

House of Representatives Standing Committee
on Industry and Resources

Submission No: 103

Date Received: 7 March 2003

attached

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INQUIRY INTO RESOURCES EXPLORATION IMPEDIMENTS:
PUBLIC HEARING - BRISBANE, FRIDAY 7 MARCH 2003

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5th March 2003**

INTRODUCTION

The purpose of this dissertation is to outline the framework and context of the Australian mining and exploration industry (Amex) in order to understand the changes that have taken place over the last 20 odd years so that positive suggestions for future change can be offered.

I will try to be objective as possible although it is conceded that the pitch of the prose may at times take on a strident air due to the fact that Amex is currently in a state of severe crisis due largely to events beyond its control and for which no immediate resolution is apparent. Indeed if one were to subscribe to a conspiracy theory it would not be difficult to explain the demise of the industry over the last 20 years in terms of hidden agendas from governments , globalization and a handful of world mining players.

My background is as follows :- I am a geologist who graduated from the Ballarat School of Mines in 1972 and who has worked both large and small companies exploring for mainly gold and base metals in most states of Australia. I have also enjoyed/endured stints as a tyre fitter, builder's labourer, restauranter, and gardener and ,which I believe gives me some insights into the broader society. Currently I am the exploration director for Glengarry Resources Ltd. a junior exploration company with a market cap of about \$5 million. At this level I am constantly aware of the shortage of venture capital needed to plan longer term programs for future growth and inevitably need to plan on a short term ad hoc basis due to the vagaries of the market.

It is also worth pointing out that the Amex has been remarkably resilient in surviving the last 10 years but the gold mining sector in particular has been a victim of its' own success and is now 70% foreign owned - more of this later.

During this discourse I will not attempt to quote figures and statistic as I am sure other submissions have already presented an admirable contribution of quantitative data to endorse the plight of the industry. Instead I will focus on 4 . areas ie

- REASONS FOR DECLINE
- PERCEPTIONS OF AMEX
- GOVERNMENTS ROLE OVER LAST 20 YEARS
- SUGGESTIONS FOR STRUCTURAL CHANGE

It is interesting to compare Amex with the wool industry. Both have been subject to cyclical rises and falls against an historical background of decreasing economical potency; however the wool industry was recognized as a national treasure and steps taken to preserve its' longevity via the wool stockpile and a program of international promotion. This strategy appears to have been justified by later increased demand and the subsequent unloading of the wool stockpile. The economic stature of these industries are roughly equivalent but the difference is that Amex does not have any voting power to effectively lobby for assistance during cyclical downturns.

In an increasingly sophisticated and globalised world the economic power of primary producers is diminishing, however until Australia's population achieves a critical mass of over 50 million, its economy will still depend heavily on primary produce, together with smart value adding and marketing, to achieve a balance of payments.

REASONS FOR DECLINE

- lower commodity prices
- globalization
- limited land access
- cultural attitude eg new technology/economies of future , coastal fringe mentality/lack of connection with primary industries
- merger/acquisition imperative driven by institutions and ignored by governments
- risk aversion mentality / institutions / large resource companies
- dominating influence of super funds – invest in blue chip eg BHP, HIH , AMP etc
- lack of organic growth in medium companies via exploration success
- change in paradigm for exploration ie all resources/reserves to be outlined up front before decision to mine/ increasing high bar for decision to mine /cf historical development – start at modest scale and increase production with success from exploration and mining etc
- fewer discoveries – partly due to decreasing exploration funds especially green fields, ore bodies harder to find/under cover, land access problems, lack of joint venture partners , lack of confidence, increasing regulations/ costs, proportionately less of exploration budget being spent on analyses/drilling
- less effective government assistance/support ; mining industry has no alliance with other primary producers and no electoral voting power
- overproduction – companies globally operating independent of each other : lowering the production costs at a large scale leads to lower commodity prices
- stockmarket atrophy in resources sector / may change with improving commodity prices, exploration success , flow through share schemes etc
- virtual destruction of gold mining industry – mergers of successful and profitable Australian companies and subsequent takeovers by overseas companies to the point where 70% of Australian production is now foreign owned has removed any stimulus to investor interest. Companies such as Acacia, Plutonic , Normandy , Delta , Goldfields Aust. Etc no longer produce quarterly reports outlining production figures and profits on quality mines such Sunrise Dam,Darlot,Vera/Nancy and Kundana etc.

