Contemporary Issues in Mining

Also by Nigel Finch

BEST PRACTICES IN MANAGEMENT ACCOUNTING (*with G. N. Gregoriou*)

FUNDAMENTALS OF CORPORATE FINANCE (*with Jonathan Berk, Guy Ford, Peter DeMarzo and Jarrad Harford*)

Contemporary Issues in Mining

Leading Practice in Australia

Edited by

Nigel Finch

The University of Sydney, Australia

palgrave
macmillan

Selection and editorial content © Nigel Finch 2012

Individual chapters © the contributors 2012

Softcover reprint of the hardcover 1st edition 2012 978-1-137-02579-1

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No portion of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

Any person who does any unauthorized act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

The authors have asserted their rights to be identified as the authors of this work in accordance with the Copyright, Designs and Patents Act 1988.

First published 2012 by
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of St Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

Palgrave® and Macmillan® are registered trademarks in the United States, the United Kingdom, Europe and other countries.

ISBN 978-1-349-66894-6 ISBN 978-1-137-02580-7 (eBook)

DOI 10.1057/9781137025807

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

A catalog record for this book is available from the Library of Congress.

10 9 8 7 6 5 4 3 2 1
21 20 19 18 17 16 15 14 13 12

Contents

<i>List of Tables</i>	vii
<i>List of Figures</i>	viii
<i>Acknowledgements</i>	ix
<i>Notes on Contributors</i>	x
Overview	1
Part I Strategic Perspectives	
1 An Overview of the Business History of the International Mining Industry <i>Simon Mollan and David Kelsey</i>	9
2 The Role of Mining in the Australian Economy <i>Nigel Garrow and Tom Valentine</i>	27
Part II Operational Perspectives	
3 Transportation Issues of Australian Coal and Iron Ore <i>Elizabeth Barber</i>	47
4 MRO Procurement: Best Practices Framework for Capital Equipment <i>Ananda S. Jeeva</i>	69
Part III Financial Perspectives	
5 Practical Problems in Mining Valuations <i>Wayne Lonergan and Hung Chu</i>	83
6 The Tax Accounting Interface in the Mining Industry in the Context of IFRS <i>Les Nethercott</i>	100
7 Carbon Tax: Economic Impact on the Latrobe Valley <i>Mereana Barrett, Svetlana Maslyuk and Daniel Pambudi</i>	122

Part IV Disclosure Perspectives

8	Permissive and Uninformative Reporting of Clean-Up Costs <i>R. G. Walker</i>	143
9	Capital Management Determinants of Financial Instrument Disclosures in the Extractive Industries: Evidence from Australian Firms <i>Grantley Taylor and Greg Tower</i>	158
10	Transnational Corruption and Conflict Minerals <i>David Chaikin</i>	174
	<i>Index</i>	197

Tables

1.1	World production of selected non-ferrous metals	12
1.2	Largest mining companies in the world	20
1.3	Top 40 mining companies head office locations	24
2.1	Contributions to the rate of inflation	37
2.2	A simple econometric model of the Australian economy	39
2.3	Simulation of the model with higher commodity prices	41
7.1	Operating mines at the Latrobe Valley	126
7.2	Estimated resident population in Latrobe Valley, the state of Victoria and Australia	127
7.3	Labour force participation in Latrobe Valley and Victoria	128
7.4	Average salary and wage income	129
7.5	Electricity generators in the Latrobe Valley	130
7.6	Advantages and disadvantages of carbon taxes	131
7.7	Carbon tax impact on brown coal mining and electricity generation: simulation results	135
9.1	Pooled multiple regression results	168

Figures

1.1	Comparative prices (five-year moving average), selected metals	14
1.2	Tin production and price	15
1.3	Growth in world non-ferrous metal production and world GDP	16
2.1	Australia's terms of trade and resource exports	31

Acknowledgements

We would like to thank Lisa von Fircks at Palgrave Macmillan for guiding us through the project. We would also like to thank Siew-Ching Lim for the excellent work in editing this manuscript. Thanks also to the anonymous referees who assisted in the selection of articles for this book and to each of the authors for their generous contribution of time, knowledge and expertise. While all care has been taken, neither the publisher nor the editor is responsible for the accuracy of each chapter written by the contributors.

The editor would like to thank the Australian Bureau of Agricultural and Resource Economics and Sciences for their generous permission in allowing the use of Figure 2.1 'Australia's Terms of Trade and Resource Exports'.

