Australia’s small mining industry

Despite its claims to the contrary, the mining industry is a relatively small and unimportant part of Australia’s economy. It pays very little tax, receives considerable subsidies, employs few people, and is largely foreign-owned. The perception that mining is important comes from the industry’s oversized influence on politics.

Taxes and royalties

Mining company tax payments make up less than three cents in every dollar of government revenue on average. Over the last decade the mining industry paid $254 billion in tax, while total government revenue reached almost $6.8 trillion.

The mining industry often conflates tax payments and mining royalties in its public relations materials. Royalties are not a tax; they are essentially a payment for the use of mineral resources that belong to the public. Describing royalties as a tax is like a builder describing the cost of the bricks they use as a tax.

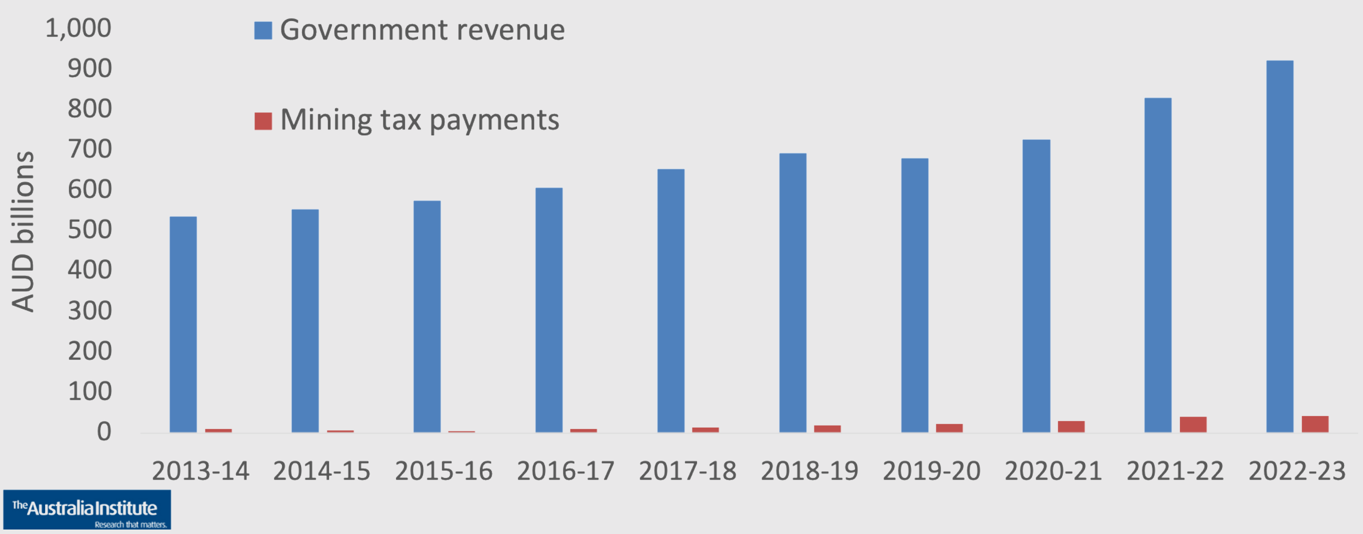
It should also be noted that even if royalties are included, the mining industry’s contribution to Australia’s finances remains relatively small, comprising just 6% of total government revenue.

Subsidies

State and federal governments subsidise the mining industry in many ways. The largest of these is the Fuel Tax Credit Scheme. While most Australians pay around 45c per litre in fuel tax, mining companies usually pay nothing, a tax break worth over $3.5 billion to the mining industry each year. Mining lobbyists often argue that because miners use few public roads, they should not have to pay fuel tax. This ignores the fact that fuel taxes go to general government revenue that pays for all services, and have not been linked to road funding since 1959.[1]

Apart from the fuel tax credit, direct subsidies are often paid to reduce the cost of exploration activities, and governments also provide infrastructure for mining companies. As Queensland Treasury points out, “spending on mining related infrastructure means less infrastructure spending in other areas, including social infrastructure such as hospitals and schools.” [2]

