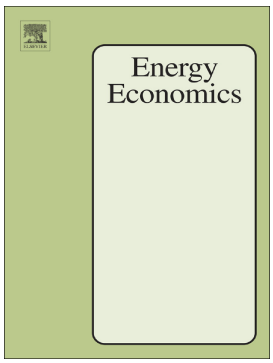

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An Empirical Analysis of Mining Costs and Mining Royalties in Queensland Local Government

Simone Valle de Souza[1*], Brian Dollery[2] and Boyd Blackwell[2]

[1] Michigan State University, Department of Agricultural, Food and Resource Economics, East Lansing, MI, USA, valledes@msu.edu
[2] University of New England, UNE Business School, Armidale, NSW, Australia
* Corresponding author

Abstract

Mining is almost invariably contentious since it not only generates significant income, including tax revenues, but also simultaneously inflicts heavy costs on the inhabitants of the areas in which mining occurs. In terms of Australian state and territory legal regimes, mining royalties accrue to state governments and not to the Local Government Areas (LGAs) in which mining occurs, despite the fact that mining imposes heavy localised costs, especially on local public infrastructure. There is thus a disjunction between the spatial incidence of the benefits and costs of mining, sometimes termed the 'resource-return mismatch', especially since mining predominantly takes place in regional, rural and remote areas whereas the bulk of mining royalties are expended in metropolitan centres. Situating our empirical analysis in the institutional milieu of Queensland local government over the period 2011 to 2015, we examine the relationship between the number of mining assessments and per capita operating expenditure of local authorities at the level of LGAs. We find that mining imposes significant costs on local government and there is thus a mismatch between the costs and revenues associated with mining at the local level. We offer various possible remedial policy measures.

Keywords***:*** *mining; local government; royalties; municipal revenue; municipal costs, resource-return mismatch.*