

THE SOCIAL FAILURE OF MINING¹

Howard Guille²

The history of mining, in Australia and elsewhere, is of often-dramatic industrial, political and environmental conflicts. Such conflicts continue. The theme of this presentation is that the conflicts amount to the social failure of mining. The public economic benefit is inadequate, environmental damage is severe and the industry shows profound disrespect for First Peoples. These apply to all mining; in addition, coal, oil and gas contribute to unsustainable climate change.

It is perhaps too late to do much about the social failures of mining in Queensland and Australia. However, the policy and institutional defects that have allowed it should be changed. The 'new industries', including large-renewable energy and science-based ones under the *Advance Queensland* policies, must be under public control and provide unequivocal public benefits. This is essential to a 'just transition' from fossil fuels.

¹ This is an edited version of a presentation made to the Queensland Council of Unions/TJ Ryan Foundation Workshop held in Brisbane on 17th September 2016. This presentation reflects my views and not those of either the Papua New Guinea Trade Union Congress or Quandamooka Yoolooburrabee Aboriginal Corporation with whom I have been associated on mining matters.

² Howard Guille is a Research Associate of the TJRyan Foundation.

How not to transition



Figure 1

The banner of the Follonsby Lodge of the Durham Miners Association from 1928.

The banner of the Follonsby Lodge of the Durham Miners Association from 1928 has aesthetic and political pertinence to a workshop convened by the Queensland Council of Unions.³ Notably, the banner testifies to intense industrial conflicts. It was made soon after the 1926 British General Strike that centred on the much longer lockout of miners. This had disastrous consequences; jobs were never regained, communities and the union were split.

The banner is also a symbol for the British miners' strikes of 1984-85. British Prime Minister Margaret Thatcher inflicted another industrial defeat on miners and then punished them by denying their communities any effective assistance when mining was closed down after the strike. The mining areas became some of the poorest in the United Kingdom and the European Union. It is one way to do transition; but not very just.

The immediate employment context

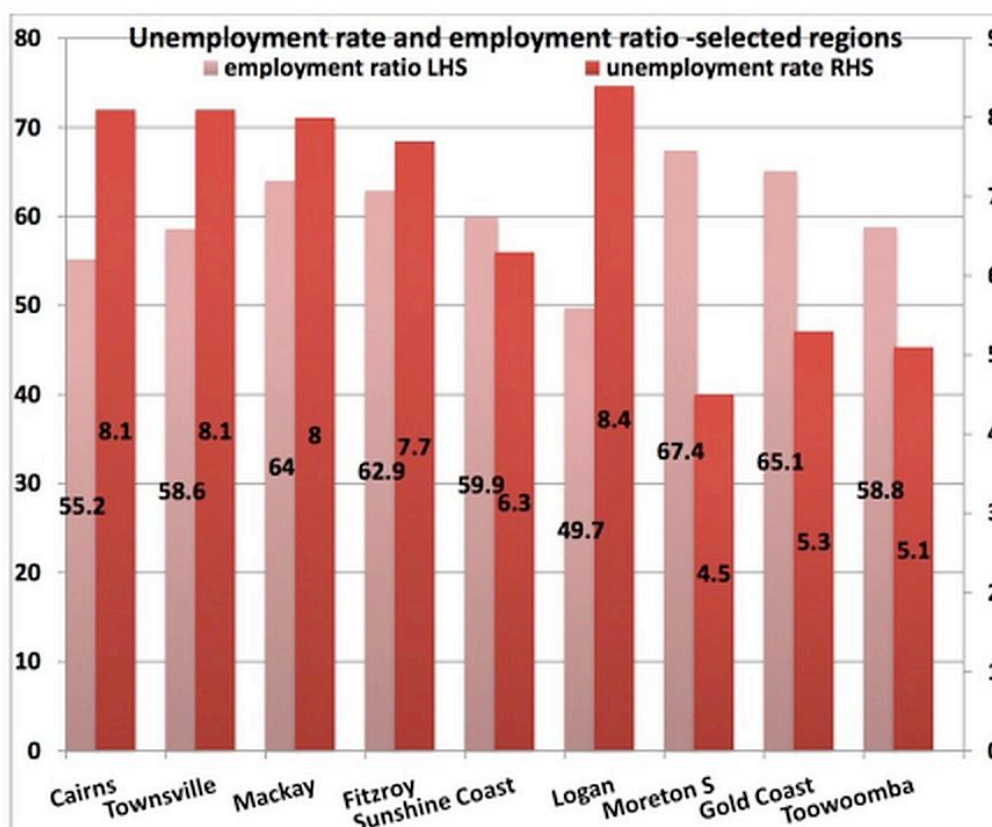
Mining is an industry of booms and busts. 2015-16 is a bust. In consequence, there is more unemployment and less employment in the mining and regional areas of Queensland. Figure 2 shows the average unemployment rate and the employment ratio for various regions for 2015. The unemployment rates for the mining regions are around 8 per cent - 2 to 3 percentage points higher than Moreton South (southern inner Brisbane), the Gold and Sunshine Coasts. Note, though, that the unemployment rate is highest in the Logan region and the employment ratio lowest.⁴

