CONTENT

1. Introduction 2
2. The Code Framework 3
3. Adoption of the Code 4
   3.1 Status of adoption 6
   3.2 Steps to encourage adoption 7
   4.1 Quantitative component 9
   4.2 Qualitative component 12
5. Improving the Code 16
6. Other Initiatives 17
7. Additional Case Studies 19
The QRC is pleased to submit the third Code Effectiveness Report (2015) (the ‘report’) under the Code of Practice for Local Content (2013) (the ‘Code’) which the QRC is responsible for administering.

The objective of the report is to provide government with a summary of industry’s progress in adopting the code, including best practice case studies, expenditure data – local, interstate and abroad, the sector’s economic contribution, how the full, fair and reasonable principle is being implemented, and suggestions for improving the code framework.

INTRODUCTION

ROLE OF THE QRC SECRETARIAT:

1 Provision of secretariat support for the code’s broad administration and maintenance (ongoing)
2 Promotion of the code to key stakeholders (ongoing)
3 Development and maintenance of a dedicated webpage that will give companies applying the code access to further practical guidance material (ongoing)
4 Collect Code Industry Report(s) (to be completed by industry annually)
5 Facilitation of an annual Local Content Participation Forum of stakeholders where company initiatives and government programs will be discussed (to be held annually)
6 Development and maintenance of the Local Content Working Group (ongoing)

1 2 3 4 5 6
2. THE CODE FRAMEWORK

The QRC acknowledges and applauds the Queensland state government’s support for the existing outcomes based, flexible policy approach to achieving improved local content outcomes which commenced in 2013.

Much has been achieved through this voluntary approach to local content. In conjunction with the strong commercial and social licence to operate drivers that exist to buy local, the code and supporting Implementation Guidelines provide a practical set of tools for resources companies to achieve the important ‘full, fair and reasonable’ principle. Furthermore, the code adopts a shared responsibility framework with the QRC, local suppliers, the resources sector, and government encouraged to play joint roles in promoting local content outcomes. In more recent times the QRC has been instrumental in bringing together regional economic development groups to add to the shared responsibility framework.

Figure 1: A shared responsibility framework – incorporating regional economic development groups
Successful implementation of the code has the potential to achieve a number of broader benefits, via:

- employment and business growth in Queensland by expanding market opportunities for local industry;
- long term sustainability of local economies; and
- gaining and maintaining the sector’s social licence to operate.

Under the code, Queensland operating resources and energy companies are encouraged to:

- adopt the Principle of ‘full, fair and reasonable’, develop a Local Content Strategy (using the Code Implementation Guideline as a starting reference), utilise complementary capacity and capacity building programs, and monitor and evaluate Local Content Strategy effectiveness;
- participate in an annual forum of resources companies and stakeholders where company initiatives and commercial and government funded supplier programs will be discussed;
- complete an annual Code Industry Report (CIR) that builds on the postcode data request that most QRC members currently complete; and
- participate on the Code Steering Committee (CSC) as appropriate. Consisting of member company representatives and external stakeholders, this committee is tasked with monitoring the sector’s application of the code and to make recommendations on how the code and supporting frameworks can be improved.
In February 2014 Mount Isa Mines publically tendered for General Labour hire. There was an estimated requirement for around 400 contractors per day to perform various works across the entire Mount Isa Mines mining lease and its diverse operations.

Of the tender submissions we sought to form a panel of preferred suppliers that could provide the volume of personnel on a day to day basis, and also provide the specific skill sets we were looking for such as multi-skilled equipment operators, tradesmen, and various other roles.

During the tender evaluation process there was an opportunity to score tenderers whom may be Indigenous owned or who emphasised their Indigenous employment. This is always considered and is an integral part of our Supplier Selection Policy. Due to the overall tender evaluation scoring Curry Contracting were shortlisted to potentially form part of the panel of suppliers.

To address potential concerns raised by the evaluation panel, a meeting was arranged with Curry Contracting to consider issues such as ability to supply certain types of trades, to understand their business model, how they recruited employees, and how they focussed on Indigenous employment. Being a locally owned and operated Indigenous business they could answer all the questions and had strong ties with local Indigenous groups.

They were given a three month trial on the panel to prove themselves. After three months their probation was lifted and the contract duration was extended to twelve months. During this time their employee base grew from 3 people to over 20 employed per day, predominantly providing skilled surface operators.

To ensure Curry Contracting were proactive in addressing issues, monthly meetings were held between Mount Isa Mines and Curry Contracting where potential upcoming work was raised, general issues regarding providing quotations, health and safety, and other various topics were discussed and this was key to their success.

3. ADOPTION OF THE CODE

In the twelve months since the 2014 Code Effectiveness Report, the QRC has undertaken a number of important initiatives to encourage adoption of and compliance with the code.

Most recently;

- In June 2015 the QRC hosted the second annual Local Content Participation Forum with representatives from Local, State and Federal Government, supplier groups, resources and energy companies and other peak bodies;
- In July 2015 the QRC wrote to all QRC full member companies requesting their 2014/15 expenditure data by postcode for Queensland, interstate and international spending amounts;
- In November 2015 QRC requested completion of CIRs. CIRs are collected by the QRC and provide a company by company account of progress in adopting the code framework. The information from each CIR has been used to compile this report, the 2015 Code Effectiveness Report.
- Throughout 2015 QRC has been assisting the Department of State Development in providing local content and economic contribution data for the purposes of the FIFO Inquiry.