Contributors

Elizabeth Barber is an academic at the UNSW Canberra campus where she lectures logistics. Her extensive experience and knowledge has led to her being called as an expert witness in numerous transportation (ports and railways as well as rail/road competition) and bulk freight movements (including iron ore and coal exports). Her research interests include the theoretical aspects of power and influence in supply chains, military logistics, humanitarian logistics, inventory analysis and performance metrics used in supply chains. She continues to follow her inventory and warehouse management interests with small consultancies in most Australian capital cities. Elizabeth has lectured both undergraduate and postgraduate logistics and supply chain management for a number of years. Prior to specialising in this area, she taught across a broad range of economics and business courses.

Mereana Barrett is Senior Lecturer in the Bachelor of Humanities at Te Whare Wananga o Awanuiārangi (Indigenous University), New Zealand. Her research interests encompass accounting and accountability, stakeholder engagement, sustainability reporting and the impact of climate change in rural Victoria. Mereana holds a Bachelor of Management Studies (BMS) and Master of Management Studies (MMS) (Distinction) from Waikato University, New Zealand, and a Ph.D. from the Department of Accounting, Finance and Risk at Glasgow Caledonian University (United Kingdom).

David Chaikin is Associate Professor at the University of Sydney Business School. Prior to his academic appointment he was a practising lawyer specialising in multi-jurisdictional investigations, transnational commercial and criminal litigation as well as offshore corporate and banking law. He has held appointments as Senior Assistant Secretary of the Australian Attorney-General's Department and Senior Legal Officer of the London-based intergovernmental body, the Commonwealth Secretariat, and has worked as a consultant to the United Nations, the OECD-based Financial Action Task Force and the Asia/Pacific Group on Money Laundering. David teaches in the areas of banking and finance law, corporate and commercial law and asset protection/management of wealth risks. He has been a tenured lecturer at the London School of Economics and Political Science and a lecturer at Kings College,

University of London. David's research expertise is in comparative corporate law, financial crime, tax evasion and money laundering, financial services law and regulation, offshore finance, private banking and wealth management. He is a recipient of an ARC Discovery Grant and has been a lead consultant on major international research projects in Europe, the Americas and Asia.

Hung Chu is Director at Lonergan Edwards Associates Ltd, Sydney. He has a Masters degree in Finance and Banking from the University of Sydney and a Ph.D. in Finance from the University of Technology, Sydney, where he graduated on the Chancellor's List for Exceptional Scholarly Achievement in Ph.D. research. Hung's career includes over 12 years of expertise in the provision of valuation services. He has published widely in academic and practitioner journals.

Nigel Finch is an associate professor at the University of Sydney Business School. He has published more than 100 scholarly articles in the areas of accounting and financial decision-making since commencing his academic career in 2005. Nigel is rated among the top 250 business authors in the world according to the Social Science Research Network (SSRN) and he is actively engaged in management education and business advisory in Australia and Asia. Nigel is the editor of the *Journal of Applied Research in Accounting and Finance*, editorial board member for *Journal of Intellectual Capital and Managerial Finance*, and co-author of *Fundamentals of Corporate Finance* (2010) and *Best Practices in Management Accounting* (2012). He holds degrees in accounting, business and law and a Ph.D. in business law. His professional qualifications include membership of CPA Australia and the Institute of Chartered Accountants in Australia. He is a member of the Business Council of Mongolia, the peak advocacy group promoting increased trade and investment in Mongolia, and is an associate director at corporate advisory firm Beerworth + Partners.

Nigel Garrow is Lecturer in Management at Macquarie Graduate School of Management. He has over 30 years' senior management experience in the United States, Europe, Australia, Asia, the Middle East and Africa, including 15 years as Managing Director or Chief Executive Officer mainly in fast moving consumer goods (FMCG) or business-to-business firms in the food industry. He has extensive experience in international business, including in several acquisitions, organisational restructurings, development and implementation of business growth strategies. His research focus is the area of mergers and acquisitions in Australia.

Ananda S. Jeeva is Senior Lecturer in procurement and supply management at the School of Information Systems, Curtin University. His research interests include procurement, supply and logistics management and its related areas. Ananda has served on the steering committee of the Chartered Institute of Purchasing and Supply Australia, setting the professional agenda for the Australasian region. A well-regarded speaker, he has presented widely at national and international academic and trade conferences, delivered plenary speeches and conducted master class workshops. He is a member of the review panels of several international journals.

David Kelsey is a senior administrator at York St John University Business School, where received his postgraduate qualifications in International Studies. His research experience spans international mining and extractive industries focused on the political economy of the international mining industry, in particular examining labour relations, trade unionism and corporate social responsibility.