³ 'Originally made for The Follonsby Lodge of the Durham Miners Association in Wardley, Gateshead. [The Follonsby \(Wardley\) Lodge Durham Miners Association Banner](#) was one of just three in the entire British coalfield to feature communist leader Lenin and the only one to also include the Irish revolutionary James Connolly, executed after the Easter Rising in Ireland in 1916 (see [Historic banner to go on display in all its restored glory after May Day parade](#)). The other figures that featured on the banner were Keir Hardie, founder member of the Independent Labour Party, 1920s miners' leader AJ Cook, and Follonsby Lodge Secretary George Harvey'.

⁴ For further discussion see Roger Scott and Howard Guille, [Palaszczuk's First Year: a political juggling act](#), TJ Ryan Foundation, 2016.

While there is more to inequality than mining, the current level of unemployment in mining areas warrants serious consideration from everyone. Providing jobs and income for mine workers and mining regions is both socially just and politically essential. The Queensland Government has an unenviable task dealing of simultaneously with climate change and unemployment. It is exceptionally difficult to put a brake on new mines when their advocates, like the Queensland Resource Council, can shrill about the jobs that will come from such development. Environmental advocacy is likely to be counter-productive the more that it pushes workers and unions into coalition with the mining corporations.

Figure 2 Unemployment and employment - various regions 2015



As an economy we do mining badly

Queensland and Australia get much less than full economic value from mining. In 1974, the Fitzgerald Report commissioned by the Whitlam Government argued that tax subsidies and loopholes meant that mining companies were getting \$55m per year (1974 values) more from the public purse than they were contributing.⁵ This is still the case. Guy Pearce in 2010 suggests most of the tax paid goes back to the companies.⁶ Naomi Edwards, in a 2010 report commissioned by the Greens, says that an average of 83 cents in each dollar generated by mining goes offshore.⁷

⁵ *The Contribution of the Mineral Industry to Australian Welfare*, Canberra: Australian Government Publishing Service [The Fitzgerald Report - see [Trove](#) for hard copy details].

⁶ Guy Pearce, '[Quarry Vision](#)', *Quarterly Essay* 2010

⁷ Joe Collins, 'Putting a Mining Tax Back on the Agenda', *Australian Options* 84, September 2016

One of the most accurate descriptions of the Australian economy is of 'first world' living standards with a 'third world' trading pattern based on the export of unprocessed raw materials. Mining is an enclave industry with limited links into the Australian economy. It uses imported capital and imported equipment; there is little processing or 'value-adding' to products.

Even though wages are high (and deservedly so) the wage share of industry income in mining is considerably lower than other industries.⁸ The much higher profit share in mining predominately goes to overseas owners and investors. The total production work force is quite small; for example, the entire Coal Seam Gas industry employs fewer people than Bunnings.⁹

Figure 3 shows a barge in the Coral Sea bringing imported prefabricated structures for the gas trains on Curtis Island, Gladstone. It illustrates the enclave nature of the resource industries.



Figure 3: Gas Train in Coral Sea (T.Gill)

The stark conclusion is that too small a share of the proceeds of mining goes into the Australian economy. Overseas ownership and investment are part of this. However, the low rates of royalties charged by State Governments and the political failure of Federal Governments to impose and collect taxes from the mining industry are more important. Royalties are not taxes but the price paid by miners for getting their hands on a public resource. The Queensland royalty rate is 7 per cent for a coal price up to \$100 per tonne compared with a minimum of 12.5 per cent in North America.