Encouragingly, there is an appetite for QRC to increase the frequency of the Participation Forum to twice per year.
3.1 STATUS OF ADOPTION

Companies seeking project approval through the Queensland Government’s Coordinator General’s office are required to comply with the Code however given the current investment environment there are a limited number of new projects seeking approval. One key advantage of the Code is the ability to capture compliance from existing projects not seeking approval which helps improve local content outcomes for Queensland on a voluntary basis.

The table below shows the Queensland operating resource and energy projects that have recently gained EIS project approval, or are seeking EIS approval through the Queensland Government’s Coordinator General’s office. As shown, seven companies have formally adopted the code while five additional companies are aware of the code and have made a commitment to adopt the code for future projects.

The seven companies that have adopted the code all completed 2013, 2014 and 2015 Code Industry Reports with all local content practices either matching or exceeding the code’s requirements. Encouragingly, Cockatoo Coal has indicated they will be adopting the Code.

The table below summarises the status of adoption to date with information provided by the Coordinator General’s office.

<table>
<thead>
<tr>
<th>Companies that have adopted the Code (including reporting)</th>
<th>Companies that have indicated they will be adopting the Code</th>
<th>Companies whose position regarding the Code is unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>APLNG Origin, GLNG Santos, QCLNG, Arrow Energy, BMA, GVK Hancock, Rio Tinto</td>
<td>Adani, China Stone Coal, AMCI, New Hope Group, Cockatoo Coal</td>
<td>Wandoan Coal, Aust-Pac Capital Pty Ltd</td>
</tr>
</tbody>
</table>

More information on the reporting requirements for these companies can be found in section 4.2.

QRC applauds those companies that continue to recognise the importance of the Code, including the voluntary reporting requirements. Unfortunately there were some companies who did voluntarily provide Code Industry Reports in the past two years but were unable to provide reports this year, for example through changes of ownership or due to significant resourcing constraints. Overall, the QRC is confident that the number of companies adopting the code will increase year on year as resourcing constraints are alleviated and the code is better understood.
3.2 STEPS TO ENCOURAGE ADOPTION

The QRC intends to continue to work collaboratively with groups to identify ways for local suppliers and QRC members to engage effectively to achieve continuing strong local content outcomes.

As per the code, the QRC commits to:
• share information with QRC board members, including an annual agenda item regarding the outcomes of the 2015 Code Effectiveness Report;
• share additional information through QRC committee papers and QRC Bulletin articles;
• continue to develop and distribute case studies to exemplify implementation of the code;
• develop additional supporting materials including sample templates on how to comply; and
• with representatives of government, local suppliers, QRC members and other invited experts, the QRC will host an Industry Participation Forum in mid-2016 to explore what commercial, program and policy initiatives are working well, what is not working so well, and agree to recommendations for improvement to be shared and implemented.

The outcomes from the Industry Participation Forum are discussed in section 5 (pg 16) of this report.

‘One of the benefits we perceive in the Code is its flexibility enabling companies to define what ‘local content’ means for their business and operating environments’
The Initiative
In early 2015, Thiess received a proposal from Collinsville Real Estate, a locally owned and operated business, who offered an innovative alternative to camp-style accommodation at Collinsville. The tailored accommodation and catering proposal demonstrated a collaborative, innovative and community-led solution to workforce accommodation that addressed the needs of multiple stakeholders i.e. local businesses, mine operators, mine employees, local property owners and the community.

The initiative offers accommodation and services to mine employees as outlined below:
• Accommodation including double bed rooms and shared common areas
• Housekeeping including linen service, house cleaning and grocery restocking
• Entertainment including Foxtel and newspaper delivery
• Catering including:
  • in-house dining (pantry supply, meal preparation, meal delivery and BBQ packs)
  • dine-out options (clubs, hotels and crib meals)
• Transport and transit services

This collaborative approach to accommodation and services provides employment and business opportunities to the following local businesses and services:
• Housing
• Real estate
• Butcher
• Restaurants and cafes
• Newsagent
• Dry cleaner
• House cleaning, keeping, property maintenance including trades, lawn and gardening services
• Bakery
• Transport services including delivery drivers
• Hardware
• Produce providers and supermarkets

The Outcome
Thiess welcomed the proposal and coordinated an internal Expressions of Interest process to identify participants for a one month pilot. Eleven employees participated. Participants were housed in local rental accommodation with a high level of appointment. Catering was provided with a “meals-on-wheels” style service with dine out options. The package centred on accommodation and catering, but also included housekeeping, transport, entertainment, maintenance, grocery, mowing and gardening services.

The trial period was successful. Thiess house guests were welcomed into the community and were treated to a personalised “home away from home” service. Local business also reported an upturn in trade. Two trial participants are assessing relocating to Collinsville on a permanent basis.

The program has continued beyond the one month trial and Collinsville Real Estate has recently submitted a revised proposal to Thiess which includes new and improved services based on lessons learned and stakeholder feedback.

