

**NSW Minerals Council Environment & Community Conference
Mining Under the Microscope**

“Time for a Unity Ticket”

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The Honourable Duncan Gay MLC, Shadow Industry Minister, the Chairman and members of the NSW Minerals Council Executive Committee, senior departmental representatives, distinguished guests, ladies and gentlemen. Good morning and welcome to our 2010 Environment and Community Conference: Mining under the Microscope.

I am very keen to paint a picture of the state we are in, to provide context for the contributions of our panel of speakers over the next couple of days and to challenge you to think differently about what is happening all around us.

This year, more than ever before, we meet at a critical juncture. We've had one of the most extraordinary Federal elections in history, which will structurally change the political landscape. We're also heading into a State election; and whilst the current Government is hugely unpopular, there is no guarantee – as the Federal election demonstrated - that a massive swing against it will axiomatically deliver a State Coalition majority.

And whilst it could be argued that the State Labor government has been fiddling whilst Rome burns, there are those who might as readily accuse the NSW minerals industry of an apparent failure to get its act together. There is mounting criticism of the industry state-wide from groups as diverse as academics, the Farmers' Association, Horse Breeders, Vignerons, iconic industrialists, GPs, residents, community based action groups, environmental justice warriors, social justice anti-development fighters like The Greens party, and anti-corporate campaigners who routinely string themselves across railway lines and roads, chain themselves to vessels and who are veritable masters of 'the stunt'. These latter - increasingly vocal, well organised and politically savvy groups of opponents - have stirred the policy and political pot and appealed to the values, perceptions and beliefs of targetted communities. Their activism has entrenched a “trendy” if often “uninformed” cynicism toward our industry; resulting in increased pressure and a focus on our social contract with the communities where we operate and with Australians more generally.

As an industry it's important that we understand what's happening around us. There is so much noise; such an intense, often unreflective media critique; such a plethora of people, parties, organisations and groups - aligned and non-aligned, single issue or broad based in their activities - it's understandably difficult to navigate.

But we have to distinguish between genuine concern in the community and politically driven and most definitely ideologically inspired campaigning. We have to

differentiate not because one is legitimate per se and the other is not, but because the manner of our response needs to differ in both cases. Furthermore, we have to understand that for the anti-corporate campaigners - whilst a company or the industry is the target - it's not economic objectives which motivate action. The endgame is to change public policy by forcing changes to how such policy is implemented in the private sector. And because of their relative lack of resources, the media is the cheapest and most effective means at the campaigner's disposal to secure leverage.

In appealing to existing public suspicion of business, and existing hostility to mining, in exploiting the real and fabricated vulnerabilities of our industry, it is relatively easy for such campaigners to form alliances with other organisations which have social and moral credence. Anti-corporate campaigners, particularly when acting in concert with groups perceived by the community to be acting in the public interest, are afforded a legitimacy that the most inspiring, socially committed company, will never secure.¹

These campaigns, with all their pressure, serve as a rallying point and a symbol of activism. The symbolism evokes different understandings in all the constituencies observing and/or participating in the campaign. The meaning that people ascribe to the campaign derives not from the explicit or implicit messages of the campaigners but from their own attitudes, preferences and beliefs. In other words, the campaign symbols evoke a diverse range of meanings in any given context. Well considered campaign symbols will evoke messages, values and predispositions that resonate most closely with the target audience. It is this fact which gives campaigns momentum: equivalent to an engine propelling movement and gathering more and more individuals and groups to the cause.

The irony is that all this comes at a time when we are launching into an unprecedented period of growth, deepening our contribution to the long term economic prosperity of the nation. But, whichever way you slice it, we are at a cross roads. Our industry and the impacts of what we do are under increasing scrutiny: from the community, from the media, from the government and its regulators. Our scale brings with it responsibility.

Now I want to be upfront. I am not an apologist for the minerals industry. I am an ardent advocate of an industry that I believe in deeply but which is much maligned and much misunderstood. But, as the speech I am giving today will demonstrate, the NSW minerals industry is not some kind of secret society. We do value transparency and we do analyse our weaknesses as much as our strengths and we make those analyses both publicly and privately. However, I recognise that we are sometimes our own worst enemy.

Companies react and mobilise themselves more or less quickly and more or less intelligently but the challenge we face today is the need to think and act as an industry – as a community bound by common purpose - not as a series of talented competitors. We cannot let our corporate immune system kick in order to eject foreign bodies. Our agenda must be one of change.

