SMI CSRM
Centre for Social Responsibility in Mining

Social aspects of the closure of Century Mine

Impacts and Future Prospects for Gulf Businesses and the Regional Economy

Supplement C

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Cover photo: Rodger Barnes, Doomadgee Roadhouse. All photos taken by the Researchers

Table of Contents

List of Figures

List of Tables

Abbreviations

ADBT	Aboriginal Development Benefits Trust
CDEP	Community Development Employment Projects
CLAC	Century Liaison Advisory Committee
CSRM	Centre for Social Responsibility in Mining
GCA	Gulf Communities Agreement
LHRPHC	Lawn Hill and Riversleigh Pastoral Holding Company
MMG	MMG Ltd – owner of Century Mine
NPC	Northern Project Contracting
SIA	Social Impact Assessment
WMS	Waanyi Mining Services

Executive Summary

Introduction

This report presents the findings of a survey designed to assess the implications of the completion of mining at Century for Gulf-based businesses and the broader regional economy. It examines the direct and indirect impacts of the mine on suppliers and other businesses in the Gulf, the likely implications of closure, and the future prospects for businesses and the regional economy once mining ends. The report is one of three individual reports that together form the social impact assessment (SIA) commissioned by MMG Ltd to assess the implications for Gulf communities of the closure of Century in 2016. Each of the reports, including this one, have been synthesised into an overall SIA report. The reports will be provided to Century and will also be used to inform the Gulf Communities Agreement (GCA) 15 year review, undertaken by the Century Liaison Advisory Committee (CLAC).

The report begins by describing the context for the study, including the economic and business environment in the Gulf of Carpentaria. It then describes the methodology used to inform the assessments made in this report. These include a review of the previous reports on Century, a telephone survey of regional businesses (including 14 contractors and suppliers to Century and 10 other businesses either directly or indirectly related to the mine), semi-structured interviews with key stakeholders (e.g. business groups), and economic data collected from Century, Treasury Queensland and the Australian Bureau of Statistics (ABS). Subsequent sections of the report examine Century's contribution to regional business development, including support for Indigenous businesses, the potential implications of closure for Gulf-based businesses, and the future prospects for business and opportunities for Century to leave a positive legacy for business and the Gulf beyond closure in 2016.

Century's contribution to regional business development

Since its establishment 15 years ago, Century has had a significant impact on the regional economy through purchase of goods and services from Gulf-based businesses, through direct support for Indigenous business enterprise, and through employee wages that flow through the economy in various ways. Century also makes a significant contribution to the rate base in two Gulf Shires. Gulf-based businesses have benefitted substantially from the mine since it was developed in the late 1990s. In 2011, payments to contractors and suppliers were approximately $21.3m. These payments were for a range of inputs and services, including accommodation services, transport and aviation, purchase of retail goods (fuel, groceries etc.) and, most significantly, mining related services. Over the past five years, the 5 main providers of mining related services to Century have received payments totalling more than $61m, which represents almost 95% of all payments to Gulf-based businesses.

Support for Indigenous business

In alignment with its commitments under the GCA, Century has helped facilitate the development of some Indigenous enterprises, both directly (through contracts to provide mining-related inputs and services) and indirectly through the GCA, by funding the ADBT to provide financial assistance to new Indigenous businesses in the region.

Under the GCA ADBT receives annual funding from Century. ADBT was established under Schedule 6 of the GCA to promote Aboriginal development programs thorough, for example, provision of loans, grants and start-up funds for small business. In the 2012 financial year this amounted to approximately $1.2m. A small number of modestly sized businesses have been established with ADBT support over the past 15 years. Notable examples are the Doomadgee Roadhouse, Normanton Traders and Nolands Engineering.

In addition to indirect support for business through ADBT, Century has also facilitated the establishment of a number of Indigenous businesses at the mine site in Lawn Hill. The most significant of these are Northern Project Contracting (NPC) and Hookey Contracting ('Hookeys'), both of which provide mining related services to Century, such as plant and equipment hire, earthmoving, labour hire, water trucks and road maintenance. NPC is wholly owned by the Waanyi People, while the owners of Hookeys are both part of the Waanyi Native Title Group.

Another Indigenous-owned business is Lawn Hill and Riversleigh Pastoral Holding Company (LHRPHC) which was formed in 1999 as part of the GCA and is a joint venture between the Waanyi People (who own 51%), and MMG (which owns 49%). It is the proprietor (Crown Lessee) of Lawn Hill and Riversleigh Pastoral Holdings, with a combined land holdings of more than 700,000 ha, of which around 511,00 ha is in the vicinity of the mine site at Lawn Hill.

Performance of Indigenous businesses to date

As reported in our 2008 report, Hookeys and NPC continue to be among the few success stories involving Indigenous companies. In 2011, these companies received almost $17m per annum from Century, which represented around 80% of Century's total local spend in Burke, Carpentaria, Doomadgee and Mornington Shires. NPC received the bulk of this. These businesses are also significant employers of Indigenous people. 62% of NPC's employees are Indigenous. It is uncertain how prepared Hookeys is for mine closure, though NPC appears to be well positioned to benefit from new Century contracts during the mine rehabilitation phase and also has plans to diversify revenue streams beyond mining.

Information about the development of new Indigenous businesses is less positive. The 2008 closure study reported that Century was actively considering development of a number of new businesses, including a weed control business that would have opportunities to access broader regional markets after mine closure. This does not appear to have eventuated nor has there been development of any new Indigenous businesses of any size in Burke, Doomadgee, Carpentaria or Mornington Shires.

ADBT has supported a number of businesses which are considered successful. This includes the Doomadgee Roadhouse (a JV between the Waanyi People and ADBT) which is the only retail supplier of fuel in Doomadgee. Information on other business supported by ADBT is incomplete, which makes it difficult to assess business performance and sustainability. The limited information on the performance of these businesses underlines the need for ADBT to improve transparency and communication, particularly to the community. It is clear from the business survey and stakeholder consultations, however, that all of these other businesses have faced significant obstacles and none, to our knowledge, have fully repaid their loans to ADBT. The unique challenges faced in the Gulf are said to explain the fact that these businesses have not prospered. These challenges include disruptions to business caused by seasonal weather conditions (floods, fire), limited banking facilities, and undeveloped infrastructure (roads, access to the power grid). It was also stated that Indigenous businesses face 'cultural obstacles' and specifically, demands from family members to share resources rather than re-invest income in business growth, which can put businesses under excessive financial pressure. Apart from these unique challenges, a commonly expressed view is that new business owners lack experience and capacity and too often are left to fend for themselves without adequate mentoring and support.

Business reliance on Century

Reponses to the business survey indicate that business contracts with Century make up a significant proportion of the annual income of contractors and suppliers, particularly companies providing mining services. On average, these businesses obtain around 61% of their revenue from contracts with Century. Accommodation providers, most of whom are located in the town of Karumba, also benefit substantially from Century. Combined, they obtain an average of 55 percent of their revenue from Century. These businesses provide accommodation and food to employees from the zinc processing facility. One business caters exclusively to Century under an on-going contract; the primary source of revenue for the other accommodation providers is tourism but Century plays an important role in supplementing income during the quiet wet season.

There appears to be a considerable imbalance in the distribution of businesses between towns and communities in the Gulf. Most of the businesses surveyed for this report were located in Karumba and Normanton; Mornington Island and Doomadgee continue to have few businesses, an issue that was highlighted in the 2008 report.

Impact on the wider business community

The Century mine has undoubtedly had a significant impact on the regional economy over the past 15 years. For example, the $21.3m paid to local contractors and suppliers in 2011 is a significant stimulus to the Gulf economy and will undoubtedly be missed once the mine closes. Exactly how these funds flow through the economy is unclear but the business survey revealed the following trends: First, most of the food inputs sourced by accommodation providers are sourced from outside the Gulf, in some cases as far away as Brisbane. Second, these businesses tend to purchase particular food inputs locally (seafood, bread and meat) and most also purchase fuel from local suppliers. Finally, maintenance work and trades are generally carried out by local tradespeople. This applies to accommodation providers, the charter fishing business, and contractors that use machinery at the mine site (excavators, water trucks etc.).

Wages paid by both Century and its contractors to their Gulf-based employees are significant and again, flow through regional economy in ways which are difficult to quantify. In 2012 Century paid $8.84m to employees residing in Burke, Carpentaria, Doomadgee and Mornington Shires. Nine of the contractors and suppliers who participated in the business survey provided data on employee wages in the same year, with a combined total of $11.21m.

The number of businesses in the Gulf region has increased in recent years which could suggest a broader flow-on effect of the mine given it is the single biggest contributor to the regional economy. Of all the Shires, Carpentaria had the largest increase in total number of businesses between 2008/09 and 2010/11, increasing from 85 to 94 registered businesses (+9%). While this is significant, it does not necessarily imply cause and effect. According to Gulf Savannah Development Inc., the development agency for the region, this business growth was the result of improvements to infrastructure, including the sealing of the Karumba airstrip and various road upgrades in the region.

The research revealed that the number of businesses based in the four Shires from whom Century procured products and services actually declined from a high of 18 in 2009 to 15 in 2012. This is consistent with perceptions reported during the Community Consultations that during this period Century consolidated smaller contracts making it harder for modest, locally-based Aboriginal businesses to compete for the contracts. There is thus little evidence that the mine has stimulated growth of new businesses in the Gulf region since 2008.

Potential implications of mine closure for Gulf-Based Business

The business survey found that closure of Century will have significant implications for businesses in the Gulf. Of all businesses surveyed (contractors and suppliers, and other businesses), 63% believed that mine closure would negatively impact their business, with 32% stating it would be “very negative”. In the case of the 14 contractors and suppliers who responded to the survey most believed that mine closure will have some degree of negative impact on their business, with 4 believing there would be a “very negative” impact. Accommodation providers in Karumba are particularly susceptible to the impacts of mine closure with these businesses deriving, on average, 55% of their revenue from Century. In addition, with the tourist season ending by September in the Gulf, Century provides a valuable (and in some cases essential) source of income during the off-season which, for some, means the difference between making and losing money. However, despite the majority of businesses believing that mine closure would have a negative impact, only half of those with employees thought they would have to reduce numbers as a result of mine closure. In contrast to these businesses, a few businesses stated that mine closure would be positive in some way.