‘For the first time I feel like I am at home...’
‘It’s nice to feel like we are contributing to the local community...’
4. 2014-15 CODE INDUSTRY REPORTS: KEY FINDINGS AND CALCULATION OF ECONOMIC BENEFITS

The 2014-15 Code Industry Reports have a qualitative and quantitative component.

4.1 QUANTITATIVE COMPONENT INCLUDING CALCULATION OF THE FLOW ON ECONOMIC BENEFITS

For the last six years the QRC has tasked its full members to submit total expenditure data for goods and services (where possible separating operational and capital expenditure), salaries, community contributions all by postcode. Companies were also requested to submit information relating to local and state government payments including rates, royalties and taxes. In addition, companies were asked to detail interstate, New Zealand and other international supplier payments or purchases.

This year 40 companies submitted their data and great effort is taken to ensure the data entry most accurately reflects the point of expenditure. For example, the QRC approaches contractor companies or key suppliers to exchange data for member companies’ data to avoid large payments appearing in the Brisbane postcodes when expenditure occurred in the regions.

This valuable data sample allows us to analyse the Queensland expenditure, compare this expenditure to the interstate spend and also understand the international expenditure.

TOTAL ECONOMIC CONTRIBUTION (DIRECT AND INDIRECT)

DIRECT CONTRIBUTION

Across the 40 companies, the Queensland resources sector in 2014-15 procured $36.8 billion in goods and services (both opex and capex). This consisted of:

- $24.5 billion or 67 percent purchased from vendors located in Queensland. This compares to $29 billion in purchases in 2013-14, $30.8 billion purchased in 2012-13, $30.9 billion achieved in 2011-12, $20.8 billion achieved in 2010-11 and $18.8 billion achieved in 2009-10;
- an additional $11.7 billion or 32% was procured from vendors interstate; and
- $583 million or 1.6 percent procured from vendors located outside of Australia. This compares to 4 percent in 2013-14 and 5 percent in 2012-13.

<table>
<thead>
<tr>
<th></th>
<th>Direct full time employees</th>
<th>Associated salaries $M</th>
<th>Goods and services purchases $M</th>
<th>Number of businesses</th>
<th>Total (inc. taxation, community donations) $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland resources and energy industry</td>
<td>38,461</td>
<td>$5,154</td>
<td>$24,491</td>
<td>24,417</td>
<td>$31,925</td>
</tr>
<tr>
<td>Rest of Australia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$11,721</td>
</tr>
<tr>
<td>Total Australia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$44,850</td>
</tr>
<tr>
<td>Overseas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$583</td>
</tr>
<tr>
<td>Total</td>
<td>38,461</td>
<td>$5,154</td>
<td>$36,795</td>
<td></td>
<td>$45,433</td>
</tr>
</tbody>
</table>
Of note, is that 52 of the state’s 78 local government areas achieved direct expenditures greater than $2 million in 2014/15 including both salaries and purchases. That is, local businesses and resident workers were paid more than $2 million by the resource companies in two-thirds of the state’s local government areas. This demonstrates that Queensland local spending is not only significant, but it is spread right across the state with well-established supply hubs in existence in Brisbane, Mount Isa, Townsville, Mackay, Rockhampton, Gladstone and Toowoomba.

