

Essay:

# The resource curse

Author:

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**K**arratha and Roeburne are neighbouring settlements, one a port and mining dormitory town on the coast of the southern Pilbara region of Western Australia; the other an old town, half an hour inland, where most people are Aboriginal. Karratha has new brick houses, tree-lined streets, substantial amenities, a motel, shopping centre, restaurants and tennis courts. Roeburne is old, dusty, and showing signs of years of neglect: broken fences, potholes, weeds and flaking paint. Here and there a well-kept house and garden appear incongruously among the other homes. A TAFE college, a few offices and a basketball court signal that someone decided to spend some state money in Roeburne, rather than concentrating all new investment in Karratha.

The disparity between these towns is accelerating, and it is driven by the mining boom. In Karratha, everyone who wants to work has a job. In Roeburne, few people have the skills and education to join the fast-paced industries transforming the area. It is not just Aboriginal people or the residents of Roeburne who are falling behind. Anyone who lives in a mining province but does not work for a mining company is disadvantaged in important ways: their income is much lower, yet they must pay the same exorbitant housing, food and services costs, thanks to the localised inflation brought about by the boom.

Not for the first time in Australian history, Aboriginal people and disadvantaged settlers are sharing the pain of the city–bush divide. Now, however, their shared disadvantage is a looming economic and national social policy problem that cuts across the conventional accounts of the ‘tyranny of distance’ and, in increasingly complex ways, the effects of the mining boom.

The largest escalation of mining and energy activity in Australian history is underway, led by the operations in the Pilbara feeding the astonishing Chinese industrial maw.<sup>2</sup> A litany of new names from remote places has entered the national vocabulary: the Browse,<sup>3</sup> Pluto and Gorgon Liquid Natural Gas Projects, North West Shelf, Barrow Island, Olympic Dam, the proposed Inpex projects<sup>4</sup> and many more.<sup>5</sup> Mining and chemical engineers, geologists and geophysicists are (once again) investment bankers’ new best friends and the buzz about the scale of this new boom seems to know no limits.

Exploration expenditure topped \$6 billion in 2008–09.<sup>6</sup> In the six months to October 2009 fifteen projects with a capital expenditure of \$3.9 billion were completed. A further seventy-four projects were at an advanced stage with an estimated expenditure of \$112.5 billion. The value of energy exports increased to \$77.9 billion.<sup>7</sup>

Australia is a rich first-world nation, largely because of this mineral wealth. Yet the wealth is not evenly distributed, and this has produced economic, social and political problems that are likely to become more acute. As always, these appear first along the traditional fault line of Australian politics: federal–state relations. The great wealth has led the federal Minister for Resources, Martin Ferguson, to push for the Commonwealth to be responsible for all resource sector approvals in Western Australia. The resource and energy companies operating in the state are outspoken about what they see as bureaucratic obstacles – legal and administrative hurdles – that engender high compliance costs and slow project timelines.

On the ground the most obvious problem is a growing disparity in income between resource sector workers and others; high salaries are the norm in mining provinces, essential to entice skilled labour to demanding work in remote sites and pegged to a highly profitable industry. It is scarcely surprising that workers are flocking to these new jobs. There is an income hierarchy, and the executive class of professionals, including engineers, are the most highly paid, yet even truck and haul pack drivers earn more than PhD graduates.

**T**he Perth airport at 4 am on any weekday is a bracing experience, and this has nothing to do with the hour or the surly Federal Police and security guards. Upstairs, looking across the tarmac from the Qantas lounge, you can see aeroplanes stretching wing tip to wing tip along the tarmac. The check-in area bursts with workers heading to the mining towns in outback Western Australia. They are big men – there are very few women – and they have the right body mass index; they are fit and healthy. They wear bright orange safety clothes and there’s a great deal of khaki and navy uniform-like clothing. Most wear steel-capped safety boots. These are the fly-in, fly-out workers who command high prices for their labour.

The crews fly into settlements that are under the control of the corporations that own the lease. When they are on the job they are billeted in the camps in temporary, mobile accommodation arranged in grids stretching in long lines in compounds surrounded by security fencing.

In the remote towns, local people – the residents of these areas – depend on infrastructure developed for mining operations: electricity, roads and rail, shops, fuel supplies, and even recreational facilities and activities are all provided by the companies. Some become regional hubs home to essential services but many are zones controlled by the companies. As the companies invest to provide normal

facilities, the state governments cut back, investing the wealth from the resources boom in the cities. This problem of distribution caused by greedy state government rent-seeking behaviour disadvantages the local residents.

In the south-east corner of Australia, far away from the mines, we can be happily unaware of the new industrial landscapes sprawling across the outback, while benefitting in many indirect ways from the wealth they generate. We can also remain happily unaware of the threats to the Australian economy and social fabric that the non-stop industrial world in the outback might be creating.

The global financial crisis slowed the resources industry only briefly, and now the boom is gathering pace again. The difference between regions in income and investment will continue to grow, as will the other impacts of a two-phase economy, where even at the epicentre of the boom there are vast disparities.

