

18 July 2002.

The Secretary  
House of Representatives  
Standing Committee on Industry and Resources  
Parliament House  
CANBERRA ACT 2600.

Email: [ir.reps@aph.gov.au](mailto:ir.reps@aph.gov.au)

Dear Sir / Madam,

### **Inquiry into Resource Exploration Impediments**

The following are some personal observations based on past and current experience in the mineral exploration industry.

#### **1. Assessment of Resource Endowment and draw-down**

One doesn't have to be Einstein to appreciate that Companies with large high grade resources have a vested interest in gaining the maximum price for their identified deposits (whether in Australia or overseas). They are not interested in assessing and delineating additional resources other than to locate superior quality resources. Their natural interest is to decrease supply, minimise competition, and to tie up prospective ground at minimum cost. The identification and delineation of Australia's resource endowment is not promoted by concentration of resources or prospective ground in a few hands.

Mineral discoveries are usually made by organisations or individuals with a strong financial incentive to succeed. The motivators can be either the likelihood of highly profitable mining (or property sale), or the risk of going broke if they don't find something saleable.

Impediments to the assessment of resource assessment thus include:

- The tying up of large areas of prospective land by major holders of resources.
- Financial and other impediments to individuals or other organisations of any size.

#### **2. Structure of the Industry and role of small companies**

The competition between middle and large sized companies for prospective ground has been virtually eliminated by the consolidation of the mining industry into a few major players. This reduces the ability of smaller groups to obtain a sufficient price for their prospective land / mineralisation to make it worth while to continue exploring / prospecting.

### **3. Impediments to accessing capital**

In years gone by there was a significant pool of risk capital available from non-risk averse investors who made money from other sources. The efficiency of the ATO in extracting dollars from wealthy individuals has reduced the money available from this source. Additionally there are now many more sophisticated and tax-effective ways for individuals to invest in high risk / return ventures that the exploration industry cannot use.

The ATO, through taxation laws and the interpretations it makes, has continued a crusade against exploration and mining investments through Managed Investment Schemes. It fails to recognise that the laws passed by the Government to encourage risk taking investments in such activities were passed with the objective of promoting such industries. These risk taking investments create employment, increase community income through the multiplier effect which produces increased economic activity (often in remote and / or depressed rural communities). The end result is the generation of increased tax revenue. Without funding from such sources the resource exploration is reduced significantly.

### **4. Access to land**

In Queensland the other obvious culprits are the Native Title rulings. Apart from the well documented administrative impossibilities of the situation there are numerous practical problems.

Examples:

a. The NQ small miners association (apologies for not knowing their correct name) attempted to do everything required to gain access to prospective ground not already under tenure through consultation within the required legislative framework

Results:

- i. Nothing despite much genuine effort and consultation.
- ii. Small miners sent broke and thrown out of work.
- lii. Employment and income generation reduced.
- iii. The prospectors from whom many discoveries are made have no income and leave the industry.

Government tax income is supplied in apparently unlimited quantities to provide legal support and pension support to Native Title claimants. The prospectors have to feed themselves and have no similar legal funding or pension support, and thus can't compete. The end result is reduction of revenue and potential employment (to both indigenous and non-indigenous Australians). Government tax income, which could have gone to support indigenous health, education, and other initiatives, is reduced.

b. A Company that wanted to explore industrial mineral deposits on Pastoral Leases in northern Qld. They went through all the correct processes, and after very long and expensive delays arranged a meeting with the Native Title claimants. Flew in all the required lawyers and other people, eventually had their meeting and all agreed except for one claimant who was worried about "what if I changed my mind later". The agreement thus couldn't be signed, and the exploration and development of what could have been a significant new operation in the area was prevented. Meanwhile the pastoralists, tourists, government authorities and any other organisation can undertake similar activities to those proposed on the identical land, and with no questions asked.

Result: the Claimants are paid benefits by the Government no matter what the outcome and thus do not have any incentive other than to stall the process in the hope for the Company is bluffing in their offers and will eventually give in with windfall payments. Meanwhile the Company has to pay their staff, consultants and lawyers through the protracted periods of non-productive work. Other potentially rewarding opportunities have to be foregone. In this case the Company gave up and sought better opportunities elsewhere. Resource exploration was prevented.

c. Other cases include pastoral leases where no known visits by indigenous people in the area in living memory. Large payments made to various conflicting claimants to get operations started. Resultant conflict within the indigenous community as some are rewarded, others get nothing. Expectations of similar bounty from any other exploration or mining venture are also raised, whatever the prospects of successful discovery the explorers may have.

## **5. Environmental and other approval processes**

Clearly the principal long term environmental hazard from metalliferous mining is the risk of acid mine drainage. Almost everything else is relatively insignificant. The focus of environmental regulation should be on this and any other activities of similar potential for regional scale damage.

Instead the mining and exploration industries are plagued by very costly, time wasting environmental reporting which, has little positive effect other than to employ more public servants. The vast negative effects are to reduce the amount of risk capital money available during the critical capital starved phases of exploration, and to tie up otherwise creative resource discoverers in pointless paperwork. The money used could otherwise be used in the discovery and assessment of mineral resources.

Queensland is a classic, with insane volumes of meaningless observations and paperwork required for activities which are inherently innocuous. Other industries and the general community under take similar and much worse activities without similar requirements, e.g. roadworks, etc.

The main problems are that this environmental paperwork is that it is so costly in time and risk capital. Take the example of a small (but potentially large) north Qld metalliferous operation. The operation needed money for exploratory drilling to achieve the results sufficient to attract substantial investment capital. Instead, perhaps a quarter to a third of it's remaining funds had to be spent on maintaining enviromental monitoring of a non-hazardous former mining operation, and rehabilitating disturbed areas which would rehabilitate themselves in the longer time frame. Meanwhile neighbouring properties may be overgrazed, cleared, and degraded with impunity.

Government employees seem to have no concept that there is a bottom to the biscuit tin. These excessive regulation requirements are costly and time consuming and non-productive. They are a major impediment to Resource exploration.

The lack of progress in the approval process in granting minerals exploration tenements in Queensland (and elsewhere no doubt) is a National scandal. The unions incur massive Government wrath when they threaten the car industry, however when the Government and the Legal system actually stops a much larger generator of National wealth and prosperity they do NOTHING.

## **6. Public provision of geoscientific data**

Public geoscientific data should be made available for the incremental cost of the materials used. The attempts by governments to charge large sums for this material in the present climate is self defeating. The data should be made available to all at minimal cost.

In Queensland there is at least one scandalous case of 100 years of Government geological records and samples from a major mineral field being thrown onto the dump to save a few dollars in storage costs. Funds must be provided to ensure that old records are maintained and that future exploration is not impeded by lack of old data, and by having to repeat costly exploration.

Yours faithfully,

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