

Local Content Policies In Minerals-Exporting Countries: The Case of Australia

Introduction

The mining industry is a significant contributor to the Australian economy. The sector is of key importance for several reasons. First, the country is endowed with significant minerals and metals, which make an important contribution to the economy as a whole. Second, thanks to its rich mineral endowments, Australia has become home to some of the largest global mining firms in the world, such as Rio Tinto and BHP Billiton, with global investment interests and footprints. Finally, Australia has become a key player in mining equipment, technology and services (METS), becoming an important global supplier of services.

Overview of the Mining Sector

The mining industry has shaped the socio-economic history of Australia over the last two centuries. Since then Australia has been at the forefront of successive global resource booms. The mineral reserves of the country are vast, diverse and of high quality. It is the world's largest producer of bauxite and iron-ore, the second largest producer of alumina, lead and manganese; the third largest supplier of nickel, gold, zinc and uranium and has the third largest commercially viable deposits of diamonds. Australia is also the fourth largest producer of aluminium, black coal (though the largest exporter, with about 35% of international trade) and silver; and the fifth largest producer of tin.

In 2014 the mining sector, excluding services to mining, contributed around AUD 139 billion to Australia's AUD 1 598 billion GDP, or around 8.7% of the total. Export earnings from commodity and energy resources were AUD 172 billion in 2014-15 (of which AUD 26 billion is oil and LNG), approximately equivalent to 50% of total exports. These are forecasted to increase by around 6% annually to AUD 235 billion in 2019-20 (of which AUD 58 billion will be generated by LNG and oil). Furthermore, the resources sector represents almost 20% of the Australian Stock Exchange market by capitalisation, and almost one-third of all firms listed. The sector was estimated to employ only about 2% of the labour force in 2010 (Scott-Kemmis, 2011).

Australia is also home to some of the world's biggest mining firms. In 2014, among the top 10 global mining giants, three of them were Australian. BHP Billiton is one of the world's largest and most diverse mining firms. Its Australian operations include iron ore, nickel, coal, copper and petroleum. The British-Australian multinational Rio Tinto is the world's third largest miner, with the second largest iron-ore assets in the world, as well as large exploitations of coal, copper, aluminium, diamond and uranium; Fortescue Metal Group boasts large iron ore operations globally.

Australia is not just a producer and exporter of raw materials. It is one of the world's most important suppliers of mining equipment, technology and services (METS). It is estimated that at least 60% of the world's mines operate with Australian-made and designed software. The METS sector provides specialized equipment for extraction and processing, highly sophisticated technology and expert services such as engineering, mapping and geological analysis. The sector has grown five-fold in the past 15 years. The METS sector now makes up nearly 7% of GDP and employs nearly 7% of Australian labour force, far more than the mining sector itself. The sector leverages Australia's comparative advantage in mining and has experienced particularly strong growth in part because service activities in the sector are best provided by outsourced, specialised suppliers rather than in-house at each mining location or at the mining firm level.

General mineral policy orientations in Australia

Before considering Australia's legal mining framework, it is important to understand the overall policy parameters governing the country's approach to the mining sector. The desirability of using local goods and services are promoted, although this is not a condition of project approvals. Additionally, Australia aims to maintain the competitiveness of its world-class and technologically advanced suppliers, in particular in the METS sector. Numerous government policies help to maintain the country's competitive edge and to foster the expansion of Australian firms abroad. Lastly, given that the country is also home to global mining giants, Australia uses its economic diplomacy to advance the national interests of its mining sector abroad.

Policy orientation regarding mineral extraction and related activities

The mining sector is regulated in Australia by a complex and wide-ranging web of policy measures and legislations that govern various aspects of the development of the sector, from exploration to closure. The system is implemented at different levels of government, primarily at the level of the State and the Territory. Legal frameworks are combined with a variety of other policy instruments ranging from policies to encourage the participation by Australian firms within inter alia the resource and energy sectors, both in domestic projects and in overseas ventures, to information-sharing initiatives, to industry and firm-level support.

The overarching policy frameworks relevant to local content,¹ developed at the **Commonwealth (Federal) level** are:

1. The *Australian Industry Participation National Framework* (AIP National Framework), signed in 2001, by the Commonwealth Government, State and Territory Ministers;
2. The *Australia Jobs Act 2013*, which requires all major projects with a capital expenditure of AUD 500 million or more to prepare and implement an Australian Industry Participation (AIP) plan (the AUD 500 million threshold is a Commonwealth-level requirement, complemented in some states by additional scenarios where Local Industry Participation plans are required). No specific local employment and procurement targets are prescribed. Executive summaries of AIP plans are publicly available.