In regions such as the Pilbara the boom has had a marked effect on costs, especially of food, services and housing. The last is a flashpoint: there is insufficient stock; increasing demand and slow building approvals, and inadequate public housing with long waiting lists, force up rents and prices, making housing less affordable. In 2008 Barry Haase, the federal Liberal Member for Kalgoorlie, told the House of Representatives: 'I have probably one of the greatest crises of accommodation of all time across the Pilbara region of my electorate. I know full well the problems. Recently I had a staff member in South Hedland move on from a \$51,000-plus a year job. I am unable to replace that person because the person who replaces her needs to go to town and find accommodation that they can actually afford. What is available is going to cost somewhere between \$850 and \$2,500 a week. Do the math. It does not work.'<sup>8</sup>

**D**uring the pre-GFC boom in 2005 I was invited by Michael Woodley, an Aboriginal resident of Roeburne, to visit the township with Don Voelte, the chief executive of Woodside ('Australia's largest publicly traded oil and gas exploration and production company with a market capitalisation of \$13 billion,' according to its website), and several others concerned about how Indigenous people were falling behind while the mining workforce was getting richer. I knew about these problems only from a distance, through discussions with people who had been in mining for decades, people who had chosen the mining way of life. They spoke in worried tones about what was happening to the outback towns and those whose livelihoods now depended on the whim of a company executive on the other side of the planet – as the residents of Ravensthorpe found out in early 2009, when BHP Billiton decided to close the nickel-mining town.

We walked slowly down the street in Roeburne, a well-dressed group, shiny in our clean clothes and respectable shoes. I was becoming embarrassed, but need not have worried. It became clear that we were invited so that we could see first-hand the conditions and try to find some answers.

Michael took us to a particularly decrepit house. There were large holes in the wall, water seeping from broken drains, cracked concrete, and little time to look more closely – was that asbestos? – as we were introduced to the woman of the household. Don Voelte engaged her in conversation, and she waved us in and showed us through two rooms, explaining each problem and how many times she had complained to HomesWest, the state’s public housing agency. She had telephoned and written, but no one came. Meanwhile, she paid an exorbitant rent. When we heard the amount, even Don Voelte sucked in his breath. Across the road, a freshly bulldozed site glowed red between two similarly decrepit houses. There had been a house only a few weeks before but it had been condemned, then bulldozed. ‘Was a new house being built there?’ I asked. ‘No.’ There was no intention to build on the block, despite the overcrowding in Roeburne.

As we walked around the town and talked to people I began to suspect that HomesWest, like government instrumentalities everywhere, was allowing the housing stock to run down in the hope that the federal government or the mining companies would build new houses for the Aboriginal residents, relieving it of maintenance and renewal costs. I had observed this trend before. If there is a single factor, apart from the burden of history and racism, contributing to Aboriginal mortality, ill health and disadvantage, it is the implicit refusal of state and territory government agencies to manage and maintain public housing in areas with high Aboriginal populations and on Aboriginal land tenures.

Settler-Australians not working in the resources sector and Aboriginal people in the mining provinces are at the mercy of economic and policy forces that lower their everyday living conditions, and limit their life chances and opportunities. This has the mark of the ‘resource curse,’ an economic condition that blights many mineral-dependent nations.

The phrases ‘resource curse’ and ‘paradox of plenty’ are used by Richard Auty,<sup>9</sup> emeritus professor of geography at the University of Lancaster, to refer to the social and economic phenomenon in which many natural-resource-rich countries experience poor economic growth, conflict and declining standards of democracy. The Nobel Prize-winning economist Joseph Stiglitz has considered the curse through a development paradigm, based on the distinctive analysis of another Nobel Prize-winning economist, Amartya Sen.<sup>10</sup> Stiglitz argues that the flawed distribution of resource-derived wealth causes poor social and economic activity in mineral-rich areas. In his view<sup>11</sup> this can be overcome by partnering institutional quality and improved governance with sustainable wealth management. He emphasises the need for open and accountable institutions, which reduce the scope for corruption and improve the conditions for investment.<sup>12</sup>

The costs borne by local communities are a concern for the Canadian mining engineer Jason Switzer, who draws attention to the gap between natural resource

wealth and social prosperity as a source of conflict in mining regions, which he explains as a result of the inequitable 'distribution of impacts and benefits'.<sup>13</sup> Citing a World Bank assessment of four projects in Columbia, Papua New Guinea and Venezuela, he notes that 'governments reap the most benefits from these projects, while social and environmental costs tend to be borne by local communities.'<sup>14</sup> It is highly unlikely that Australia will suffer the effects of the resource curse at a national level and fail to benefit from a favourable endowment – in Auty's words, 'actually perform worse than less well-endowed countries'.<sup>15</sup> All the indications are that the Australian economy is robust, well-managed and comparatively corruption-free.

The threat of the curse still lingers. It is likely that costs in the mining provinces will rise and cause problems for residents who are caught in highly localised impacts. In the Pilbara anger is mounting as the distress of the locals becomes more apparent. A caravan park berth now costs a thousand dollars per week.

In 2008, even before the most recent phase of the boom, Barry Haase told the parliamentary Housing Affordability Committee how severe the situation had become, painting a vivid picture of a housing crisis with all the hallmarks of the resource curse: 'I am afraid that, like the former state Labor government in WA, this federal government has no idea of what is happening out in regional Australia...The electorate of Kalgoorlie is a far cry from the comfortable metropolitan electorates. Years ago, if Australians talked about high rents, they may have, with bated breath, told each other stories of the unbelievable rental prices they heard of in Sydney, maybe even of the prices in some of the suburbs in the Housing Minister's electorate.

'That was before the mining boom. Now we hear stories about the unbelievable rental prices in mining towns, the seemingly ridiculous prices people will pay and the lengths they will go to just to secure a caravan site, a shipping container or a shed to live in. If you are lucky you will get a two-storey shipping container, and that is high living!

'Mining is a key industry in the Kalgoorlie electorate and it is not just my electorate but Western Australia at large and, indeed, nationally. The economy's big benefit from the boom, of course, has been national. Everyone is getting a slice of the Pilbara cake, but they do not suffer the pain would-be residents are suffering. There is a predictable effect when an industry that generally operates in remote areas increases exponentially almost overnight. The Pilbara has made its name in iron ore and, as iron ore boomed, the industry cried out for more workers and affordable accommodation became harder and harder to find.

