



19 August 2011

The Executive Officer  
Economic Development and Infrastructure Committee  
Parliament of Victoria  
Spring St  
East Melbourne VIC 3002

SENT VIA EMAIL: [edic@parliament.vic.gov.au](mailto:edic@parliament.vic.gov.au)

Dear Ms Yuki Simmonds,

**Inquiry into greenfields mineral exploration and project development  
in Victoria**

The CFMEU welcome the opportunity to make a brief submission to this inquiry.

**The CFMEU**

The Construction, Forestry, Mining & Energy Union is one of Australia's largest unions. The CFMEU Mining and Energy Division is the largest union in the Australian mining industry, with the bulk of its members in the coal industry where we represent the vast majority of all production and maintenance workers. We also have significant membership in the power generation industry. There are approximately 22,000 members of the CFMEU within the Mining & Energy Division.

CFMEU Mining and Energy therefore has a very large stake in the economic performance of, and prospects for, Australia's mining and energy industries.

## **Victoria's mineral resources: brown coal vs the rest**

Victoria's large reserves of brown coal are its most significant mineral resource. Even when compared to the (depleting) oil and gas fields of the Bass Strait, the brown coal resource of Victoria is massive.

To cite the Victorian Department of Primary Industries website: "The 430 billion tonnes of brown coal located in Victoria represents a significant proportion of the world's brown coal endowment."<sup>1</sup>

Total reserves are estimated at 433 billion tones, and potentially economic reserves at 33 billion tones, while current production is around 69 million tones per year.

In sharp contrast there is relatively little other mining in Victoria. Gold mining has been prominent in the past and may again have significant prospects due to current high gold prices.

Victoria is relatively densely settled (compared to the rest of Australia) and has much prime agricultural land. This makes prospects for mining more difficult due to competing land use claims.

### **Utilising brown coal**

While the brown coal resource of Victoria is a significant energy resource on a global scale, it has the problem of being GHG (greenhouse gas) emissions-intensive in its primary use in conventional power stations.

The broad solution to this problem is the storage or re-use of those emissions. This includes carbon capture and storage (CCS) but also measures such as algae-farming. And provided that the emissions problem can be addressed, the brown coal resource opens up enormous wealth and employment-creating potential for Victoria in coal-to-liquids and as a feedstock for fertiliser and petrochemical processes. In a world of rapidly depleting oil reserves this is a major opportunity.<sup>2</sup>

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<sup>1</sup> See <http://new.dpi.vic.gov.au/earth-resources/industries/coal/fact-sheet-brown-coal-victoria>

<sup>2</sup> See, for example, the scenarios developed in ERDC (2010), "Boom or Bust: Possible Futures for Victorian brown coal in a carbon constrained world".

The CFMEU notes the efforts of successive Victorian Governments in determining a future for brown coal, and also the Australian Government's CCS Flagships program. The coal industry's Coal21 program is also noted.

The problem with CCS programs and similar initiatives to date is that they are generally timid or half-hearted. These technologies are not yet commercially-available, and neither governments nor the private sector appear enthusiastic in making the necessary investments in First Of A Kind industrial scale CCS power plants.

This timidity does not augur well for the future of brown coal in Victoria, which is currently Australia's most emissions-intensive power source and which will be the most adversely affected by the global shift to carbon pricing as an essential component in emissions reduction.<sup>3</sup>

The Victorian brown coal resource is an immensely valuable asset, and could be a key part of Victoria's future in both resources and value-added minerals processing and manufacturing. It has an emissions problem that can be overcome. A failure by Governments (state and federal) to work with and lead private sector investment in fixing the emissions problem will result in the squandering of that key asset.

*The CFMEU recommends that the Victorian Government play a leading role in resolving the emissions problem of brown coal so that the industry can play an even larger role in Victoria's future.*

## **Minerals taxation**

The CFMEU has been strong supporter of resource rent taxation for at least two decades. The union has therefore welcomed the Minerals Resource Rent Tax by the Australian Government. Our principal disappointment is that it is weaker and will produce fewer benefits for the Australian community than the earlier proposed Resource Super Profits Tax.

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<sup>3</sup> The CFMEU supports the introduction of carbon pricing and emissions trading, beginning with the Australian Government's Clean Energy Future policies. The union sees it as essential that specific complementary measures be implemented to assist the workers and communities in the brown coal industry to adjust to both the threats and opportunities presented by carbon pricing.

With Australia gripped by once-in-a-lifetime resources boom, it is imperative that taxation arrangements for the industry procure long term benefits for the Australian people while not discouraging exploration and investment. Rent taxes that seek a share of above-average profits are critical, but should be matched with the development of a Sovereign Wealth Fund that preserves the benefits for future generations that will face lower mineral reserves.

*The CFMEU recommends that current and future mineral taxation and royalty arrangements in Victoria be consistent with, and complementary to, national resource rent taxation.*

### **Health, safety and labour practices**

It cannot be assumed that all industry development is automatically beneficial for workers and their communities. Industry development needs to be conducted in accordance with appropriate regulatory mechanisms to ensure that the benefits are real and sustainable.

The CFMEU notes that Australia has not yet ratified ILO Convention 176 on Safety and Health in Mines. As a major mining nation this is a disgrace. While Australian mining's OHS performance is reasonable-to-good compared to most other nations, failure to fully comply with the accepted global minimum standard reflects poorly on both government and industry.

The CFMEU understands that all States, including Victoria, have previously stated that their laws comply with the requirements of ILO C176. However, ratification has not been made a priority.

*The CFMEU recommends that the Victorian Government work closely with the Australian Government to ensure early ratification of ILO Convention 176.*

Working conditions and workplace rights in Australia's mines should reflect international best practice in both standards and reporting. It is noted that many of Australia's mining and construction companies have conducted operations in breach of international minimum labour standards, notwithstanding that Australia is a party to the international conventions requiring those standards.

The CFMEU is particularly referring to the use of mandatory statutory individual employment contracts (AWAs) under the now-superseded (Australian) Workplace Relations Act, which the International Labour Organisation ruled was non-

compliant with Australia's obligation under ILO Conventions on freedom of association and collective bargaining.

Similarly, continuing features of the (Australian) Fair Work Act and various aspects of the operations of the Australian Building and Construction Commission (ABCC) breach Australia's international obligations under ILO conventions and remain to be remedied.

It is suggested that mining companies in Australia could operationalise their adherence to minimum international labour standards through obtaining certification under SA 8000<sup>4</sup> - a voluntary international standard for certifying a site's compliance with ILO core labour standards and basic working conditions - and through reporting their environmental, social and governance (ESG) performance using the Global Reporting Initiative (GRI) Guidelines.<sup>5</sup>

*The CFMEU recommends that current and future minerals development in Victoria ensure sustainable benefits for workers and their communities through (at least) adherence to international minimum labour standards and good ESG reporting.*

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Further information on the views in this brief submission can be obtained from:

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Yours sincerely,



**Tony Maher**  
**General President**

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<sup>4</sup> See <http://www.sa-intl.org/>

<sup>5</sup> See <http://www.globalreporting.org>