

30 July 2002

The Secretary

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

Dear Madam Secretary,

Please find attached the **Queensland Mining Council** submission to the **Inquiry into Resources Exploration Impediments** being conducted by the House of Representatives Standing Committee on Industry and Resources.

The Queensland Mining Council (QMC) is the peak mining industry association in Queensland representing the interests of a wide range of mineral producers and explorers of commodities including coal, silver, lead, zinc, copper, titanium minerals, silica sand, nickel, bauxite, manganese, petroleum and gas. QMC members account for \$11 billion of production annually in the Queensland resources sector.

QMC was formed in 1991 from the merger of the Queensland Chamber of Mines and the Queensland Coal Association to deal with all resource policy areas.

The council is funded solely by fees levied on exploration and mining companies with operations or interests in Queensland and on organisations servicing the exploration and mining industries in the state.

There is common company membership with the Minerals Council of Australia (MCA) in Canberra but no constitutional linkage. The QMC works closely with MCA to reach a national viewpoint on issues which extend beyond the borders of Queensland.

The QMC has contributed to and supports the submission of the MCA to the inquiry, however, given the particular and extremely alarming state of exploration in Queensland and the inevitable structural decline in the Mining Industry without governmental policy change, we believe it is imperative that your committee be given an account of our situation.

Consequently the QMC presents its own submission to the inquiry with emphasis on Queensland specific issues and impacts.

The QMC would welcome addressing the inquiry if your committee deemed it appropriate.

Yours sincerely

Michael K Pinnock
Chief Executive

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Queensland Mining Council

SUBMISSION BY THE

QUEENSLAND MINING COUNCIL

TO THE

HOUSE OF REPRESENTATIVES STANDING

COMMITTEE ON INDUSTRY AND RESOURCES

CONDUCTING AN

INQUIRY INTO RESOURCES EXPLORATION IMPEDIMENTS

'THE REBUILDING OF A COLLAPSING

EXPLORATION INDUSTRY'

JULY 2002

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EXECUTIVE SUMMARY

Queensland's social and economic future is inextricably linked to the success of its minerals industry.

Mining and the value adding of a wide range of minerals is pivotal to the Queensland economy generating 53 percent of the state's exports, around \$700 million in royalty payments and 86,000 direct and indirect jobs.

The industry has contributed significantly to regional infrastructures and provides an essential foundation for the establishment of integrated value-added mineral-related industries and new high-tech industries.

Queensland's current world-class mining operations resulted from vigorous mineral exploration activities in the 1960s and 1970s. Currently Queensland is experiencing a downturn in exploration expenditure of crisis proportions which is leading to low discovery rates and as a result is drawing down on its current mineral reserves faster than they are being replaced.

Without urgent native title legislative and policy change, serious structural decline in the Queensland mining industry is now unavoidable.

Based on current technology, known mineral reserves and today's production rates, all Queensland gold mines and all but one of its base metal mines will be closed by 2020. Over the past six years exploration expenditure has plummeted in Queensland. This dramatic reduction in exploration expenditure stems from a number of related factors the most serious of which is the inability of explorers to obtain access to land due to a freeze on applications made before September 2000 and uncompetitive land access costs due to native title procedures subsequently.

If the native title procedural concern is removed other government initiatives must be put in place to attract the exploration investment dollars necessary to fully explore the available ground. An attractive investment environment created by innovative tax regimes, competitive mining legislation and associated policies, a reduction in the cost of doing exploration business and the provisions of easily accessible, low cost, up to date geoscience products and services would ensure Australia's (and Queensland's) competitive advantage in the minerals industry.

Other key initiatives to rebuild and revitalise this key industry include:

- applied research into better analytical methods and geological model development
- leading-edge technology to overcome the technical and information barriers facing the exploration industry
- industry/government/university collaboration to improve the public perception of the minerals industry and attract top calibre students and academia into exploration- related tertiary courses.

These initiatives coupled with improved metal prices will see a rise of exploration expenditure and will significantly increase the chances of improved mineral discovery rates.

The collapse of the Queensland exploration industry has been coupled with a massive restructuring of the mining industry in Australia including consolidation of mining companies, increased foreign ownership of companies operating in Australia, reduction in exploration budgets.

This paradigm shift together with the increased global competition for risk venture capital will mean Australia and Queensland must compete smarter and more aggressively to maintain its mineral advantage than it has in the past.

Australian governments must understand this if erosion of the revenue from mining is to be avoided they must meet the challenge and put in place the necessary initiatives to maintain our competitive mineral advantage.

Our nation's social and economic future depends on it.

THE MINERALS INDUSTRY – THE KEY TO QUEENSLAND’S FUTURE

Just as Australia’s future is inextricably linked to the contribution the minerals industry makes to the nation’s economy, so Queensland’s social and economic future is also inextricably linked to the state’s minerals industry.

Mining and the value adding of a wide range of mineral processing sectors are pivotal to the Queensland economy generating in 2000-2001 around 10.2 percent of the Gross State Product and 53.3 percent of the state’s exports (\$11.4 billion).

Figure 1 summarises the individual values of Queensland’s key minerals production.

The mining industry presently accounts for around 17 percent of all capital expenditure in Queensland.



Figure 1: Value of Queensland’s minerals 2000-2001

To place this contribution into perspective the Queensland rural sector (all of it) accounts for 21 percent of exports followed by tourism (8 percent) and manufacturing (6 percent). Mining royalties paid to the Queensland government totalled \$580.2 million in 2000-2001 and will exceed \$700m in 2001-2002.



Figure 2: Queensland export revenue 2000-2001

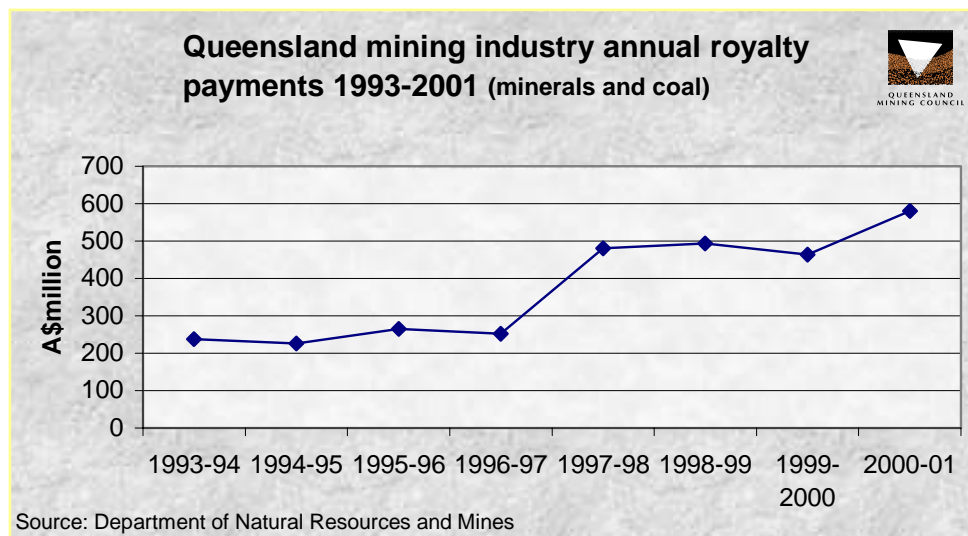


Figure 3: Queensland mining industry royalty payments 1993-2001

Queensland's world-class mineral resources account for the following percentage of the world's production of

- lead – 12%
- bauxite – 9%
- silver – 8%
- zinc – 5%
- black coal – 4%
- copper – 3%
- gold – 1%

In 2000-2001 Queensland easily maintained its position as the world's largest seaborne coal trader – a third of the world's export coking coal and 9 percent of export thermal coal. Queensland is home to the world's largest silver (Cannington) and zinc (Century) mines.

The Queensland mining industry directly employs 17,000 people and creates around 69,000 indirect employment opportunities many of which are located in regional Queensland.

The benefits of the minerals industry extend far beyond mineral royalties and export profits. The industry has contributed significantly to the development of regional towns (Mount Isa, Weipa, Blackwater, Ravenswood, Glenden etc) and regional infrastructure (roads, railways, ports). It provides an essential foundation for the establishment of integrated valued added industries eg, the aluminium, nickel and copper industries and the new economy industries in Queensland.

The sheer size and range of products produced by the Queensland mining industry results in many cutting edge mining support, service and education/research facilities being based in the state.

Queensland's reputation as having a world-class mining/minerals industry is undisputed. The economic future of Queensland is inconceivable without the continuation of successful mining and mineral processing industries.

Queensland's ability to remain internationally competitive and maintain its mineral advantage relies **entirely** on its ability to replenish its current mineral reserves and ideally to enhance these reserves well into the foreseeable future.

Regrettably this not happening. The consequences are dire and they need addressing as a matter of national urgency.

What is the problem?

Simply put, Queensland's metalliferous mining industry is facing an accelerating structure decline because of a collapse in greenfields exploration activity brought about by normal market forces responding to:

- (a) a freeze on the grant of exploration permits for applications in the period December 1999 to September 2000 in respect of land where native title might exist ('nonexclusive land'); and,
- (b) uncompetitive and uncommercial costs to obtain land access to nonexclusive land since September 2000.

Key mineral provinces in Queensland, such as the Mount Isa Region, are mostly nonexclusive land.

Broadly speaking, current mining operations are drawing down on their reserves while for the first time in Queensland's recent history replacement ore bodies are not being discovered

Mineral exploration leading to the discovery of new mineral reserves, is clearly the 'lifeblood' of the mining industry and it is haemorrhaging at an unsustainable rate.

Ironically this is happening at a time when the mining industry is enjoying record production levels and improved metal prices.

Figures clearly show that exploration expenditure in Australia – and particularly in Queensland - has been falling for 39 successive months. For the first time in 40 years the country / state has no \$1billion resource projects on the drawing board outside of oil and gas – and with no prospect of any.

The dearth of new projects threatens the medium/large term viability of key sectors of the resources industry and in turn threatens new government revenue derived from these sectors. One must now question the state's ability to identify and develop our mineral potential, replenish our current mineral reserves and protect the revenue earned from the mining sector for future governments.