In addition, each **State and Territory** has the authority to regulate its own mining regime. In this context, each State has enacted specific legislations to provide the legal and administrative framework to regulate the sector. Whilst State legislations are not uniform in this area, each jurisdiction however adopts similar regulatory approaches. In broad terms, mining activities in each State are regulated by:

- a) *Mining Acts*, which enable the States to grant licences and/or mining leases over a defined area; and
- b) *State Agreements*, developed for particular large extractive projects, between the State Government and the "developer". State Agreements set out the rights and obligations of both parties throughout the life of a significant development project. These may include, among others, obligations for the miner to include a requirement to submit detailed development proposals including how they intend to source goods and services from local suppliers and employ local workforce.
- c) *Indigenous Land Use Agreements (ILUA)*, entered between people who hold Native Title over a particular area and a mining developer. These agreements sometimes contain very specific local content provisions, such as obligations to partner or enter into joint ventures with Aboriginal people, employment and training requirements.

¹ Within the system, some programmes are implemented on a cross-cutting basis for all industries under the overall framework of advancing Australian "industry participation" (following from local content initiatives in the 1980s and 1990 in a range of sectors, including for example the automotive industry). Programmes have also been specifically tailored to the resource sector, both the mining industry and increasingly LNG projects (although the latter is not the focus of this paper). Furthermore, the federal (Commonwealth) system of government means that initiatives may be decided and funded at the Commonwealth level, implemented at the state level alongside specific initiatives, and monitored at the State and local level.

Furthermore, various States have developed voluntary codes of conduct with mining firms. These include elements to improve the relationship with the local community (in many cases Aboriginal communities) through enhanced business opportunities, training and employment opportunities. These have given rise to a series of bilateral agreements that firms have negotiated with Aboriginal communities.

To complement firms' efforts to source locally, a number of programmes have been designed to provide information and assistance to supplier firms to enable them to submit competitive bids for project tenders. The latter is achieved through (i) providing assistance to suppliers to build capability, and (ii) government-supported facilitation and networks that link suppliers to specific tendering opportunities.

Policy orientation regarding the competitiveness of Australian suppliers of mining equipment, technology and services (METS)

Australia is considered to be a global hub for various activities such as exploration mining production, research and innovation. The country has managed to create a dynamic "minerals innovation complex" based on close ties between mining related research and innovation organisations and mining sites, both in Australia, and increasingly abroad.

The emergence and growth of the METS sector came out of the combination of technical challenges faced by mining firms operating in specific and difficult conditions and the capabilities of Australian firms to develop solutions to address these challenges. It is worth noting that most METS firms were developed by entrepreneurs with engineering or technical training and prior experience in mining or mining related industries, rather than from academic institutions or research centres, although the latter play a key role to support businesses.

The drive for METS came from the mining sector itself. Australia's mining industry invests significantly in research and development (R&D), with the sector injecting AUD 3.8 billion annually (Australia Trade Commission, 2015). Similarly, Australia has sought to align its education system to the needs of the mining industry, where partnerships and links play a determining role. Various college and university programmes are sponsored to offer practical, relevant industry skills across a wide range of disciplines.

Recently, the Australian Government set up Industry Growth Centres to target six specific growth sectors of the Australian economy, one of which is METS. The Australian Government is providing AUD 250 million over four years starting in 2016/17.² The purpose is fourfold:

- To identify regulations that are unnecessary or overly burdensome and suggest possible reforms;
- Improve engagement between research and industry;
- Facilitate access to global supply chains; and
- Improve the management and workforce skills in the key growth sectors.

A growth centre for the METS sector called METS Ignited was launched in 2015.³ It is an industry-led but government-funded initiative which is expected to boost the METS industry to become a key contributor to increase prosperity and jobs. The programme will build on existing successes of the METS industry and will capitalise on the high quality research in the country.

² www.industry.gov.au/industry/Industry-Growth-Centres/Pages/default.aspx.