Implications for Indigenous business

Both NPC and LHRPHC appear to be well-positioned to benefit from mine closure. Both of these companies continue to do well, an observation we made in 2008. As commercial companies owned by the Traditional Owners (TOs) they are likely to play a significant role in land rehabilitation and land management post-closure. Although still dependent on revenue from Century, NPC is reportedly attempting to diverse its business to other customers and regions. Whether or not companies like NPC and Hookeys are able to obtain new contracts that are sufficient to offset lost business is another matter given the high level of reliance some have on income from the mine. In one case, for example, this is around two thirds of earnings.

LHRPHC's cattle properties surround the Lawn Hill mine site, giving it a strategic advantage in securing contracts to undertake post-closure land management such as weeding, soil monitoring and testing and other rehabilitation works. It is also reportedly seeking to leverage a strong balance sheet to expand out of the cattle business to undertake heavy equipment work. Finally, it is unclear what plans Hookeys has post closure but as discussed earlier, it is reportedly continuing to do well. This bodes well, given the size of these companies, the relatively large number of people they employ and training opportunities that are provided to staff.

A sobering reality is that the very circumstances that have enabled these Indigenous-owned businesses to benefit from the GCA – their connections to their country – may end up limiting their ability to grow through expanding to other mining operations and regions. One respondent explained that there are sensitive cultural politics that may prevent one TO group from operating in other regions. This is not an inherently bad thing, *per se*, for business development in the broader northwest region as such new agreements with Native Title groups have the potential to increase the number of viable Indigenous-owned businesses in the long term.

Closure also has implications for the viability of currently successful businesses, such as the Doomadgee Roadhouse which is currently owned and operated by ADBT, but will be handed over to the community in the future. What would happen to ADBT and what would this mean for the Roadhouse? One respondent explained that the major source of income for people in Doomadgee was employment with the mine or its contractors, such as NPC. If disposable income drops and with it the viability of this local business, the community may lose the Doomadgee Roadhouse, which is the only source of fuel, groceries and other supplies for the community. This would be, as one respondent put it, "devastating".

Broader implications for business in the Gulf

Beyond contractors and suppliers, mine closure would have negative impacts on a range of businesses in the region, though exactly to what degree is difficult to say. A common view among businesses and a range of other stakeholders was that the town of Karumba was likely to be hardest hit by mine closure because of the presence of the processing plant and port facility. Among the businesses certain to be impacted are accommodation providers and those that supply meals to FIFO workers at the port facility.

There is considerable concern about the future of the port facility in Karumba and what its closure might mean for businesses both in Karumba and in other parts of the region. One common concern is that dredging of the port will cease and that this will negatively impact existing industries. However, this is unlikely to shut down the cattle export trade or commercial fishing operations which are of considerable importance to the regional economy and employment.

There has been some speculation that rather than walking away from its multi-billion dollar facility and pipeline, MMG, or another company, will continue to use the facilities. There are apparently considerable reserves of phosphate at Lawn Hill and one proposal being explored includes using the pipeline to send phosphate to the port. One view expressed by a few people, including a local government representative is that regardless of whether or not new mining operations continue to use the facilities at Karumba, there will most likely be a period of shutdown. However, it is likely that Century will continue to retrieve tailings for some years after the mine closes, though on a relatively small scale compared with current operations.

Future Prospects for Business and Opportunities for MMG to leave a Positive Legacy

Century and the GCA have contributed to the development of a number of successful businesses in Gulf communities, notably those owned by Indigenous people. These businesses appear to be providing a good foundation for economic growth and, importantly, are providing employment and training for a significant number of Indigenous people. However, as reported in our 2008 report, the present study has not found any evidence that there has been growth in the number or size of businesses of a scale required to form the basis of a viable, robust regional economy once mining ends.

There is however, great potential in the Gulf for businesses to exploit the region's natural resources and it is within Century's power to play an important role in enabling this. The most promising source of future economic growth in the region is further mining activity. MMG itself is exploring the option of exploiting small vein-style targets close to the pit at Lawn Hill and it has also received full environmental approval to mine the lead-zinc-silver deposits at Dugald River 85 kms northeast of Mount Isa (west of Cloncurry). Elsewhere, there are numerous other mining prospects being considered, including a uranium project at Westmoreland around 200km north east of Century. However, none of these projects look likely to be operational within the next few years.

Despite vast mineral and other natural resources, the region faces numerous barriers to development, including: seasonal limits to tourism disruptions caused by extreme weather events (e.g. flooding); limited financial/banking facilities; and most critically, limited infrastructure, particularly power and roads.

There is a common view among key stakeholders in Gulf communities that MMG can play a critical role in contributing to the business environment by assisting with infrastructure development. According to some respondents, Century has taken a “very narrow approach” to business development by focusing on supporting single business enterprises, when it would be better to help build the infrastructure needed to exploit the region’s natural resources. One key stakeholder stated that there is a real opportunity for MMG to leave a positive legacy in the next 5 years. This did not necessarily mean building new infrastructure from scratch but rather maintaining or upgrading what was already there. The power line Century has built from Mount Isa to Lawn Hill was raised as an example. It was suggested that if MMG wanted to leave a positive long term legacy for the region it could play a role in extending the line to towns not yet on the grid. A local government representative from one of the Shires stated that the most important project in his view was to upgrade the ‘White Rock Road’, a dirt road that leads from Camooweal through Lawn Hill to Doomadgee. This would apparently open up the mineral field “dramatically”.

In summary, there is clearly room for discussion about partnering for strategic and concerted investment by local and state government and major regional industries to achieve such development. By playing a supporting role in the development of key infrastructure in this way Century, and MMG more broadly, can help leave a positive legacy in the Gulf and, in doing so, enhance MMG’s social license to operate in the region and in Australia more broadly.

1. INTRODUCTION

This report presents the findings of a survey designed to assess the implications of the completion of mining at Century for Gulf-based businesses and the broader regional economy. It examines the direct and indirect impacts of the mine on suppliers and other businesses in the Gulf, the likely implications of closure, and the future prospects for businesses once mining ends.

The report is one of three individual reports that together form the social impact assessment (SIA) commissioned by MMG to assess the implications for Gulf communities of the closure of Century in 2016. Each of the reports, including this one, have been synthesised into an overall SIA report. The reports will be provided to Century and will also be used to inform the Gulf Communities Agreement (GCA) 15 year review, undertaken by the Century Liaison Advisory Committee (CLAC).

Figure 1 Location of Century Mine

Source: Century

1.1 Background to the Business Survey

In 2008, Century (then owned by Oz Minerals) commissioned the Centre for Social Responsibility in Mining (CSRM) to undertake a study of the implications of completion of mining at Century (Figure 1) for Gulf Communities.[1] While the implications of mine closure for regional businesses were addressed in this study, an individual report focused specifically on the business environment was not undertaken. Given the critical importance

[1] *Completion of Mining at Oz Minerals Century Mine: Implications for Gulf Communities*, Centre for Social Responsibility in Mining, Sustainable Minerals Institute, University of Queensland, July 2008

of regional businesses in supporting Gulf communities, and the potential consequences for business sustainability once the mine closes, we have dedicated a specific report to assessing the implications of mine closure for regional businesses.

The 2008 study made the following observations about the impact of the mine and the likely implications of closure for Gulf businesses:

- A number of the Indigenous businesses set up under either the Gulf Communities Agreement (GCA) or by the mine itself at Lawn Hill were doing well, generating income and jobs and delivering experience and skills to Indigenous employees.
- However, although there had been an increase in Indigenous-owned businesses, their future post mine was problematic.
- The Aboriginal Development Benefits Trust (ADBT) and GCA businesses such as the Waanyi Mining Services Joint Venture (WMS JV) were engaging externally to a limited extent.
- Deficient road infrastructure was having a negative effect on business development.
- The cattle stations run by Lawn Hill and Riversleigh Pastoral Holding Company (LHRPHC) had the potential to generate income in the future for communities and were providing training and employment opportunities.
- There was no evidence of a strategy to develop economic activity based on natural capital, such as acquisition and development of tourism ventures.
- Some Indigenous people were seeking partnerships with non-Indigenous businesses.

These, and other issues, will be addressed by this study.

1.2 Economic and Business Environment in the Gulf of Carpentaria

The geographic focus of this study is the Gulf Savannah region of Queensland and, specifically, four Shires: Carpentaria, Burke, Doomadgee and Mornington Shires. Although the Century mine at Lawn Hill only covers a relatively small area of Burke Shire, its economic influence is felt across the region, particularly in these Shires. Towns such as Normanton, Karumba (the site of MMG's export facility), Doomadgee, Gununa (on Mornington Island) and Burketown are home to Century employees and/or are the location of contractors to the mine and other businesses that are directly and indirectly impacted by its activities and resource flows.