Such consequences are directly related to the crisis occurring in the exploration industry.

Based on known mineral resources and reserves and at current production rates, all base metal mines (silver, lead, zinc, copper) bar one, and all gold mines in Queensland will have been mined out by 2020.

The exploration and mining crisis in Queensland

A life of mine profile for base metals and gold producers in Queensland based on current technology, known reserves and current production rates shows that:

- 10 mines will close by 2010
- Another five will be mined out by 2015
- All bar one base metal mine will be mined out by 2015.

Time lines detailing the above are shown in Figure 5.

Even assuming that all known gold, silver, lead, zinc and copper projects already being evaluated get under way in the next five years, all will be mined out by about 2015.

The crucial factors producing this major structural economic decline in Queensland :

- (a) diversion of exploration resources, programs and focus to countries and/or other Australian States/Territories that compete with Queensland for greenfields exploration capital brought about by the freeze in Queensland on exploration access to non-exclusive land following the High Court's Wik decision in 1996 until the Queensland Alternative State Provisions commenced in September 2000.

(b) uncompetitive and uncommercial early stage greenfield exploration costs due to expensive and protracted native title procedures.

Queensland now faces a serious stepwise erosion of its revenue base starting from about 2008 as one by one existing and planned mines run out of ore. The effects in terms of rising unemployment and reduced public service delivery will be severe.

While there are other factors that are generally effecting world wide structural changes in the mining industry (such as mining industry consolidation and the drying up of risk capital for junior companies) whether these would have caused a long term industry downturn in the absence of the above native title factors is a moot point.

Near-mine mineral exploration ('brownfields exploration') may postpone mine closures by some years, but will not contribute the new ore body discoveries needed to replace mineral production from the ultimately exhausted mines.

Current greenfields exploration, which is mainly on exploration permits granted prior to the 1996 Wik High Court decision is on over-explored ground and is statistically unlikely to produce any new ore body discoveries.

The urgency of policy and legislative change at the Queensland and Commonwealth levels.

This time-frame to make new mineral discoveries in Queensland to avoid major structural economic decline and its affects is frighteningly short when we consider that to gain an exploration permit, discover a deposit, conduct feasibility studies, negotiate life of mine operating/environmental conditions, native title processes for mining lease grants, raise capital, create a market and commence mine production takes from 10 to 15 years for a medium/large operation.

The following exploration to production timetable puts this all into perspective:

2002-2004	Build exploration expenditure levels up to acceptable rate (by a factor of 5 from present levels)
2004-2010	Maybe sufficient time for at least one medium-large size discovery
2010-2020	<ul style="list-style-type: none"> - Delineation of resources, reserves - Feasibility studies - Raise funding, government approval, environmental conditions, tenure arrangements - Native title/cultural heritage agreements - Develop markets - Build infrastructure
2020	The earliest date any new medium-large size mineral development can swing into production – assuming of course we can find one!

The time to find replacements for the great Queensland mines currently operating has expired.

Mineral exploration expenditure down

Mineral exploration is a multi-million dollar industry with the specific objective of discovering and defining mineral resources. The mining industry would be unsustainable were it not for the new deposits discovered through exploration.

Successful exploration is attributed to the successful application of geological science and innovative research and development

From a peak of \$181 million in 1995-1996 exploration expenditure has slumped to \$59 million in 2001-2002, a drop of 67 percent. The state has endured six successive years where exploration spending has been lower than in the proceeding 12 months.

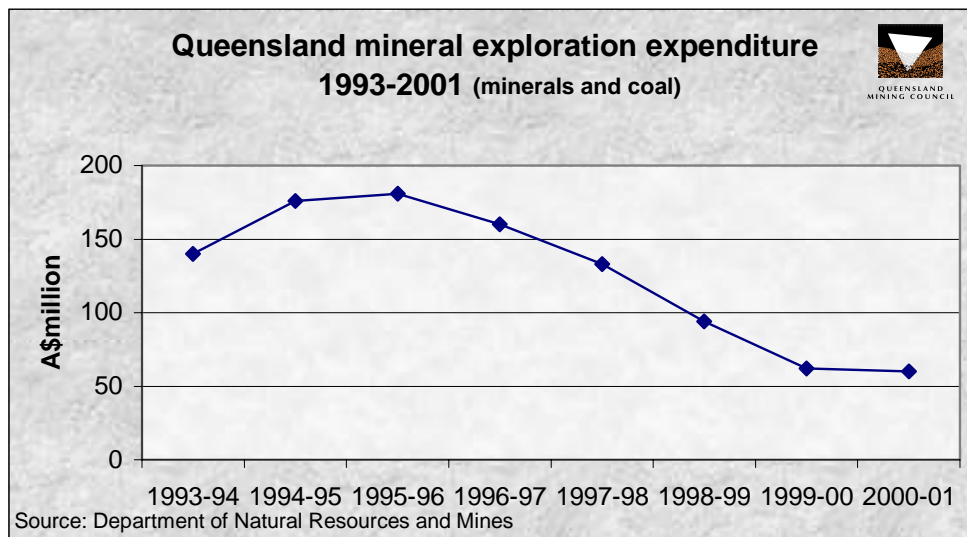


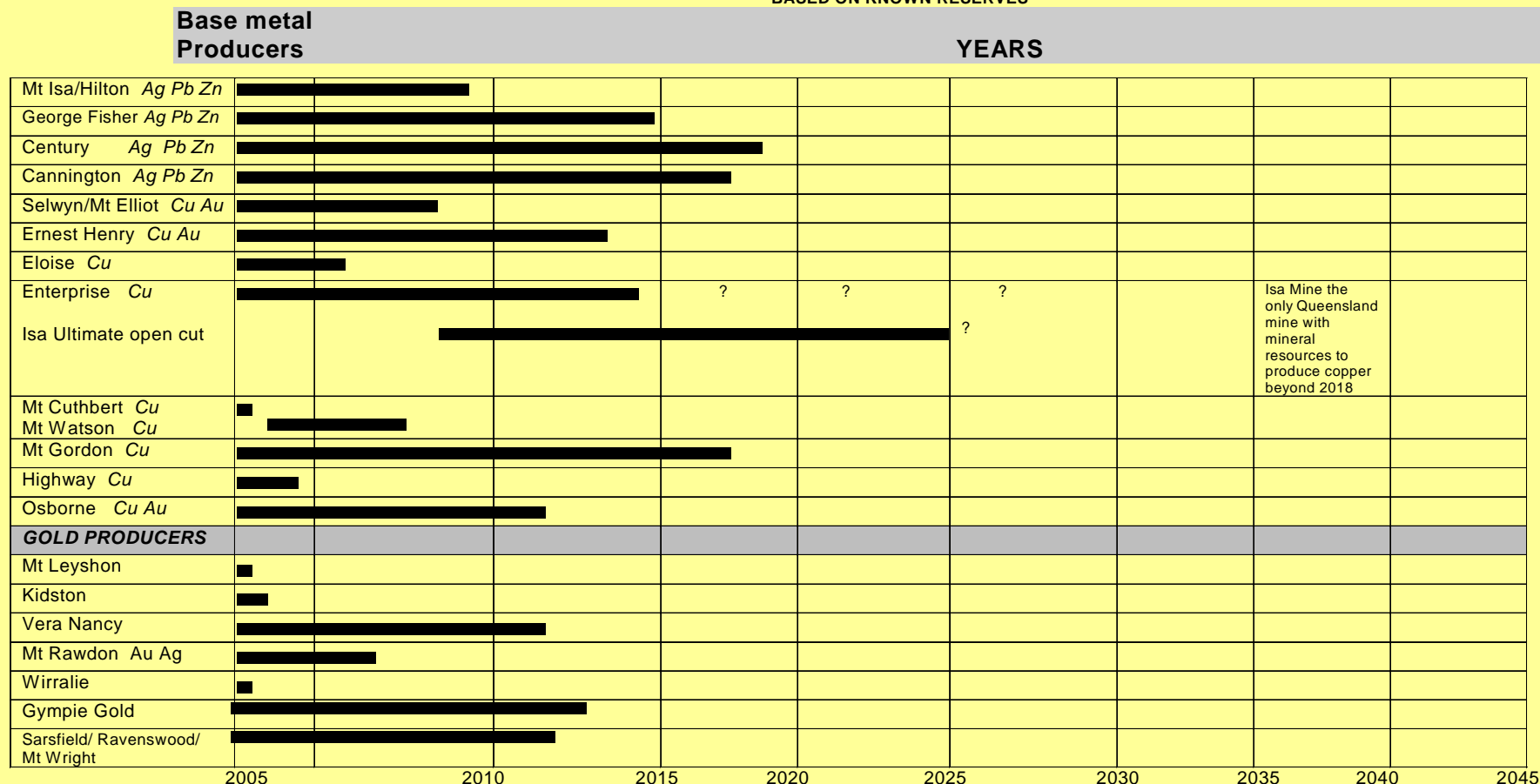
Figure 4: Queensland mineral exploration expenditure 1993-2001

Equally worrying is the fact that exploration in Queensland has been restricted essentially to extending the reserves of known resources at current mine sites ('brownfield' exploration). Exploration for new discoveries on ground with no known resources ('greenfield' exploration) is mainly on exploration permits issued before the 1996 Wik decision and is in accelerating decline and as noted above is statistically unlikely to result in ore body discoveries.

As a result, Queensland has slipped from a 20 percent share of Australian exploration expenditure in 1994-1995 to 13 percent in 2000-2001. Further slippage is likely as exploration activity expenditure is on the increase in Western Australia and the Northern Territory.

The current great mines of Queensland – Mount Isa, Weipa, Century, The Bowen Basin Coal Mines, Cannington, Ernest Henry, Osborne, Mount Gordon, Phosphate Hill were all discovered decades ago.

