

Resources Exploration and the Community

Impact on the Community

- 9.1 Resources exploration is scientific research and experimentation carried out by geoscientists. The structure of the exploration business has experienced a “sea-change”¹ over the last decade, in part reflecting the decline in private exploration expenditure since 1996-97. Modern resources exploration is becoming increasingly reliant on sophisticated data acquisition technology and digital analysis to make discoveries.
- 9.2 Globalisation of the resources industry has meant that the majors have reduced their exposure to greenfields projects and trimmed their large exploration teams. Responsibility for greenfields exploration has now devolved to junior companies. Typically juniors operate in small highly mobile hunting bands of around three to seven people.² Work programs generated by juniors usually employ similar-sized teams of contractors.
- 9.3 These structural adjustments are now being felt at community level through a significant reduction in the number of exploration personnel still in the business. The Australian Institute of Geoscientists (AIG) submitted that:

In 1996 there were 5600 geoscientists employed in Australia. Today AIG estimates that there are 2600, a fall of more than 50 percent in six years. ... The exploration industry has also become increasingly reliant on short term contract professional labour...³

1 Metex Resources Ltd, *Transcript, 30 October 2002*, p. 128.

2 David Mackenzie, *Submission No. 69*, p. 938.

3 Australian Institute of Geoscientists, *Submission No. 22*, p. 161.

- 9.4 However, Australia's total private exploration outlay still stands at over \$1.5 billion annually⁴, hence that level of expenditure still has the potential to impact on certain regional economies in a significant way. AMEC submitted the inverse argument that "more than \$400 [million] has been removed from these regional economies and centres. The effects in many areas are reduced incomes for local merchants, reduced employment opportunities and a flow of people to bigger centres, as a result".⁵
- 9.5 Resources development and production were identified by many witnesses as significant drivers of regional economies.⁶ Particular reference was made to development, transportation and community infrastructure and the services supplied to large capital projects as evidence of the economic activity generated by the resources industry.⁷
- 9.6 The Committee's Terms of Reference relate to the exploration phase of the resources industry only, and not the impacts of development or production. Therefore the Committee did not examine the often claimed⁸ employment, social and economic benefits that minerals and petroleum development has delivered to the regions. However, this chapter examines exploration in the context of explorers' cultural awareness and the employment opportunities, compensation and economic benefits that can arise from exploration.

Awareness of Indigenous Culture

- 9.7 Over the last decade or so the resources industry has made significant efforts to develop improved relationships with Indigenous communities in the areas within which it operates. Rio Tinto Exploration explained that exploration in the 1960's was not undertaken very sensitively and:
- [t]hat has impacted on people's psyches, and people have got very long memories. ... It is surprising that we have as many people as we do actually inviting us in, given the history.⁹
- 9.8 The Minerals Council of Australia stated that the [resources] industry has now recognised that it is "a little light on in its social science and core competencies", and that:

4 Australian Bureau of Statistics (#8412.0).

5 Association of Mining and Exploration Companies (Inc), *Submission No. 30*, p. 282.

6 Australian Gold Council, *Submission No. 64*, pp. 896-7.

7 Australian Gold Council, *Submission No. 64*, pp. 896-7.

8 Association of Mining and Exploration Companies (Inc), *Submission No. 30*, p. 282.

9 Rio Tinto Exploration, *Transcript, 30 October 2003*, p. 124.

There are very few companies that have the real expertise to undertake a social impact assessment, know what it means and then know how to apply it. If you go back 10 years, environmental impact statements were in the same sort of league. The development of the skills in mining companies to work through environmental protection and rehabilitation are profoundly impressive. The same attitude is progressing with not just the rhetoric but also the application in developing core competencies within companies in terms of the social sciences for social impact assessments.¹⁰

- 9.9 The Central and Northern Land councils acknowledged the efforts by the resources industry to engender good relationships with Indigenous people. The councils advised that there has been a change of culture across the industry, leading to a broad acceptance of the rights and interests that Indigenous people have in their land and in cultural preservation.¹¹
- 9.10 Increasingly, resources companies are now employing specialist staff whose role it is to make contact with the relevant claimants, land councils, or landowners. Newcrest Mining advised that some of the factors that can result in a positive relationship include:
- identifying the correct people to talk to;
 - ensuring they are empowered to represent their community or people;
 - explaining the exploration activity fully and in a manner which all the participants can understand;
 - making sure that the Indigenous people have an [exploration company] contact person to whom they can talk; and
 - managing the community expectations from what will probably be a short term exploration program and then no further activity in the area by the company.¹²
- 9.11 The committee concluded that an information and education process aimed at elevating and expediting the understandings of sensitivities and commercial realities, held respectively by each side of the land access issue, was warranted, and accordingly recommends as follows.