'It is especially true for permanent affordable accommodation...a modest three-bedroom, one-bathroom house can set you back \$1,500 a week in rent and a brand new four-bedroom, one-bathroom house will set you back more than \$2,500 a week

– that is, if you are lucky enough to get a rental. There is such a high demand that landlords can choose from the many applicants for each house, and I know that when a tenant moves on, often because of the absolutely unsustainable rental prices, the landlord has the opportunity to increase the rent. In the early days – and I am talking two years ago – rents were doubling from one tenant to the next. There is a very scary world out there if you have not been to the Pilbara and you lob in there expecting to find accommodation.

‘It is common knowledge that our miners work hard in tough conditions and get paid well for it, but what about the rest of the community which supports those mine workers – government workers, nurses, teachers, et cetera?’

‘The whole GEHA [Government Employees’ Housing Authority] housing system in Western Australian regional centres has virtually collapsed because the Labor government, over the last eight years, has not put money into it. Local government employees and small councils simply have to acquire land and build houses to try to accommodate their workers. Small service organisations cannot get staff simply because they cannot accommodate those staff. So the level of service for all industries in my Pilbara towns deteriorates.’<sup>16</sup>

**A** year before Barry Haase’s impassioned plea the then Treasurer of Western Australia, Eric Ripper, had gone cap in hand for an increase in funding for Commonwealth Rental Assistance payments for the low-income earners in his state. The Department of Treasury and Finance had found that low-income earners in the private rental market have been hit hardest by strong house price growth. In Perth, where rents have increased by 83 per cent since 2001, rental assistance payments had increased by only 18 per cent. In December 2001 assistance covered a third of the median rental price for a three-bedroom house in Perth; five years later it covered just over a fifth. Ripper wanted more Commonwealth funding for the scheme, because this ‘would provide an added incentive for people to live and work in areas such as the Pilbara’.<sup>17</sup>

At the time that Haase and Ripper were complaining about a lack of Commonwealth assistance, Western Australia received astonishing mining royalties. The royalty income from iron ore alone in 2005–06 was \$679,628,477 and by 2008–09 had jumped to almost three times that, at \$1,946,717,875.<sup>18</sup> In 2008–09 the total value of production of iron ore was \$33.6 billion.<sup>19</sup>

Western Australia’s dependence on mining incomes is a particular feature of the national economy, accounting in 2006, before the GFC, for more than a quarter of Australia’s royalty collection.<sup>20</sup> The WA government expects to receive \$2.6 billion this financial year from mineral royalties, thanks to increasing iron ore prices (which are predicted to make up 80 per cent of mineral royalties) and the depreciation of the dollar.<sup>21</sup>

The scale of mining revenue elsewhere is equally remarkable. In 2008–09 Queensland received \$3.3 billion in mineral revenue<sup>22</sup> and New South Wales \$1.28 billion.<sup>23</sup> Mineral companies contributed more than \$7 billion in royalties as a part of \$18 billion in state and federal taxes in the 2008/09 financial year.<sup>24</sup>

Forecasters are confident that China's economy will continue to grow. Some think it will continue to grow rapidly for a long time, while others predict that the rates will decline but remain above those of developed economies. China's rising incomes, extraordinarily high investment rates and increasing urbanisation are leading to almost exponential rises in demand for resources – and driving the Australian boom.<sup>25</sup>

In 2008 Treasury officials considered that, while previous 'terms of trade' booms were short-lived, the current boom could be more enduring. Following the initial GFC-induced slowdown, this view is still strongly held. The prospect of 'Dutch disease' – whereby other traded parts of the economy shrink in real as well as relative terms, becoming less competitive as the resource sector surges ahead – was deemed to be less of a threat than expected. So far, Treasury officials say, 'The economy's reactions to the terms of trade boom have largely matched the predictions of economic theory: incomes have risen, as have employment and investment, in particular for the mining industry and regions where mining is concentrated.'<sup>26</sup>

'Dutch disease'<sup>27</sup> describes the 'economic distortion that export booms can induce in a mineral-dependent economy' as non-mining sectors suffer and other exports become 'less competitive and wages more expensive'.<sup>28</sup> Political explanations of the failure of resource-rich countries generally point to mismanagement of the boom and identify 'policy failure as the prime cause of the underperformance'.<sup>29</sup> This might include greater 'rent-seeking behaviour by individuals, sectors or interest groups, and the general weakening of state institutions, with less emphasis on accountable and transparent systems of governance'.<sup>30</sup>

Before the GFC, the resources and energy companies were able to recruit workers in an economy with less than full employment without harming other sectors of the economy. When labour shortages became apparent, workers were imported on special visas from the Asia-Pacific region. It is clear that, as Treasury officials have noted, 'Going forward, expanding labour supply in the resource rich regions of the country will be a central policy challenge.' In other words, Dutch disease and perhaps highly localised resource curses could threaten the bright future where 'higher terms of trade presents an opportunity to raise Australian living standards.' Policy frameworks are being tested 'in ways they have not been tested before'.<sup>31</sup>

The rapid rise of China and India as so-called emerging economies has proved wrong several predictions about the stability of the Australian economy. In the

2002–03 Budget Papers, Treasury described the diversification of Australia’s trade, the ‘improved insulation of the Australian economy from foreign economic events, and the generally more stable global economy’.<sup>32</sup> Not long after, the terms of trade rose to their highest level in half a century as commodity prices soared. The impact of the rise of China and other emerging economies had been radically underestimated.