FIGURE 5 LIFE OF MINE PROFILES – QUEENSLAND BASE METAL AND GOLD MINES
BASED ON KNOWN RESERVES



Isa Mine the only Queensland mine with mineral resources to produce copper beyond 2018

Projects on the drawing board:

- Dugald River Ag, Pb, Zn – sub-economic at current prices
- Lady Loretta Ag, Pb, Zn – 10 year life – feasibility studies concluded – on hold
- Mt Garnet, Zn, Cu, Balcooma, Surveyor Pb, Zn, Cu, Au – studies in progress (less than 10Mt)
- Trekelano Cu, Au – RTN in progress – 4 yr life
- Twin Hills Au, Ag – trying to get finance – 5 yr life
- White Range / Kuridala Cu – feasibility study under way max 6 year life?
- Cracow Au, Ag – 1Mt identified – 5-10 year life
- Woolgar Au – RTN process underway 5Mt
- Pegmont Pb, Zn - feasibility studies under way – 5 – 10 year live

Legend	
Ag	= silver
Pb	= lead
Zn	= zinc
Cu	= copper
Au	= gold
RTN	= Right to Negotiate
Mt	= million tonnes
Source: QMC/Department of Natural Resources and Mines 2001	

Number of exploration permits granted down

A dramatic reduction in the number of exploration permits granted in Queensland follows a similar pattern of decline as the exploration expenditure.

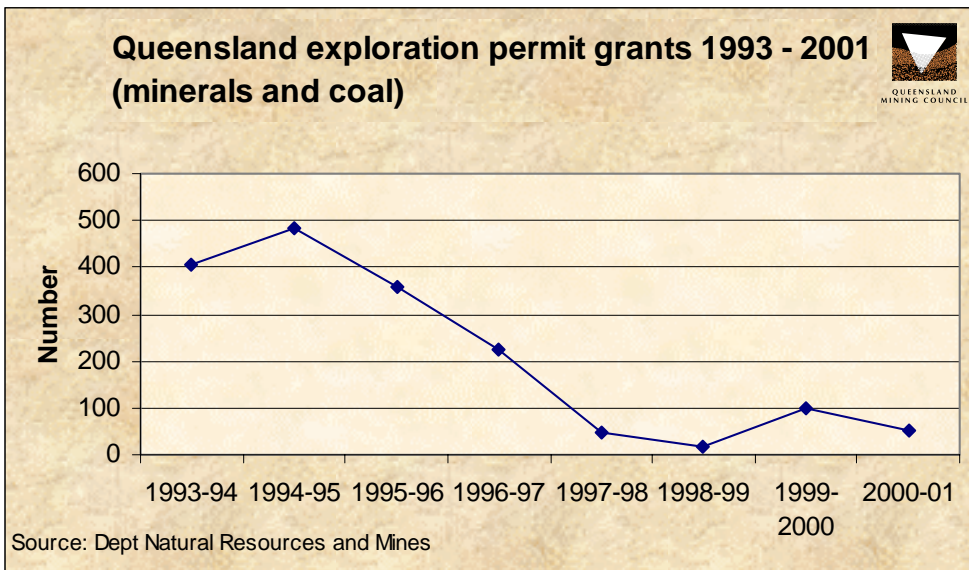


Figure 6: Queensland exploration permit grants 1993-2001

Between December 1996 (when the Wik Decision in the Federal Court determined that native title co-existed on pastoral leases) and September 2000 (the introduction of the Alternative State Provisions) Queensland Governments of both major political affiliations imposed a freeze on the granting of exploration permits.

The only exploration permits issued during that period were on 'exclusive' land where native title had been extinguished.

During that four year freeze a 'backlog' of 1800 mineral tenures developed, 1100 of which were exploration permits.

Currently that 'backlog' has reduced to around 900 because of applicants abandoning their applications or the State excluding nonexclusive land from the permit grants.

Since the introduction of the Alternative State Provisions (September 2000) only 25 percent of new permit applications have been granted.

So, in addition to the 900 exploration permits in the original 'backlog' there are now a further 231 exploration permits outstanding under the new arrangement.

The state Minister for Mines Stephen Robertson's best estimate of June 2002 is that the waiting list of applications will be cleared by the end of 2003.

However, it is not clear whether any access to land will be actually be achieved for exploration on nonexclusive land even if the application list waiting list is cleared by the end of 2003 for the following reasons:

- (a) grants of ordinary exploration permits are subject to the States Alternative State Provisions for native title and these provisions are inoperative because of the Federal Court decision in Central Queensland Land Council Aboriginal Corporation v Attorney-General of the Commonwealth of Australia and State of Queensland ('CQLC decision') 8 February 2002, which found the Commonwealth Attorney General's approval of the provisions to be invalid;
- (b) grants of low impact exploration permits are subject to access agreements with native title claimants or holders before the land can be entered for the first time.

The impact of the access agreement requirement on actual land access for low impact exploration permits is worthy of further elaboration. The following information is extracted from the state government Estimates Committee -E- Hearings of 16 July 2002 – an extract from Hansard (pages 8-12 inclusive) is included in Appendix 1.

'Exploration permit applications since 20 September 2000 to 30 June 2002	693
Applications over land where native title has been extinguished and granted	69
Applications for low impact exploration permits granted	119
Applications for high impact (ordinary) exploration permits granted	2 (NB these are of doubtful validity due to the CQLC decision
Application abandoned or rejected	136

Of the 119 low impact exploration permits granted, access has been obtained to 5 of these because no native title interests were registered in the land. However, for the remaining 114 exploration permits only 10 access agreements were made.

Thus after 21 months, 624 relevant applications have resulted in actual access entitlements to only 10 portions land and for these few cases the full range of exploration activities is not permitted to be carried out.

The Deputy Director-General, Mines of the Department of Natural Resources and Mines has queried why low impact exploration permit grantees have generally not sought arbitrated access agreements from the Land and Resources Tribunal. QMC believes that the legal costs of an arbitrated agreement would be of the order of \$50,000 or more. As there are no principles regarding the content of a Land and Resources Tribunal determined access agreement, the outcome in terms of costs and delays to exploration activities is uncertain. Thus a Land and Resources Tribunal determined access agreement will not generally be a commercially realistic proposition for greenfields exploration.

Appendix 1 also shows that Queensland has issued only 79 exploration permits from September 2000 to June 2002 that have resulted in real land access (69 over land where native title has been extinguished and 10 low impact exploration permits for which access agreement have been made).

This is in contrast to the 350/400 exploration permits issued **annually** pre 1996. This is further information pointing to the inevitable structure decline in the Queensland mining industry without native title policy and legislative change.

Number of current exploration permits down

As established exploration permits are eventually relinquished (a pre-condition of grant) so the inability of explorers to replace them with new permits becomes critical. This is particularly the case for junior resource explorers who rely on the high turnover of exploration permits to maximise their discovery rates.

As a result of the situation existing in Queensland the number of exploration permits current has reduced from 1100 in 1994 to 600 in 2001.

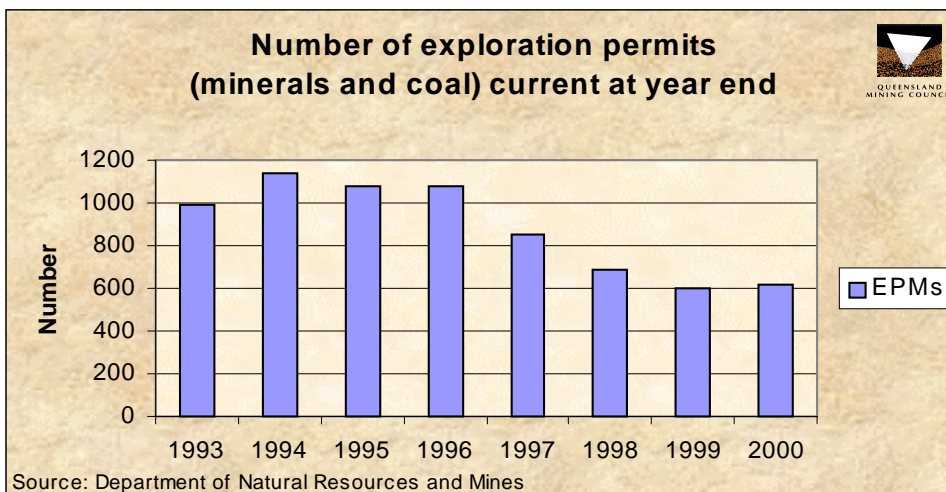


Figure 7: Number of exploration permits current in Queensland 1993-2001

Pre-native title granted exploration permits still form the core of ground upon which explorers can invest. The dropping off of all or part of current permits will see a further reduction of exploration expenditure in Queensland.

Number of exploration permit applications down

The difficulties in obtaining exploration permits and subsequent access to these permits in Queensland over the past six years has resulted in a reduction in the number of exploration companies operating in the state and a subsequent reduction of exploration permit applications from nearly 700 in 1993 to 350 in 2001. Land tied up as a result of applications not being processed together with a drop in the number of companies applying for land are the major reasons for this downturn.

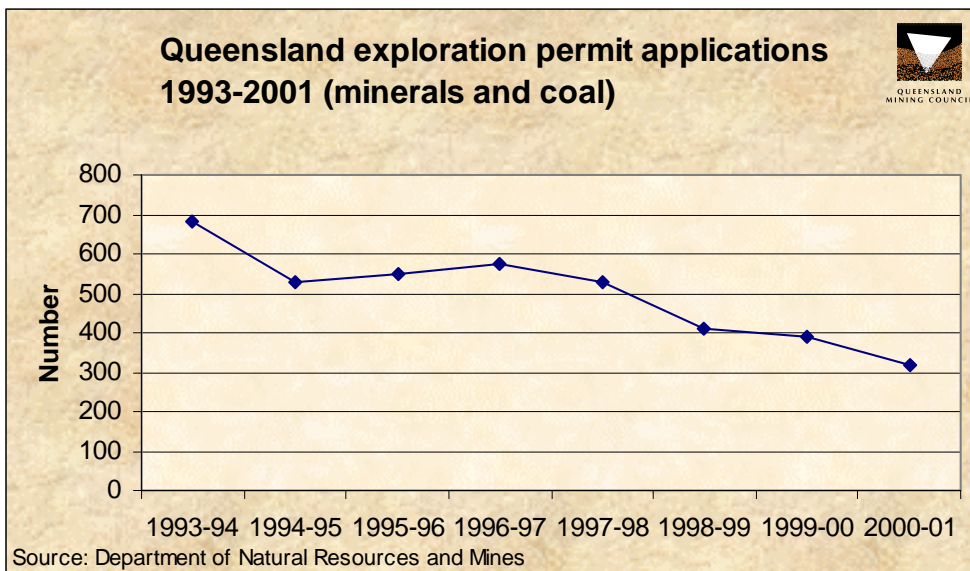


Figure 8: Queensland exploration permit applications 1993-2001

Queensland has become a less attractive place to explore than it was six years ago.

