	78.0	82.6	80.2	5/122	1/112	4/96	5/93	7/79

Table 2: Policy Perception Index

		Score					Rank				
		2014	2013	2012/2013	2011/2012	2010/2011	2014	2013	2012/2013	2011/2012	2010/2011
Australia	New South Wales	67.00	64.68	56.36	62.44	68.17	31/122	39/112	44/96	32/93	20/79
	Northern Territory	69.21	81.84	68.52	81.54	62.18	28/122	13/112	22/96	11/93	27/79
	Queensland	66.13	74.34	62.83	65.51	52.77	33/122	24/112	32/96	28/93	38/79
	South Australia	76.00	82.02	75.46	75.20	75.04	10/122	11/112	20/96	19/93	11/79
	Tasmania	70.20	73.38	54.05	64.77	61.32	27/122	27/112	49/96	30/93	28/79
	Victoria	59.74	68.82	65.99	52.11	56.89	44/122	33/112	24/96	44/93	31/79
	Western Australia	84.91	90.31	79.32	81.48	70.63	10/122	6/112	15/96	12/93	17/79

31. At this point, it is appropriate to recall concerns about sovereign risk. Whilst sand mining operations on the Island are decades old investments, the on again off again plans of Queensland administrations regarding the Island, and uncertainty on when operations must close (and the threat of abrupt, precipitous closure in the government's 2015 Bill) are heeded by the international and domestic investment communities.
32. The ongoing uncertainty and threats to Sibelco, its employees, and the economy and community of North Stradbroke Island created by the Government's Bill, threaten to harm Queensland's reputation as a place to invest, do business and create jobs.
33. We note the chain of events recounted in the Secretary of the Queensland

⁶ Fraser Institute Annual Survey of Mining Companies: 2014 – Published 24 Feb 2015

⁷ A composite index that measures the effects of government policy on attitudes toward exploration investment

AWU's letter to the Chair of this Committee⁸, emphasising the lack of openness, notice and proper consultation on the government's Bill and the proposed 2019 cessation of sand mining. Again, the business and investor community is aware of such developments and rates Queensland as an investment decision accordingly.

CONCLUSION

34. The most appropriate date to end Sibelco's North Stradbroke Island sand mining operations is at the very earliest, year-end 2027. Which is 11 years and 10 months from now, and then allow for rehabilitation of land on the region until the end of 2032. Such a period of transition is necessary for decommissioning, wind down, restoration and most importantly and economically and job sustainable transition. We also note that North Stradbroke Island is very large and, pending information to the contrary, nothing should stop proposed development of new tourism facilities as sand mining operations end on a sensible, accepted and well understood timetable.
35. Experience should tell the Queensland government that rolling out such a significant economic transition from one industry to another takes north of 20 years to successfully implement. An end-date of 2019 only allows 3 years and 10 months. In industry, market, operational and employment terms this is an abrupt and precipitous timetable for closure. It is comparable to the final notice of closure of car manufacturing in Australia, which has been considered very short and confronted individuals and governments with very difficult and uncertain transitions.
36. A better model to look to would be the industry transitions of the 1980s and 1990s, including the Button Car Plan.
37. A rushed approach to ending sand mining on North Stradbroke Island will jeopardise the short, medium and long-term success of the transition (create legacy issues) and unnecessarily put at risk hundreds of jobs, millions of dollars in local community and state benefits, as well as jeopardising millions of dollars in royalties and taxes payable to the government.
38. AMMA does not support passage of the Government bill, nor closure of sand mining in 2019, and calls on this Committee to recommend against the passage of any legislation at this point. A highly truncated and premature closure date would harm the economy and community of North Stradbroke Island considerably, perhaps irreparably.
39. The 2024 closure date set out in the Private Members Bill, is more sensible than abrupt closure in 2019, but still fails to deliver a sufficient period of transition, nor to appropriately reduce the risks of serious damage to the Island's economy and

⁸ Submission 063 to this Inquiry: <https://www.parliament.qld.gov.au/documents/committees/FAC/2015/B12-NthStradbrokeIsl/submissions/063.pdf>

residents.

40. AMMA recommends further collaboration between industry, government, Indigenous groups and representative bodies to properly transition to closure.
41. Importantly, an agreed strategy should be mapped out that gradually, sensibly and sustainably phases-in greater reliance on tourism (which includes attracting investment, training, cross-skilling persons etc.) before year-end 2027, so that the two industries coincide, cohabit and transition for an agreed period of time, before mining operations cease and while rehabilitation and restoration occurs. This would be designed to reduce reliance on one industry and to create a meaningful substitute economy through a sensible, sustainable rather than rushed transition.
42. AMMA is also concerned that any significant policy position to close a viable mining operation should be backed by an independent and rigorous Regulatory Impact Statement (RIS) that clearly sets out the benefits and costs of competing policy options and properly and rigorously address transitions in the interests of affected communities, including existing employees
43. The workers of Sibelco and the community of North Stradbroke Island deserve no less than to have policy makers:
 - a. Justify significant policy positions which will impact their future livelihoods and well-being.
 - b. Deliver an economically and socially responsible transition rather than a knee jerk, politicised cut-off date that will crudely, precipitously and damagingly impact on the Island and its community.

CODA

44. We have had an opportunity to review correspondence from Mr Ben Swan, Secretary of the AWU (Queensland).⁹
45. He raises considerable concerns with the legislation, consultation on the proposed transition away from sand mining and on the legislation, and with committee scrutiny of the government Bill in particular.
46. Many of these concerns are shared by employers, and it would be fair to say that both employers and unions are very concerned about the proposed abrupt closure of sand mining on North Stradbroke Island, and its impact on employees and the wider local community.
47. Mr Swan raises serious deficiencies of due process, and questions the merits and impacts of the proposed closure timetable.
48. We call on the Committee to heed the AWU's concerns. They provide further

⁹ Submission 063 to this Inquiry: <https://www.parliament.qld.gov.au/documents/committees/FAC/2015/B12-NthStradbrokels/submissions/063.pdf>

grounds to not progress the premature timetable for closure of mining operations in 2019 and to withdraw / reject the legislation and to instead conduct further, proper consultation towards and agreed and widely supported approach which can enjoy the confidence and support of all stakeholders, including the local community, the employer and the union.