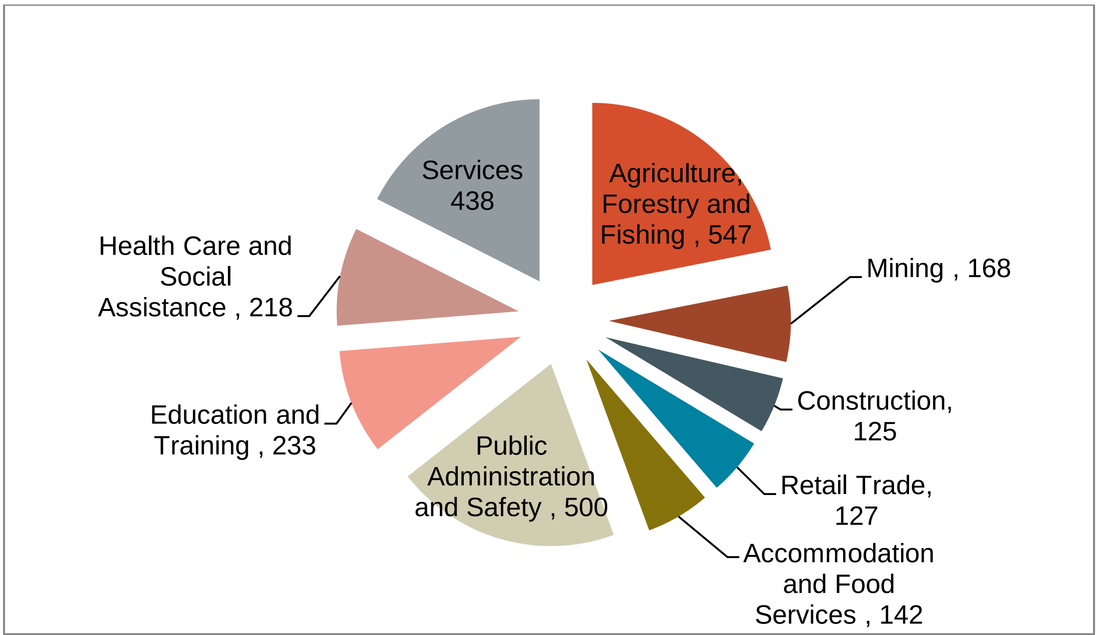
The Gulf Savannah region was built on the mining and grazing industries. Today, these industries remain of considerable importance to the region's economy, along with commercial fishing and tourism. Out of the 2,604 people who participated in the workforce in the Gulf Regional Planning Area[2] in 2011, 547 worked in the Agriculture, Forestry and Fisheries sector (Figure 2).[3] Only 6.5% of the workforce was employed in mining, which

[2] The Gulf RPA encompasses Burke, Carpentaria, Doomadgee, Mornington, Croydon, Etheridge and Kowanyama Shires.

[3] Queensland Treasury and Trade, Government Statistician (2012) Queensland Regional Profile for Gulf RPA (ASGC 2011), 26 November

reflects the fly-in-fly-out (FIFO) nature of the industry; however, it does not reflect the economic importance of the mine, which is much greater. Mining has great future potential to contribute to the economic and social development of the region. However, despite a number of mineral exploration activities underway, Century is currently the only operational mine in the region and its closure will have significant impacts on business, government and communities alike.

Figure 2: Employment in the Gulf Regional Planning Area



Source: Queensland Treasury and Trade, 2012

1.3 Methods and Sources of Information

Multiple methods were used to gather information to inform the assessments made in this report. These methods included a review of the previous reports on Century, a telephone survey of regional businesses (including contractors and suppliers and other businesses either directly or indirectly related to the mine), semi-structured interviews with key stakeholders (e.g. industry associations), and economic data collected from Century, Treasury Queensland and the Australian Bureau of Statistics (ABS).

A challenge in making an assessment of impacts of the Century project on suppliers and other regional businesses is that a comprehensive economic baseline encompassing the business environment prior to mine does not exist and a formal business survey was not undertaken during the last SIA in 2008. Nevertheless, there is sufficient information in the 2008 report to assess how the business environment may have changed in the past five years.

The current study entailed undertaking a business survey and comprised the following components:

1. Telephone interviews with contractors and suppliers to Century and other Gulf-based businesses.
2. Field research in Gulf communities between 21 and 26 October 2012, including face-to-face interviews with businesses.
3. Analysis of business contract data provided by Century in October 2012.

In the analysis and discussion below, unless otherwise indicated, the information reported came from the telephone and face-to-face interviews with relevant businesses.

Business Survey

Participants in the survey were selected through the following methods:

1. Reference to a list of contractors and suppliers provided by Century.
2. Names of businesses provided by key stakeholders, including Century staff, business groups, and local government (i.e. Shire Councils).
3. Desk top research of public domain materials.

Researchers from CSRM attempted to contact a total of 49 businesses in Gulf communities. Of these, interviews were successfully completed with 24, representing a 49% response rate. Only 3 of the 5 main mining services contractors participated in the business survey, with the 2 others not responding, despite repeated attempts at contact. However, one of these did participate in the stakeholder consultation component of the overall study and where possible, relevant information from the consultations with this company were used to inform the business survey. Given that some of the non-responders had participated in the stakeholder consultations, it is likely that 'survey fatigue' was a factor.

CSRM drafted a questionnaire comprised of closed and open questions. Closed questions asked respondents to select answers from a pre-determined list, for example the level of impact of closure on their business. Open ended questions included questions intended to obtain key metrics (for example the number of employees in the business), and to obtain participants' views on issues such as the impact of mine closure for their own, and other, businesses. The survey was organised into four major sections:

1. Business overview (e.g. annual turnover, number of employees, amount paid to employees etc.)
2. Relations with Century
3. The implications of closure for the business
4. Post closure strategies and planning

The survey was carried out by CSRM researchers, primarily by telephone. However, several interviews were also undertaken during a five day field visit to the Gulf in October, 2012. Key metrics were entered into Excel to generate basic frequencies and graphs. Qualitative data were analysed and grouped according to key themes. Despite the relatively small sample size, the survey did capture a significant number of the direct mine contractors and suppliers and other key businesses in the region.

Businesses interviewed

The following types of businesses were interviewed during the survey:

- Direct contractors and suppliers to the Century, including: mining services providers; accommodation providers, retailers, airlines and others. The mining services providers undertake a range of activities, including: provision of mining machinery and water trucks, labour hire, rock crushing, civil earthworks, and site cleaning.
- Businesses which do not have formal contracts with the mine but which might be directly or indirectly impacted by it, or play an important role contributing to economic activity and employment generation of the region, and therefore could possibly offset negative impacts of mine closure. They include: accommodation providers; pastoral companies/cattle stations; retailers; and commercial fishing operations.

The businesses interviewed were based, or operated in, the towns of Karumba, Burketown, Normanton, and Doomadgee. Qualitative data were also used from stakeholder consultations with businesses on Mornington Island and the town of Gregory. Table 1 below provides a summary of the businesses participating in the survey.

Table 1: Businesses Participating in the Survey

	Business type	***Number of businesses***
Century contractors and suppliers	Mining services	3
	Accommodation provider	3
	Retail (fuel, grocery, cafes)	3
	Commercial fishing/charters	1
	Aviation	2
	Seed supplier	1
	Port Management	1
Other businesses	Accommodation provider	2
	Pastoral company/cattle station	3
	Cattle exports	1
	Commercial fishing/charters	2
	Retail (fuel, grocery, cafes)	2
Total		**24**

Unless otherwise stated, the information in this report was obtained during the business survey.

Ethical considerations

This project incorporated the ethical issues of informed consent, cultural considerations, confidentiality and participant feedback.

All businesses surveyed for this report were invited to participate voluntarily. Project information sheets and copies of the questionnaire (Appendix 1) were given to all participants and, in the majority of cases, this occurred at least one day prior to the interview. Informed consent was gained before beginning the interviews.

All business and participants were given a code and names were not recorded either in the researchers' notes or in the final report. Any information that is potentially identifiable is kept securely at The University of Queensland. All participants will receive summary feedback in the form of reports or a newsletter after the public release of the Reports.

Limitations of the Research

There were some methodological limitations which emerged through this research that should be flagged at the outset:

As mentioned above, the most significant related to the difficulty of relying on telephone communication to recruit businesses to participate in the business survey. In the majority of cases, it took several phone calls and / or emails before an interview could be arranged. Nevertheless, when interviews were secured after multiple attempts at contact, most businesses explained that they were happy to participate in the research but that they were simply very busy and had other priorities to attend to. Not surprisingly, the success rate at securing interviews was higher during our field trip to Karumba and other Gulf communities in October, when face-to face meetings were possible.

A second limitation was that some businesses were willing to participate in the survey but did not want to, or could not provide financial data (e.g. on business revenue, expenditure etc.), and other metrics. The report subsequently draws on a smaller data set for key metrics than the number of businesses interviewed. In some cases, the response rates to certain questions were too low to derive any meaningful insights from the data.

1.4 Structure of the Report

Section Two of the report provides an assessment of Century's contribution to the development of regional businesses. It looks at the overall business environment with a particular focus on the performance of the GCA-established businesses, direct contractors and suppliers to the mine and other businesses whose revenue stream may be impacted as a result of closure.

Section Three assesses the potential impacts of closure for Gulf-based businesses, including local business perceptions of impacts, their preparedness for mine closure and likely implications for the wider business community.

Section Four explores the implications of this study for on-going closure planning. It highlights issues that need to be addressed and, where possible, Century's role in addressing issues. The discussion emphasises the fact that a business-as-usual approach is unlikely to lead to new outcomes. However, Century has an opportunity in the next four years to enhance its positive legacy by engaging with regional stakeholders and business groups to enhance the environment for business growth and development.

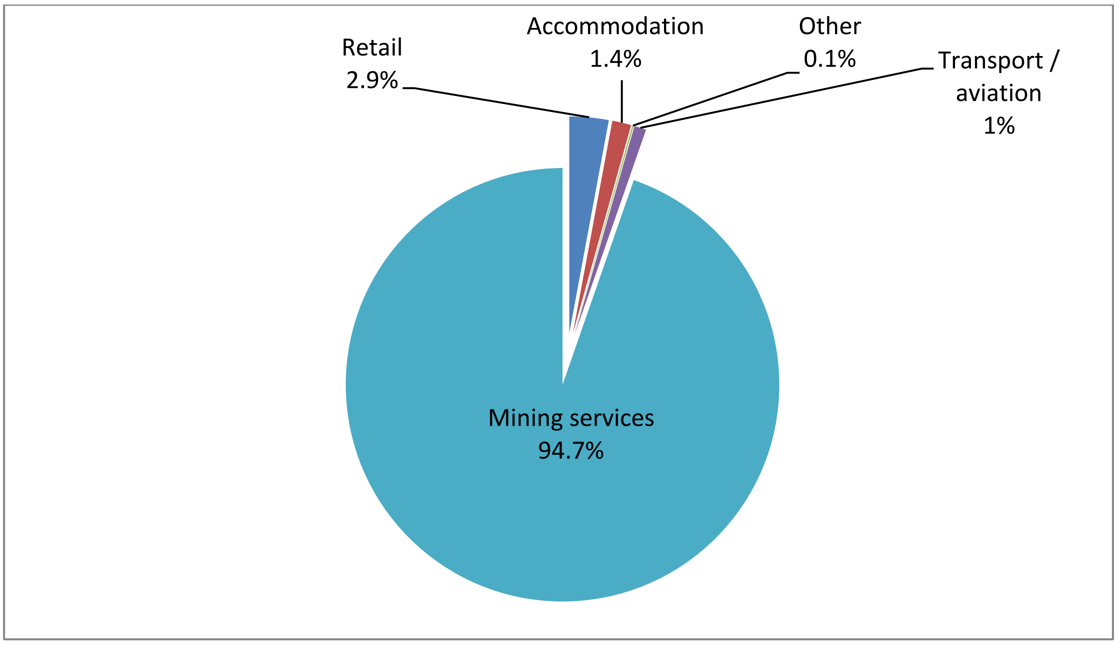
2. CENTURY'S CONTRIBUTION TO REGIONAL BUSINESS DEVELOPMENT

Century has a direct and indirect impact on the regional economy through purchase of goods and services from Gulf-based businesses, through direct support for Indigenous business enterprise, and through employee wages that flow through the economy in various ways. Century also makes a significant contribution to the rate base in two Gulf Shires. In 2011 it paid $2.48m in rates and other charges to Burke Shire (the location of the mine) and around $987,000 to Carpentaria Shire (the location of MMG's processing and export facility).[4]