**W**e can find out easily enough what policy settings might be used to avoid Dutch disease, from Treasury papers online, but the approach to the welfare and living conditions of the residents of mining towns and other settlements in outback Australia, including the economic future of the growing Aboriginal proportion of that population, is almost impossible to discern. My question is this: *are* there any policies to counter the growing disparities in income, living conditions and opportunity in the mining provinces?

This question should be a high priority for the political class. The Australian Labor Party lost the last election in Western Australia, and the balance of power is held by an independent because of the failure to acknowledge the localised impacts in the Pilbara, Kalgoorlie and Kimberley.

The mining regions are the source of enormous revenue, yet their residents are disadvantaged and deprived of services. Because Australia is a wealthy, developed nation with a robust and well-managed economy, the policy problem has been disguised. Put bluntly, the state governments are rent-seekers, eager to extract benefit, slow to put anything back. Rent-seeking is one of the triggers of the resource curse, although it offers only short-term political benefits. As the resource economists from the Colorado School of Mines Graham Davis and John Tilton wrote in 2005: ‘The mining rents captured by the state end up in government coffers, which often cater to the ruling elite. For this and other reasons, mining accentuates the income disparity between urban and rural areas and the poor are largely excluded from any benefits...Even worse, the presence of mining rents may lead to a decline in institutional quality...and in some instance to civil insurrection and war...Even when the rents are not squandered, but used by the government to promote economic development, the results are often disappointing, due to incompetence and poor planning.’<sup>33</sup>

For these reasons, a widely supported view holds that the negative association between mining and economic development is not causal, yet the complexity of the problem works against universal policy solutions. The conventional view of mining is that good governance can ‘ensure that mining rents are reinvested in human capital and other assets that promote economic development. As always, good governance requires adequate incentives, either by extensive property rights and a domestic political structure that constrains inappropriate public sector behaviour,’<sup>34</sup>



or by international pressures to loan programmes.'

The Commonwealth Grants Commission calculates the federal redistribution of income according to levels of need in the states and territories.<sup>35</sup> This money rarely finds its way back to the most disadvantaged communities. State governments that engage in a form of rent-seeking are more inclined to use the Commonwealth transfers to benefit the residents of capital cities and marginal seats. This further accelerates the disadvantage of those in mining regions, especially Aboriginal citizens.

Monash University's Professor John Nieuwenhuysen, the first economist to study mining and its impacts on Aborigines, wrote in 2009: 'After yet another major mineral boom in Australia, when in the five years to 2006 mining export revenues rose by over \$100 billion (or around 70 per cent), Indigenous people still do not share equitably in the vast incomes which are generated from their lands in the remote regions of Australia.' The words of Minister Jenny Macklin in 2008 that the potential of 'millions of dollars to be harnessed for economic and social advancement of native title holders, claimants and their communities' remained to be realised are also a sorry reflection on events in the last twenty-five years. In this comment, Minister Macklin was echoing former Minister Amanda Vanstone, who asked why land-rich Indigenous people were 'dirt poor', and why the traditional owners of the land were the most disadvantaged living upon it.<sup>36</sup>

The contrast of Aboriginal poverty on the edges of the mining towns with the wealth of the mining workforce, despite the increasing numbers of Aboriginal people entering that workforce, is stark.

**W**eipa, Nhulunbuy, Tom Price and Jabiru are examples of the distinctive contribution of mining to life in remote areas, where corporation-run principalities dominate the new outback. These places are company towns in every sense: companies not only generate the work and develop the infrastructure, but their ethos shapes social relations, opportunities and expectations.

The Australian patchwork of mining principalities is a product of a distinctive legal framework. From the nineteenth century, mining towns were gazetted and acts of parliament framed mining leases and large-scale operations. Since then, and for much of the twentieth century, mine operators and governments ignored the detrimental effects of mining on traditional owners. Indeed, governments often removed Aboriginal people from mining areas to allow unimpeded development.

This began to change with the election of a Labor government in 1972. The Whitlam government recognised distinctive Aboriginal and Torres Strait Islander cultures, and the need for Aboriginal organisations to deliver services. The symbolism of this was captured when Whitlam gave the Gurindji people at Wattie Creek a lease over their traditional lands. Aboriginal land rights in the Northern

Territory and national anti-discrimination laws soon followed. These policy changes have had a direct, if delayed, impact and helped create the new outback which is now underwriting the wealth of the country.

At first mining industry leaders were among the most outspoken opponents of land rights and native title. Many believed that Aboriginal responses to proposals for exploration and mining were unreasonable, largely because they were different to the conventional arrangements. Industry bodies argued that Aboriginal objection to the rapid expansion of mining was holding back economic development. Aboriginal people were demonised. Gloomy investor forecasts made matters worse. There was fear that open-ended land claims by Aboriginal people would limit expansion, and produce unsustainable legal and financial consequences.

It was widely held that Aboriginal people were making ambit claims to which they were not entitled. Many in the industry treated Aboriginal objections with contempt, and state governments inhibited constructive talks between mining companies and Aboriginal groups.

During this period interaction with mining companies increased and became more confrontational. In 1978 the Kimberley Land Council was formed to prevent mining companies from proceeding without the approval of traditional owners, and international campaigns protesting the desecration of Aboriginal sacred sites damaged the industry's reputation. Previously, few questions had been asked about the way the industry operated; governments had encouraged unfettered exploration and new operations because of their contribution to economic growth. By the 1980s concerns were raised and attracted public attention throughout the world – protests were delivered by critics at national and international forums.