Taxes are of two forms - the standard company tax and a resource rent tax. The ability of multinationals to choose where to pay taxes (and whether to pay taxes) is well documented including by the Australian Tax Office. This is not confined to mining companies. The Petroleum Resource Rents Tax has applied since the late 1980s. However, the mineral resources rent tax was defeated by the political campaign of mining companies and the opportunism of the Federal Coalition led by Tony Abbott. And, perhaps, the political ineptitude of the Rudd-Gillard ALP Governments.

⁸ See [Scott and Guille](#), pp40 ff for data and further discussion

⁹ Ogge M, *Be careful of what you wish for: The economic impacts of Queensland's unconventional gas experiment and the implications for Northern Territory policy makers*, The Australia Institute, November 2015, p.14.

Others do mining better

Some states and governments get more economic value out of mining and resources than Australia and Queensland. Norway is the leading example. The Norwegian Government captures around two-thirds of the value from oil and gas compared with less than a third in Australia. From the start of its oil boom the Norwegian Government has put its resource income into a sovereign wealth fund (a government controlled fund that uses income from oil to invest in property, bonds, stocks and shares). The fund had \$US890 billion in August 2016¹⁰. According to the fund, '*One day the oil will run out, but the return on the fund will continue to benefit the Norwegian population*'.¹¹ Paul Cleary's recent book on the Norwegian experience is compulsive reading; he says the Norwegian Government took on Big Oil with the aim '*to squeeze every last drop of excess profit while ensuring that foreign oil rigs remained in operation*'.¹² The fund is invested outside Norway and serves as a hedge against periods of low commodity prices and exchange rate variations.

Social democrats are used to the Nordic countries doing better than Australia so it is unsurprising that Australia (and Queensland) do less well out of mining and resources than Norway. However, both Papua New Guinea and Timor L'Este get more out of mining and resources than we do. Both have sovereign wealth funds aimed at stabilisation, development and a future beyond mining. In addition, the PNG Government owns around 30 per cent of the LNG joint venture managed by ExxonMobil and gets a proportionate share of profits. The collective landowners of the plant sites also have a share of ownership.

In 2011 Prime Minister Gillard rejected the idea of an Australian sovereign wealth fund.¹³ This was despite widespread advice including from orthodox sources like the Reserve Bank, the OECD and IMF. Queensland has no public ownership in the LNG industry or the coal industry. The Bligh Labor Government even privatised the railways making it impossible to extract some money via a transport levy on coal. Only agrarian socialists like the Bjelke-Petersen Government could stoop to such 'market distorting' behaviour.

Using economic models to justify digging

The proponents of mining in Queensland (and Australia) get away with exaggerating the contribution of mining generally and specific mines in particular. This is most evident in claims about jobs and economic value. There were, for example, very excessive claims about the number of jobs at the Acland proposal on the Darling Downs, Adani in the Galilee Basin and Rio Tinto Warkworth mine in the Hunter Valley. Often the exaggeration comes from using input-output analysis with very high 'secondary' job numbers. However, some of the exaggeration probably comes from advocates choosing the most persuasive set of numbers.

¹⁰ [Norway Wealth Fund Cuts U.K. Real Estate Value After Brexit](#).

¹¹ [Norges Bank Investment Management, The Fund](#),

¹² Paul Cleary, *Trillion Dollar Baby—How Norway Beat the Oil Giants and Won a Lasting Fortune*, Black Inc. and Biteback, 2016.

¹³ Angela Cummine, '[Sovereign Wealth Fund: a missed opportunity](#)', ABC, 8.9.11.

Put plainly, economic models are commissioned and used as propaganda. Sometimes this is part of sophisticated and well-funded public relations campaigns that verge on 'astro-turfing'. An apt if sardonic comment is that in some cases the number of jobs to be created is more than the total population.

The Queensland Treasury has criticised the use of input-output analysis in assessing the public benefit of projects. One of Treasury's criticisms is that *'The estimated economic benefits derived from an I-O analysis will usually be the most generous'*. This, of course, is why they are so useful as and popular as propaganda for miners.

The Queensland Treasury Project Assessment Framework uses cost-benefit analysis.¹⁴ These kinds of cost-benefit analysis are also required in some environmental impact statements (EIS). A strength is to take account of environmental and social impacts. The weakness is that these are to be put into an economic calculation. Thus, for example, the economic benefit of profits and wages are set against the \$ values put to loss of species habitat or dislocation of a community.¹⁵

The intent is admirable. However, the approach (indeed the EIS as well) can become very process and data driven. Ethical and philosophical questions become subordinate to technical ones. The questions become about how to 'monetise' things like habitat loss and community dislocation; not to question whether they should occur at all. Moreover, the emphasis often shifts to 'offsets' - paying compensation in lieu of the environmental and social damage. I often think offsets are the modern version of the indulgences of pre-Lutheran Catholic Church: pay money to avoid purgatory.