³ See speech delivered by Hon. Josh Frydenberg, Minister for Resources, Energy and Northern Australia. 12 November 2015, <http://www.minister.industry.gov.au/ministers/frydenberg/speeches/mining-and-australian-economy-australian-governments-priorities-mining>

Overview of regulatory frameworks applicable in Australia

This section highlights in detail the key regulatory frameworks that apply to the mining industry but also are relevant to the METS sector.

Regulatory frameworks developed at the Commonwealth (national) level

Australian Industry Participation (AIP) National Framework

As mentioned, at the Commonwealth level the overall policy with respect to Australian industry participation is set out in the Australian Industry Participation National Framework (2001), which aims to create a "nationally consistent approach to maximising Australian industry participation in investment projects, whether involving the private or public sector".⁴

The framework elaborated the key principles for the national approach, including the overarching principle that project proponents are encouraged to maximise Australian industry participation in investment projects by providing industry "full, fair and reasonable opportunities" to participate or bid for the supply of goods and services.⁵

From 2011 to 2014, a new package of Commonwealth-level initiatives under the AIP framework was in place, including those specifically or primarily focused on the resource and energy sectors. Between 2011 and 2014, the "Buy Australia at Home and Abroad" programme specifically targeted the mineral and energy resource sector and contained a number of commonwealth funded sub-programmes including the Resources Sector Supplier Advisory Forum and Resources Sector Supplier Envoy, Supplier Advocates in the resources sector, Enterprise Connect resource focused services, and additional support for the Australian Made Campaign Limited.

Specific LCP-related Programmes implemented in recent years under the AIP

Some of the key programmes relating to local content that have been implemented in recent years under the AIP include:

- a) The Supplier Access to Major Projects⁶ (SAMP), which started in 1997 and "provides funds to work with project developers to identify supply opportunities for capable and competitive Australian firms. In 2011, SAMP was extended to SAMP (Resources) as part of the Buy Australia at Home and Abroad programmes. Commonwealth funds are provided to the Industry Capability Network Limited⁷ (ICNL), to coordinate the Industry Capability Network⁸ (ICN), a network of organisations, funded privately or by State and Territory Governments, , that help facilitate linkages between Australian and New Zealand firms to the supply chains of major projects. SAMP seeks to increase opportunities for Australian industry, especially small and medium enterprises (SMEs) to participate in major projects and increase access to global markets. ICN have estimated that since the inception of SAMP, more than AUD 18.5 million has been provided to support 162 projects, through which Australian firms have won contracts valued at more than AUD 4 billion for work that could have gone to overseas competitors.⁹This programme specifically targeted the mineral and energy resource sector and created an institutional structure aimed at linking supplier firms to major resource projects. A Resources Sector Supplier Envoy was appointed as a high-level spokesperson for the supplier industry

⁴ www.industry.gov.au/industry/IndustryInitiatives/AustralianIndustryParticipation/Pages/default.aspx.

⁵ *Full* means that the Australian industry has the same opportunity as afforded to other global supply chain partners to participate in all aspects of an investment project (e.g. design, engineering, project management, professional services, IT architecture); *Fair* means the Australian industry is provided the same opportunity as global suppliers to compete on investment projects on an equal and transparent basis, including being given reasonable time in which to tender; and *Reasonable* means tenders are free from non-market burdens that might rule out Australian industry and are structured in such a way as to provide Australian industries the opportunity to participate in investment projects. See AIP National Framework, section 3.

⁶ www.industry.gov.au/industry/IndustryInitiatives/AustralianIndustryParticipation/Pages/IndustryCapabilityNetworkLimited.aspx

⁷ www.industry.gov.au/industry/IndustryInitiatives/AustralianIndustryParticipation/Pages/SupplierAccessToMajorProjects.aspx

⁸ www.industry.gov.au/industry/IndustryInitiatives/AustralianIndustryParticipation/Pages/SupplierAccessToMajorProjects.aspx

⁹ www.industry.gov.au/industry/IndustryInitiatives/AustralianIndustryParticipation/SupplierAdvocates/Pages/Review-of-Buy-Australian-at-Home-and-Abroad-%E2%80%93-June-2014.aspx.

and, according to a 2014 review of the programme worked with a broader Resources Sector Supplier Advisory Forum "to raise awareness among project developers and their international agents of the benefit in considering Australian firms within their major projects". Funding for the scheme was discontinued in the budget of that year.