### DIRECT IMPACT OF MINERALS AND ENERGY SECTOR, TOP 20 LGAS BY EXPENDITURE, 2014/15

<table>
<thead>
<tr>
<th>Local government area</th>
<th>Residing employees (FTEs)</th>
<th>Associated salaries ($M)</th>
<th>Business purchases, community and local govt payments ($M)</th>
<th>Total direct spending ($M)</th>
<th>Annual % change in direct spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brisbane</td>
<td>5,930</td>
<td>1,004.2</td>
<td>12,825.8</td>
<td>13,830.0</td>
<td>-12.4%</td>
</tr>
<tr>
<td>Gladstone</td>
<td>2,313</td>
<td>315.0</td>
<td>2,921.6</td>
<td>3,236.5</td>
<td>-28.3%</td>
</tr>
<tr>
<td>Mackay</td>
<td>3,880</td>
<td>405.2</td>
<td>2,486.3</td>
<td>2,891.6</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Mount Isa</td>
<td>3,228</td>
<td>439.0</td>
<td>748.8</td>
<td>1,187.8</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Townsville</td>
<td>2,938</td>
<td>331.4</td>
<td>667.8</td>
<td>999.2</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Central Highlands</td>
<td>2,891</td>
<td>307.0</td>
<td>526.0</td>
<td>832.9</td>
<td>-21.0%</td>
</tr>
<tr>
<td>Isaac</td>
<td>3,351</td>
<td>552.0</td>
<td>253.1</td>
<td>805.1</td>
<td>-16.7%</td>
</tr>
<tr>
<td>Rockhampton</td>
<td>1,385</td>
<td>169.1</td>
<td>630.5</td>
<td>799.6</td>
<td>24.1%</td>
</tr>
<tr>
<td>Toowoomba</td>
<td>506</td>
<td>68.1</td>
<td>728.3</td>
<td>796.4</td>
<td>-37.9%</td>
</tr>
<tr>
<td>Western Downs</td>
<td>542</td>
<td>85.1</td>
<td>577.7</td>
<td>662.8</td>
<td>-42.4%</td>
</tr>
<tr>
<td>Moreton Bay</td>
<td>1,033</td>
<td>151.2</td>
<td>304.8</td>
<td>456.0</td>
<td>-22.5%</td>
</tr>
<tr>
<td>Banana</td>
<td>984</td>
<td>185.9</td>
<td>267.6</td>
<td>453.5</td>
<td>23.8%</td>
</tr>
<tr>
<td>Sunshine Coast</td>
<td>913</td>
<td>122.2</td>
<td>220.2</td>
<td>342.4</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>653</td>
<td>84.0</td>
<td>189.8</td>
<td>273.8</td>
<td>-19.4%</td>
</tr>
<tr>
<td>Ipswich</td>
<td>501</td>
<td>72.3</td>
<td>182.1</td>
<td>254.4</td>
<td>24.5%</td>
</tr>
<tr>
<td>Logan</td>
<td>345</td>
<td>44.8</td>
<td>206.2</td>
<td>251.0</td>
<td>-7.5%</td>
</tr>
<tr>
<td>Livingstone</td>
<td>953</td>
<td>130.1</td>
<td>111.9</td>
<td>241.9</td>
<td>-5.5%</td>
</tr>
<tr>
<td>Maranoa</td>
<td>162</td>
<td>21.0</td>
<td>212.1</td>
<td>233.1</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Cairns</td>
<td>419</td>
<td>43.8</td>
<td>147.5</td>
<td>191.2</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Whitsunday</td>
<td>868</td>
<td>96.2</td>
<td>63.2</td>
<td>159.5</td>
<td>-28.5%</td>
</tr>
</tbody>
</table>
INDIRECT CONTRIBUTION
The combination of the above, (primary data) with an estimation of the additional benefits or indirect contribution of the resources sector, allows us to see the full contribution of the Queensland resources sector. The expert economic modelling undertaken for the QRC by Lawrence Consulting estimates that in conjunction with the direct expenditure, additional workers and flow-on purchases supported 327,405 indirect jobs and stimulated an additional flow on spend of $32.9 billion in the Queensland economy.

TOTAL CONTRIBUTION
The total economic contribution of the resources sector in 2014/15 was approximately $64.8 billion. Therefore, directly and indirectly, the Queensland resources sector is estimated to have supported approximately 1 in 6 Queensland jobs and 1 in 5 dollars (Gross Regional Product) flowing through the state’s economy.

This valuable economic contribution is a supporting factor for the resources sector’s social license to operate. Further analysis of the economic contribution by the resources sector including royalties and community contributions as well as land use by Local Government Area can be found on this website www.qrc.org.au/economiccontribution

More information on the local expenditure by resources companies can be found in the Lawrence Consulting, ‘Economic contribution of the minerals and energy sector to the Queensland economy 2014-15’ Report.

WESFARMERS RESOURCES AND ABORIGINAL STEEL ART: CASE STUDY

In 2012, Wesfarmers Resources purchased a piece of art from Aboriginal Steel Art artist Wayne ‘Liwingu’ McGinness. Since then, a partnership has grown. There is a strong connection between our coal business and Aboriginal Steel Art as coal is necessary to make steel like that used by Wayne in his art.

A number of opportunities for both businesses have emerged since our initial purchase of a large steel crocodile for the Brisbane office. For example, Wesfarmers Resources commissioned Wayne to produce gifts for international customers from countries such as Japan, Taiwan, India and South Korea.

In September 2012, each of the 400 attendees at the Wesfarmers Leadership Conference received a specially commissioned blue Ulysses butterfly, hand-made by Wayne. This introduced Aboriginal Steel Art to the broader Wesfarmers Group, resulting in further work being commissioned by Blackwoods and Protector AIsafe. For its centenary last year, Wesfarmers commissioned a large piece of art by Wayne which was used to showcase the history of Wesfarmers at major events around the country.

Since starting his business in Darwin in 2008 Wayne McGinness has evolved from a welder to an artist and successful business owner. He has developed his own unique style of Aboriginal art and now runs a thriving business from the backyard of his family home in Kuranda, Far North Queensland, along with his wife Lucy.

Aboriginal Steel Art was a finalist in the 2014 Telstra Business of the Year Awards for Micro Business in Queensland and now exports its art around the world. Wesfarmers Resources is proud of the role it has played in this Indigenous business success story.
4.2 QUALITATIVE COMPONENT

The CIRs were sent to member companies requesting completion of a short three page report structured in five parts:

1. comment on whether local content has generally increased or decreased;
2. provide evidence on how the “full, fair and reasonable” principle and code framework has been or is to be applied;
3. provide comment on the effectiveness of the code and codes supporting framework and materials, as well as the Government-funded local content programs;
4. consider providing comment on why imported goods and services were not procured locally; and
5. consider providing a case study.

Question 5 was a new addition to the CIR and came from feedback at the 2015 Local Content Participation Forum.