PERCEPTIONS OF MINING IN AUSTRALIA

*not relevant to lives of most Australians living in cities

* industry isolated- needs to be more inclusive and promotional

*environmental damage – perceived to be destructive and non caring – whilst there are past instances of this, the industry is now environmentally responsible and regulated and in fact causes far less damage than government sanctioned land clearing, salination , urban development etc

* lack of knowledge / appreciation of role mineral production has played in propelling Australia's economy forward eg gold at Ballarat, Bendigo and Kalgoorlie

* quarry mentality-industry incorporates and develops a host of allied skills and technologies such as computer technology. transport, infrastructure, regional employment, engineering, hydrology, environmental rehabilitation etc

* flow on effects to economy largely hidden

* crooks and liars – entrepreneurial risk taking has resulted in some failures but overall industry is no worse than other prominent fields of commerce .Reporting code for industry is now strict and professional standards high. Major frauds such as Busang in Indonesia did not involve Australian companies nor personnel.

*return on investment poor – mining , particularly gold has generally outperformed most other primary industries over last 10 years , plus the added benefit the balance of payments figures and government royalties etc

*mining development viewed as being relatively easy and straightforward whereas in fact the reverse is the case

* native title seen as being applicable mainly to primary producers, particularly mining. The industry does not generally disagree with native title but seeks a less iniquitous and restrictive environment, particularly for grass roots exploration .Tourists, pastoralists and government/uni scientists have more rights to land access than explorers.

GOVERNMENT ROLE OVER LAST 20 YEARS

* 4 decisions by governments of both political persuasions were critical and symbolic in sending out a negative message to mining / investment in Australia ie

VETO ON MINING AT CORONATION HILL FRINGE BENEFIT TAX ON REGIONAL MINING CENTRES NATIVE TITLE LEGISLATION SALE OF AUSTRALIA'S GOLD RESERVES

- the influence and importance Resource Ministers has steadily declined at both state and federal levels.
- Role of taxpayer funded organizations such as CSIRO , BMR/AGSO , MINES DEPARTMENTS has diminished and industry funding has increased
- Research organizations such as CRC operate for major companies and universities and have little relevance for the bulk of the exploration industry who are basically excluded
- Governments do not generally endorse Amex but instead reflect the public's attention on "new" technology; however the royalties keep rolling in
- virtually no financial support has been offered to Amex despite a prolonged economic "drought" cf sugar and pastoral industries
- FIRB has remained mute in the face of foreign takeovers except in the case of Shell and the North West Shelf
- Government has failed to act on successful Canadian model of flow through share scheme which has stimulated investment in that country nor has it produced any other tax incentives cf other industries such as movies, trees and information technology
- Superannuation policy has to date had no flow on effect to Amex but has re-enforced risk aversion – never the less losses have been great in some safe blue chip companies
- The Queensland governments have been particularly obstructive to mineral exploration especially compared to the Northern Territory , South Australia and Western Australia

INTERLUDE

A small but never the less important concession to Amex has been removed with the demise of Ansett ie the PA system used to invite unaccompanied miners to enter the aircraft first thus ensuring a more comfortable flight

SUGGESTIONS FOR CHANGE

- *close down 50 % of coffee shops
- * impose 10% levy on chardonnay to promote Amex
- *
- *grants for inland development / infrastructure - integrated approach for all of inland population
- *removal of fringe benefit tax on company built ,subsidised housing
- * tax breaks for inland residence
- *incentives for Amex companies to employ geoscientist graduates
- *incentives for senior geoscientists with Amex experience to work on better ways to explore eg mapping accord, exploration models ,open file data compilation ;- work in conjunction with CRC ,state GSQ etc
- * greater proportion of government funds to a federal drilling accord where stratigraphic, mineral, regolith and hydrology drilling is carried out on a national grid with emphasis on areas flanking known mineral provinces
- *increased aeromagnetic and gravity surveys over similar areas
- *rebates to junior companies on drilling and assay costs particularly for grass roots exploration
- *streamlining gov't regulations and departments
- *incentives for larger companies to create alliances with juniors
- *proportion of super funds to be allocated for investment in juniors / venture capital funds
- *tax breaks and flow through share schemes
- * change of legislation to native title to remove a lot of impediments to land access especially at early stages of exploration
- *implementation of national register of indigenous sites
- *pro-active schemes to encourage indigenous involvement and employment in Amex
- * more promotion by gov't of Amex role.