- b) Enhanced Project By-Law Scheme (EPBS),¹⁰ was implemented from 2002 until 3 May 2016 whereby duty-free tariff concessions are granted for eligible goods such as machinery, equipment and their components, imported for use in mining and other selected industries for large projects that have developed and implemented an approved AIP plan that "demonstrates how the project will provide full, fair and reasonable opportunity to Australian industry (especially small and medium enterprises) to supply goods and services to the project". Eligible goods are those for which equivalent goods are not produced in Australia or the imported goods are more technologically advanced, more efficient or more productive than those produced in Australia (Australian Government, Dept. of Industry and Science, 2015).¹¹ No new applications for duty-free imports have been considered since 3 May 2016.

The Australian Jobs Act 2013

The Australian Jobs Act 2013 requires public and private major projects in Australia with a capital expenditure of AUD 500 million or more to prepare and implement an Australian Industry Participation (AIP) plan (CCSI, 2015). The Act specifically highlights that:

- a) Australian firms should have full, fair and reasonable opportunity to bid for the supply of goods and services for the project;
- b) Firms must ensure that they have a broad understanding of the capacity and capability of Australian entities to supply goods and services;
- c) Standards for key goods and services needed for the project that are to be acquired by the firm are published, as well as expectations in relation to these goods and services;
- d) Firms conduct awareness campaigns about key procurement opportunities for Australian suppliers;
- e) Firms conduct training programmes for employees of procurement entities for the project, directed towards understanding AIP objectives and outcomes; and
- f) Encourage Australian suppliers to integrate and develop their capability to supply goods and services to global supply chains.

Specific agreements developed at State level

As mentioned, mining developers operating projects that have a bearing on the economy of the State are governed by State Agreements¹² and those that are found on Indigenous land, by Indigenous Land Use Agreements, which are negotiated on specific terms with the State Government and Indigenous population respectively.

State Agreements

A State Agreement is a contract between a State Government and a project developer that specifies the rights, obligations and terms and conditions for the development of a specific project, which must be implemented for the duration of the agreement. Some State Agreements require that an industry participation plan be developed and implemented. A State Agreement may also contain a provision for use of local labour, professional services and materials. Typically it will contain the proviso "*as far as is reasonably and economically practicable*" or "*except where it can be demonstrated that it is impracticable to do so*".

¹⁰ www.industry.gov.au/industry/IndustryInitiatives/AustralianIndustryParticipation/Pages/EnhancedProjectBy-lawScheme.aspx.

¹¹ As of 3 May 2016, the EPBS is closed to new applications.

¹² While State Agreements enable mining companies to obtain certain concessions that may derogate certain obligations of State laws, they cannot overwrite a Commonwealth Act.

Agreements with local content obligations also require firms to submit local content reports to demonstrate sourcing decisions. The frequency of reporting required can vary from monthly, quarterly, half-yearly to "when requested".

Table 1 below highlights some examples of specific obligations relevant to local content that can be found in certain State Agreements.

Table 1. Examples of local procurement and employment requirements

Parties to the Agreement	Specifics
Copper Mines of Tasmania Pty Limited, Act of 1999 (Tasmania)	<p>The Act includes provisions to encourage the use of Tasmanian services and products. This includes the use services of "workers, engineers, surveyors professional consultants including lawyers and accountants and contractors" resident in or available within the State of Tasmania;</p> <p>Local suppliers, manufacturers and contractors are to be given reasonable opportunity to tender or quote for supply contracts. There is no obligation to use local services and products unless price, quality, experience, delivery and service offered are 'no less favourable' than those obtained from sources outside Tasmania.</p>
Merlin Project Agreement Ratification Act. 2000. Northern Territory (NT)	<p>The Act includes provisions to encourage the use of local professional services, labour and materials. The firm must use its 'best endeavours' to give local services suppliers a reasonable opportunity to tender or quote, give preference to Northern Territory (NT) workers with suitable qualifications, skills and experience and to service providers where price, quality, delivery, service and compliance with safety and environmental requirements are equal or better than can be found elsewhere. Firms are requested to consult the NT Industry Search and Opportunities Office.</p> <p>Reporting requirements assess the level of local participation, including a report to the Minister upon request (no more than annually) on:</p> <ul style="list-style-type: none"> • Expenditure on local service providers and labour as a percentage of total; • Details of local providers of goods and services to projects; • Proof of consultation with the NT Industry Search and Opportunities Office and the extent to which advice has been followed; • Reasons for sourcing labour and services from outside the NT and opportunities given for local services to bid for such services.
McArthur River Project Agreement-Ratification Act. 2007. Northern Territory (NT)	<p>The Act includes provisions to encourage the use of and give preference to local professional services, labour and materials, except if they can reasonably demonstrate that it is impractical for commercial, technical or other reasons to do so. Firms may be requested to report on the implementation of the provisions.</p>
Iron Ore Yandicoogina Agreement Act. 1996. Western Australia (WA)	<p>The Act includes provisions to encourage the use of local professional services, labour and materials. Firms shall source labour available within WA, using all reasonable endeavours to ensure that as many workers and contractors are recruited from Pilbara region, unless it can be demonstrated that it is impractical to do so.</p> <p>There is also an Agreement with the Aboriginal community that requires firms to produce and implement a local participation plan and to provide training and employment to the community.</p>