Responding to this year’s request, 15 companies submitted CIRs, being:

- APLNG
- Arrow Energy
- BHP Billiton Mitsubishi Alliance (BMA)
- Ensham Resources
- Glencore Copper and Zinc
- Glencore Coal
- New Hope Group
- Peabody
- QCoal
- QGC Pty Ltd
- Rio Tinto
- Santos
- Thiess Pty Ltd
- Westfarmers Curragh Pty Ltd
- WestSide

In addition, two companies provided a project-specific explanation for why a CIR was not completed this year.

This compares to a total of 16 reports in 2012/13 and 2013-14. Encouragingly, five companies who have not previously submitted a voluntary CIR did complete the request this year, and those six companies that did not complete the request this year but have in previous years have systems in place to complete the reports again in the future. Overwhelmingly the feedback from existing operations which have not completed voluntary reports was due to a lack of available resources.

The Dugalunji Prevocational Training Program (Myuma) is an established, six-week residential training and work experience program based five kilometres outside of Camooweal. It is targeted towards Indigenous people seeking careers in the mining and resources sector.

BMA engages Myuma to work with trainees prior to commencing an 18 month traineeship on a BMA mine site. The Myuma program is designed to provide trainees with the best skills to succeed. An offer of employment with BMA will be made to trainees successfully graduating from the Myuma program.

An integral part of the Dugalunji Program is the experience of working in a remote location and in an environment which closely resembles those characteristics of a typical mining workplace. Trainees are required to reside in an alcohol and drug-free environment for the duration of rostered working periods throughout the program, working an 11 day fortnight roster.

This residential environment is intended to prepare trainees for challenging industry workplace conditions. Trainees may also benefit from the opportunity to be able to focus solely on attaining program goals without distractions. The Dugalunji Program provides a mix of accredited and non-accredited job preparation, literacy/numeracy, mining and construction skills training.

The Program is hosted by Myuma Pty Ltd, a non-profit company owned and managed by the Indjalandji-Dhidhanu People (the traditional owners of the Camooweal region), which operates a successful civil construction business and associated work/training facility based at Camooweal. The Dugalunji Program has been nationally recognised as a best practice model for the delivery of prevocational training to Indigenous jobseekers and other Indigenous people looking to upskill for new careers in the mining and construction industries.

The Dugalunji Program has operated since early 2007. In addition to BMA, other companies engaging Myuma include Rio Tinto Alcan, MMG Century Mine, Xstrata and Kagara Limited.
Roc-Drill Pty Ltd (Roc-Drill) is a service provider to the mining industry. Based in Toowoomba but servicing a range of mining sites throughout Australia, they are passionate about providing a quality service to clients but are also strong advocates of local content within the community they work in.

The original company (Deveth Drilling) was established in Dalby in 2008 specialising in coal mine, metalliferous mine, quarry and civil road production drill and blast services, and is now one of the leading blast hole drilling companies in Australia.

In 2012, they formed a partnership with a specialist mining engineer, and Roc-Drill was formed.

Originally created to complement Deveth Drilling as a training and consultancy extension to the existing business, Roc-Drill’s success quickly grew with the award of a four-year $57 million contract at the ‘Kamantoo Copper Mine’ in South Australia.

Roc-Drill also boasts current and existing clients including:
- New Hope – New Acland Coal Mine
- MacManhon Cambey Downs Coal Mine
- Peabody Energy Wilkie Creek Coal mine
- Golding Contractors – Kogan Creek Mine
- Chinova Osborne Cooper Gold mine- Mt Isa

Roc-Drill have remained true to their word in supporting locals and have set up head office in Toowoomba as their national operations hub. The operation office supports mining operations and project sites throughout Australia, but history stems from servicing Surat mines.

They have developed a comprehensive list of local suppliers that support current operations throughout Australia and endeavour to support the communities they work in. Roc-Drill places strong company focus on utilising local content in projects, with 100 percent of the workforce for their SA contracts being comprised of locals within six months of operation. The awarding of potential projects to local businesses allows for the region to remain viable and sustainable with continued reinvestment by local businesses.

In August 2015 Roc-Drill secured a contract in Mount Isa at Osbourne copper mine. Upon the awarding of the contract they purchased, overhauled and mobilised 3 x D65 production blast hole drills on the ground fully manned in record time. One more D65 drill has been delivered to the site since. All work was undertaken in the Toowoomba yard with all commitments to service providers in the local economy. This work and commitment have ensured they have injected $800,000 of expenses back into the local economy through a range of service providers over a two week period.

Although mining has thus far provided a significant portion of its work, the company is preparing to diversify and complement their services, reputation and innovation into the civil construction opportunities for drilling, blasting and ground support.

As they are in a growth phase the strategy going forward is to utilise the advancements in the mining industry and relay/apply to the civil industry.

The innovations and technologies applied to the drills such as navigation systems and auto drill functions has allowed for safer work practises, increased community and environmental awareness, enhanced accuracy and improved utilisation and availability of drill fleets.

This focus has allowed Roc-Drill to develop a unique training system to ensure all staff are on a continual learning path and also achieves the best result for the client. This approach has allowed Roc-Drill to become and remain an industry employer of choice.
CODE INDUSTRY REPORT FINDINGS

The findings are categorised below as per the questions asked within the CIR.