Gulf-based businesses have benefitted substantially from the mine since it was developed in the late 1990s. In 2011, payments to contractors and suppliers were approximately $21.3m. These payments were for a range of inputs and services, as shown in Figure 3. $20.1m (94.7%) was spent on mining related services, including mining equipment and labour hire, crushing, civil earthworks, water trucks and site-cleaning. Payments received by these businesses have been substantial over the course of the mine and, over the past 5 years have totalled more than $61m (Figure 4). Since 2008, Century's total local spend in the four Shires has been over $66m. Of this, approximately $61.2m was paid to Indigenous-owned businesses. The revenues generated by the mine have therefore overwhelmingly benefitted businesses that provide mining-related services, most of which are Indigenous-owned.

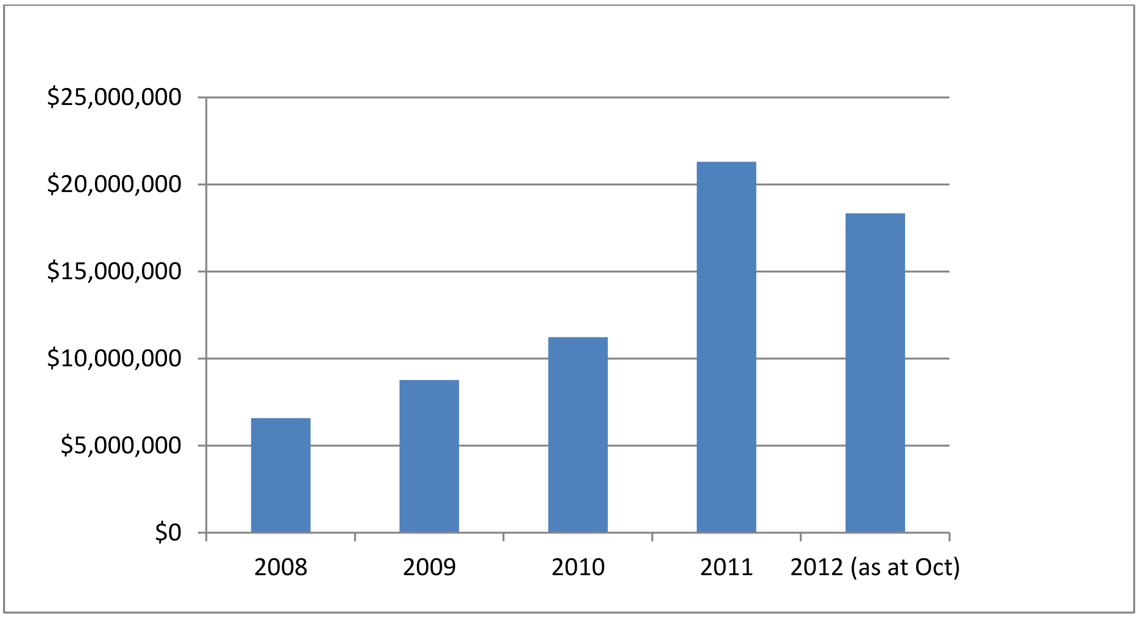
[4] Company records

Figure 3: Total Payments to Gulf-based Contractors and Suppliers, 2011



Source: Century records

Figure 4: Total Payments to Gulf-based Contractors and Suppliers, 2008-2012



Source: Century records

2.1 Support for Indigenous Business

One of the aspirations of the GCA is for the traditional owners (TOs) to “participate as fully as possible in the Project and mine related ventures”. To this end, Century has helped facilitate the development of some Indigenous enterprises, both directly (through contracts to provide mining-related inputs and services) and indirectly through the GCA, by funding the ADBT to provide financial assistance to new Indigenous businesses in the region.

The Aboriginal Development Benefits Trust (ADBT)

The ADBT was established under Schedule 6 of the GCA to promote Aboriginal development programs. Its roles include supporting the development of new Indigenous businesses by providing: loans, grants, and start-up funding for small businesses; finance and equity for other ventures and land purchases; and assistance in business skills. ADBT also supports personal development programs in sport. The board comprises Indigenous representatives, one representative of Century and one financial and one independent director.

Under the GCA ADBT receives annual funding from Century. In the 2012 financial year this amounted to approximately $1.2m. Limited information is available on how these funds have been disbursed (an observation made in the 2008 study), however significant businesses include:

- *Doomadgee*: bakery; roadhouse; car hire firm; a concreting business; and recently, a construction company which is not yet trading but is reportedly looking to tender for new housing construction and maintenance work
- *Mornington:* car hire firm; fishing tackle shop; butcher shop; a concreting business
- *Burketown*: Noland Engineering
- *Normanton:* Normanton Traders (general store), a Joint Venture with Bynoe Community Advancement Cooperative Society Ltd.

Figure 3: Bait and tackle shop, Mornington Island

(Photo: N. Collins)

Indigenous businesses supported by MMG

In addition to indirect support for business through ADBT, Century has also facilitated the establishment of a number of Indigenous businesses at the mine site in Lawn Hill.

The oldest of these is Mt Isa based Hookey Contracting (known as 'Hookeys'), a civil earthworks maintenance business established in 1998 with bank finance. The owners are both part of the Waanyi Native Title Group. Hookeys employs around 20 people and has a contract until 2016 to undertake site based earth works and road maintenance, and to supply plant equipment and labour. Hookeys maintains the Gregory to Lawn Hill Connector Road. The company also undertakes external contract work, including road maintenance for local government and private business. Hookeys total annual turnover is not known but the majority is likely derived from Century.

Northern Project Contracting (NPC) is a wholly-owned Indigenous business that was formed following a joint venture between Waanyi Mining Services (WMS) and an experienced contractor (see case study). NPC undertakes work in three areas: labour hire; mining equipment, and rock-crushing. In the 2012 financial year NPC's turnover was $19m. Most of its revenue is derived from Century but NPC also has significant road works contracts with the QLD Department of Transport and Main roads and Burke Shire Council. NPC employs around 45 people of whom 28 (68%) are Indigenous.

Another relatively large Indigenous business is Moungibi Association, which has a site cleaning contract with Century until 2016. Moungibi currently employs 16 people: 10 cleaners, 2 supervisors and 4 trainees. Of these 6 are Indigenous with 4 of those qualifying under the GCA. Two smaller Indigenous-owned businesses with contracts at Century are G&M Watercarts and Chong Excavations. G&M owns two water trucks and provides water for drill rigs and dust suppression. It employs 6 full time people, half of whom are Indigenous. Chong Excavations hires out two excavators to Century, along with operators, to undertake earthworks. This includes building bunds and relocating and burying pipelines for removing water from the mine pit and sediment dams. The company has 2 permanent employees and a contract lasting until 2015.

Lawn Hill and Riversleigh Pastoral Holding Company (LHRPHC)

LHRPHC was formed in 1999 as part of the GCA and is a joint venture between the Waanyi People (who own 51%), and MMG (which owns 49%). It is the proprietor (Crown Lessee) of Lawn Hill and Riversleigh Pastoral Holdings, with a combined land holdings of more than 700,000 ha, of which around 511,00 ha is in the vicinity of the mine site at Lawn Hill. Its core business is cattle production, though the business intends to provide training and extend into other activities in the near future. The nine person Board of Directors is made up of 5 representatives of the Waanyi people and 4 from MMG Century. Employee numbers fluctuate due to seasonal labour demand but currently the company employs 22 people (FTE), of whom 12 (55%) are Indigenous. Although it has a significant annual turnover, much of its earnings are reinvested into property and herd development or are consumed by operating costs.

Case study – Northern Project Contracting

Northern Project Contracting (NPC) is a 100% Indigenous owned and managed business that specialises in contracting and training services for the energy, civil construction and mining industries throughout Queensland and Australia. NPC was originally established at the mine site at Lawn Hill as a 50/50 joint venture between Waanyi Mining Services (WMS), owned by the Waanyi People, and an experienced mining contracting company. In 2008 WMS bought out its partners making NPC fully Indigenous owned. Since that time, NPC has grown rapidly with offices in northern, southern and western Queensland. It is one of the largest and most successful contractors to Century and has an annual turnover of around $19m. It currently employs around 45 people, 68% of whom are Indigenous. NPC reports that it has double the industry average for retention rates of Indigenous workers, which it attributes to its strong focus on understanding Indigenous culture. NPC appears to be well-positioned to benefit from future contract work for Century in the post-closure rehabilitation phase of the mine.

2.2 Performance of Indigenous Businesses to Date

In the 2008 study it was noted that there were a few success stories involving Indigenous owned businesses associated with the mine, notably Hookeys and WMS (now operating as NPC). These businesses appear to still be doing well, however one notable political figure expressed concern that Hookeys will likely find the post-closure phase “challenging”. Nevertheless, NPC and Hookeys are currently the two biggest regional contractors to the mine and combined employ 65 people. The owners of Hookeys attribute their success to the fact that they are a family-owned business and have 40 years’ experience in the industry.