10 Minerals Council of Australia, *Transcript, 3 March 2003*, p. 277.

11 Central Land Council and Northern Land Council, *Submission No. 62*, p. 815.

12 Newcrest Mining Ltd, *Submission No. 26*, p. 235.

Recommendation 27

- 9.12 **The Minister for Industry, Tourism and Resources bring together representatives of Indigenous communities and resources exploration interests to facilitate them developing a better appreciation of the sensitivities of all parties involved in negotiating land access for exploration purposes under the *Native Title Act 1993* and the *Aboriginal Land Rights (Northern Territory) Act 1976*.**

Employment Opportunities

- 9.13 While the impact of resources operations can be the most significant contributor to a region's economy, the resources exploration phase generally makes a relatively minor contribution to a region and therefore to individual communities. Because minerals exploration tends to be carried out by small mobile teams that use specialists and technologies not generally available in regions, minimal use is made of regional services including transport and freight services, accommodation, supplies and occasional labour.
- 9.14 The exploration phase of a project frequently employs few people on-site, notwithstanding major exploration budgets relating to the project being spent on services off-site. The experience of Origin Energy, for example, is typical of exploration companies. The company stated that it sometimes employs small numbers of people from the local community, in particular Indigenous groups and would employ more if opportunities arose. However in only a few cases does their activity provide an opportunity for local employment. The company explained that:
- This is an issue we run into with not only [N]ative [T]itle claimants but also other landowners when we are building a gas pipeline for example. Basically, we are just going to stuff them around. They are not going to get any direct benefit. We will go away again and they will have a gas pipe under their ground.¹³
- 9.15 Local people should have a cost advantage for work locally, however they generally lack the skills useful in exploration. Recent agreements (relating to production, rather than exploration) include provision of jobs with

13 Origin Energy Ltd, *Transcript*, 7 March 2003, p. 351.

terms and conditions to better fit Indigenous culture, and provision for Indigenous enterprises to contract on a commercial basis.¹⁴

- 9.16 Many companies aim to localise employment as much as possible, but, as the Placer Dome representative from the Queensland Mining Council commented:

Part of the problem is that a number of the jobs in the [resources] industry are highly skilled and even the semi-skilled ones are in high-risk activities. You are coming from a low base rate in many instances in terms of education, which we have to lift very quickly.¹⁵

- 9.17 A representative from the Northern Land Council, for instance, did not accept that mining would necessarily contribute to the advancement of Indigenous communities but observed that:

When we consult Aboriginal people in the bush, the prospect of economic involvement is regularly expressed as something they would like to participate in. ...their ability to participate is sadly limited by educational and sometimes health issues, but people do wish to participate.¹⁶

- 9.18 However, that there is a significant amount of “in kind” infrastructure provided to Indigenous communities by resources exploration companies including the establishment of water bores, and the roads and airstrips developed by exploration companies have provided greatly improved access for many remote communities.¹⁷

- 9.19 A senior minerals exploration consultant presented a forward looking view on the benefits of exploration (as distinct from production) to Indigenous Australians.

[E]xploration... carries with it the hopes and aspirations of a new generation of Australians. ... If one limits the opportunities for exploration and its discovery offspring, then one is severely limiting the future opportunities for significant portions of Indigenous Australia.¹⁸

14 Ian Manning, *The impact of native title and the right to negotiate on mining and mineral exploration in Australia*, National Institute of Economic and Industry Research, 1997.

15 Queensland Mining Council, *Transcript*, 7 March 2003, p. 327.

16 Northern Land Council, *Transcript*, 9 October 2002, p. 43.

17 Western Australian Government, *Submission No. 84*, p. 1348.

18 GM Derrick and Associates, Pty Ltd, *Submission No. 25*, p. 217.

- 9.20 Accordingly, the Committee encourages industry peak bodies and their member companies, to provide scholarships for indigenous people to enable them to undertake geoscientific studies at tertiary institutions.