Part 1: Increase or decrease in local content

As in the past, the reports demonstrate that 2014-15 local content spend has largely remained the same or very similar with some companies noting small increases. Rather than increasing or decreasing, companies cite their local spend profile linked to project progression meaning that the amount of local content spend is dependent on and reflects the phase of the project.

Encouragingly, despite the sector wide emphasis on cost reductions to stay globally competitive, this has not resulted in any major change to the proportion of local industry spend as companies do not report a discernible increase in off-shore spend.

“We recognise that significant socio-economic benefits can be achieved through sourcing products and services locally. We are committed to working with local suppliers, including Indigenous businesses, to ensure that they have the opportunity to supply goods and services.”

“There has been no major change to the proportion/percentage of local spend with the completion of major projects.”

Part 2: “Full, fair and reasonable” principle and code framework

Companies continue to cite a variety of methods being utilised to promote the ‘full, fair and reasonable’ (FFR) principle. These include:

- expression of Interest (EOI) alerts to regional industry groups and local chambers of commerce;
- local supplier briefings and speaking at conferences on supply opportunities, prequalification and registration requirements;
- publishing EOs on ICN Gateway with a link to the Gateway on company websites;
- regular engagement with suppliers;
- periodic reviews of procurement policies and procedures;
- maintenance of an online portal to communicate available work opportunities for local suppliers;
- keeping an up-to-date supplier database;
- publishing company local content policy on their website;
- not placing unreasonable specifications or requirements that rule out local industry;
- engaging very early with local companies to desktop audit their systems and processes to build their capacity and capability; and
- ongoing requirement for contractors to pass on Local Content obligations to subcontractors.

“Where there are two potential suppliers who on all other criteria are assessed equally, but only one is a local enterprise then, preference will be given to the local enterprise.”

Part 3: Government-funded local content programs

General feedback is consistent with previous years in that the uptake of government funded local content programs and services is highly variable. It is evident in this year’s responses that regional economic development groups are playing an increasingly active role in supplier advocacy.

In response to the following question, ‘What else can government, local industry and the QRC do to achieve improved local content outcomes in the resources and energy sector?’ the following responses were given.

- offer ongoing support for businesses to enable them to be tender-ready;
- state government to maintain or increase funding for supporting resources such as ICN that create direct links between local suppliers and resource sector buyers (see Arrow case study over page);
- establish supported local content networks.

Part 4: Imported goods and services

Expenditure on goods and services procured from international suppliers was significantly lower in 2014-15 than previous years. This is largely due to the transition of the large LNG projects from construction to operation and the absence of large imported items that are required from specialist international suppliers.

There was also some minor reference to international services expenditure relating to an overseas parent company.
ARROW’S USE OF THE ICN GATEWAY SERVICE

Arrow established a collaborative partnership with the Industry Capability Network (ICN) of Queensland to identify the supply capability of local, regional and Indigenous businesses to the proposed Bowen Projects.

ICN Queensland conducted a number of activities to support Arrow, including:
• supply chain mapping to identify specific supply capabilities (i.e. Indigenous, regional and maintenance);
• promotion of Expression of Interest (EOI) opportunities through ICN Gateway; and
• business matching.

Through this partnership, Arrow was able to publically promote 64 supply opportunities through the ICN Gateway in 2015, directly or through our procurement agents DHL and Clough Amec Joint Venture (CAJV). Over 4500 suppliers registered expressions of interest (EOI) in at least one package, with some suppliers registering interest in multiple packages.

ICN Queensland recommended 572 suppliers, based on the supplier’s capability to meet criteria set by Arrow. The suppliers were then reviewed and shortlisted by Arrow/CAJV/DHL, with approximately 230 selected for prequalification.

The selection of the ICN Gateway, as Arrow’s preferred engagement portal, ensured that suppliers from all states and regions were provided with a fair and equal opportunity to view the packages and self-nominate their business for consideration.

The outcomes demonstrated that the process was fair and robust, with suppliers from all regions being recommended, with the vast majority coming from within Queensland. Additionally, the inclusion of EOI documents that provided detail about the actual scope of works and scope specific short listing questions provided a clear indicator to the supply market to the types of capability that Arrow was looking for.

Arrow also sought to support regional businesses by providing regional supplier advocacy groups, (such as Gladstone Engineering Alliance, Central Highlands Development Corporation, Moranbah Traders Association, Toowoomba and Surat Basin Enterprise, Rockhampton Industry Network and Capricorn Enterprise) an early notification prior to EOI packages being released. This ensured that regional advocacies were able to actively promote capable companies to the ICN consultants and actively encourage regional companies to register.

To further support local business, Arrow opened registrations for subcontractors and sub-suppliers on ICN Gateway, through the “Partial Scope” registration process. The registered detail of these suppliers will continue to be provided to tender bidders. This provides subcontractors and sub-suppliers early visibility to the pool of bidders.