Queensland's proportion of total Australian exploration expenditure down

Queensland has slipped from a 20 percent share of Australian exploration expenditure in 1994/1995 to 13 percent in 2000/2001.

Allowing for global exploration expenditure falling and depressed metal prices one can only look with alarm at Queensland's inability to maintain market share.

Queensland is not only losing its international competitive edge in attracting exploration investment but also its national competitive edge.

Even more worrying is when metal demand/prices do rise it may still be too hard to acquire and work exploration and mine tenures in Queensland and it may still be easier and more cost effective to go to other prospective areas including offshore areas with similar geology, to explore for and develop mineral deposits.

The Queensland minerals industry's inability to respond to any cyclic upturn of metal prices, replenish its mineral reserves, generate future government revenue at current levels and export minerals to the world due to land access constraints is a very real medium term scenario facing state and federal governments.

Mineral exploration in Australia and in Queensland specifically is in urgent need of rebuilding, restructuring and re-vitalising as a matter of national urgency.

Decline in exploration activity is a predictable and durable market response

The greenfields exploration process is generally characterised by the process outlined in Figure 9. In particular the exploration process generally proceeds as per the following steps:

1. The process starts with desktop regional assessments of areas as large as 50km by 300km ('mineral region') to identify 5 or 6 targets ('Initial Targets') of 5 km² to 15 km² that are worthy of on-the ground expenditure. Only one in one thousand of these targets will result in a viable mine. This is a point we will return to later in explaining the

decline of greenfields exploration in Queensland and predicability of the market response.

2. The explorer will attempt to acquire three to ten exploration permits over the mineral region. Exploration permit coverage may be over the whole mineral region.
3. Assuming entry rights are obtained, the explorer will conduct geological mapping, old style prospecting, and perhaps geophysical and geochemical surveys on the Initial Targets to reduce the number of targets for further activity and expenditure to a maximum of three (Stage 3 in Figure 9).

It should be noted that Stage 3 of the exploration process might reject each of the Initial Targets, in which case new Initial Targets are generated and steps 2 and 3 repeated until Initial Targets worthy of advancing to Stage 4 are identified or the region abandoned. As many as 60 Initial Targets may be generated and evaluated to the Stage 3 level from a batch of 10 exploration permits.

Exploration costs at this stage are \$5,000 per target if the target is reject at the old style prospecting stage or \$30,000 if the target goes on to state of the art geophysical and geochemical surveying. The time spent during this phase on any exploration permit would be about 2 months in any year.

4. Initial drilling (Stage 4 in Figure 9), involves relative shallow drilling to test that the signs of mineralisation found by surface techniques are confirmed or otherwise by physical sampling at depth. Nine out of every 10 Initial Targets that survive Stage 3 exploration are rejected at this stage. In practice this means that on average four out of five exploration permits will be surrendered on or before completion of Initial Drilling.
5. A number of activities have been grouped into Stage 5. For this submission, this Stage assumes that encouraging signs of extensive mineralisation are found early and that a commitment is made to undertake extensive drilling to estimate resources and reserves according to financial reporting standards. Only one in one thousand of the Initial Targets will actually go to reserve estimation. Expenditure during this stage would be of the order of \$10 million over three years.

The exploration process should not be viewed as a linear progression of steps. A better approach is to consider the exploration process as a dynamic equilibrium. Initial targets are constantly being generated, rejected or moved on to the next stage. Initial targets in subsequent stages are treated likewise, accessed, rejected or moved on to the next stage. Ideally the explorer will adjust the levels of and type of exploration to maintain a portfolio of targets across the various stages of Figure 9. For example, an explorer might adjust the rate of generating Initial Targets to maintain 30 Initial Targets at the Stage 3 level; ten at the Stage 4 level and two at the Stage 5 level.

Figure 9 also shows how native title procedural costs and delays occur across the exploration stages together with QMC's estimate these costs and delays.

The reasons for the predictable adverse market response is apparent from Figure 9 as it will be seen that expenditure on native title procedures is of the same order of costs as the exploration and precedes actual on the ground exploration by several months to between one and two years. In particular:

1. Native title procedural costs in obtaining exploration permits is of the same order of magnitude as Stage 3 exploration expenditure and in a worse case where negotiations to judicial determined good faith criteria fail and arbitration follows, native title costs could be ten times that of Stage 3 exploration costs. If an exploration permit is located in an area of overlapping claims, costs will be further increased as a function of the number of overlapping claims.

2. Native title procedures take three to seven times as long to complete as the actual Stage 3 exploration.
3. Funding for these native title procedural costs has to be raised 5 to 15 months in advance of achieving land access rights. Capital raising to meet procedural costs of these magnitudes is not a practical proposition.
4. Costs and delays due to implementation of necessary native title agreements are comparable with the Stage 3 exploration costs. See comments on the seasonal nature of the industry under the commentary on the Queensland Statewide Model ILUA below.
5. For any level of capital raising for exploration, an explorer will make at least four times as much progress towards establishing an economic discovery in a jurisdiction that does not impose such procedural costs.

The Queensland Statewide Model Exploration Indigenous Land Use Agreement.

The Queensland Government has recognised that the costs and delays of native title procedures are a problem for greenfields exploration in Queensland and has developed a statewide model Indigenous Land Use Agreement (“Model ILUA”) aimed at authorising exploration permit grants for applications made before September 2000 (See Comments by Minister Robertson on page 9 of the Hansard extract of Appendix 1). However, for greenfields exploration the cost and delays of the Model ILUA conditions are greater than could reasonably be expected to be funded. The negative market response to greenfields exploration in Queensland will therefore not be changed by the Model ILUA.

The Model ILUA also illustrates the non-commercial terms of delays. In particular:

- (a) Exploration in Queensland is a seasonal activity, substantially limited to the dry season from March to November. Therefore procedures which absorb 2 to 3 months of this time have a disproportionate adverse affect if exploration programs are interrupted by wet seasons and have to be completed in the following year;
- (b) The capacity for native title parties to extend land access delays in circumstances of competing commitments in relation to other Exploration Permits (clause 5.6 of Schedule 2 of the Model ILUA). Quote ‘If, because of competing commitments in relation to other exploration permits, the inspection team is unable to provide the inspection report in compliance with clause 5.1, the exploration liaison committee must give notice to the explorer requesting an extension of time to provide the inspection report (‘Request for Extension’).’

This situation would be likely if substantial numbers of exploration permits were granted pursuant to the Model ILUA;

The Model ILUA may potentially facilitate exploration over areas free of overlapping native title claims in the following situations:

1. Near mine exploration, where an operating mine expects to start exploration equivalent to Stage 5 of Figure 9. For this type of project the costs of the Model ILUA conditions would be funded from the mine’s operating cash flow and delays relatively unimportant as only a single drilling stage is contemplated. Because the mine will have an exploration group at the mine-site for production purposes, the cost of delays is far less than for greenfields exploration.

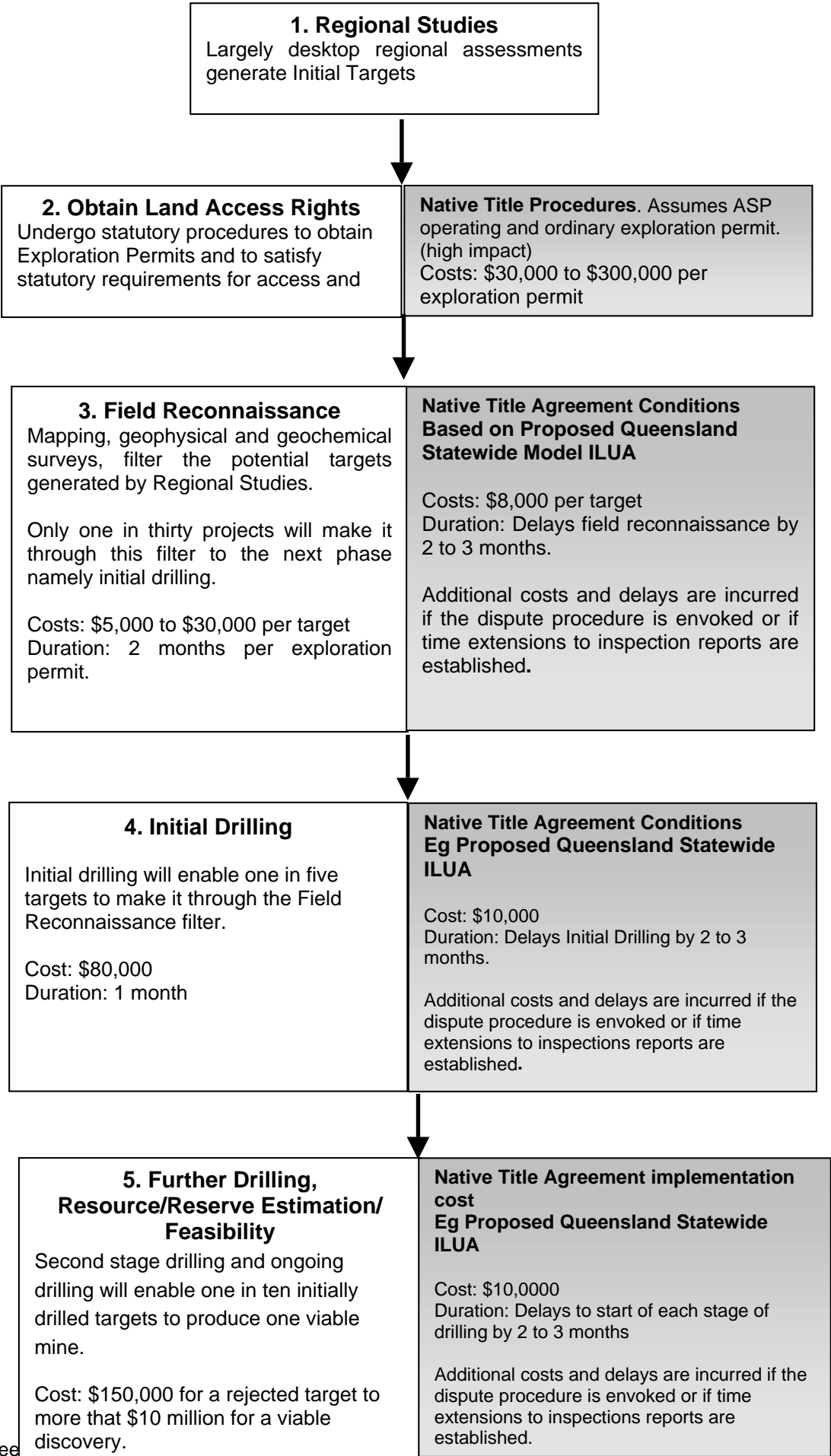
2. Rare circumstances where an greenfield explorer is able to start the exploration process at Stage 5 of Figure 9.