¹ Jarol B Manheim, The Death of a Thousand Cuts, pp 92-3

Every person in this room, and thousands of others who are not, is committed to delivering excellence. Every person and every employing company is dedicated to their field. It is a little known fact that the mining industry employs more environmental scientists than the entire environmental movement. We are increasingly focussed on improving the quality of dialogue with our neighbours and regional stakeholders and in reducing the sense of relative impotence felt by community spokespeople with whom we engage. Technology, science and art is used to enormous effect to deliver ever better biodiversity outcomes and restored and expanded habitats; innovation is used to reduce our carbon footprint and capture and use fugitive methane emissions, to use less and less water, generate less and less waste, mine more and more safely, better identify and manage risks and hazards, and predict impacts to within ever more precise ranges.

Hundreds of millions of dollars are contributed by the minerals industry every year in NSW to causes as diverse as mental health; men's health; life saving medical equipment; support for victims of domestic violence; school programmes; film festivals; indigenous health, employment and education programmes; music, sport and the arts; historical preservation and restoration; provision of community infrastructure; protection of aboriginal cultural heritage ... the list is endless.

But ... it is the profit motive which is deemed our overriding objective and our capacity to prevail is assumed to be legion. We are not perceived as an industry with values, comprised of people with real hearts and consciences. And our social contribution – our reciprocal obligation to 'give back' - is underrated or ignored. One Hunter resident recently described the industry's contribution as "a bit of money given to local schools".

The concern is rising to new levels as the industry continues to expand and in places like the Hunter, where the coal industry plans to double its exports over the next five years, the fever pitch of feeling can only be described as 'outrage'.

Our growth will deliver huge economic benefits for mining communities and for the State, with \$6.8 billion in additional royalty payments to the NSW Government and around 25,000 new direct jobs over the next 4 years. Where our royalty contribution last year effectively halved the state budget deficit, our royalty contribution this year will be just shy of three times greater than the forecast budget surplus. But the scale of our expansion means there are growing social and physical infrastructure needs, increasing pressures on parts of the community and, critically, real concerns about the cumulative impacts of mining. This has triggered an increasingly vocal cohort of people, with multiple agendas, to criticise how we operate: using ever more emotive language to turn up the fear factor and ever more sophisticated, available and interactive technology – the internet – as a mechanism to educate and organise the like minded or pre-disposed.

Campaigners – whether motivated by ideology or a single issue, recognise that the pressure which can be generated on a company can compromise its relations with its investors, customers and shareholders. It is clear that regulatory pressure can be generated which is often costly to the company but which doesn't necessarily deliver a material improvement in performance. And action by community groups – seen to

have great moral authority – can clearly damage corporate reputation. As Manheim² has said, the effect of campaigns against companies or an industry – because they necessarily focus on the real or perceived failings of the company or the industry - is to continuously reinforce negative perceptions, continuously revalidate an individual's own hostilities and embed them in the broader public consciousness. Alinsky has described these tactics as “social and economic judo”.³

A snapshot of headlines from recent months now appearing on the screen behind me highlights the convenient characterisation of our industry as an ogre in the battle for hearts, minds and political sympathy.

“What’s new about these characterisations” you might ask?

What’s new is that this is no longer a phenomenon of near neighbours affected by mining activity. We know, for example, that there is genuine concern in the Upper Hunter about the cumulative environmental and health impacts of mining operations. We know that there are farmers in the Gunnedah who genuinely fear our impact on, and competition for, scarce water resources. We know that there are those who object to temporary loss of amenity and fear permanent damage. We know that there are people who have had enough of globalisation, of development, of industrialisation, and who believe it’s time to strip “big business”, “big polluters”, “multinationals”, “fat cats” of the disproportionate power and influence they wield.

What’s new is that the government is no longer solely focussed on compliance or the impacts of individual operations. A Strategic Plan is being developed that will map out the future for mining in NSW. And whilst the industry in NSW welcomes a considered, whole of government approach to land use planning in the interests of minimising conflict and providing greater certainty for all stakeholders, we must recognise that government – having been brought to the table kicking and screaming – is more likely to kick and scream at the very industry it has demonised for so long than it is to bring perspective and considered policy to the table. No natural constituency exists in support of our industry: we are an inconvenience to government and regulators, we are vulnerable to attack from campaigners, we have real impacts on people and the land and there is no bank of ‘tolerance capital’ we can draw on if we make an error.

What’s also new is that campaigners now operate across regions, and across issues and ideologies, using their concerns in one part of the State to generate common cause elsewhere. Aside from the ideologues, whom it is perhaps tempting for us to dismiss, the community is seeing things differently. The government is addressing mining issues differently. And we have to do things differently.