This process provided local business with a fair and equitable opportunity to promote their business to the buyer and provided early visibility for subcontractors and sub-suppliers. Arrow was able to use this process to drive efficiency and rigour in the bidder selection process and it has been able to identify a number of new and innovative potential suppliers. Along with the efficiency gains achieved, Arrow anticipates that this will create significant value for the company for current and future works.
5. IMPROVING THE CODE

The vast majority of companies that submitted their 2015 CIRs remain satisfied with the code and implementation guidelines. Some of the larger companies with greater resources have mature local content strategies in place and their practices go beyond that outlined in the code framework. Other companies believe that the code framework will enhance their existing policies and procedures in ensuring continuous improvements; while others believe the framework, because it is new, will take some time to bed down and to assess its effectiveness.

Overall the industry preference is for a voluntary, outcomes-focused local content policy and not a prescriptive alternative. The benefit of a broad, non-prescriptive framework such as the code allows companies to utilise existing methods while also developing new methods within their capacity at a level that is consistent with their project phase.

‘The framework as it stands provides an opportunity for the resources sector to focus on the local impacts of its sourcing processes and strategies and the ability to tailor realistic pathways to best support local business participation while retaining the latitude to make procurement decisions that best underpin project and operational success (cost competitiveness in a tight market environment). Any additional reporting requirements that will require additional resource inputs from companies should be discouraged.

2016 IMPROVEMENTS TO THE CODE

At the 2015 Local Content Participation Forum & Review, participants identified a number of areas for improvement to the Code. These include a broader recognition of the role regional economic development groups play in local content policy. This suggestion was accepted by QRC as the administrator of the Code and the Shared Responsibility Framework has been updated to include these groups (see figure 1).

Another area for improvement is to consider including Indigenous business participation and for the CIR to quantify the number of Indigenous businesses supplying the resources and energy sector, as well as identify what strategies are in place to enable full, fair and reasonable opportunity for Indigenous businesses. This area will require greater consultation throughout 2016.

Encourage Contractors within the resources and energy sector to support and participate in the Code through increased education and awareness of the Code throughout industry.

Proponents are encouraged to incorporate local industry participation reporting to the second/third level of their supply chain.
6. OTHER INITIATIVES

The QRC also acknowledges the ongoing developments being progressed by the Queensland Local Content Leaders Network and the sign on of two additional Local Government Authorities, Toowoomba Regional Council and Western Downs Regional Council, to the Joint Statement of Commitment: Maximising Industry Local Content in Regional Queensland.

This proactive project, originally initiated by the Central Highlands Development Corporation has evolved to identify and collaboratively develop procurement and economic development initiatives and resources to expand capability and sustainability of businesses in industry sectors in the Bowen, Galilee and Surat Basins.

Under the initiative, the signatories have committed to working with industry to maximise supply chain opportunities for local operators in regional areas, and to being a convenient communication point for industry and local businesses.

The Joint Statement of Commitment signatories will be updated following the March Local Government elections and released in April.

More information can be found at http://www.chdc.com.au/

WESTSIDE: CASE STUDY

WestSide Corporation Limited is a Central Queensland based Coal Seam Gas producer with its headquarters in Brisbane.

WestSide operates the Meridian SeamGas fields 160km west of Gladstone in Queensland’s Bowen Basin in joint venture with Mitsui E&P Australia. The Company holds a 51 percent interest with Mitsui E&P Australia holding the remaining 49 per cent.

The Meridian SeamGas fields were discovered in 1976 and commenced commercial operations in the late 1990s as Australia’s first CSG producer and comprise a range of assets including a petroleum lease, gas rights in mining leases and gas compression and pipeline infrastructure connected to Queensland’s commercial gas network.

The company has always held a strong relationship with the town of Moura and the Banana Shire Council.

In 2013, WestSide entered into a long term contract with the local civil and earthworks company Amcor Excavations Pty Ltd, following an EOI and tendering process. The agreement contains scheduled rates and is relied upon, on an as needs basis.

The advantage of using Amcor as our civil contractor, is that their base of operation is also within the town of Moura. Their local presence in the town allows the company to be cost competitive against larger earthmoving companies.

WestSide also engages GD Engineering and Construction (GDEC) under an Engineer, Procure and Construction Management (EPCM) contract for the construction of our pipeline and gas gathering Networks. In tendering to WestSide, GDEC also saw the benefit of relying on the agreed pricing that WestSide agreed with Amcor, which has ensured that all parties know and understand the cost and the quality expectations for the provision of services.

Finally, using a local civil contractor also assist with our relationships with local landholders, as they are confident that Amcor is unlikely to introduce weeds and other pests to the property. Amcor understand the needs of the landholders and have a greater respect for the farmers as a part of the local community.
PURCELL’S ENGINEERING GLADSTONE

Starting in 1996, Terry and Kym Purcell, locally owned and operated their business from scratch with a ute, a trailer and a shed.

Over the past 19 years their business has developed into one of the largest and most well equipped machine shops and onsite machining businesses in the Central Queensland region supporting the local community, local industry and the Queensland mining industry.

Purcell’s motto is to work with their customers to develop the most effective repair and manufacturing strategies that will result in minimizing down time, without compromising quality.

With this in mind, Terry and his team always look to new technology and innovation to ensure cost effectiveness. They strive to find better, faster and more efficient ways to deliver for customers, while also building their own capacity and capability to grow.