The 2008 study also reported that Century was actively considering development of a number of new businesses, including a weed control business that would have opportunities to access broader regional markets after mine closure. This does not appear to have eventuated nor has there been development of any new Indigenous businesses of any size in Burke, Doomadgee, Carpentaria or Mornington Shires. The role and effectiveness of ADBT in supporting new Indigenous business is dealt with in some detail in the stakeholder consultation report, but it is important to summarise key issues here given the crucial role this body has (or could have) in the development of businesses in the Gulf.

ADBT has supported a number of businesses which are considered successful. This includes the Doomadgee Roadhouse (a JV between the Waanyi People and ADBT) which is the only retail supplier of fuel in Doomadgee. The Roadhouse apparently had a rough start, caused by various factors, including management personnel that were not given appropriate mentoring on how to run a business, and insufficient storage capacity to last through the wet season when the business was cut off. Things have apparently improved since new management took over almost three years ago and there are plans to increase investment in the business in the near future. Normanton Traders, a retail store selling fuel, groceries and other small retail items also appears to be doing well. The business is jointly owned by Bynoe Community Advancement Cooperative Society Ltd (Bynoe CACS) and ADBT. Bynoe was founded in 1979 to provide quality housing for Indigenous people but has now expanded into other business ventures. It is also the host organisation for the Australian Government-funded Community Development Employment Projects (CDEP) program in Normanton.

Information on other business supported by ADBT is incomplete, which makes it difficult to assess business performance and sustainability. The limited information on the performance of these businesses underlines the need for ADBT to improve transparency and communication, particularly to the community. Indeed, ADBT does not appear to produce an annual report at present. It is clear from the business survey and stakeholder consultations, however, that all of these other businesses have faced significant obstacles and none, to our knowledge, have fully repaid their loans to ADBT.

The unique challenges faced in the Gulf are said to explain the fact that these businesses have not prospered. These challenges include disruptions to business caused by seasonal weather conditions (floods, fire), limited banking facilities, and undeveloped infrastructure (roads, access to the power grid). It was also stated that Indigenous businesses face 'cultural obstacles' and specifically, demands from family members to share resources rather than re-invest income in business growth, which can put businesses under excessive financial pressure. Apart from these unique challenges, a commonly expressed view is that new business owners lack experience and capacity and too often are left to fend for themselves without adequate mentoring and support.

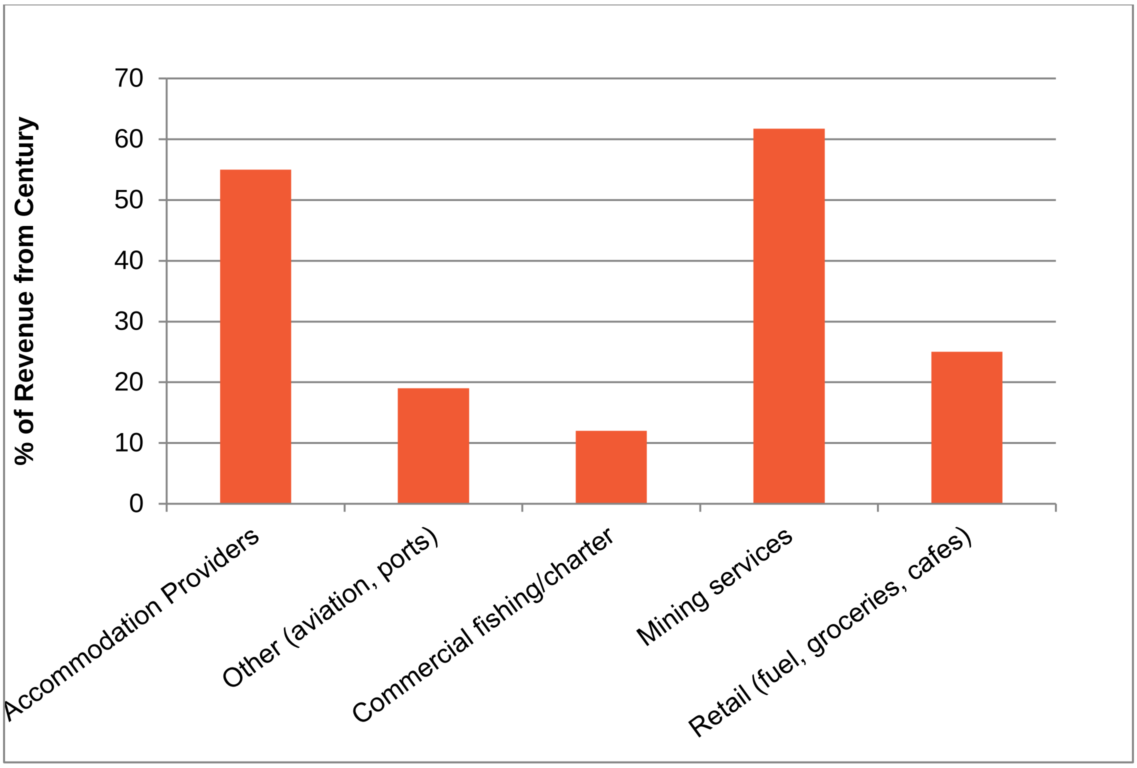
2.3 Business Reliance on Century

Reponses to the business survey indicate that business contracts with Century make up a significant proportion of the annual income of contractors and suppliers. As shown in Figure 6, this is particularly the case for businesses which provide mining services. On average, these businesses obtain around 61% of their revenue from Century. Two of the three businesses surveyed were Indigenous-owned.

Accommodation providers, most of whom are located in the town of Karumba, also benefit substantially from contracts with Century. Combined, they obtain an average of 55 percent of their revenue from Century. These businesses provide accommodation and food to employees from the zinc processing facility (and on occasion from Lawn Hill). All have been operating longer than the mine though some are under new ownership. One business caters exclusively to Century under an on-going contract; the primary source of revenue for the other accommodation providers is tourism but Century plays an important role in supplementing income during the quiet wet season. Due to the seasonal nature of the tourist industry, employee numbers fluctuate between October and April; however, none of the accommodation providers employed more than 10 full time equivalent (FTE) staff.

Other types of businesses interviewed are considerably smaller than the mining contractors and accommodation providers and also derive less of their revenue from Century. They include retailers (a supermarket and café, tavern, and general store), a fishing charter business that helps with environmental testing, aviation companies, Karumba Port management (Ports North) and a supplier of seeds for rehabilitation work.

Figure 4: % of Revenue from Century Contracts in 2011



Source: Business survey

It is important to draw attention to the considerable imbalance in the distribution of businesses between towns and communities in the Gulf. Most of the businesses surveyed for this report were located in Karumba and Normanton; Mornington Island and Doomadgee continue to have few businesses, an issue that was highlighted in the 2008 report.

2.4 Impact on the Wider Business Community

The broader impact of Century on business activity in the Gulf is difficult to quantify. Theoretically this impact is determined by three things: 1) the direct payments Century makes to Gulf-based contractors and suppliers; 2) where these contractors and suppliers are purchasing their inputs and services (i.e. inside or outside the Gulf); and 3) the wages paid by both Century and its contractors to Gulf-based employees, and where they in turn are spending their wages.

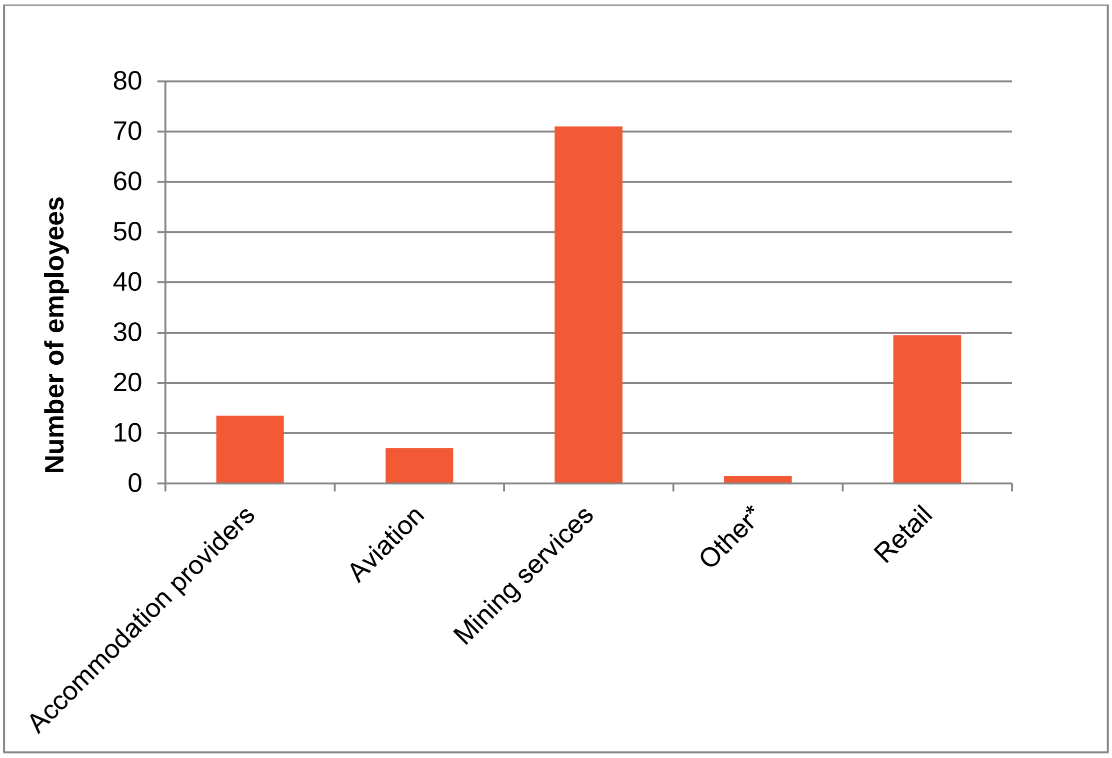
The $21.3m paid to local contractors and suppliers in 2011 is a significant stimulus to the Gulf economy and will undoubtedly be missed once the mine closes.[5] How these funds flow through the economy is unclear. The business survey attempted to quantify this by asking businesses to disclose their total spend on inputs and services, and what proportion of this was within the Gulf region. Unfortunately, an insufficient number of businesses disclosed this information to generate any meaningful data. Nevertheless, a number of general observations can be made: First, most of the food inputs sourced by accommodation providers are sourced from outside the Gulf, in some cases as far away as Brisbane. However, at least some of this is transported in using Gulf-based freight businesses such as Hawkins Freight based out of Normanton. Second, these businesses tend to purchase particular food inputs locally (seafood, bread and meat) and most also purchase fuel from local suppliers. Finally, maintenance work and trades are generally carried out by local tradespeople. This applies to accommodation providers, the charter fishing business, and contractors that use machinery at the mine site (excavators, water trucks etc.).