There was scepticism in mining and government circles about what they saw as the 'politics of embarrassment', yet it provided a powerful incentive for the industry to build a new relationship with Indigenous people. When in the late 1980s mining companies began to explore the reasons for resistance to mining, they discovered that many Aboriginal groups were not opposed to mining but concerned about racist and inequitable practices being replicated in new ventures. What the groups wanted was guaranteed recognition of their inherent rights and interests, and acceptable terms for cultural, social and economic futures.

It became clear that while the mining industry was the target of criticism, governments were avoiding their responsibility to provide education, training and health services in the areas where mines were operating. At the time, the legislative framework that the mining industry now relies on for consulting with Aboriginal people about mining proposals did not exist in most states; in the Northern Territory the mining provisions of the land rights legislation had not been tested.

Mistrust and fear on both sides prevented clear communication. Indigenous people were poorly consulted about new proposals, and anxious that their cultural

heritage would be destroyed, the environment irreversibly degraded, and their rights and interests as traditional owners lost to company leases. Aboriginal people had long been discriminated against in employment and training, and there was little evidence that companies would provide employment for local Indigenous people.

**T**he effects of the current resource curse in the Pilbara are reminiscent of the mining boom in the 1960s. Aborigines were the intended losers then; now all locals, regardless of background, are losers if they do not work in the industry. In the 1960s government policies were raw and brutal, and companies took a bare-knuckled approach to securing resources. Bauxite was discovered near Weipa in 1955, Comalco was established in 1957 and the first commercial shipments of bauxite commenced in 1963.<sup>37</sup> That year, at a tiny remote Aboriginal settlement on western Cape York, the state police burnt down the houses and church. The Aboriginal community living at the Mapoon Mission was forcibly relocated to New Mapoon, near the tip of Cape York. The official explanation referred to the rationalisation of missions, but many believe that the intention was to allow bauxite mining unimpeded.

This act had lasting implications for relations between the Indigenous people and miners, and sullied the reputation of the industry. A campaign by churches, unions and international groups protested the treatment of Aboriginal people, and Aboriginal land councils were formed to prevent recurrences and secure recognition of rights to traditional land.

In 1965 the Queensland Government granted a mining lease covering 5,500 square kilometres to Comalco, a lease area now reduced to 2,500 square kilometres until 2041, with the right of further extension for another twenty-one years.<sup>38</sup> Weipa was built as a company town and is largely populated by non-Indigenous people who have relocated temporarily. It is connected by a daily jet service to Cairns (some seven hundred kilometres south-east) and by eleven hundred kilometres of unsealed road that is usually impassable from December to April. Bauxite is transported out of Weipa, and supplies come in to it, through the Gulf of Carpentaria.<sup>39</sup>

In response to the common law recognition of native title, Comalco's parent company, Rio Tinto, developed a policy of active and formal engagement with Indigenous peoples. At Weipa it recognised that a sustainable long-term relationship with traditional owners and neighbouring communities was essential and, following the Wik judgment by the High Court in 1996, Comalco signed a Memorandum of Understanding with the Cape York Land Council and agreed to negotiate a comprehensive agreement. Comalco was not legally required to enter this agreement, but understood that reciprocal recognition of the interests was overdue. The negotiation of this agreement took six years, and the Western Cape

Communities Coexistence Agreement was finally signed in early 2001.<sup>40</sup>

The township of Weipa, with two thousand mainly non-Indigenous people, has a hospital, well-resourced schools and other essential amenities, and has become the regional centre. Seven kilometres south, Napranum is home to a thousand predominantly Indigenous people. Two hundred kilometres south by dirt road is Aurukun, another Indigenous town of a thousand. Eighty kilometres north of Weipa, on the site of the former mission, Mapoon (Marpuna) is a recently established township of 350 people.<sup>41</sup>

Nhulunbuy, on the Gove Peninsula on the western shore of the Gulf of Carpentaria, is a mining town established by legislation<sup>42</sup> in 1968 to enable the mining and treatment of bauxite. The leases were contested by traditional owners, and although the plaintiffs were ultimately unsuccessful the Northern Territory Supreme Court recognised that they had a system of traditional laws and rights.<sup>43</sup>

Construction of Nhulunbuy commenced near Yirrkala, the Methodist mission where the court challenge originated. The town was established to service the mining operations throughout the region. In 1973 Nabalco, a Swiss–Australian consortium, started mining and processing the 250-million-tonne bauxite deposit – one of the largest in the world. Nhulunbuy, the fourth-largest town in the Northern Territory, is home to about four thousand people.

The traditional owner Galarrwuy Yunupingu has said, ‘When we first responded to mining, we said, “No mining, no mining.” When the mining companies came, they brought social change. There was walkabout land with food, a billabong. That land became the Woolworth’s. Now everybody stands around the takeaway, the diet gives us diabetes...it is now no good thinking that mining can be stopped and will not continue. We have to work together with the mining companies to mitigate the socially damaging side of mining.’ Another Yolŋu man added, ‘what is left is *not* his land.’ Mining is by nature finite: the ore body is removed. In the process the land, rivers, underground water and vegetation are irreparably and irreversibly altered.