The reassuring introductory exchange “we’re not against mining but...” is today’s secret handshake between a collective of groups many of whom are opposed to the development of the State’s mineral resources for one reason or another. This is a tide which we must responsibly engage with if we are to continue the proud traditions

² Manheim, op cit, pp 155-56

³ Saul Alinsky, Rules for Radical: A Pragmatic Primer for Realistic Radicals, 1989, p 170

of an industry that has contributed so much to the economic and social fabric of this State.

The theme of this year's conference – *'Mining under the microscope'* – raises serious questions about where we've come from, the state we're in and the future challenges we have to face up to here in NSW.

- Do we really understand the community? Do we genuinely understand the nature of the tidal wave of opposition that we confront and what is driving it and feeding its growth?
- Are we really doing enough to demonstrate our credentials?
- Are the community's concerns justified? Does it actually matter whether or not such concerns are justified? Isn't the fact that these concerns exist our real problem?

There are always going to be those who oppose mining. But community concerns about individual mining projects and issues are evolving into a more generally held sense of 'outrage'. Many campaigners have discovered that the best way to overturn government policy is to focus on the corporations that effectively implement that policy in their day to day operations. And the best way to defeat government is to make it seem irrelevant for mining companies to twist themselves inside out to comply with or exceed the standards embodied in the 572 pieces of legislation, regulation and guidelines imposed on our operations.

Concerned citizens are getting airtime because there is a genuine problem. The campaigners, on the other hand, are getting air time because of a credibility void. That void was initially created by the Carr Labor government but sadly the void was left unattended by our industry, acting as an industry, for many years. We are now reaping the grim rewards. We provide sport for the media and any example of an actual failure by any mining operation – a blast gone wrong or dust ineffectively managed for example - merely reinforces a strongly held view that the company and the industry are not only irresponsible but also poorly regulated. Whilst this is the stuff of an urban myth, the myth is shaping policy and regulatory responses to our industry and corroding our social contract.

As we speak, NSW has capital expenditure of more than \$5.2 billion in projects either under construction or committed. Additional projects worth almost \$12 billion are categorised as 'less advanced'. The royalties we have paid over the last three years have increased 261%.

Our investments generate a knock-on effect across the State. Our 70,000 strong workforce spends its wages – which are twice the State average – with hairdressers, restaurants, supermarkets, mechanics and other service providers, helping to support the jobs of some 300,000 people in regional NSW that might not normally identify themselves with the mining industry. Mining companies themselves invest billions of dollars a year in local service providers.

So, whilst there is no question that the mining industry makes a huge contribution to the economic prosperity of families, businesses and taxpayers in NSW, it is clear that we are living in a State where the electorate is for the most part completely unaware of the role that minerals play in their life and often explicitly hostile towards us because of our real and perceived environmental and health impacts, our greenhouse gas contribution, and our perceived power. The minerals industry has failed to effectively connect with the public and explain our relevance.

The mining industry in NSW lacks credible advocates in either State or Federal politics. Anti-corporate campaigners are actively connecting the concerns of individuals and groups in regional and urban communities across the State. The threads of low key, but nonetheless bipartisan Federal support for the industry, are wearing thin. As they did with the Emissions Trading Scheme, both Tony Abbott and Julia Gillard are distancing themselves from their previous positions. Now, developing low emission coal technology to reduce emissions in Australia and globally, has dropped down the pecking order at a time, perversely, when climate change policy – or, more accurately, its absence – was a key determinant of the Federal election outcome. Labor and the Coalition both promised to **cut** funding for the research and development of Carbon Capture and Storage during the election campaign. Coal is obviously a dirty word in Canberra.

Then of course there are The Greens, who not only want to stop all coal mining under the auspices of a “just transition”, but just about all development in this country. They, along with the Independent Andrew Wilkie, also don’t think the huge new \$10.5 billion Mineral Resources Rent Tax is big enough, with promises to increase the tax take by another \$2 billion over two years, apparently because the mining industry had somehow ‘hoodwinked’ the Federal Government into imposing a “great big new tax”.

And if you thought it couldn’t get any worse, just wait until the State election campaign. After 16 years of scandal, underinvestment in infrastructure and a failure to properly plan for the future, there is huge discontent with a Labor Government that has over-promised and well and truly under-delivered for the people of NSW.

If the State seat of Penrith is anything to go by – with its 25% swing against the Government – it’s pretty clear that the people of NSW are ready to send a strong message to Macquarie Street. Even the Government is expecting a huge swing, but that doesn’t mean they’re going to give up power without a fight.

It is in this very volatile environment where the minerals industry is at its most vulnerable. The “win at any cost” mentality driving all the political parties dramatically increases the risk of knee-jerk policy proposals and counter-policies as Labor and the Coalition desperately try to out-bid one another to win government.