Wages paid by both Century and its contractors to their Gulf-based employees are significant. In 2012 Century paid $8.84 to employees residing in Burke, Carpentaria, Doomadgee and Mornington Shires.[6] Nine of the contractors and suppliers to the business survey provided data on employee wages in the same year, with a combined total of $11.21m. As shown in Figure 7, most of the staff employed by Century contractors and suppliers work for mining services companies, which as a rule pay higher wages than any of the other businesses.

[5] Company records

[6] Company records. Data includes allowances paid to Gulf-based employees.

Figure 5: Number of Employees Working for Century Contractors and Suppliers



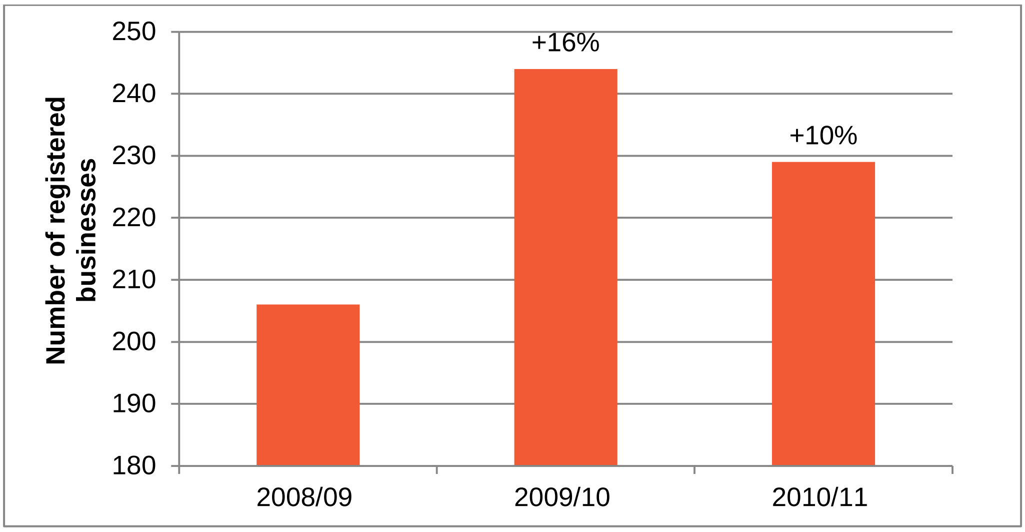
Source: Business survey

* NT-based seed supplier

Another way to measure the impact of the Century mine is to look at changes to the number of registered businesses in the four Shires over time, as shown in Figure 8. This may give an indication of the broader flow-on effect of the mine given it is the single biggest contributor to the regional economy. Of all the Shires, Carpentaria had the largest increase in total number of businesses between 2008/09 and 2010/11, increasing from 85 to 94 registered businesses (+9%). While this is significant, it does not necessarily imply cause and effect. According to Gulf Savannah Development Inc., the development agency for the region, this business growth was the result of improvements to infrastructure, including the sealing of the Karumba airstrip and various road upgrades in the region.[7] In addition, it is important to treat data at the Shire level with caution due to the fact that some Shires may include businesses from numerous other 'localities' in the region.

[7] Gulf Savannah Development (2012), Media Release, *Gulf Savannah Economy Going Strong*, 14 August

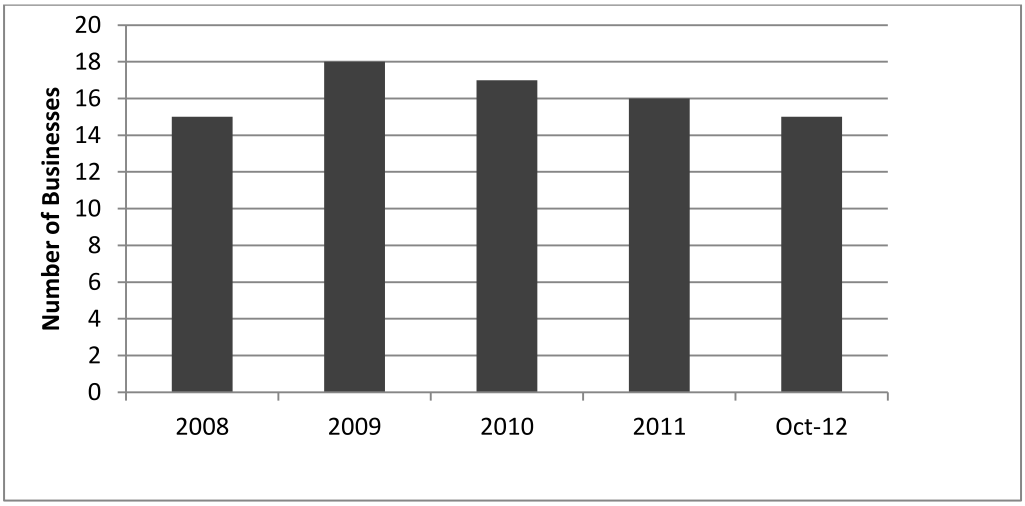
Figure 6: Combined Number of Registered Businesses in Burke, Carpentaria, Doomadgee, and Mornington Shires



Source: ABS

The mine's impacts on the business environment can also be gauged by looking at the number of Century business contractors and suppliers over time. A greater number of businesses may indicate that the mine has stimulated growth of new businesses or increased demand for inputs and services. As shown in Figure 9, the number of businesses based in the four Shires from whom Century procured products and services actually declined from a high of 18 in 2009 to 15 in 2012. This is consistent with perceptions reported during the Community Consultations that during this period Century consolidated smaller contracts making it harder for modest, locally-based Aboriginal businesses to compete for the contracts.

Figure 7: Total Number of Contractors and Suppliers, 2008-2012

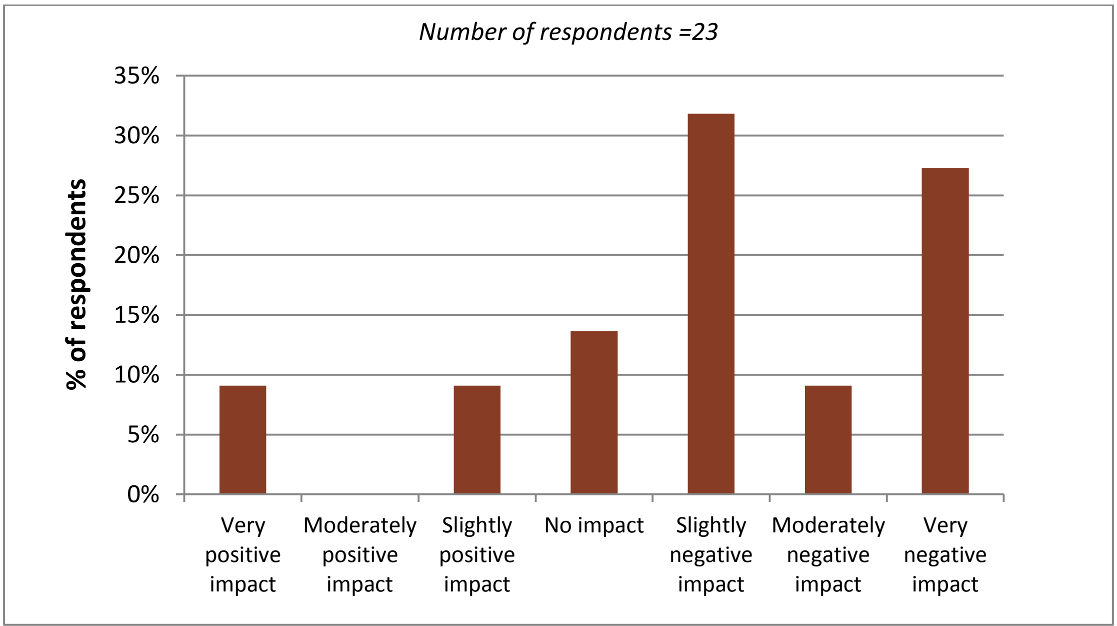


Source: Century records

3. POTENTIAL IMPLICATIONS OF MINE CLOSURE FOR GULF-BASED BUSINESS

The business survey confirmed that closure of Century will have significant implications for businesses in the Gulf. Of all businesses surveyed (contractors and suppliers, and other non-mine businesses) 63% believed that mine closure would negatively impact their business, with 32% stating it would be "very negative" (Figure 10).