Compensation and Expectations

- 9.21 The Queensland Minerals Council stated that ILUAs often include negotiated employment and training opportunities for Indigenous people. Difficulties arise when people confuse exploration with mining as:

In a lot of cases, exploration is just going on the ground, walking it, in the first instance. It is low impact. In the [N]ative [T]itle process it is treated the same as actual mining, but we cannot offer large amounts of employment, investment and all the rest of it because there isn't any.¹⁹

- 9.22 The Chamber of Minerals and Energy of Western Australian observed that many of the issues which often figure prominently in the negotiation of project agreements with resources exploration companies, are the responsibility of local, state and the Commonwealth governments, rather than companies. These issues include education, health and infrastructure development which should be provided by governments.²⁰

- 9.23 AMEC commented that compensation for access to land was in the hands of the resources company and would be governed by the commercial ability of a project to carry costs. "If the costs of compensation are too great, the mining company will walk away"²¹. However, there is a concern in sections of the resources exploration industry that it (the industry) is seen by some community representatives as a soft target when it comes to negotiating exploration access.²²

- 9.24 Several Members of the Committee have anecdotal knowledge of the unrealistic expectations that can build up prior to and during Native Title compensation negotiations. Both sides can become disillusioned if the expectations for compensation demands are considered too high or if commercial timetables cannot be met.²³ The risk is that such disillusionment can lead to the deterioration in the long term viability of

19 Queensland Mining Council, *Transcript*, 7 March 2003, p. 330.

20 Chamber of Minerals and Energy of Western Australia, *Submission No. 78*, p. 1086.

21 Association of Mining and Exploration Companies Inc., *Submission No. 30*, p. 297.

22 Association of Mining and Exploration Companies Inc., *Submission No. 30*, p. 297.

23 Wade, R, & Lombardi, L., *Indigenous Land Use Agreements: their Role and Scope*, Native Title Forum, 1-3 August 2001, Brisbane, p. 6.

relationships – something vital if exploration efforts are to lead to production.

- 9.25 Origin Energy advised that there has been no judicial guidance in any court or tribunal in Australia or anywhere in the world as to what value of compensation can be placed on Native Title rights and interests.²⁴ Members of the Committee heard informally of examples where it was claimed that inappropriate or unfair compensation demands were made before agreement for access for exploration was given.
- 9.26 One company explained that there are, in place, very workable heritage, archaeological and environmental procedures and protocols that are widely held to be acceptable. When Native Title groups are represented by the representative bodies, things work very smoothly but:
- As soon as the smaller clans with overlapping leases use unofficial people for representation, there are snags to getting exploration ground access. Once again, it is usually just money that solves these problems. It is not as if they are actual physical, cultural or ethnographic issues; it is just money.²⁵
- 9.27 Amalgamated Prospectors and Leaseholders Association of Western Australia told of deals being “done behind closed doors” which parties will not disclose, but it was in their interest “to go along with the show and be seen to be proactive, where really it is costing them money”.²⁶
- 9.28 While these may be isolated incidents, the Committee is disturbed that practices that represent little better than blackmail can be seen as acceptable procedures for achieving results in ILUAs, even if they may be of benefit to both the minerals explorers and the Indigenous communities.
- 9.29 The perception that exploration companies are wealthy enough to be able to make large compensation payments, and perhaps supply infrastructure free-of-charge, tends to encourage leverage to be applied by some members of the community on resources explorers.
- 9.30 The Committee believes that the industry and the Native Title holders and claimants would welcome a system which provides formalised parameters within which fair compensation outcomes can be negotiated. Hence, as well as developing a formalised information and education facility to address sensitivities and commercial aspects of land access negotiations (see Recommendation 27, above), the Committee believes that the

24 Origin Energy Ltd, *Transcript*, 7 March 2003, p. 345.

25 Heron Resources Ltd, *Transcript*, 31 October 2002, p. 203.

26 Amalgamated Prospectors and Leaseholders Association of Western Australia, *Transcript*, 31 October 2003, p. 224.

compensation process must be made more transparent and open. Accordingly, the Committee makes the following recommendation.

Recommendation 28

- 9.31 **The Attorney-General and the Minister for Immigration and Multicultural and Indigenous Affairs, in consultation with relevant state ministers, consider introducing transparent accountability processes and guidelines to encourage fair and reasonable compensation outcomes for access to land for exploration purposes in Indigenous Land Use Agreements under the *Native Title Act 1993*. Such accountability mechanisms should form a requirement for acceptance of any additional administrative funding provided to Native Title representative bodies.**

The Minister for Immigration and Multicultural and Indigenous Affairs, in consultation with the Northern Territory government, consider introducing transparent accountability processes and guidelines to encourage fair and reasonable compensation outcomes for access to land for exploration purposes in Part IV agreements under the *Aboriginal Land Rights (Northern Territory) Act 1976*.