The situation becomes even more worrying when you look at the marginal seats the Government will have to hold to stay in power. The seats of Marrickville and Balmain, home to Deputy Premier Tebbutt and Minister Firth, are set to come under serious challenge from The Greens, who could win their first spots in the Lower House.

The Government and the Opposition will be locked in a battle to do whatever it takes to court the growing 'green' vote which we saw increase so dramatically in the Federal election. This very dangerous game of one-up-man-ship could force both parties, but particularly the Opposition, into policy positions they wouldn't normally entertain. In short, as the Government faces political oblivion and the Coalition stares down crippling self doubt after wandering in the political wilderness for 16 years, the mining industry could well become a major target: 'collateral damage' if you will.

Who wins elections or what political parties will do to win office or to stay in power is in the hands of the public and the laps of the gods. But we can control how we react to changes in politics, in business and in our communities. It is clear that we haven't done enough as an industry to respond to broader community concerns about the cumulative impacts of mining. There has to be a fresh approach. Past practices alone won't be good enough to meet future challenges.

Most mine operators do a very good job communicating with their neighbours. But the community is moving its focus beyond the boundaries of individual mine sites. The minerals industry recognises this and we are shifting our focus too. We've got a good understanding of the technical issues, but we need and want to have an open discussion that identifies not just these technical problems but the trickier 'psycho-social' ones as well. Clearly, solving these problems pragmatically, in ways that work for stakeholders, will require the very best that we have to give.

That's why Upper Hunter coal producers are coming together to start a genuine discussion with the community about mining and its impacts, the local economy and the region's future. The Upper Hunter Mining Dialogue, which we'll hear more about from Dr Leora Black later today, is a journey we are embarking on; one where we are seriously putting ourselves 'out there' for critique and criticism. It is up to the community to identify the issues and we don't know what the outcome of this process will be. But this shows that we are prepared to change, even if we don't quite yet know what that change might entail. Just to reinforce - this is not about telling the community what issues or problems to talk about. The community will set the agenda. By any standard that is unconventional - corporately speaking - and brave. It's far more than activists like Greenpeace have ever contemplated doing.

"You can't eat coal" is one of the favourite lines spruiked by campaigners against mining. Well actually you can eat coal although it's maybe not as tasty as the crops and cattle nurtured by the land! We need to remember that there's a very long list of things you can't do without coal and minerals. Ours is an industry which services an insatiable and growing demand for energy and which provides the minerals that are the building block of virtually every product and service we live with and use each day of our lives.

I believe one of the biggest tasks we face as an industry is to better communicate the enormous contribution we make to our way of life and the quality of that life. For example, through the essential commodities we provide for domestic and overseas use, the economic benefits we provide through royalties and taxes or directly to the local economies of host communities; through financial and in-kind assistance for a

host of needy and worthwhile social causes, groups and projects; and last but not least, through job creation and capacity building in regional NSW.

Without better communication of these facts, and in the absence of a branded product people are likely to actually touch, or feel emotionally connected to, we risk further political alienation. All those owners of imported and locally manufactured 4WDs who parade the “No Mines” signs have obviously never considered that they could not enjoy those luxuries - and travel between country and city - without the mining industry!

It's easy to look at our industry with our company hats on. I know - I worked in the oil, coal and gas sectors for Shell and Exxon both here and overseas for many years. It's easy to get caught up in what's important for **my company**, because it's **my company** that employs me, **my company** with the most at risk and **my company** that must succeed.

But what is clear is that the minerals industry in NSW has to keep trying new things. We've never been afraid of doing things differently. We have an amazing track record of being great innovators. We produce incredible engineering and environmental feats. We are always striving to achieve landmark breakthroughs.

The new Upper Hunter Air Quality Monitoring Network; the Upper Hunter Mining Dialogue; the Namoi Water Study in the Gunnedah Basin; the Minerals Exploration Handbook – Towards Environmental Excellence launched last night and the Due Diligence Code of Practice for the Protection of Aboriginal Objects which went live last Monday are all important examples of how the industry is embracing change and innovating for a better future.

We are privileged at this conference to have an outstanding line up of speakers who have travelled from the US, the UK and elsewhere to share their insights and provoke us to think about the world in different ways. Dr Peter Sandman and Professor Cameron Hepburn will grapple with the two biggest challenges we as an industry confront: our social licence to operate and climate change. In my paper today I have tried to paint the political context as a scene setter for our deliberations and to provoke each one of you to think both about our collective impact and our need to act collectively so that we can remain in sync with the people in NSW who are affected by our operations and vigilant to the political forces which seek to exploit our environmental and social vulnerabilities to rewrite public policy.