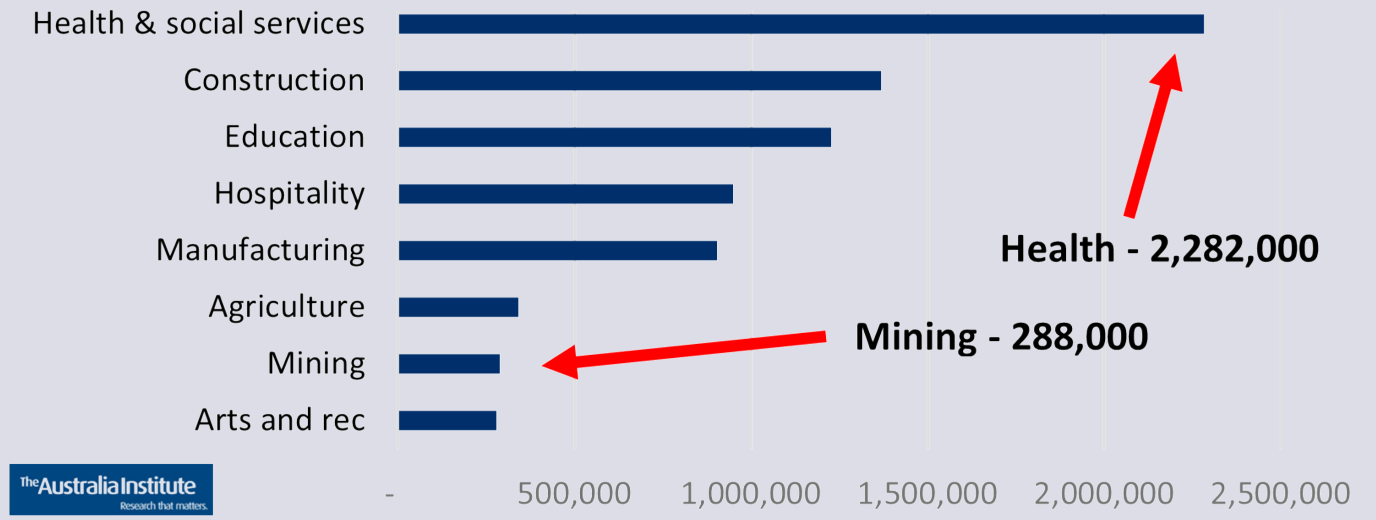
Figure 1: Federal and state government revenue vs mining payments to government



Sources: ABS (2024) *Government Finance Statistics*; Minerals Council (2024) *Royalty and Company Tax Payments, Australian Energy Producers (2022, 2023, 2024) Oil and Gas Industry Survey and media releases*

Image: Max Philips/Wikimedia Commons

Figure 2: Employment by selected industry, 2024



Source: ABS (2024) *Labour force, detailed*, Table 6

The mining industry is not a significant employer

Mining uses a lot of machines but employs few people. Of the 14.5 million workers in Australia, just 288,000 people work in mining—just 2%. For comparison, the health sector employs 2.3 million people, and manufacturing 900,000. Mining employs slightly more people than arts and recreation.

Foreign ownership

According to Federal Treasury, the mining industry is 86% foreign owned.[3] This means that the vast bulk of mining profits go offshore. Mining lobbyists often point to estimates of sales revenue or share of gross domestic product to suggest a significant economic benefit to Australia. These measures do not account for high foreign ownership. Most of this money goes overseas.

So why is the mining industry so powerful in Australia?

The mining industry's power comes from its political connections. There is a revolving door between the highest echelons of politics and the senior management of mining companies: as just a couple of examples, the most recent Premiers of Western Australia and New South Wales both now work for BHP, and the head of the Minerals Council is a former senior public servant.

Political donations, lobbying and post-politics jobs are the sources of the mining industry's power, not providing benefits to ordinary Australians.

1 Parliamentary Budget Office (2022) *Fuel taxation in Australia*

2 Queensland Treasury (2014) *Queensland Treasury Response to Commonwealth Grants Commission 2015 Methodology Review*

3 Treasury (2016) *Foreign investment into Australia*, Chart 9

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