The frameworks for cost-benefit analysis exhort the rigorous identification of alternatives and careful specification of the assumptions involved especially in valuing benefits and costs. It is a matter for each report whether this is occurring. My experience with various consultancy reports about mineral sand mining on Minjerribah/North Stradbroke Island does not inspire confidence. For example:

- In 2011, Strategies Ltd, in a report done for public relations firm Rowland as well as the mining company Sibelco, used employment figures that diverged considerably from the Census data.
- In 2015, RPS made that the assumption that sandmining had not and did not prevent any other economic activity including land-based eco-tourism. To say the least, ecological tourism would be an interesting experience where there is no access to land and that land is being extensively dug up and put through a centrifuge.
- The same consultants valued ecological damage by reference to a report by SEQ Catchments. That report explicitly stated that the research did not form a basis for pricing ecological damage.

Perhaps the most serious deficiency of cost-benefit analysis is the blinkered mind-set of practitioners and consultants. They fail to conceive of alternatives. At one level, they have no sense that there may be no need for any development or mining at all. Perhaps more significantly, they deal in an abstract world governed by graphs, ABS statistics and the occasional equation. It is a dry and often people-less diet.

¹⁴ See Queensland Treasury, [Project Assessment Framework](#) Policy Overview. Building Queensland, the State Infrastructure Agency, has published a detailed (and readable) guide) [Building Queensland, Cost Benefit Analysis Guide, 2016](#).

¹⁵ The [Building Queensland Project Assessment Framework](#) requires *'economic values for economic, social and environmental outcomes'* p14 and prices put to non-market values.

Staying with the example of Minjerribah, none of the large number of recent economic consultant's reports took account of losses to the Quandamooka people being excluded from their native title lands. This includes Strategies Ltd and RPS who did reports paid for by the mining company. It includes Economists at Large who did a report for two environmental groups in 2011 and The Australia Institute who did a report for one of the groups in 2015. Economists at Large say a 'wider analysis is needed' with discussion about 'opportunity costs'¹⁶. However, they do not consider that any opportunity costs were being borne by Quandamooka people. The Australia Institute (TAI) report of 2015 begins with the words:

North Stradbroke Island (NSI) has no 'economy' of its own. Most of its residents don't work at all, mostly by choice. Its houses are mostly owned and used by people who live and work on the mainland and come to the island for holidays and relaxation.¹⁷

Indeed these homeowners are described as 'the largest group of NSI stakeholders'.¹⁸ This completely ignores the fact that Dunwich is one of the largest Aboriginal population centres in South-East Queensland and the well-documented efforts of the Quandamooka people and their organisations to build an economy that is socially and environmentally sustainable. It is almost a statement of terra nullius. TAI gives no space to the Quandamooka but waxes lyrical on the *"relaxation services" that the island "produces"*.¹⁹ They do not even whisper of the extent to which negative gearing is paying for some of these "services".

The CEO of QYAC told the Parliamentary Committee there was 'one important fact':

None of the reports—none of them—mention the Quandamooka people's property rights and the value of those property rights if mining is to continue and suppress them: none of them.

And, speaking of 'the Quandamooka people's economic costs—its opportunity costs':

None of those costs have been included in any of those reports, the property rights, the economic use of those lands and also the social, cultural and environmental costs to the Quandamooka people of the mining continuing.²⁰

This shows some more general economic and cultural issues. The economic issue is the failure to include impact on Aboriginal people in cost-benefit analysis. The cultural (and political) issue is what

¹⁶ Economists at Large 'A review of the report 'Impact on North Stradbroke Island from Ceasing Sand Mining', prepared for Friends of Stradbroke Island and Stradbroke Island Management Organisation, April 2011.

¹⁷ Rod Campbell, '[Sandstorm in a teacup: Ending sand mining and the North Stradbroke Island 'economy'](#)', The Australia Institute Discussion Paper April 2015, p1. The choice of material in the report, including photographs, suggest this it might have been commissioned, or at least influenced by owners of multiple holiday rental homes.