It is not clear whether the Model ILUA will be operable in areas of overlapping claims. The assumption in the drafting appears to be that its use will be limited to areas free of overlapping claims.

Notwithstanding the above, QMC has been advised by its members that they will not seek exploration permits pursuant to the Model ILUA because of the precedent set for excessive implementation costs and delays; anti-commercial terms; and unacceptable risks of litigation.

Registration of any authorised Model ILUA may be frustrated by competing native title claims made during the notification period.

FIGURE 9 EXPLORATION PIPELINE SHOWING THE SENSITIVITY OF EARLY STAGE EXPLORATION TO NATIVE TITLE COSTS



What must be done to rebuild the exploration industry?

Given the industry's importance to Queensland social and economic well-being, governments must start to address in real, practical terms the run down of our mineral reserves by current mining activity and the failure to replenish those reserves due to the collapse of mineral exploration.

It is a critical issue for the country and it needs addressing urgently as the time lag between exploration, a major discovery and mine production is now in excess of 10 years.

Queensland's traditional comparative advantage has been in the mining sector. Only sustainable levels of exploration and the discovery of major mineral deposits will maintain the employment and welfare benefits that result from exploitation of this comparative advantage. The impact of limited exploration expenditure and low discovery rates will result decline in the standards of living of Queenslanders.

Queensland is in the business of competing for exploration dollars. It is difficult for QMC to understand why the Queensland Government has pursued native title policies that clearly make early stage exploration (and hence all exploration) unprofitable and uncompetitive in Queensland.

To reverse the adverse market response to exploration activities observed in Queensland will require first and foremost the elimination of native title procedural costs and delays to early stage exploration. Without this change all other policy changes will be academic. To accelerate the rebuilding of the Queensland exploration industry will require a number of technical and financial incentives. Recommended policy actions are outlined below:

1. Make native title procedures and compensation requirements identical to those of land title holders in Queensland

This is the greatest need – all other needs become academic if this prime need is not met. It doesn't matter how prospective an area is or how large the incentives provided, all are meaningless unless permits are issued :

- (a) that do not require substantial capital raising to fund legislative procedures; and,
- (b) unless access to land is affordable to enable all facets of exploration – including drilling, to take place.

Without access to land on competitive terms, market forces will drive exploration elsewhere as is being observed.

Mineral exploration in the Commonwealth Native Title Act is deemed a right to mine triggering the full right to negotiate process (unless the expedited procedure applies) ie: exploration equates with mining although clearly the activities, term of access rights, impacts, risk factors and capacity to raise capital are substantially different.

Also unlike a mining lease, an exploration permit does not entitle the holder to exclude native title holders from the land of the permit.

In the Queensland Alternative State Provisions, low impact exploration as defined is not subject to the full right to negotiate process but does require access agreements with native titleholder/claimants before work can commence on the exploration permits granted.

High impact exploration activity and other mining related tenures are subject to the full right to negotiate under the Alternative State Provisions. However the operation of the Queensland regime is uncertain following the CQLC decision.

It should be noted that exploration activity and expenditure in Western Australia and the Northern Territory has increased because native title costs and delays have been substantially avoided through the use of the Native Title Act's expedited procedure.

However, QMC believes that a more certain approach to achieve access to land in order to carry out all exploration activities is to make all exploration permit grants and exploration activities classes of future act in the Commonwealth Native Title Act that are valid provided native title holders are provided with the same procedural rights and rights to compensation as a holders of land titles in Queensland ie native title holders would have the same procedural rights as pastoral lease holders.

Whilst by the adoption of the above approach procedural rights costs may be duplicated (that is, land title holders and native title holders each have equivalent rights) this will be offset by Queensland's natural prospectivity. Land access for the purposes of exploration should not be delayed over and above that due to the procedural rights of land holders in Queensland. The procedural rights are principally:

- (a) a right to be notified before exploration to the land entry or to agree to entries of more than three months duration,
- (b) to give notice to the Mining Registrar to investigate concerns, convene a conference and if appropriate recommend directions that should be given to the permit holder.

Recommendation 1

Consideration be given to amending the Commonwealth Native Title Act so that:

- (a) Exploration is not included within the scope of a right to mine;**
- (b) Provide for grants of exploration permits and for the conduct of exploration activities to be classes of future act that are valid provided native title holders are entitled to the same procedural rights and rights to compensation as the holders of land titles in Queensland to the relevant land.**

2. Provision of incentives to accelerate the rebuilding of the Queensland exploration industry

If the native title procedural issues are address as per 1 above other initiatives to attract exploration investment dollars and ensure Queensland's competitive advantage in minerals can be effective in rebuilding the industry. Governments have a key role to play in implementing these initiatives. They include facilitating:-

(a) Access to capital

Australia will only continue to prosper provided it remains a competitive location for exploration investment and development.

Any assessment of Australia's future needs must be framed in the context of the global picture.

Australian governments must play a key role in:

- making exploration an attractive investment
- attracting more risk capital into exploration.

Suggested government incentives could include:

- tax credits for bona fide exploration work
- flow through share schemes which allow companies to transfer to shareholders the tax deductions of exploration work. The scheme is similar to the tax incentives created to attract investment flows to industries such as plantation timber, olive production and vineyard establishments. In Canada the scheme allows major companies tax deductions for supporting junior 'greenfields' exploration
- simplification and reduction to cost of the initial public offer process while still protecting the risk to the public. For example, the cost of prospectus development is extremely high.

(b) A competitive tax regime

- this is linked to **(a)** above.

The international nature of mineral exploration means that proposals to explore in Australia are directly weighed up against options to explore in other countries.

Investment flows to where the perceived risk/reward is best. Currently overseas exploration expenditure by Australian companies accounts for almost 30 percent of their total exploration expenditure.

Taxation reforms being undertaken by emerging nations – particularly in Latin America and the Asia/Pacific regions are making these areas increasingly competitive for exploration investment. Australia must develop a more

favourable tax treatment of exploration expenditure particularly when the inducement to take risk is a prime objective.

For example, Australia's current tax regime deems exploration or the drilling of minerals ineligible for the 125 percent research and development concession and provides no incentive to invest in exploration. This is despite the fact that exploration is a high risk, costly, iterative process. Exploration is essentially a sequential information gathering exercise designed to test theoretical concepts and hypotheses often using new and innovative technology and techniques. Australia leads the world in much of this technology. Many aspects of exploration are clearly analogous to scientific research in other industry sectors.

Together, the mining and minerals processing sectors presently contribute around 34 percent (\$167 million) of Queensland's total investment in research and development.

The logic of why all mineral exploration does not receive the same taxation concessions as other research and development activities in other industry sectors must be questioned.

In addition to tax deductions and flow through share schemes the Australian government should consider:

- tax relief for bone fide 'greenfields' exploration
- reviewing the application of capital gains tax to encourage wealth creating exploration activity
- fixed tax terms.

Recommendation 2

Federal government must continue to consult with industry on a range of mining-related tax reform initiatives as a matter of urgency.

Federal government to implement a series of agreed competitive tax initiatives to help re-vitalise exploration and attract investment capital into the collapsing exploration sector.

(c) A reduction in the cost of doing exploration business

Given dramatically decreasing exploration expenditure, a slower rate of mineral discovery, more costly discoveries (average discovery costs have tripled in the past 30 years), and increasing competition from overseas countries Australian government responses to these challenges are grossly out of step.

Governments must provide the appropriate level of incentives to make the risk of looking for major mineral discoveries worthwhile. Reducing the cost of undertaking exploration in Australia is one such key inducement.

Uncompetitive costs in Australia relate to:

- getting access to land
- resolving native title claims
- compliance costs
- legal costs
- cost and availability of geoscience products and services (essentially a state issue)
- tenure costs (essentially a state issue)
- the raising of money.

State and Commonwealth government instrumentalities are spending less time, resources and money on activities relating to exploration facilitation. Budgets are diminishing and attention appears to be centred on so-called new industries. While supporting new industries, it must not be at the expense of the Australian mining industry which the nation will need to rely on long into the future. Understanding that anything that adversely affects exploration, affects future mining is a notion apparently not fully understood by governments.

Queensland government costs and charges for mineral tenures and geoscience products and services are the highest in the country and must have over time contributed to the state losing its market share of mineral exploration investment.

It is estimated that 80 percent of the world's private sector exploration takes place in only 13 countries including Australia. We must ensure that a sustainable proportion of that percentage takes place in Australia – our economic future and quality of life depends on it.

Recommendation 3

State and federal governments in collaboration with industry to undertake an immediate review aimed at reducing the cost of exploration activity in Australia.

(d) Easily accessible, up to date, geoscience products and services

Up to date, easily accessible integrated data (in digital form) at reasonable cost are essential pre-requisites to a viable successful exploration industry.