Figure 8: Business Perception of Mine Closure



In the case of the 14 contractors and suppliers who responded to the survey most believed that mine closure will have some degree of negative impact on their business:

- 4 businesses predict "very negative" impacts
- 2 businesses predict "moderately negative" impacts
- 5 businesses predict "slightly negative" impacts
- 1 business predicts "no impact"
- 1 business predicts "slightly positive" impact
- 1 business predicts "very positive" impact

Accommodation providers in Karumba are particularly susceptible to the impacts of mine closure and all respondents stated that they would be either "moderately" or "very negatively" impacted, and that these impacts would happen either straight away in 2016 or by 2018 when all zinc processing ends. Century has contracts with a number of these providers to house employees from the processing facility. As shown in Figure 6, these businesses derive on average 55% of their revenue from Century. In addition, with the tourist season ending by September in the Gulf, Century provides a valuable (and in some cases essential) source of income during the off-season which, for some, means the difference between making and losing money. According to one business owner:

> *"It would certainly impact us. We would go from earning a revenue now to virtually nothing in the months of November, December, January and February. And we would not employ anyone - just the wife and I. We get very few travellers through the area after the end of September. There is another two caravan parks that linger on a bit longer than what I do. But there are very few travellers. And like out of the 3 caravan parks - just say there is 300 powered sites available, there would be probably 290 available now* [October]*. So, we would go from turning money over to virtually nothing."*

One accommodation provider had recently taken out a loan to add ten new cabins to his property in Karumba with the hope of gaining additional business from Century to house employees from the processing facility. When asked about what impact mine closure might have on his ability to repay his loans, his response indicated he was not entirely clear about MMG's plans post 2016. Uncertainty about MMG's intentions after closure was expressed by most respondents and limits the ability of businesses to plan for closure. It is perhaps for this reason that only 4 of the 14 contractors and suppliers indicated that they had developed strategic plans to manage the impacts of mine closure in 2016. When asked about his plans for closure, one accommodation business owner in Karumba explained:

> *"This interview has made us think about it. Up until now, we heard about the mine closing in 2016 but we thought that they'd have the port up until 2020. We have to review the current contract with the mine to allow us to re-establish fishing and tourism connections. I probably need to have those discussions with __ or whoever it is. They have said they want to maintain this plus Pelican's plus the Gulf Caravan Park as the three operational facilities for FIFO - maintain the three. The question is going to be: how long will they need the three? Is there an order of preference in there? That's going to be a real issue heading towards 2016 – to understand the overlap and concessional issues around the contract."*

Other contractors and suppliers who believe they will be negatively impacted include one of the three mining services companies, both of the airlines, a charter fishing vessel, and two of the retailers. Respondents reported that the negative impacts will result from lost revenue from Century contracts. However, despite the majority of businesses believing that mine closure would have a negative impact, only half of those with employees thought they would have to reduce numbers as a result of mine closure.

In contrast to these businesses, there were a relatively small number (four, or 18% of the total) who thought mine closure would be positive in some way. One of these, a fishing charter business in Karumba, explained that with MMG employees in town during the tourist season, there is limited accommodation for potential customers. However mine closure would free up accommodation, thereby potentially resulting in more bookings.

Some concern was expressed by stakeholders about the implications of closure for the viability of the charter airlines servicing the region which, on occasion, provide flights for community members, as well as valuable services to remote areas. Century has contracts with three airlines operating in the region: Alliance Airlines, Savannah Aviation, and West Wing. Alliance receives substantial revenue from Century contracts, however it is not clear what closure will mean for its economic viability. Savannah Aviation is the only Gulf-based airline that provides services to Century. Despite having significant contracts in the past, Savannah Aviation now has limited business with Century and will likely be minimally impacted by closure. Consequently, any services this airline provides to the community will be minimally impacted.

It is not entirely clear what impact mine closure might have on West Wing Aviation, which provides regular charter services for Century. However, should this airline's operations in the region be reduced or cease it could have significant implications for important services it currently provides. Beyond flights for Century, West Wing provides the 'mail run', including to remote cattle stations, delivers small quantities of freight, and also provides support for the Royal Flying Doctor Service. However, should West Wing cease the mail run to the region, these responsibilities would likely be picked up by another airline.

3.1 Implications for Indigenous Businesses

Both NPC and LHRPHC appear to be well-positioned to benefit from mine closure. As discussed in section 2, both of these companies continue to do well, an observation we made in 2008. As commercial companies owned by the TOs they are likely to play a significant role in land rehabilitation and land management post-closure. Although still dependent on revenue from Century, NPC is reportedly attempting to diverse its business to other customers and regions. Whether or not companies like NPC and Hookeys are able to obtain new contracts that are sufficient to offset lost business is another matter given the high level of reliance some have on income from the mine. In one case, for example, this is around two thirds of earnings.

LHRPHC's cattle properties surround the Lawn Hill mine site, giving it a strategic advantage in securing contracts to undertake post-closure land management such as weeding, soil monitoring and testing and other rehabilitation works. It is also reportedly seeking to leverage a strong balance sheet to expand out of the cattle business to undertake heavy equipment work. Finally, it is unclear what plans Hookeys has post closure but as discussed earlier, it is reportedly continuing to do well. This bodes well, given the size of these companies, the relatively large number of people they employ and training opportunities that are provided to staff.

A sobering reality is that the very circumstances that have enabled these Indigenous-owned businesses to benefit from the GCA – their connections to their country – may end up limiting their ability to grow through expanding to other mining operations and regions. One respondent explained that there are sensitive cultural politics that may prevent one TO group from operating in other regions. The example of MMG's interest in mining at the Dugald River was used to make this point:

> *"I look at Dugald River and think is MMG just going to transfer some of their existing service providers to Dugald? But I think with Dugald there comes a whole set of new commitments to new traditional owner groups. I'm not sure that just because they were a company in Doomadgee set up to support Century they are going to get the inside running to provide the same services at Dugald because there will be a similar preferential arrangement for the TOs from the Dugald country."*

This is not an inherently bad thing, *per se*, for business development in the broader northwest region as such new agreements with Native Title groups have the potential to increase the number of viable Indigenous-owned businesses in the long term.

Closure also has implications for the viability of currently successful businesses, such as the Doomadgee Roadhouse which is currently owned by ADBT. What would happen to ADBT and what would this mean for the Roadhouse? One respondent explained that the major source of income for people in Doomadgee was employment with the mine or its contractors, such as NPC. If disposable income drops and with it the viability of this local business, the community may lose the Doomadgee Roadhouse, which is the only source of fuel, groceries and other supplies for the community. This would be, as one respondent put it, "devastating".

3.2 Broader Implications for Business in the Gulf

Beyond contractors and suppliers, mine closure would have negative impacts on a range of businesses in the region, though exactly to what degree is difficult to say. A common view among businesses and a range of other stakeholders was that the town of Karumba was likely to be hardest hit by mine closure because of the presence of the processing plant and port facility. As one respondent explained:

> *"At any one time you have 30-40 people working for the mine in Karumba, and when they go out all that money they have been spending in town is going to disappear as well. So there might not be a contractual arrangement but they are going to lose business."*

Among the businesses certain to be impacted are accommodation providers and those that supply meals to FIFO workers at the port facility. There are two places that are fully leased by MMG, and others that partially accommodate employees. As discussed earlier, some of these have specifically constructed accommodation because of Century's presence. The café attached to the supermarket provides all the meals to FIFO employees and the tavern is also regularly frequented by Century employees. A number of other businesses, such as the fishing charter companies, explained that they occasionally get business from Port employees.

The issue of cumulative impacts was raised by some respondents. The effects of mine closure on Karumba and its businesses are likely to be exacerbated by a number of events and developments in recent years. These include the floods in 2009, the live export ban in 2011 and, most recently, the announcement of restrictions on the fishing industry resulting from the creation of new marine parks in the Gulf. One respondent explained that all these events placed the regional economy under strain:

> *“What's happened in the last few years is that in 09 you had major floods and that knocked out the tourists for a good year and it really took until this year to get the tourist numbers back. And then you had the live export ban. And Karumba was obviously impacted. They had 12 weeks of total isolation. There were no tourists. That tourism impact lasted for a couple of years. And the live export ban last year - there was no cattle going out of Karumba. The cash dried up in the cattle economy and these guys are still suffering big time - they are drowning in debt. Now, last week the Gulf marine parks were announced. Initially it might be 1 fishing business or 2 go out, but as time progresses more and more will fall by the wayside - because those that are left will face increased competition, they will be fishing over the top of each other, they’ve got to travel further to get to the fishing grounds.”*

A key theme that arose in many of the interviews was a sense of vulnerability in the Gulf. One woman who runs a non-profit program advising small business in the region explained:

> *“There will be a huge psychological impact on the Gulf when the mine closes - it is a psychological thing not having that business out there in the Gulf. Everyone sees having the mine out there as a big plus. There is this mind-set that they are a "forgotten lot" out there. There is not much besides the mine - only small business. Many of these businesses are struggling – they don't have the business. When the wet season comes many of the businesses just shut up and go on holiday.”*

There is considerable concern about the future of the port facility in Karumba and what its closure might mean for businesses both in Karumba and in other parts of the region. Management of the port is undertaken by Ports North, which manages five commercial ports in Queensland. The business receives revenue from Century for operating the port, including channel dredging. In the event that Century closes the processing facility in Karumba dredging is likely to stop. However, contrary to some views, this should not shut down the cattle export trade or commercial fishing operations which are of considerable importance to the regional economy and employment. One respondent explained that, at worst, the commercial fishing businesses and other boat operators would have to work around the tides more.

There has been some speculation that rather than walking away from its multi-billion dollar facility and pipeline, MMG, or another company, will continue to use the facilities. There are apparently considerable reserves of phosphate at Lawn Hill and one proposal being explored includes using the pipeline to send phosphate to the port.

One view expressed by a few people, including a local government representative is that regardless of whether or not new mining operations continue to use the facilities at Karumba, there will most likely be a period of shutdown, perhaps for as long as 5 years:

> *"I would say it's going to happen, yes. It will close. It might extend for another 6 months. The die is cast and it's going to close. And the chances of another single player coming in and taking over all the infrastructure is not great at this point in time. But in 10 years you might have a whole set of companies all wanting to export out of Karumba and use the pipeline and so on. I think this whole transition is the real issue and who is going to carry the costs and the liabilities in the interim period."*

It is likely that Century will continue to retrieve tailings for some years after the mine closes, though on a relatively small scale compared with current operations. Of the 1.2 billion tonnes of ore extracted over the life of the mine, it is estimated that only 70-80% of the zinc has been retrieved. Century could potentially run a small operation that could, for example, process 200,000 tonnes of ore after 10 years.[8]

4. FUTURE PROSPECTS FOR BUSINESS AND OPPORTUNITIES FOR MMG TO LEAVE A POSITIVE LEGACY

As discussed in the previous sections of this report, Century mine and the GCA have contributed to the development of a number of successful businesses in Gulf communities, notably those owned by Indigenous people. These businesses appear to be providing a good foundation for economic growth and, importantly, are providing employment and training for a significant number of Indigenous people. However, as reported in our 2008 report, the present study has not found any evidence that there has been growth in the number or size of businesses of a scale required to form the basis of a viable, robust regional economy once mining ends. The final section of this report suggests there is great potential in the Gulf region for businesses to exploit its natural resources and it is within Century, and MMG's power to play an important role in enabling this.