Source: Fitzgerald, 2001; Esteves et al., 2010; Natural Resource Centre.

Indigenous participation agreements

In Australia, many mining projects occur in remote areas, where a large majority of Aboriginal peoples live. Despite their presence, their participation in the mining industry has in the past been generally very low. Over time however, demand increased for more inclusive mining development to prevent social tensions. This led to tripartite agreements between governments, mining firms and local communities and to the creation of benefits-sharing mechanisms.

To address this imbalance, most Indigenous land use agreements (ILUAs) contain contractual obligations and partnerships between the Indigenous communities and mining firms to provide employment and training, including enterprise support and development, to increase business and job opportunities for the local Aboriginal community.¹³

¹³ The prime objective of ILUAs is broader than providing business opportunities. It is a voluntary agreement between a Native Title group and a mining firm over issues relating to the Native Title. The ILUAs can cover topics such as native title holders agreeing to a future development; how native title rights coexist with the rights of others; access to an area; extinguishment of native title rights and

Table 2. Examples of requirements for Indigenous content

Parties to the Agreement	Type of requirements
Rio Tinto Argyle Diamond Mine, and Traditional Owners, Western Australia	<p>“Local” is defined as originating from the East Kimberley Region. The firm must notify the business development task force (comprising Indigenous Owners and firm representatives) of its intent to open any contract exceeding AUD 250 000 in a year, relating to the provision of goods or services to Argyle at the mine</p> <p>The firm commits to giving preference to tenderers that bring the greatest opportunities to Indigenous Owners. To that effect, the tenderer is required to show how it intends to involve Indigenous owned businesses in the contract, how it will employ and/or train Indigenous Owners, and how it will provide benefits to Traditional Owners.</p>
Century Mine, Queensland Government and the four native groups of Waanyi, Mingginda, Gkuthaarn and Kukatj	The firm is requested to facilitate support to provide tenderers with information on business set-up requirements and ongoing business management (e.g. preparation of payroll, training, health, safety and environment procedures, and human resources policy).

Source: Acyl Consulting, 2001; Esteves et al., 2010.

Private-public partnerships

Besides obligations and commitments found in various legislative instruments, a number of initiatives aim to increase access to opportunities for suppliers and workers. These are generally not specific to the mining sector and offer support, including financial support, to local industry, in particular small businesses. Examples (Esteves et al., 2010) include:

1. The Indigenous Capital Assistance Scheme (ICAS), offered by the Commonwealth Government to Indigenous businesses in order to access commercial finance as well as professional and mentoring support services. Loans, ranging from AUD 20 000 to AUD 500 000 over three years are provided, supported by business advisory and mentoring support services.
2. Industry Capability Network Limited (ICNL), supported by the Commonwealth Department of Industry, Innovation and Science to facilitate linkages between Australian firms and local and global supply opportunities and to identify the capabilities of local industry. The network is connected to a database of Original Equipment Manufacturers (OEMs) and SMEs for various types of projects.
3. The New Enterprise Incentive Scheme (NEIS), provided by the Commonwealth Government, offers business advice and mentoring to individuals who want to establish a business with accredited small business training, as well as income support for up to one year.

Providing support and developing alliances and partnerships with local communities

In addition to regulatory measures, a number of firms have embarked onto *voluntary initiatives* to scale up the use of local factors of production and to work with local suppliers.