As geological techniques change so the need for fully integrated up to date geological, geochemical and geophysical raw data becomes essential.

Tailoring of new generation geophysical surveys to satisfy both exploration and land management is a key need – particularly in Queensland.

Commonwealth funding to assist in providing these state services would be a most useful initiative.

We must not waste historical geoscience knowledge gathered over many years.

Regrettably governments are diverting their resources away from the exploration industry into other natural resources.

In the 2002 Queensland Budget \$392 million has been allocated in the 2002/2003 financial year to manage the state's natural resources and stimulate growth in the mining industry.

Of that \$392 million, \$9.5 million over four years (including \$5 million in 2002/2003) will be spent 'attracting new mining exploration' by providing greater access to land through streamlined native title processes and development of geoscience data and information using the latest technology.

The Queensland exploration industry awaits with interest as to how this very small sum of money will be spent and the impact it will have on rebuilding a collapsed exploration industry in Queensland.

The Queensland Mining Council has proposed that the Queensland government needs to invest \$10 million a year for five years to provide easily accessible, cheap, up to date geoscience products and services to begin to encourage exploration investment back into the state. Other states including South Australia, New South Wales and Victoria have undertaken such schemes in the past with positive results.

(e) Overcoming the information/technical barriers

- linked to **(d)** above

While the world recognises the high mineral prospectivity of Australia it must be clearly understood that a significant proportion of the prospective ground is obscured by a mantle of barren rock which ranges from 10 to more than 100 metres thick. The challenge now facing mineral explorers in Australia will be their ability to explore and locate mineral deposits below the mantle cover.

The search for mineral deposits at depth reflects the maturity of the Australian exploration industry where it is now becoming increasingly difficult to locate surface outcropping major mineral deposits.

To overcome this 'tyranny of depth' and improve exploration competitiveness Australia must continue to invest in innovation in exploration by developing:

- more research and development into new data collecting technology to probe beneath the mantle cover
- better analytical methods to interpret all the historical and new geoscience data
- new exploration models and hypotheses and the ability to test them
- a decrease in the total cost of exploring to compensate for increased cost of discovery.

Continuing properly resourced industry / government collaboration in these areas is essential if Australia is to remain a competitive location for research leading to discoveries in a mature exploration environment.

Recommendation 4

State and federal governments increase their efforts into providing high quality, cheap, easily accessible competitive geoscience products and services to encourage exploration investment.

Australia must be mapped using new geoscience concepts and technologies. Research and development based studies must be well resourced and structured at nominated mineral resource centres to facilitate the development of innovative geological models and new exploration technologies.

(f) Competitive mineral legislation and policies

The degree of complexity and the difficulty of discovery have resulted in a paradigm shift in the way exploration now goes about its business in Australia compared to 10 years ago.

Governments must be aware of this shift, understand its impact and develop appropriate policies to accommodate it. Government legislation is a reflection of policy. The best government policy/legislation must focus on outputs ie: sustainable development, economic growth, current accounts. Only sustainable levels of exploration will provide such outputs.

Competitive, modern minerals legislation and consistent government policies that reflect the mineral potential of the country are vital in attracting active private sector investment.

Consistency of minerals legislation and in the approach to mineral discovery/development is not one of Australia's competitive strengths and is a constant source of frustration for would be investors.

Exploration in developing countries is being encouraged by the adoption of favourable mining and foreign investment laws and a welcoming attitude to exploration and mining by foreign companies.

Recommendation 5

Federal and state governments to undertake an immediate review of current mining-related legislation with a goal to introduce competitive modern minerals legislation and supporting policies, regulation and procedures. Such legislation must focus on the changing complexity of global competition, the major restructuring of the Australian mining industry and the ever increasing need to attract exploration investment into the country.

(g) Improve the public perception of the minerals industry

In the rebuilding of the mineral exploration industry, improvement in public perception is a key need and one in which governments must play an important 'championing' role.

Increasing the exploration/mining industries' profiles with the objective of winning a more accepting and supportive response to exploration and mining related activity with local communities, the general public and special interest groups must be a legitimate government/industry collaborative effort.

Sustainable exploration/mining industries, accepted by the communities in which they need to operate and supported by the public at large, must be a key objective of both industry and government.

Industry, government, communities and special interest groups working together to achieve a common vision must be national priority.

At a time when the mining industry is being asked to create jobs, engage in partnerships and better support the economic, social, cultural and environmental values of our society, the exploration industry is fighting for its survival.

In Queensland over the past 10 years there has been a significant reduction and down grading of government services to the exploration and mining industries. For example, Queensland no longer has a dedicated Department of Mines. This in turn fosters a government and community attitude that mining and exploration is not important.

We need much greater cohesion within government on a range of policy initiatives applicable to the exploration industry if we are to achieve a totally competitive framework, improve the public perception of the minerals industry and truly test the full potential of the Australian minerals industry.

(h) Maintaining exploration expertise

The demise of the Australian exploration industry and associated service functions, for example drilling contractors, has resulted in a

- loss of career geologists (30 percent have left the industry in the past five years)
- loss of exploration expertise not only within the industry but in government departments and instrumentalities
- closing down of a number of geology departments at tertiary institutions leading only to accidental connection between funding priorities and industry needs and
- an ageing geoscience and skilled community which is not being replaced by younger practitioners.

Selling technology, services, advice and technical/environmental knowledge – all intellectual products - has made Australia's mining industry world-class and is one of the country's fastest growing export markets.

In the mid 1990s Australia was investing \$500 million a year in new mineral knowledge. Today it is barely \$250 million. We have halved the very thing that gave the nation the competitive edge, as well as reducing the potential of a new dynamic export industry. We must not allow Australia to drop behind in the knowledge game.

The impact of current government policies on the capacity of the tertiary education sector to meet the future needs of the Australian minerals industry should be of national concern.

Recommendation 6

Federal government, the minerals industry and key stakeholders to work collaboratively to improve the public image of Australian mining. Governments to play an important 'championing' role to raise the public profile of exploration and mining.

Governments in collaboration with the minerals industry to assess the impact of their policies on the capacity of the tertiary education sector to meet the future needs of the Australian minerals industry.

Will improved metal prices resolve our exploration concerns?

Metal prices are a key market factor in driving exploration. While recognising that governments have little influence/control (though some have tried) over metal prices, they play a key role in creating the competitive investment climate to attract exploration investment dollars.

Metal prices provide the incentive/impetus to explore but where the exploration dollars are spent is another matter.

It would be almost comforting to think that the exploration crisis in Australia could be blamed totally on low metal prices, such things are out of industry/government hands, but this is not the case. Whereas there has been a drying up of risk capital for junior companies, there is money available for exploration today if access to land over prospective areas were immediately available.

An increase in metal prices will not overcome the difficulties facing exploration in Australia, it will merely accentuate the need to resolve the exploration crisis quickly.

We are not just experiencing just another cyclic metal price downturn.

Evidence suggests that the present downturn in Australia exploration effort does differ from previous downturns as it is accompanied by significant structural changes in the minerals industry. These include:

- major loss of mid-sized and major Australian companies that historically have had significant Australia major exploration budgets (plus \$10 million)
- consolidation of mining companies operating in the global market place through mergers and acquisitions
- major mining companies reducing 'greenfield' exploration budgets where NEW discoveries come from, and focussing mainly on 'brownfield' exploration
- major mining companies increasingly reliant on junior explorers to find new prospects as a means of minimising exploration costs
- increasing percentage of exploration being undertaken by junior resource companies
- significant reduction in the number of exploration permits issued by state governments
- dramatic reduction in the experienced geological expertise available to the exploration industry
- a decline in the rate of discovery of major mineral deposits has led to a structural change in investor attitudes to funding exploration
- more exploration decisions relating to Australia taken in overseas boardrooms as more mining companies operating in Australia become overseas owned
- from time of discovery of a major deposit to production now takes in excess of 10 years.

All these factors counteract the positive impact of any rise in metal prices.

Clearly, these structural changes coupled with all the other factors referred to in the above comments will result in the Australian exploration industry facing a very different and a very competitive future to the halcyon days of 30/40 years ago. Future government policies need to reflect this.

Recommendation 7

State and federal governments to take immediate steps to create a commercial environment which facilitates exploration investment by junior resource companies and which encourages large mining companies to base their global investment exploration operations in Australia.

Conclusions

The basis on which Queensland and Australia competes in the future will be different to how we competed in the past. No longer can Australia and Queensland merely rely on prospectivity and a stable government. Global demand for metals in the next 50 years will be strong – some say it will exceed total world mineral production to date. Australia and Queensland must put in place an investment environment that continues to attract its share of the minerals ‘cake.’ The writing is on the wall. Since 1995 Australia’s share of global exploration expenditure has fallen from 20.5% to 17.5% in 2001. Queensland has slipped from a 20 percent share of Australian exploration expenditure in 1994-1995 to 13 percent in 2000-2001.

Mineral exploration in Australia is not an industry engaged at the margins of the economy, it is the basis of the nation’s comparative advantage and if it fails so too will the nation’s standard of living and public sector expenditure.

Currently in Queensland the exploration risk is not just outweighing the rewards, and the costs and delays of land access are grossly uncompetitive and uncommercial. World market forces will not finance Queensland exploration at anything like the rate necessary to prevent serious structural decline of the Queensland mining industry as long as this situation continues.

Queensland has the potential to continue its role as a global powerhouse for mineral resources. Whether that potential will be realised will depend on governments’ ability to enable explorers to operate competitively and effectively.

The key to attracting exploration dollars is for governments to provide investors with processes and procedures that are competitive and attractive to operate under. It’s a simple enough objective yet one upon which the future of Australia’s (and Queensland’s) truly great world-class minerals industry depends.

‘Australia is today where the mineral discoveries of yesterday have brought us – and we will be tomorrow where the exploration of today takes us. Let’s hope it’s forward.’