A consistent message in interviews with businesses and other stakeholders during the course of this research was that the Gulf region has massive untapped natural resources capable of driving economic growth, business development and employment generation in the future. These include: extensive mineral resources; a well-establish cattle export and breeding industry; fisheries resources; numerous tourist attractions (e.g. 'the Savannah Way'); vast water resources in some areas and potential for irrigated crop agriculture; geographic proximity to Asia; and energy resources (natural gas, solar and geothermal). With restrictions on port construction on Queensland's East Coast because of the Barrier Reef, there is also potential for the Port of Karumba to become an alternative export hub (through the so-called 'Transhipment model'). There is reportedly a private consortium proposing to set up a railway line from Cloncurry and Mount Isa to Karumba. Part of this plan involves creation of an offshore terminal at the port. This would involve construction of a kilometres-long jetty and artificial loading island.[9] The plan has apparently received high

[8] Company records

[9] Carpentaria Rail (2012), *Port Carpentaria Railway Project*, 19 October

level interest from the state government. The most promising source of future economic growth in the region is further mining activity.

MMG itself is exploring the option of exploiting small vein-style targets close to the pit at Lawn Hill, such as the 'Silver King' vein. These are likely to be only small scale operations and they will probably not be sufficient to offset the lost revenue and employment resulting from closure of Century. MMG has also received full environmental approval to mine the lead-zinc-silver deposits at Dugald River 85 kms northeast of Mount Isa (west of Cloncurry). This operation will be smaller in scale and have lower profit margins than Century. It will have a capacity less than half of Century's annual production and could provide employment for around 4-500 people, approximately half of the current workforce at Century.[10] Elsewhere, there are numerous other mining prospects being considered. These are summarised in Table 2.

Table 2: Mining Prospects in the Gulf Region

Name	Commodity	Location	Principal Company	Status (as at Dec 2012)
Agate Creek	Gold	Etheridge Shire	Renison Consolidated Mines NL	Feasibility assessments on going
Redbank	Copper	NT border	Red Bank Copper	Feasibility assessments on going
Highland Plains	Phosphate	NT border	Phosphate Australia	Advanced exploration and development
Westmoreland	Uranium	Burke Shire	Laramide Resources	Scoping Study completed
Georgetown	Uranium	Etheridge Shire	Mega Uranium	Unclear

Source: CSRM research; Gulf Savannah Development, 2010

One of these prospects is a uranium mine at Westmoreland around 200km north east of Century. According to the owner, Laramide Resources, Westmoreland "is expected to have compelling economics at today's uranium prices based on Scoping Study economics". Laramide has flagged the possibility of using the port facility at Karumba.[11]

A few of the mining prospects lie just across the Queensland border in the Northern Territory but there is also potential for them to use the port at Karumba. Phosphate Australia, for example, is considering using a pipeline to transport phosphate slurry from its Highlands Plains project to Karumba. An independent scoping study found that a 3 million tonnes per

[10] Company records

[11] http://www.laramide.com/index.php/projects22/australia10/westmoreland [accessed 18/12/12].

annum slurry pipeline would deliver operational expenditure costings from only A$2.06 to $3.69 per tonne (pipeline operating costs only).[12] There are a number of other mining projects not listed above that are on the horizon but there are limited details about these projects. They reportedly include coal seam gas (CSG), coal, uranium and phosphate. However, none of these projects look likely to be operational within the next few years.

Despite these mineral and other natural resources, the region faces numerous barriers to development. These include: seasonal limits to tourism, disruptions caused by extreme weather events (e.g. flooding), limited financial/banking facilities and, most critically, limited infrastructure, particularly power and roads.

When key stakeholders were asked how Century could help the business environment in the Gulf in the next few years, assistance with infrastructure development was often discussed. Some respondents were critical of Century's 'pick a winner' approach to business development, in reference to some of the investments made by ADBT:

> *"They are putting money into businesses like____, but at the end of the day that business will remain marginal because the roads are closed for a significant part of the year. Even in the tourist season people don't go out there because of the condition of the dirt road. But if you want to help all businesses rather than try to pick a winner put in some core infrastructure that will improve the investment environment……There are government programs where partner funding is required. That is when MMG should be at the table saying 'look, we'll put some money into this' – it might be a road upgrade, a new bridge, but it's going to shore up the viability of businesses across the board."*

Other respondents echoed these sentiments, with one suggesting that MMG had taken a "very narrow approach" to supporting business development. Another stated that there was a real opportunity for MMG to leave a positive legacy in the next 5 years. This did not necessarily mean building new infrastructure from scratch but rather maintaining or upgrading what was already there. The power line Century has built from Mount Isa to Lawn Hill was raised as an example. It was suggested that if MMG wanted to leave a positive long term legacy for the region it could play a role in extending the line to towns not yet on the grid:

> *"One thing is the power lines. Doomadgee, Burketown – are all off the grid. MMG has paid for a power line to run from Mount Isa to the mine site – 500km – but if they extended it for another 200km, they could link up another three townships. There is a strong economic argument for pulling it up* [maintenance costs]. *But if you take a longer term view and as the economy grows in the Gulf through new mines – one of them is a uranium mine west of Doomadgee, 2 or 3 CSG companies near Burketown – these are all potential clients of the power line."*

[12] http://www.phosphateaustralia.com.au/irm/content/highland-plains-northern-territory-australia.aspx?RID=294 [accessed 18/12/12].

Another suggestion was for MMG to play a role in upgrading the ‘Matilda Highway’ which would improve the flow of traffic to Normanton throughout the year. A local government representative from one of the Shires stated that the most important project in his view was to upgrade the ‘White Rock Road’, a dirt road that leads from Camooweal through Lawn Hill to Doomadgee. This would apparently open up the mineral field “dramatically”. There is clearly room for discussion about partnering for strategic and concerted investment by local and state government and major regional industries to achieve such development.

There is also serious attention being paid to the intensification of the cattle industry in the Gulf. Despite the availability of suitable soil and sufficient water resources in some areas, there is a widespread perception that the Gulf cattle industry is not reaching its potential in terms of productivity and employment generation. As one business representative explained,

“At the moment we are pretty much a calf factory - everyone just breeds cattle - they all get fattened up and slaughtered down the south - they make all the money.”

Again, a number of respondents explained that a lack of infrastructure, specifically roads and power, was holding the industry back, with irrigators in some regions forced to rely on diesel for power. One business representative explained that MMG’s support for infrastructure development could play a role in helping intensify the industry.

Despite the critical comments from some stakeholders about Century’s approach to business development, the majority of businesses we talked to stated that the company had been a good thing for the Gulf. By playing a supporting role in the development of key infrastructure in this way Century, and MMG more broadly, can help leave a positive legacy in the Gulf and, in doing so, enhance MMG’s social license to operate in the region and in Australia more broadly.

Appendix 1: Business Survey Phone Questionnaire

Century Closure and GCA Update – Business Survey (Generic)

Business overview

1. How long has your business operated in the Gulf Region?

2. What types of products or services do you provide?

3. How many people do you employ?
   Full time ………..
   Part time ……….
   Total (FTE)………

4. How many of these employees are Indigenous?
   Full time ………..
   Part time ……….
   Total (FTE)………

5. What was your approximate annual turnover (sales / services) in 2012 (or latest year for which data is available)………?

6. Please estimate the percentage of your total turnover from sales to each the following:

   a. Century mine (including Century contractors)……..%
   b. Other customers (not including Century) within the Gulf region………%
   c. Customers outside of the Gulf region………..%

7. What was your total expenditure in 2012 …………?

8. What was the value and percentage of your expenditure in 2012 for the following categories?
   - Wages and salaries
   - Wages and salaries paid to employees in the community / Gulf region

- Supply inputs from the region
- Supply inputs from outside the region

If you do not have this information at hand, please fill out the table below and return to CSRM:

	Wages and salaries	Wages and salaries paid to employees in the community / Gulf region	Supply inputs from the region	Supply inputs from outside the region
Amount of annual expenditure				
Percentage of total annual expenditure				

Relations with MMG / Century

9. Please comment on how supportive you feel MMG / Century has been to your business?

10. Do you feel that it has lived up to its commitment in the GCA to enable Native Title Groups to fully participate in the Century Mine and related ventures?

11. If not, what could MMG / Century have done differently?

Impact of closure

12. What do you feel will be the overall impact of mine closure on your business?

Very positive Impact	Moderately positive impact	Slightly positive impact	No impact	Slightly negative impact	Moderately negative impact	Very negative impact
1	2	3	4	5	6	7

13. When do expect these impacts to occur:
    a. Once Century transitions to a processing-only stage (involving a reduced workforce)?
    b. When rehabilitation activities are underway at Century (perhaps for a period of 3-5 years)?

c. When Century is in a phase of care and maintenance (involving only a small staff for 2-3 decades)?
d. Following completion of all of MMG activities and relinquishment of the lease?

14. Please describe the nature of these impacts on your business.

15. Do you expect to reduce employee numbers once the mine closes?

Definitely will not reduce staff	Slight chance will reduce staff	50:50 chance will reduce staff	Likely will reduce staff	Definitely will reduce staff
1	2	3	4	5

16. If your business ceased to be viable in the long term, what gaps in services, trades or infrastructure would this create for the community and / or region?

17. If there are gaps, are there any particular groups in the community / Gulf region who will be impacted more than others?

Post closure strategies

18. What plans / strategies do you have for adjusting to the closure of the mine? For example, are you actively seeking or establishing partnerships with other businesses, either regional or non-regional?

19. What assistance would be ideal for helping your business adjust to mine closure and who could feasibly provide this assistance (e.g. The Commonwealth, State Govt., MMG / Century, ADBT)?

20. Are you aware of any other mining activity planned or proposed in the Gulf region that you may benefit from in the future? If yes, please provide details.