Regional Infrastructure

- 9.32 The lack of regional infrastructure particularly transport infrastructure can, to an extent, impede onshore resources exploration progress. However, petroleum exploration, particularly offshore petroleum programs, needs more substantial seaboard infrastructure to support activity, although this infrastructure need not be in Australia.
- 9.33 However, given the high level of mobility of modern exploration teams, the short duration of most exploration program phases, and the preference by employers and employees alike to commute (fly-in fly-out) to projects, little community infrastructure needs to be developed for company personnel, except perhaps at a home base. There is some minor inconvenience to explorers if basic infrastructure is absent in remote locations, but not to the extent of requiring major public investment.
- 9.34 Regional centres can benefit to an extent from exploration activity, with Kalgoorlie being one of the best examples. As Deloitte Touche Tohmatsu submitted:

Traditionally strong economic regional contributors to Australia such as Kalgoorlie etc rely heavily on exploration activity to

generate revenue to provide the economic activity required to sustain regional towns.... Mining operations provide strong economic value but the exploration industry provides the balance of the economic equation that allows communities such as Kalgoorlie to develop as a strong infrastructure region with significant local investment by local business people.²⁷

- 9.35 In summary, the Committee concludes that a lack of regional development in remote areas can inhibit exploration but not to a significant extent given the highly mobile “fly in-fly out” nature of modern exploration practices.
- 9.36 Conversely, the Committee feels that public investment in regional infrastructure in an attempt to encourage exploration would be risky. Certainly, regional infrastructure investment can benefit mining production activity, as in the north west of Western Australia, western Tasmania and the Mount Isa region.²⁸ However, mining comes after exploration and the Committee sees little evidence that regional investment will directly assist exploration.

Geoscience Professionals

- 9.37 The Australasian Institute of Mining and Metallurgy expressed its concerns for the social wellbeing and career prospects of resources industry professional employees. A recent study funded by the Commonwealth Department of Education, Training and Youth Affairs returned several principal findings relating to the sobering challenges facing the resources industry. The study concluded, among other things, that traditional professional staff competencies are becoming less relevant and that it will be difficult to find staff of the required capabilities.²⁹
- 9.38 At a recent forum organised by The Australasian Institute of Mining and Metallurgy, the views of young professionals’ on remote location employment and its impact on their careers and lives, was canvassed and the Institute concluded that:

There is a large number of challenges for the industry to address, if the downward trend in geoscience education is to be reversed, the appeal of the industry to new graduates improved, the take-up of

27 Deloitte Touche Tohmatsu, *Submission No. 12*, p. 81.

28 CS Energy Ltd, *Submission, No. 94*, p. 1470.

29 The Australasian Institute of Mining and Metallurgy, *Submission No. 50*, p. 612.

graduates increased, and the retention/job satisfaction rates of industry professional employees strengthened.³⁰

9.39 The Institute identified the following as some of the challenges facing the profession:

- countering the poor image that the mining industry has;
- developing graduate programs to keep geoscientists interested in pursuing a career in the resources industry, and which map out career paths for new graduates entering the industry;
- involving the industry in promoting geoscience careers at universities; and
- encouraging young geoscientists to expand their employment prospects with dual/multidiscipline qualifications.³¹

9.40 The Committee concludes that the resources exploration industry is feeling under siege. The Committee feels that the exploration industry needs to promote itself and its impressive technical work that employs innovative technology, to the community more than it has in the past. Part of this promotion should be to encourage young people to consider a career in the geosciences. The Committee believes that the industry exposure and scholarship initiatives by the peak bodies and professional associations targeting secondary students, at the point when students start making their first career decisions, are commendable.

9.41 Accordingly, the Committee encourages the industry peak bodies and professional associations, in their development of strategies to promote geoscience career options at the secondary education level, to target superior science students particularly with regional backgrounds.



30 The Australasian Institute of Mining and Metallurgy (2003), *Career Options for New Geoscience Professionals*, *The AusIMM Bulletin* (in press).

31 The Australasian Institute of Mining and Metallurgy (2003), *Career Options for New Geoscience Professionals*, *The AusIMM Bulletin* (in press).