In the Pilbara, Aboriginal people were artisanal<sup>44</sup> miners after World War II. They have lived on the margins of the large-scale mining operations that commenced in the 1960s. There are more than ten agreements in the region, including the Yandicoogina Regional Land Use Agreement, the first for a major resource project to be concluded after the High Court’s Mabo decision. It covers an area of 26,000 square kilometres in the central Pilbara and was signed in 1997 between Hamersley Iron, a wholly owned subsidiary of Rio Tinto, and the Gumala Aboriginal Corporation, representing the native title claimants. It was negotiated to enable the development of the Yandicoogina iron ore mine and its associated infrastructure. It includes provision for long-term community benefits, such as employment and business development, and financial benefits of \$60 million over the estimated twenty-year life of the mine, paid in annual instalments to a trust fund

to support the community. For complex legal and political reasons these funds have not resulted in improved socioeconomic outcomes.<sup>45</sup>

More mining towns were gazetted by legislation in the following decades. As the settlements become operational the companies running them have become surrogate governments, delivering services and ensuring law and order. State governments effectively delegated their powers and responsibilities – formally through legislation and informally through budget cuts – to the mining companies. The governments rely on the companies to provide the services that they fail to extend to remote area citizens.

Historically, local Aboriginal people were excluded from working in the industry.<sup>46</sup> More recently, the corporate resolve to employ Indigenous workers has done little to improve conditions – economic growth for Aboriginal people is declining relative to the population,<sup>47</sup> life expectancy is in the mid-fifties for men and early sixties for women,<sup>48 49</sup> dependence on government support remains high, and the relative wellbeing of Indigenous people living adjacent to major long-life mines is similar to that elsewhere in regional and remote Australia.<sup>50</sup>

While the regional Pilbara labour market has grown in size and complexity, Indigenous participation has remained marginal. Over the past thirty years there has been a shift from reliance on the pastoral industry for employment to dependence on government through work-for-the-dole.<sup>51</sup> Over this time the trade skills of young people have not improved.<sup>52</sup> This is conspicuously similar to resource curse conditions in the developing world. The low levels of Aboriginal education and skills, combined with racism, poverty, poor housing, and high levels of morbidity and mortality, have contributed to low levels of participation, far below parity, ‘across the full range of activities associated with the region’s key economic sectors’.<sup>53</sup>

**T**hese local impacts reveal some of the tensions in the Australian mining boom: the lack of coherent and consistent policy, and confusion about the economic future of the Aboriginal people living in the shadow of mining projects. While the right to negotiate provides significant new opportunities, low levels of education and work-readiness pose difficult challenges for those companies seeking to ensure measurable improvements in Indigenous wellbeing.

There are sufficient similarities with other resource-rich countries to highlight the need for more effective measures within regionally integrated strategies. The relative absence of federal investment in education, health and social infrastructure, compared with the funding for mining projects, has the potential to make this worse – both during the construction and operational phases, and when the projects eventually close. The ‘poverty as capacity deprivation’ analysis so persuasively argued by Amartya Sen is evident in the Pilbara: ‘Despite unprecedented labour

demand...the capacity of local Indigenous people to benefit remains substantially constrained by their limited human capital.<sup>54</sup>

The effects of the resource curse in regional Australia should be a greater policy concern for all governments. The demographic profile of regional and remote Aboriginal populations is overwhelmingly young;<sup>55</sup> their future depends on their inclusion in the economy, through education and work.

Mining is the only significant industry in remote communities, and dependence on it may leave these communities in a precarious position when an operation closes. This is recognised by the Minerals Council of Australia, which has expressed the concern of its members that their reputations will suffer when closures affect Aboriginal communities. The council recommends establishing lasting relationships to enhance 'the industry's sustainable development credentials by contributing to the development of prosperous and sustainable regional communities'.<sup>56</sup> Mining company representatives see the failure of governments to invest in mining regions, despite the resource industry's royalty payments, as a significant contributor to the problem.

At core is the issue that Richard Auty described: 'The sustainable development of mineral economies lies in the successful diversification into competitive non-mining tradeables. The mineral sector should not be regarded as the backbone of the economy; instead it should be viewed as a bonus with which to accelerate economic growth and healthy structural change.'<sup>57</sup>

Developing economic diversity in Australia's mining provinces has significant challenges. We need adequate political, legal and accounting arrangements to make possible community and regional 'import substitution' and 'export promotion' strategies.<sup>58</sup> This is beginning, as Aboriginal organisations established primarily for community development and maintenance, or natural resource management and environmental protection, secure contracts from governments, mining companies and others for goods and services.

The vital role of Aboriginal organisations and individuals in regional economies<sup>59</sup> suggests that, in addition to the potential for regional co-operation to enhance the capacity of individuals and organisations, there are significant financial benefits that may result from efforts to realise Aboriginal 'economies of scale' and leverage. Yet the responsibility for encouraging and funding education, health services, housing and other basic infrastructure lies with state and territory governments – which have historically neglected, and continue to neglect, the citizens of remote Australia, especially the Aboriginal peoples. Until this is resolved, and the other inequities addressed, there is a ticking time bomb in the remote economic heart of the nation. ■