Wayne Lonergan was Corporate Finance Partner at Coopers Lybrand (now PricewaterhouseCoopers) for 23 years, prior to setting up an independent valuation practice in January 2001. With over 35 years' experience in Corporate Finance and Valuations, Wayne has been responsible for numerous assignments in both public and private companies as well as various government departments with particular emphasis on valuations and consequential loss assessment. He has also been a regular influential contributor to professional literature, and has held numerous and senior roles in the Securities Institute of Australia, including three years as National President and Chairman of numerous subcommittees on capital market-related matters.

Svetlana Maslyuk is Lecturer in Economics at the School of Business and Economics, Monash University. Her research interests include energy and natural resource economics, economic development and sustainable energy consumption, and applied time series econometrics. She holds a Ph.D. in Economics from Monash University, and is an esteemed contributor to journals such as *Energy Policy* and *Energy Economics*.

Simon Mollan is Lecturer in International Business at the University of Liverpool Management School. His research interests include the business history of the international mining industry, the development of international financial centres, African economic development

and international taxation. He was previously a research associate at the Institute of Hazard, Risk and Resilience at Durham University, and before that taught International Business at York St. John University Business School.

Les Nethercott is Associate Professor at the School of Accounting, La Trobe University, where he lectures on taxation. He has co-authored the Australian Society of Accountants CPA Advanced Taxation Module in the CPA programme as well as the Australian Taxation Study Manual and Master Tax Examples (CCH Australia). Les publishes extensively on Taxation and Financial Accounting in refereed journals both in Australia and abroad. He also conducts the International Accounting Study Program for the School of Accounting, which visits several large companies and regulatory bodies in Europe and England.

Daniel Pambudi is a consultant (data analysis) for Livestock Information, Sector Analysis and Policy Branch, the Food and Agriculture Organisation of the United Nations. His research is to disaggregate the world livestock economic value, land use and gas emissions into more detail livestock sectors for updating the world livestock Computable General Equilibrium (CGE) model. He also estimated tourism contribution to the Australian state/territory economy including state/territory tourism satellite account 2003–04, 2006–07, 2007–08 and 2008–09. Daniel has a Ph.D. in CGE modelling from the Centre of Policy Studies, Monash University.

Grantley Taylor worked for several years in the mining industry and the Australian Taxation Office before joining Curtin University in 2005. He completed his Ph.D. in 2008 and has published extensively and successfully supervised several postgraduate students. His research interests include governance, disclosures, issues relating to the resources industries, taxation and financial accounting.

Greg Tower is a research professor at the School of Accounting, Curtin Business School. He is a Certified Public Accountant with a research doctorate, and has successfully obtained external grant funding of over \$500,000. Greg has supervised numerous Doctoral, Masters and Honours students. He has published over 130 research articles in journals such as *International Journal of Accounting*, *Journal of Accounting and Public Policy*, *Abacus*, *Higher Education*, *British Accounting Review*, *Advances in International Accounting*, *Financial Accountability and Management*, and *Accounting and Finance*.

Tom Valentine graduated from the University of Sydney with a B.Ec. (first class honours and the university medal) and from Princeton University with an MA and Ph.D. He has taught in a number of Australian universities including the Australian National University and is currently Visiting Professor, Macquarie Graduate School for Management. He has published 16 books and around 100 papers in refereed journals. Tom played a major role in the Campbell Inquiry of 1979–81, a contribution which was recognised in the 2006 Presidential Address of the Economic Society as one of the major contributions of economists to economic policy over the last 30 years. He was also the joint author of the *Study of New South Wales Taxes on Financial Transactions* (1985) and in 2000 acted as consultant to the ACCC on credit cards. In 2005 he chaired a committee to evaluate the performance of the Telstra corporate treasury. He has also acted as consultant to government enquiries and many financial organisations and as an expert witness in numerous financial cases. Tom is listed in *Who's Who in Australia* and *Who's Who in Australian Business*. In 2006 he was named a legend by the Financial and Treasury Association.

Robert Walker is Honorary Professor of Accounting at the University of Sydney. He is a third-generation chartered accountant and has been an important commentator in the debate on privatisation of state-owned assets and public private partnerships in Australia. His accounting research has focused on accounting disclosure in the public sector as well as feral accounting in areas such as infrastructure and SGARA assets and provisions, commitments and site restoration costs. He has been a regular contributor in journals such as *Abacus* and *Australian Accounting Review*.