*Chris Rawlings – Former President
Queensland Mining Council 2000*

ESTIMATES COMMITTEE E

Mr C. P. Cummins (Chair)	
Mr H. W. T. Hobbs	Mr R. L. Poole
Dr J. A. Kingston	Mr J. W. Seeney
Ms C. Molloy	Mrs C. E. Sullivan

NATURAL RESOURCES AND MINES

IN ATTENDANCE

Hon. S. Robertson, Minister for Natural Resources and Mines
 Mr T. Hogan, Director-General
 Mr R. Freeman, Deputy Director-General, Natural Resources Services
 Mr S. Spencer, Deputy Director-General, Integrated Resource Management
 Mr B. Coulter, Deputy Director-General, Mines
 Dr G. Gentle, Executive Director, Strategic Directions
 Mr G. Dickie, Executive Director, Native Title Services
 Mr P. Noonan, Chief Executive Officer, SunWater
 Mr P. Philipson, General Manager, Finance and Asset Management
 Mr C. Robson, Executive Director, Natural Resource Sciences

The committee commenced at 8.41 a.m.

The CHAIRMAN: I declare this meeting of Estimates Committee E now open. I am Chris Cummins, the member for Kawana and chair of the committee. My fellow committee members are Howard Hobbs, the member for Warrego; Cate Molloy, the member for Noosa; Robert Poole, the member for Gaven; Carryn Sullivan, the member for Pumicestone; and Geoff Seeney, the member for Callide.

The committee will examine the proposed expenditure contained in the Appropriation Bill 2002 for the portfolios of Natural Resources and Mines, Environment, and Local Government and Planning—in that order. I remind members of the committee and the minister that the time limit for questions is one minute and three minutes for answers. A warning bell will ring once 15 seconds before the end of these time limits and twice when the time has expired. I will allow more time for answers if the questioner consents.

The sessional orders require that at least half the time of the questions at today's hearing is allocated to non-government members. Government members and non-government members of the committee will take turns at asking questions in blocks lasting approximately 20 minutes. In relation to media coverage of today's hearings, the committee has resolved that video coverage is allowed only during the opening statements. I ask departmental witnesses to identify themselves before they answer a question so that Hansard can record that information in the transcript. Please also ensure that mobile phones and pagers are switched off while in the chamber so as not to disrupt the proceedings.

In the event that those attending today are not aware, I should point out that the proceedings are similar to parliament to the extent that the public cannot participate in the proceedings. In that regard, I remind members of the public that, in accordance with standing order 195, the public may be admitted to or excluded from the hearings at the pleasure of the committee.

The first area to be examined is the proposed expenditure for the Natural Resources and Mines portfolio. The committee will consider the estimates of the organisational units in the following order: the government owned corporation SunWater, the Department of Mines and then

review was undertaken to identify the work required to ensure assets were able to deliver appropriate service standards. As a result of this exercise, about \$26 million of backlog works was identified. This included replacement of assets in poor condition, replacement of obsolete equipment, completion of as-built drawings and work identified in safety inspections. SunWater is committed to the removal of this backlog of works. The cost associated with the backlog program are not recovered in the water prices for irrigators but are funded directly by SunWater from revenue generated in other customer sectors. SunWater has been progressively implementing the backlog program in conjunction with its renewals program and expects to have completed all backlog work by 2005-06.

During 2001-02, SunWater spent over \$14 million on its renewals and backlog programs and has budgeted to spend \$15.7 million in 2002-03. Expenditures will vary from year to year, depending on the timing of replacements for major assets, but some of the major projects scheduled for 2002-03 include pipeline replacement of Claire B3, the Burdekin-Horton water supply scheme of \$1.1 million, the pipeline replacement in the Mareeba-Dimbulah water supply scheme of \$0.4 million, the Ben Anderson Barrage replacement, Bundaberg water supply scheme \$0.24 million, Stanwell pipeline refurbishment \$0.4 million and the Awoonga-Callide pipeline refurbishment of \$0.67 million.

The CHAIRMAN: The committee agreed by resolution that questioning on issues related to SunWater finish at 9.20 a.m. As that is now the time, the committee will now consider estimates for the Department of Mines. I believe the advisers are seated.

Mr ROBERTSON: They will be soon.

The CHAIRMAN: They are on their way. The first round of questions is from non-government members.

Mr SEENEY: Note 1 on page 27 of the MPS states that \$1 million in additional output revenue was provided to fund the introduction of model indigenous land use agreements. Note 4 on page 27 states that \$1 million in additional grants was paid to Aboriginal communities to facilitate the introduction of a model for ILUAs. I asked you question on notice No. 375 in parliament, where you said the total cost for the development of these ILUAs was \$967,000. That seems to be in contradiction with the figures provided in the MPS. Could you clear up what the process to develop a statewide ILUA has cost? Is it \$2 million, is it the addition of those two figures, or was the answer that you gave me in the House correct when you said it was \$967,000?

Mr ROBERTSON: \$960,000 would have been the figure at that particular point in time.

Mr SEENEY: So, from figures given in this budget, the process has cost \$2 million? There is \$1 million that is mentioned in note 1. It says that \$1 million was provided to fund the introduction of a model for ILUAs.

Mr ROBERTSON: One figure was development costs, the other one was implementation costs. I will get Geoff Dickie, Executive Director, Native Title Services, to provide further detail for you on that.

Mr DICKIE: The development of the statewide ILUA up to the point of signing with the Queensland Indigenous Working Group and the representative bodies around the state was approximately \$250,000 to \$300,000. Getting the statewide ILUA agreed with the individual native title parties is an ongoing process involving meetings with the native title parties, and the total cost that we have budgeted for that is the \$2 million. What we reported in the question on notice was the cost to date. In the costs that we are expending now, we are looking at something like \$600,000 for the roll-out this year—sorry, in the past year, and another equivalent expenditure in the future—in the coming year and in the following year.

Mr SEENEY: Correct me if I am wrong, but the figures in the budget documents relate to spending in the year that has passed. It says in the notes that additional grants were paid to Aboriginal communities—note 4—and in note 1 that additional output was provided to fund the introduction of a model. That would appear to me to indicate that that \$2 million has already been spent, and yet you told me in a question on notice that you had only spent \$967,000. There seems to be a contradiction.

Mr ROBERTSON: I will hand that one over to Peter Philipson.

Mr PHILIPSON: The first million dollars you referred to is the million dollars that was provided in output revenue to the department. The second note you refer to is the actual reduction in proposed expenditure between last year and this year as a result of the million dollars not being

received again in the current year. So, overall we have received a million dollars for payment of those things. The second note relates to the reduction—we will not be spending the money again this year.

Mr SEENEY: While that may be true, it does not answer the question. The question relates to the fact that you told me you had spent \$967,000 when it is obvious you have actually spent \$2 million.

Mr ROBERTSON: No. I do not recall the full details of your question but what you may be getting confused with is the costs of development. I would need to go back to the actual text of your question to determine whether you were talking about development or implementation. That may be the cause of the confusion.

Mr SEENEY: Could you confirm for the committee that last year your department spent a million on the ILUA process, whether it was development or implementation or however else you might like to split it up? Can you confirm for the committee that the total cost, based on those figures on page 27 of the MPS in notes 1 and 4, of the ILUA process has been \$2 million? Can you confirm that?

Mr PHILIPSON: The amount spent was in the order of a million dollars. As I mentioned before, note 1 refers to the amount of money received or additional appropriation received for that purpose. The second note refers to the fact that we have dropped off by a million dollars in the current year's budget because of the fact that we are not receiving the million dollars this year. The notes go across all three columns, not just the two.

Mr SEENEY: So you are saying the figure was actually \$1 million?

Mr PHILIPSON: One million

Mr SEENEY: Not \$2 million?

Mr PHILIPSON: That is right.

Mr ROBERTSON: I think what Peter is trying to suggest to you is that the notes that are in that notes column do not necessarily apply to the column that you are referring to. Is that correct?

Mr PHILIPSON: Yes. The first note relates to the increase between the 2001-02 budget and the estimated actual, that is, where a million dollars additional was received. It was expended in 2001-02. The second note refers to the fact that in 2002-03 there is a reduction of a million dollars because of the ILUA spent in the previous year.

Mr SEENEY: I think, in the interests of time, it might be better if I ask you to take on notice a question of what was the total expenditure on the ILUA process.

Mr ROBERTSON: Sure.

Mr SEENEY: You would be happy to do that?

Mr ROBERTSON: Yes, happy to do that.

Mr SEENEY: When can we expect to see a statewide ILUA implemented?

Mr ROBERTSON: Progress is being made. I can just fill you in with a bit of background. Due to the suspension of processing of exploration permits that was the result of the Wik decision, there is currently a backlog of some 881 exploration permit applications. In August 1999, the Queensland government and the Queensland Indigenous Working Group consulted on a consultation protocol on major policy and legislative issues. One item in the schedule of issues for consultation was obviously the backlog. It was decided to negotiate a model ILUA or Indigenous Land Use Agreement, now referred to as the statewide model, that could be used by native title groups across the state and that would remove the time consuming, costly first step of negotiating agreements with each explorer. The state engaged QWIG in negotiations beginning in February 2000. The negotiations, admittedly, have been protracted as a result of the extensive consultation required. QWIG has consulted extensively with its member bodies and, likewise, its members consulted with their constituents. This consultation was crucial to the ultimate acceptance by the broader indigenous community of the agreement.

The statewide model ILUA was launched jointly by the Premier and QWIG in October 2000 and the statewide model ILUA is now being implemented across the state. The implementation is being undertaken jointly by my department and the Department of the Premier and Cabinet, and QWIG and certain native title representative bodies have also been provided assistance by the Department of Employment and Training and the Environmental Protection Agency.

The implementation program incorporates three stages, the first being the presentation of information sessions to native title groups, the second being the conclusion of authorisation requirements under the Native Title Act by the native title groups, and the final being the registration of the ILUA and the granting of the exploration permits. The purpose of an authorisation meeting is to authorise the application of the statewide model ILUA to a particular area, resulting in the specific area ILUA. To date, 11 authorisation meetings have been held by native title groups, with future meetings to be held. The state is preparing each of the authorised ILUAs for registration with the National Native Title Tribunal.