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- <sup>2</sup> Taylor, J and Scambray, B 'Indigenous People and the Pilbara Mining Boom: A Baseline for Regional Participation' (Research Monograph No 25, Centre for Aboriginal Economic Policy Research, Australian National University, 2005).
- <sup>3</sup> 'Browse LNG project' <http://www.hydrocarbons-technology.com/projects/browse/> at 19 February, 2010: 'The Browse LNG project is the latest LNG export facility being considered in Western Australia's north-west coast (425km north-west of Broome in Western Australia). The facility will help in the distribution of gas from three gas fields – Torosa (discovered 1971), Brecknock (discovered 1979) and Calliance fields (discovered 2000), comprising the Browse gas fields of the Browse Basin (water depths of 35m to 700m). These fields have estimated reserves of 20 trillion cubic feet of gas and also 300 million barrels of condensate (with a field life of 40 years).'
- <sup>4</sup> 'Inpex' <http://www.inpex.com.au/> at February 19, 2010. 'INPEX is a worldwide oil and gas exploration and production company currently involved in more than 70 projects across 26 countries. Inpex is ranked in the Top 50 global petroleum companies and is listed on the Tokyo Stock Exchange. Inpex has been a part of the Australian business community since 1986 and is currently involved in a number of projects in Australia and the Timor Sea including the Ichthys Project, the Griffin Fields Project and Darwin LNG.'
- <sup>5</sup> For a current listing, see Michael Lampard et. al, 'Minerals and energy Major development projects: October 2009 listing' available at [http://www.abare.gov.au/publications\\_html/energy/energy\\_09/ME09\\_Oct.pdf](http://www.abare.gov.au/publications_html/energy/energy_09/ME09_Oct.pdf); at 19 February, 2010.
- <sup>6</sup> Ibid.
- <sup>7</sup> Ibid., 1.
- <sup>8</sup> Commonwealth of Australia, Parliamentary Debates (House of Representatives, Main Committee), National Rental Affordability Scheme (Consequential Amendments) Bill 2008 Second Reading Speech, 21 October 2008, 9811.
- <sup>9</sup> R Auty, 1993, *Sustaining Development in Mineral Economies: The resource curse thesis*, Routledge, London.
- <sup>10</sup> See, for instance, J Stiglitz, 2006, *Making Globalization Work*, WW Norton & Company, New York; Amartya Sen, 1999, *Development as Freedom*, Oxford University Press, Oxford. See also, Nussbaum, M and Sen, A, 1993, *The Quality Of Life*, Oxford University Press, Oxford.
- <sup>11</sup> J Stiglitz, 2006, *Making Globalization Work*, WW Norton & Company, New York.
- <sup>12</sup> Ibid.
- <sup>13</sup> J Switzer, 2001, 'Armed Conflict and Natural resources: The cases of the minerals sector' *Mining, Minerals and Sustainable Development* (Report No 12), 8 available at: [http://www.ied.org/mmsd/mmsd\\_pdfs/jason\\_switzer.pdf](http://www.ied.org/mmsd/mmsd_pdfs/jason_switzer.pdf) at 23 November 07.
- <sup>14</sup> K McPhail, "How Oil, Gas and Mining Projects Can contribute to Development", *Finance and Development* 37(4) (2000), cited in Jason Switzer, *ibid.* Ballard and Banks, below n 27, also describe how mining can become a source of conflict 'over the control of resources and resource territories, the right to participate in decision making and benefit sharing, social and environmental impacts, and the means used to secure access to resources and to personnel.'
- <sup>15</sup> R Auty, 1993, *Sustaining Development in Mineral Economies*, 1.
- <sup>16</sup> Commonwealth of Australia. Parliamentary Debates, 21 October 2008, 9812.
- <sup>17</sup> 'Costello must act to address rental assistance shortfall' Treasurer's Office, Government of Western Australia, (Media Release), 29 March 2007, available at <http://www.mediastatements.wa.gov.au/Lists/Statements/DispForm.aspx?ID=124982> at 23 November 2007.
- <sup>18</sup> 'The Western Australian Resources Industry Demonstrates Resilience Amid Challenging Conditions' Department of Mines and Petroleum, Government of Western Australia, (Latest Statistic Release) available at <http://www.dmp.wa.gov.au/1525.aspx> at 5 March 2010.
- <sup>19</sup> *Resources Data Files 2008-09*, (Table 4: Royalty receipts), Department of Mines and Petroleum, Government of Western Australia, <http://www.dmp.wa.gov.au/1521.aspx#1587> at 5 March 2010
- <sup>20</sup> Ministerial Council on Mineral and Petroleum Resources, *Minerals and Petroleum Taxation: A Review of Australia's Resource Industry Fiscal Regimes and their International Competitiveness* (2006) 39-42 <<http://www.industry.gov.au/content/itrinternet/cmscontent.cfm?objectID=8736CECA-C608-10E1-01A214F74E40CA1A>> at 23 November 2007.