An interesting initiative is the BMA Local Buying Programme,¹⁴ established jointly by BHP Billiton and Mitsubishi Development Limited in 2001 in the State of Queensland. The Programme is targeted to specific local communities to increase their participation in supply and procurement processes.¹⁵ It is targeted to small businesses with less than 25 full-time employees. The Programme has established a partnership with Community Resourcing (C-RES), to monitor the programme’s deliverables and to ensure coordination with local suppliers.

Other private led initiatives include adapting procurement systems to make them more accessible to local Aboriginal peoples. Rio Tinto Argyle Diamond Mine, in Kimberley in Western Australia for instance, has a system in place to disseminate expression of interest forms to Traditional Owner organizations to inform the local population of opportunities. The firm also offers a longer

interests; compensation; employment and economic opportunities for native title groups; and Indigenous cultural heritage management and protection.

¹⁴ See <https://c-res.com.au/>

¹⁵ The eligible communities in the Bowen Basin are Blackwater, Capella, Dysart, Emerald, Moranbah and Nebo.

notification period to Traditional Owner groups beyond the three months specified in the agreement to prepare their participation in the tender (Estevez, Coyne and Moreno, 2013).

In addition, a plan was developed between the mining firm and the Indigenous Australians regarding cooperation and implementation of the agreement. Two trust funds were created to provide financial support to local projects, in particular to partner with the community and help them build economic independence and to support education and training. While there is little empirical evaluation of the effects of the initiatives under this ILUA, it is estimated that around 65% of the work force come from the region, and around 25% originates from the Indigenous community. The agreement seemed to have been able to increase the employability and the mobility of the local population (Soderholm and Svahn, 2014).

Another example of ILUA is the agreement signed in 2001 between the Weipa bauxite mine (Rio Tinto Alcan), the Aboriginal community, four Shire Councils, the Queensland state government and the Cape York Land Council. The Agreement led to the creation of the Western Cape Communities Trust (WCCT), which lays emphasis on local capacity building and business development. The mining firm has also committed to undertake various employment, training and infrastructure initiatives (Soderholm and Svahn, 2014).

In the same vein, the region of the Pilbara, Rio Tinto, BHP Billiton and other mining firms provide specific support to local business development. While Rio Tinto supports local businesses to overcome the challenges they face in meeting procurement requirements, BHP Billiton provides assistance through consultancy firms, to assist local businesses to prepare their bids. They also help local businesses manage risk and with their financial audits (Estevez, Coyne and Moreno, 2013).

Table 3. Summary of LCPs applicable in Australia

Type of Requirements	Details of requirements	Applicability in Australia	Relevant legal frameworks
Legal requirements to give preference without specifying targets			
Labour requirements	Provisions to encourage employment of local labour	Firms are encouraged to employ local labour (sometimes specific professional categories are identified)	State Agreements ILUAs
Local procurement	Sourcing of goods and services	Firms need to ensure full, fair and reasonable access to opportunities for local suppliers Firms need to ensure that their local contractors given local service suppliers opportunity to tender	Jobs Act AIP State Agreements
Information sharing	Firms are required to publish information on their website and in the press	Firms are required to consult local databases and to publish job vacancies and tenders on their websites	State Agreements; ILUAs
Capacity building and training	Training and capacity building for Indigenous workforce and for local suppliers	Firms are encouraged to provide training to labour and suppliers (for Aboriginal communities)	ILUA State Agreements
Reporting and justification	Requirement to report on implementation of various local content provisions.	All applicable projects, including in mining, must develop an Australian Industry Participation plan which details how they will give Australian entities a 'full, fair and reasonable' opportunity to participate in the supply of goods and services. In some State Agreements, firms must report on expenditure on local service suppliers and labour as % of total; name and number of local service providers; proof of consultation of existing suppliers' databases; reasons for sourcing labour and suppliers outside and opportunities given to locals.	Australian Jobs Act 2013; State-level legislation and polices

Source: Jobs Act, various State Agreements and ILUAs.

Results of some local content initiatives

One of the key features of the Australian approach is that from its inception it was oriented towards monitoring measurable and meaningful outcomes, most notably in terms of dollar figures for contracts awarded to local firms and number of jobs created. Indeed, one of the main obligations on firms is to report regularly on their prepared AIP plans. There are also further resources dedicated at the state level to monitoring contract announcements, and collating and providing that

information to firms and the public. For example in Western Australia, the state's 2014 Local Content Report stated that:

"ongoing monitoring of publicly announced, locally awarded, resource sector contracts show approximately AUD 60 billion has been allocated since July 2011. As recorded in previous Parliamentary reports, these contracts have included a diverse range of activities encompassing both manufacturing and service industries. [...] it is estimated that this flow of contracts has resulted in the maintenance or creation of approximately 213 600 positions in the Western Australian economy."