An example of the use of the statewide model ILUA is the Winton statewide ILUA, which has been completed between the state and the Maiawali and Karuwali people in the Grangulano Council area. This ILUA will allow for the grant of three backlog exploration permits once registered with the national native title tribunal. This is the first model ILUA to reach the stage of being lodged with the tribunal for registration. The registration process with the National Native Title Tribunal will take approximately four months.

Mr SEENEY: In dot point 2 on page 23 of the MPS, under the recent achievements for mineral and petroleum exploration, it is stated that the grants for low-impact exploration permits and grants over non-native title land were unaffected by the Federal Court's decision that the alternative state provisions for high-impact exploration and mining were invalid. How many low-impact exploration permits are still waiting to be granted and what is holding up the granting of low-impact exploration permits, if they were unaffected as you claim? What is the reason for the backlog in those low-impact exploration permits?

Mr ROBERTSON: They may be unaffected by the Federal Court decision. Nevertheless, that does not mean that they do not have to go through the process of engagement with local indigenous groups. Part of that process involves finding out who the right native title claimants can be in a particular area. Sometimes the process gets held up whilst that has to be clarified. I will provide you with some figures.

As at 30 June 2002, of the 693 applications for exploration permits made since the state provisions commenced, 190 have been granted, comprising 69 grants over land where native title is extinguished, 119 grants for low-impact exploration and two grants for high-impact exploration. Some 277 applications are currently being processed, of which 133 are for high-impact activities, so that only 144 of the total number of outstanding applications can move towards grant. Of the 277 applications, 90 applications have been fully processed. Of the 693 applications lodged since September 2000, 136 have since been abandoned. Therefore, whilst 693 applications have been received, 136 were abandoned or rejected, leaving 557 applications for processing; 190, or 34 per cent, have been granted; and, in addition, a further 90 applications have been fully processed.

I receive a weekly update from the native title section of my department so that I can monitor how negotiations are going with various groups in various areas around the state. That provides me with an opportunity to ensure that there are not unnecessary delays either through bureaucratic processes or the like to ensure that in what is a difficult and challenging area we progress these matters as quickly as possible. But I do emphasise that these are complex issues that require a lot of input and consideration by my department in terms of how we issue permits.

Mr SEENEY: The fact remains that low-impact exploration permits are exempt from the right to negotiate. What other reason would there be to hold up the issue of those low-impact exploration permits? Given that you have agreed to have your performance judged by the rate at which these exploration permits are issued—not only in the case of new exploration permits but also the backlog—you must be concerned about the rate at which these low-impact exploration permits are being issued. You must be concerned about the backlog that is developing. What possible reason is there for that go-slow, if you like, within the department, which means that so many of these permit applications are not being processed? Is there any other agreement that the department has reached that could explain that?

Mr ROBERTSON: I reject that there is any notion of a go-slow in my department whatsoever.

Mr COULTER: As the minister just said, 190 applications or grants have been approved. I think one of the concerns is that, while exploration permits have been approved, people are not getting on the land. There has been only a small number of access agreements to that land approved.

Mr SEENEY: So it is the access agreements that are the problem?

Mr COULTER: Yes, and 10 access agreements have been made in the central and northern region, and another five holders have access because there is no native title party. Sections 488 and 493 of the Mineral Resources Act provide a process to achieve access agreements. This process covers consultation and mediation and, if both parties cannot reach agreement, referral to the Land and Resources Tribunal for a decision. We have estimated that a further 49 holders of granted low-impact exploration permits could have had access agreements by now if they had followed that process, that is, the seven-month period has elapsed and they could have taken that to the Land and Resources Tribunal for determination but that has not happened.

We are not sure what is causing that. It could be because of a lack of commitment or understanding of the process by the exploration industry. It may be that some holders of granted low-impact exploration permits do not currently have the funds or do not wish to proceed with exploration and hence have not pursued access up to this time. That is of concern to the department. What we have done is hold information centres in Brisbane, Townsville and Mount Isa to explain the process, but it is still a concern that that is not happening. We propose to write to all holders of low-impact exploration permits granted under the ASPs to see why they are not taking those forward and not pursuing those access agreements.

Mr SEENEY: Referring again to the Mineral and Petroleum Exploration and Development output on page 23 and in particular the reference to the recent Federal Court decision ruling that your government's alternative state provisions were invalid, I note that the Premier confirmed when announcing the Federal Court's decision that only two mining leases had been granted in the opal fields—I think you confirmed that a moment ago—since those alternative state provisions were enacted on 18 September 2000. Can you confirm that that is because of the Premier's agreement to the federal ALP's introduction in the Senate of a new requirement that access agreements be negotiated before leases are granted, and would you concede that that agreement neutered your government's alternative state provisions and that the mining industry would be far better off under the provisions of the federal government's Native Title Act?

Mr ROBERTSON: No, I will not confirm that. It is fair to say that there is a level of frustration currently.

Mr SEENEY: That is being caused by these access agreements; can you confirm that much?

Mr ROBERTSON: The alternative state access agreements provide what we believe to be an easier way to access exploration. You will recall, however, that the proposal that we put forward as a state did not succeed in its entirety through the Senate. So the process that we have is not the process that we originally envisaged. It is fair to say that at a recent lunch with the mining industry the Premier received strong representations from the mining industry that it would like to take an alternative path and use the federal legislation rather than the alternative state provisions. The Premier and I have taken that on board. We have now received a submission from the Queensland Mining Council detailing exactly what it is proposing. That is currently being analysed by my department and I am awaiting a final view as to whether what it is proposing is in fact workable.

We remain flexible in terms of what is in the best interests of the mining industry and indigenous communities in this state. If it is the case that by going down the federal path as proposed by the mining industry in terms of particular sections of that act actually delivering quicker outcomes—if that is the case—that would receive serious consideration by the Queensland government. We are not wedded to saying forever and a day that the alternative state provisions are the be-all and end-all.

Mr SEENEY: They have demonstrably failed, have they not?

Mr ROBERTSON: No. If there is something that is more workable and time provides you with that advice, we obviously have a responsibility to give that serious consideration. To suggest that it has failed, I think, is incorrect. But I acknowledge that sections of the mining industry do express frustration with it.

Mr SEENEY: The figures that we have talked about this morning would indicate that they have failed. Can you confirm that the problem has been those access agreements and that they have really been the hold-up? I think your departmental officers confirmed that a moment ago.

Mr ROBERTSON: I think the deputy director-general answered that question in some detail.

The CHAIRMAN: The time allocated for questions by non-government members has expired.

Mrs CARRYN SULLIVAN: I note that Native Title Services has been transferred from the Premier's Department to the Department of Natural Resources and Mines. What are the long-term advantages of this move?

Mr ROBERTSON: Obviously, bringing Native Title Services from Premier's into my department just adds to the spectrum of services that my department can offer across the landscape. The Department of Natural Resources and Mines is about allocating Queensland's natural resources for a variety of purposes. To that extent, it makes sense, given how complex and pervasive native title issues are in this state, that it be brought into my department, because we already have those existing services in the former Department of Mines, which is now the Bureau of Minerals and Petroleum. Native Title Services was brought across from Premier's to the department because we believe that right across the different programs that exist in my department, whether it be water, land allocation, vegetation management—you name it—native title has relevance. Establishing a more lateral approach to how we view the landscape in terms of the issues that challenge all of us is a move that I think will bear fruit into the long term.

Ms MOLLOY: On page 24 of the MPS reference is made to the development of a coal seam gas regime. Will you report on the department's progress in finalising legislative and administrative arrangements for the emergent coal seam gas industry in Queensland?

Mr ROBERTSON: This is a matter that has been going on for some time, but I am pleased to say that it is coming to closure. A policy discussion paper outlining a new coal seam gas regime for Queensland was released to stakeholders on 11 March 2002 and the date for the close of submissions was 15 April 2002. Twenty submissions were received from mining, petroleum and other stakeholders.

It is fair to say that across the industry there is not consensus from different parts of the industry on how we should structure legislation, so much so that I became so frustrated with the process that I believed the only way forward was to bring in an independent view rather than respond to, I think, quite unfair and unsubstantiated allegations that parts of my department may be 'captured' by one part of the industry or the other. That is why I established an independent panel chaired by someone known to us all, Frank Clair, QC, the former chair of the Criminal Justice Commission in Queensland, to consider the policy discussion paper and to review the submissions received in accordance with the established terms of reference. During the last two months, the panel has undertaken this review and has also met with relevant industry bodies. The panel will provide its report to me shortly and I will consider its recommendations.

The resolution of a coal seam gas regime has been a difficult process, as it is a complex issue. For example, two industries with overlapping existing rights and disparate views on how it should be resolved exist. However, with the release of the February 2002 policy discussion paper and the imminent report of the independent panel, it is my intention to finalise the regime and allow the legislative drafting and implementation process to proceed as soon as possible. Implementation of the new regime will allow explorers and developers to invest in coal seam gas projects with certainty and allow greater access to the state's potentially huge coal seam gas resources.

Mr POOLE: I refer to the department's internationally recognised Safety in Mines Testing and Research Station, also known as SIMTARS, mentioned on page 1. Can you outline whether Queensland is exporting its mine safety technology to other countries?

Mr ROBERTSON: The department's Safety in Mines Testing and Research Station, or SIMTARS, is involved in the export of services and import replacement services in India, China, the USA and various other countries. I will touch on some of the highlights of this work because it really is a good news story. SIMTARS formed a joint venture with two private sector companies to deliver training and technology to Indian mines inspection officials under the AusAID contract with the Commonwealth Department of Foreign Affairs and Trade. As part of the project, scientific instrumentation for the monitoring and interpretation of the gaseous atmospheres of underground coalmines was provided and commissioned. The equipment provides early detection of potentially disastrous hazards and makes a significant contribution to the saving of lives and the mining resource. Occupational hygiene monitoring equipment was also supplied.

Mine emergency procedures were developed in consultation with the Indian officials and emergency exercises were conducted to test their effectiveness. Both AusAID and the Indian government were pleased with the results in the project, which was originally intended to run for three years and was extended for a further year to cover additional requirements initiated by the Indian government. This project was completed in December last year. The SIMTARS staff who

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