¹⁸ Ibid p.11.

¹⁹ Ibid p 9 .

²⁰ Cameron Costello, [Evidence to Finance and Administration Committee Transcript of Proceedings](#). Friday, 8 April 2016 p25

appears to be the failure of both orthodox and progressive consultants to begin to recognise the existence of Aboriginal interests.

The decision making for mining needs a serious review

The decision processes for new mines includes an environmental impact study (EIS) for the State Government and often for the Federal Government. Both include economic assessment. The Coordinator-General has control of projects judged to be of state significance - these include Abbott Point expansion and the Galilee Basin mines. In these cases, the Coordinator-General evaluates the State EIS.

The premise is that environmental impact statements are about sound and objective decision-making. They are supposed to fuse value-free science, rigorous methodologies and public consultation. In practice, and leaving aside questions about 'value-freedom':

- The EIS process is a gravy train for a range of environmental, engineering, economic and other consultants working for mining companies and, in some cases for environmental organisations.
- The EIS documents are vast - 5,000 pages are not unknown and thus practically inaccessible to other than the organisations who are major 'players'.
- Traditional owners, communities and unions are effectively excluded from the process; peak bodies of First Nations Organisations and unions are not resourced to participate.

The legal framework around the EIS process, the granting of mining leases and the content of 'environmental authorities' are within the jurisdiction of the Land Court with judicial reviews going to the Supreme Court.²¹ This needs reviewing since, using an industrial analogy, it seems to require the Court to decide 'interests' rather than to determine 'rights'. For example, the ACF has asked the Court to decide whether or not carbon emissions from burning coal should be taken into account in the EIS and the mine approval process. Personally, I think they should and hope the Courts so rule. Nevertheless, I am uneasy that a court and not Parliament determines this matter. First, judges, unlike, are not open to questioning on their reasoning. Second, parliamentarians but not judges are accountable to the people in elections.

Disputes between miners, First peoples, environmental and community groups are political not legal. Negotiation and agreement are a better court cases at resolving political differences. It is worth trying to learn from the negotiation processes of Regional Forestry Agreements.²² These agreements cover a similar set of cultural, land-rights, ecological, social and economic issues as do mining approvals.

²¹ There is a useful Case Study '[Carmichael Coal Mine Cases in the Land Court & Supreme Court of Qld](#)' by Environmental Law Australia.

²² In '[Tasmanian Forest Agreement - Your Questions Answered](#)', the Wilderness Society says: *The Tasmanian Forest Agreement was made between conservation groups including the Wilderness Society, forestry industry bodies, and unions in November 2012. It took almost three years of hard-fought negotiations, and agreed to:*

- *Protect 504,000 ha of iconic forests and wildlife habitat, including 400,000 ha as soon as legislation is made;*
- *Create a World Heritage area over iconic forests like the Weld, Styx and Florentine valleys;*
- *Restructure the forestry industry and;*
- *Support struggling Tasmanian communities.*

Two final points about the process of mining approvals. One is that the decision framework of Coordinator-General needs scrutiny. There is no mechanism for public scrutiny and debate about the Coordinator-General's decisions and no obvious accountability. The decision to approve the Acland mine seems to me particularly notorious. The project was approved by the State Coordinator General on 19 December 2014. Its report contains no response to, or engagement with, the criticism of the economic analysis submitted by New Hope. The State Government soon went into caretaker mode with the calling of the 2015 Election.

The last point is the imperative of removing the actual influence or perception of influence of political donations on mine approvals and decisions. Again the Ackland mine seems to be a notorious example. The owners have made large political donations to the LNP.²³ rendered by Sibelco, the miners on Minjerribah, rendered considerable assistance to the LNP and, specifically, to Mr Newman in the Ashgrove electorate in the 2013 State Election.²⁴

Avoid the mining morass

I began saying it is perhaps too late to do much about the social failures of mining in Queensland and Australia. However, the policy and institutional defects that have allowed the situation in mining should not continue into the 'new industries' including large-renewable energy or science-based industries under the *Advance Queensland* policies. Three main changes will help avoid the same failures in green energy and Advance Queensland. They are, without adornment

- Arrangements that maximise contribution to local economy
- Community and unions involved in decision making
- Respect for First Peoples and traditional owners including intellectual property

²³ See [Scott & Guille](#), *op cit* pp.45-7.

²⁴ *Ibid*, p.49.