In Queensland, the Queensland Resources Council (QRC, 2014) concluded in its annual *Code Effectiveness Report* that for the 2013/14 year, the 46 firms which submitted data together employed 44 000 staff and procured AUD 42.5 billion in goods and services which consisted of:

- AUD 29 billion or 68% purchased from vendors located in Queensland (compared to AUD 30.8 billion purchased in 2012-13, AUD 30.9 billion achieved in 2011-12, AUD 20.8 billion achieved in 2010-11 and AUD 18.8 billion achieved in 2009-10).
- AUD 1.9 billion or 4% procured from vendors located outside of Australia and New Zealand. This compares to 5% in 2012-13.
- An additional AUD 2.2 billion was procured from vendors outside of Queensland from an unassigned location due to insufficient detail in the data provided.

In addition the report estimates that through additional workers and flow-on purchases the industry supported 442 000 indirect jobs and stimulated an additional flow on spend of AUD 40.1 billion in the Queensland economy. This resulted in a total economic contribution of the resources sector of approximately AUD 75.6 billion in 2013/14, equating to 1 in 5 Queensland jobs and 1 in 4 dollars generated by the regional economy (QRC 2014).

Main properties

Local content policies in the mining sector are defined at the national level as well as the State level in Australia, which allows for tailor-made requirements negotiated with firms through State Agreements. The stated policy objective is to 'encourage full, fair and reasonable opportunities for local suppliers' to compete for work in major public and private projects in Australia. Some key elements of the Australian experience can be summarized as follows:

- The centrally-driven and cross-industry approach to encouraging local content created a framework that had a high degree of national consistency and clear focus and defined goals. This in turn allowed for a coherent broader industrial policy, resulting in pooling of funding and expertise to support different sectors. There was a clear regulatory framework for proponent firms to comply with, focused around development and reporting on AIP plans.
- At the same time, there was a degree of flexibility in implementation: the national framework and objectives delivered general support programmes, alongside programmes or responses that are tailored at the state and lower levels to particular regions, industries or even specific local projects (through local AIP plans).
- There was a clear focus on supporting supplier firms at a crucial point in the supply chain--the contract tendering process, alongside strong reporting mechanisms where firms justify why they were not successful in recruiting or using local suppliers, in case they did not use local factors of production. Reporting requirements came out quite strongly in many State Agreements reviewed, pointing to the fact that, despite no numerical targets having been set, firms had to demonstrate the efforts made to procure locally.
- There was a "hands-on" approach to bring suppliers to a position where they were informed and could compete in industry tenders, alongside a relatively soft requirement for firms to ensure transparency in implementing the "fair, full and reasonable" principles. By making participation the central principle, the focus was not on placing heavy requirements on mining firms to meet legislative obligations (although reporting requirements de facto led to

that), but instead on addressing the constraints facing supplier firms in participating in projects.

- Fifth, there was strong collaboration and a degree of fluidity between government and private sector entities, notably in the provision of information, and in the area of intermediation and fostering business-to-business linkages. This was achieved through creating an appropriate set of institutions, with clear roles, under a common purpose.
- The monitoring of outcomes was built into the policies from the start, with the requirement that the Commonwealth Department of Industry, Innovation and Science publish executive summaries of AIP plans and produce regular reports on them. Such monitoring provides a high degree of public accountability regarding performance, and also informs further improvements to policies over time.
- There was an outward-looking approach that sought to build on partnerships between firms and governments forged domestically, to seek opportunities globally (for example on a number of government-led mining delegations to Chile), and thus potentially multiply the benefits.



More Information

Korinek, J. and I. Ramdoo (2017), "Local content policies in mineral-exporting countries", *OECD Trade Policy Papers*, No. 209, OECD Publishing, Paris. <http://dx.doi.org/10.1787/4b9b2617-en>

For further information on our work on trade in raw materials, contact:

Jane Korinek, OECD Trade Policy Analyst

jane.korinek@oecd.org

Or visit our website:

<http://oe.cd/rawmaterials>

Sign up for OECD e-mail alerts

<http://www.oecd.org/OECDdirect>