Innovation and keeping up to date, is a key to Purcell’s success, with the company continually investing in technology, including one of Central Queensland’s biggest Coordinating Measuring Machine for measuring the physical geometrical characteristics of an object, a 3D printer which enables models of objects to be printed and reviewed, as well as extremely large milling machines.

The latest piece of machinery Terry and his team have designed and built, is a “Large Auto Levelling Orbital Milling Machine”. This unique concept has been a vision of Purcell’s for many years, and after continually building the capabilities within the business the financials and opportunity became available to invest back into research and development.

The “Large Auto Levelling Orbital Milling Machine” offers a unique concept for machining of large diameter surfaces to a very fine tolerance, with fast material removal with high accuracy. The machine is specifically designed to cater for the coal mining industry machining, in particular draglines and hydraulic rope shovel repairs.

For Purcell’s the development of this machine, puts them in a competitive environment, with only one other company in Australia that can perform this work to the same capability. With the development of this machine, Purcell’s can machine surfaces on site up to an impressive 25 metres in diameter.

Purcell’s have been using the machine for the last 12 months, and continue to still perfect, improve and refine, but is working closely with vendors who are using the service.
7. ADDITIONAL CASE STUDIES

**BMA**

In 2012/3 BHP Billiton’s Coal business launched a Local Buying Program to encourage trade between small businesses in selected communities in the Bowen Basin and Mackay and BHP Billiton Mitsubishi Alliance (BMA) and BHP Billiton Mitsui Coal (BMC) operations.

The program’s ongoing success has seen it expanded in 2016 to enable any business with less than 25 full-time employees in the Central Highlands Regional Council, Isaac Regional Council and Mackay Local Government Areas to register.

The program has also been expanded into New South Wales to enable small businesses in the Upper Hunter, Singleton and Muswellbrook shires to register and trade with BHP Billiton’s Mt Arthur coal mine.

The program has more than 650 registered business partners and BMA and BMC operations have spent more than $60 million through the program since its inception.


**QGC**

We support the long-term, economic sustainability of the regions in which we operate through a focus on local content participation.

The scale and scope of our operations forms a direct and indirect driver of investment, employment and procurement opportunities in the Australian natural gas industry and within communities in which we operate.

We therefore recognise local content participation as both a corporate responsibility and a commercial opportunity to generate competitive advantage for our business model. The opportunities for participation are driven through a collaboration between operational leaders, our Contracts and Procurement function, the Sustainability and Human Resources teams in order to achieve our goals.

For link to the full case study, [click here](http://example.com).

**RIO TINTO**

Approved in November 2015, the Amrun Project involves the construction of a bauxite mine and associated processing and port facilities on the Cape York Peninsula in North Queensland. Rio Tinto has developed a Local and Indigenous Participation Strategy. The strategy outlines the actions implemented by Rio Tinto and its contractors to provide access to supply opportunities for local and Indigenous businesses, and for employment opportunities for community members.

For link to the full case study, [click here](http://example.com).
ADDITIONAL CASE STUDIES CONTINUED

CENTRAL HIGHLANDS DEVELOPMENT CORPORATION (CHDC)

The Business Support and Development Program provides small to medium enterprises in the Central Highlands with access to information and support to enhance business development and capacity.

A partnership between Central Highlands Development Corporation and BMA, the program provides a dedicated Business Development Officer to work one-on-one with businesses to maximise opportunity in the areas of innovation, investment, diversification, employment and strategic planning.

The program commenced in 2012, and is currently funded until 2018.

For more information on the program and its initiatives, please visit chdc.com.au.

RESOURCE INDUSTRY NETWORK

Resource Industry Network recently launched the Capability and Procurement Portal, an online tool for connecting Mackay, Isaac and Whitsunday businesses to procurement opportunities and promoting the extensive capabilities we have in the region. The Portal allows mining companies to do detailed product or service requirement searches of local companies and promote opportunities direct to the community they work in. From a suppliers’ perspective, the Portal allows access to all opportunities at one site including tenders, quotes and JVs along with the ability to showcase their business to a wider audience.

For link to the full case study, click here.

QCOAL

Established in 2006, SAB Mining is a privately owned mining contractor based in Mackay North Queensland. SAB provides mining services including earthworks, mining, labour hire, equipment hire, open cut examiner coverage, dewatering and contractor management.

QCoal Group identified SAB Mining as a promising local contractor in 2010 and has worked with SAB Mining to increase their presence at the QCoal Group Northern Hub operations since that time.

Growing from one to 76 employees, SAB’s relationship with QCoal has thrived through shared values. Over the past 12 months SAB and QCoal have worked closely with a local Indigenous organisation to provide Indigenous employment and ongoing training opportunities at the Northern Hub operations. As a result Indigenous participation in the SAB workforce is over 14%, nearly three times the industry average (Queensland).

SAB and QCoal Group’s pragmatic partnership approach has increased Indigenous participation and created a pathway to expand and diversify the skill-set of the Indigenous workforce on site resulting in individuals with a range of mine site qualifications that can be applied across the industry. In addition, SAB has also identified that the focus on Indigenous participation has aided other team members in developing a deeper awareness of traditional indigenous values and culture.