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- <sup>21</sup> *Budget Fact Sheet 2009-2010 (Royalty Income)* Department of Treasury and Finance, Western Australian Government, 15 available at [http://www.dtf.wa.gov.au/cms/uploadedFiles/State\\_Budget/Budget\\_2009\\_2010/05\\_royalty\\_income.pdf](http://www.dtf.wa.gov.au/cms/uploadedFiles/State_Budget/Budget_2009_2010/05_royalty_income.pdf) at 19 February, 2010.
- <sup>22</sup> *Mining and Petroleum Royalties*, Department of Mines and Energy, Queensland Government, available at [http://www.dme.qld.gov.au/mines/mining\\_royalties.cfm](http://www.dme.qld.gov.au/mines/mining_royalties.cfm) at 5 March 2010
- <sup>23</sup> Private correspondence with the Royalty Officer of the Department of Primary Industry, New South Wales, 5 March, 2010.
- <sup>24</sup> *The Australian Minerals Industry and the Australian Economy (Fact Sheet)*, Mineral Council of Australia, 1, available at [http://www.mineralscouncil.org.au/data/assets/pdf\\_file/0017/32804/Aus\\_min\\_industry\\_fact\\_sheet\\_July\\_2009.pdf](http://www.mineralscouncil.org.au/data/assets/pdf_file/0017/32804/Aus_min_industry_fact_sheet_July_2009.pdf) at 5 March 2010.
- <sup>25</sup> Gruen, D and Kennedy, S, 'Reflections on the global economy and the Australian mining boom' (Keynote address to the Australian Business Economists Forecasting Conference, 11 October 2006).
- <sup>26</sup> A McKissack et al, 'Structural effects of a sustained rise in the terms of trade', Department of Treasury, Commonwealth Government, (Working paper, July 2008), ii, available at [http://www.treasury.gov.au/documents/1400/PDF/Structural\\_Effects\\_Terms\\_of\\_Trade.pdf](http://www.treasury.gov.au/documents/1400/PDF/Structural_Effects_Terms_of_Trade.pdf) at 5 March 2010.
- <sup>27</sup> 'Named after the negative effects on the Dutch manufacturing sector of Holland's natural gas revenues from the North Sea, the "disease" refers to the contraction of other tradable sectors as a result of a boom in the natural resource sector': M Sanbu, "Natural Wealth Accounts: A Proposal for Alleviating the Natural Resource Curse" *World Development* 34(7) (2006), 1153-1170, 1155
- <sup>28</sup> Ballard, C and Banks, G, "Resource Wars: The Anthropology of Mining", *Annual Review of Anthropology* 32 (2003), 287-313, 295.
- <sup>29</sup> Lal, D and Myint, H, 1996, *The Political Economy of Poverty, Equity and Growth*, Clarendon Press, Oxford.
- <sup>30</sup> Ballard and Banks, 'Resource Wars', 297-322.
- <sup>31</sup> A McKissack et al, 'Structural effects of a sustained rise in the terms of trade'.
- <sup>32</sup> As cited in McCissack et al, 4.
- <sup>33</sup> Graham Davis and John Tilton, "The Resource Curse" *Natural Resources Forum* 29 (2005), 236.
- <sup>34</sup> Ibid.
- <sup>35</sup> The Commonwealth Grants Commission distributes funds to state and territory governments according to the horizontal fiscal equalisation formula to overcome several types of disadvantage (e.g. geographic remoteness, etc.): *Commonwealth Grants Commission Act 1973* (Cth).
- <sup>36</sup> John Nieuwenhuysen, 'Foreword', in Jon Altman and David Martin (Eds.), *Power, Culture, Economy Indigenous Australians and Mining*, (Research Monograph No 30, Centre for Aboriginal Economic and Policy Research, The Australian National University, Canberra, 2009), ix.
- <sup>37</sup> Bruce Harvey, 'Rio Tinto's Agreement Making in Australia in a Context of Globalisation' (Seminar paper in possession of the author.)
- <sup>38</sup> Ibid.
- <sup>39</sup> Ibid.
- <sup>40</sup> P Crooke et al, 'Western Cape Communities Co-existence Agreement Implementation Progress Review – Summary Report', (2003), Unpublished report for Comalco, Brisbane.
- <sup>41</sup> Ibid.
- <sup>42</sup> *Mining (Gove Peninsula Nabalco Agreement) Ordinance Act*.
- <sup>43</sup> See *Milirrpum v Nabalco Pty Ltd* (1971) 17 FLR 141; *Gumana v Northern Territory of Australia* [2005] FCA 50.



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- <sup>44</sup> S Holcombe, 'Early Indigenous engagement with mining in the Pilbara: lessons from a historical perspective' (Working Paper No 24, Revised Edition, Centre for Aboriginal Economic Policy Research, The Australian National University, Canberra, 2004, 2006) available at <http://www.anu.edu.au/caepr/Publications/WP/CAEPRWP24.pdf> at 6 December 2007.
- <sup>45</sup> Agreements, Treaties and Negotiated Settlements Project Database, *Yandicoogina Regional Land Use Agreement* (2003) available at <http://www.atns.net.au/agreement.asp?EntityID=1352> at 23 November 2007: With the support of Hamersley Iron Pty Ltd, three joint-venture businesses were established by Gumala Corporation and private companies to provide services, such as earth-moving, to the Yandicoogina mine.
- <sup>46</sup> Taylor and Scamby, 'Indigenous People and the Pilbara Mining Boom'.
- <sup>47</sup> *Ibid.*, 45.
- <sup>48</sup> *Ibid.*, 150.
- <sup>49</sup> *Ibid.*, 45.
- <sup>50</sup> *Ibid.*, 1.
- <sup>51</sup> Despite private sector economic activity accounting for as much as 81% of locally-resident employment
- <sup>52</sup> Taylor and Scamby, 'Indigenous People and the Pilbara Mining Boom', 146
- <sup>53</sup> *Ibid.*, 40.
- <sup>54</sup> *Ibid.*, 152.
- <sup>55</sup> 'A Picture of Australia's Children', Australian Institute of Health and Welfare, Commonwealth Government, Canberra: 2009, 6.
- <sup>56</sup> 'Working with Indigenous Communities', Department of Industry Tourism and Resources, Commonwealth Government, Canberra: 2007, 4.
- <sup>57</sup> R Auty, *Sustaining Development in Mineral Economies*, 258. Auty reported the 'resource curse thesis' in relation to six hard mineral economies (Bolivia, Peru, Chile, Jamaica, PNG and Zambia), confirming that 'mineral booms can corrode the competitiveness of non-mining tradeables and downswing adjustment tends to be lagged and inadequate, even with cautious economic policies' (257) and 'manufacturing as opposed to natural-resource production, leads to a more complex division of labor and hence to a higher standard of living.' See also Sachs and Warner, above n 15.5.
- <sup>58</sup> Altman, J and Taylor, L, 1987, *The economic viability of Aboriginal outstations and homelands*, Australian Government Publishing Service, Canberra.
- <sup>59</sup> For example Pritchard and Gibson found that approximately 92% of Aboriginal expenditure in the Katherine region was spent locally: Pritchard, B and Gibson, C, *The Black Economy: Regional development strategies in the Northern Territory* (NARU Report Series No 1 North Australia Research Unit, The Australian National University and The Northern Land Council 1996).