

# Submission to the Parliamentary Committee Inquiry into Resources Exploration Impediments in Australia

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by

**Kaylene Camuti**

Director, Lantana Exploration Pty Ltd  
Box 5046 Townsville  
Queensland 4810  
Tel: 07 4772 5296  
Fax: 07 4772 5276  
Email: [lantana@beyond.net.au](mailto:lantana@beyond.net.au)

**Ian Morrison**

Director, Lantana Exploration Pty Ltd  
Box 5046 Townsville  
Queensland 4810  
Tel: 07 4772 5296  
Fax: 07 4772 5276  
Email: [lantana@beyond.net.au](mailto:lantana@beyond.net.au)

**Tony Alston**

Exploration Director, Glengarry Resources N.L.  
PO Box 908 Castletown, Hyde Park  
Queensland 4812  
Tel: 07 4772 5880  
Fax: 07 4772 4999  
Email: [alstontony@bigpond.com.au](mailto:alstontony@bigpond.com.au)

**Simon Beams**

Managing Director, Terra Search Pty Ltd  
PO Box 981 Castletown, Hyde Park  
Queensland 4812  
Tel: 07 4728 6851  
Fax: 07 4728 6854  
Email: [terrasch@austarnet.com.au](mailto:terrasch@austarnet.com.au)

**Chrissy Maguire**

Managing Director  
Gnomic Exploration Services Pty Ltd  
9 Stanton Street, Belgian Gardens  
Queensland 4810  
Tel: 07 4721 2737  
Fax: 07 4721 2231  
Email: [gnomic@gnomic.com.au](mailto:gnomic@gnomic.com.au)

**Peter Buckle**

Technical Director  
Gnomic Exploration Services Pty Ltd  
9 Stanton Street, Belgian Gardens  
Queensland 4810  
Tel: 07 4721 2737  
Fax: 07 4721 2231  
Email: [petebuckle@gnomic.com.au](mailto:petebuckle@gnomic.com.au)

We are a small group of geoscientists and exploration personnel based in Townsville, North Queensland, and we welcome this opportunity to make a submission to the Parliamentary Committee Inquiry into Resources Exploration Impediments.

Most of us have been working within the Australian exploration industry for more than 20 years and, during that time, we have had first-hand experience of the cyclical nature of the mineral exploration industry. However, in our experience the current downturn in exploration activity is unprecedented; it has been so pronounced and so prolonged that it seriously threatens the future viability of the industry.

Exploration is the essential pre-requisite to mining, and is the most important value-adding process in the resources industry. Resources must first be discovered before they can be mined and processed. As exploration activity in Australia has declined over the last few years, so have resource discoveries. The inevitable economic consequences for Australia if this decline is not arrested include:

- the loss of over 350,000 jobs;
- the loss of annual mineral export earnings worth more than A\$30 billion;

- the loss of direct revenue to governments of more than A\$8 billion annually.

We are aware of other submissions to this Inquiry that will address the impact of the exploration downturn Australia-wide. This submission is mainly concerned with the impact of the mineral exploration downturn on regional North Queensland. Also of major concern to us is the irreversible loss of skilled and experienced personnel from the industry in response to the dramatic reduction in expenditure and employment opportunities.

## **The Exploration Decline and its Impact on North Queensland**

The massive downturn in exploration activity has had a serious impact in Townsville, and in regional North Queensland. Some of the consequences are:

- The number of listed exploration companies operating out of Townsville has been reduced from around 18 in the mid-1990s, to just two in 2002. Geologists, field technicians, IT and administrative staff have lost jobs; local service companies, such as assay laboratories, field equipment suppliers and drilling companies have closed or downsized in response to reduced exploration expenditure.
- The number of exploration drilling companies based in the Townsville region has been reduced from around 12 in the mid-1990s to just four in 2002. This reduction is occurring Australia-wide. The drilling companies that remain report increasing difficulty in finding trained and experienced drillers and support staff, and increasing difficulty in sourcing parts and supplies within Australia due to the closure or downsizing of equipment suppliers.
- Many rural towns have suffered a marked economic downturn as exploration activity in their area has slowed or ceased. In the past, the provision of accommodation, food, fuel, hire vehicles, newspapers, contract labour etc. to exploration projects has been an important source of revenue for many small towns in regional Queensland.
- Many rural communities have suffered a significant loss of jobs and income as mining projects in their region have reached the end of their economic lives and closed. For example, the world-class Kidston and Mt Leyshon gold mines in Northern Queensland, which both closed during the last two years, directly employed more than 500 people. As one job in mining generates four jobs in the wider community, this translated to a loss of more than 2500 jobs in North Queensland. Due to the reduction in exploration activity there are no new discoveries to take the place of the closed projects, and therefore no new jobs to replace those lost.

Exploration and mining are Queensland's largest export industries. They are the lifeblood of many regional areas, and are important contributors to the economies of regional centres such as Townsville. Mining royalties alone contribute A\$500 million to Queensland State Government revenue annually. If exploration continues to decline and there are no further discoveries, there will not be one metal mine in operation in Queensland by 2025. Is the Federal Government prepared to make up the resultant state revenue shortfall to ensure that Australians living in Queensland are provided with education, medical and transport facilities?

## **The Exploration Decline and its Impact on Intellectual Resources**

One of the most alarming consequences of the current exploration decline is the loss of key industry skills and services due to trained and experienced personnel leaving the industry, and the closure and

downsizing of support businesses. In addition to losing highly experienced personnel, we are also seeing a marked reduction in the number of young and enthusiastic people entering the Australian exploration industry. The industry is being bled of its intellectual resources and is losing the future generation of explorers.

While this decline continues the exploration industry will continue to lose key skills at an escalating rate, making it increasingly difficult to re-build the industry to its former world-leading position. In order to stem the outflow of intellectual resources, which will eventually make exploration in Australia unsustainable, it is essential that measures to promote resource exploration in Australia are put in place immediately.

## **Arresting the Exploration Decline**

Despite the critical role the exploration industry plays in the Australian economy the industry has not received subsidies or assistance from State or Federal Governments. This is in marked contrast to the assistance received by other industries, for example, the sugar, cattle, dairy, tourism, film, private health fund, car manufacturing, and building industries. The exploration industry could be considered to have suffered a six-year drought but it has not received any drought relief. The minerals industry is also the only primary production industry that is subject to royalty payments.

It is time that governments, State and Federal, acted to ensure the future of an industry that is Australia's largest export earner, that is a major direct contributor to government revenue, and that is a major contributor to the development and prosperity of regional Australia.

There are a number of measures the Federal Government could institute to arrest the decline in exploration. We submit the following recommendations:

- **Institute an Urgent Review of current Native Title Legislation with respect to Land Access.** The current land access procedures are complex and costly, and constitute the major impediment to resource exploration in Australia. Simple and nationally uniform land access procedures, which apply to ALL land users, are urgently required to reduce compliance costs for ALL stakeholders.
- **Institute a National Register of Cultural Heritage Sites**, in order to simplify the process of cultural clearance surveys and reduce cultural heritage and land access compliance costs. Identification of cultural heritage sites should not be the responsibility of the resources industry, but should be a project undertaken for all Australians, and funded by all Australians.
- **Introduce Taxation Incentives to Promote Exploration Investment** aimed, in particular, at promoting exploration activity by small to medium sized companies. The incentives could include:
  - enhanced deductibility for costs incurred in direct exploration, in recognition of exploration's role as a genuine research and development activity;
  - implementation of a "Flow Through Share Scheme", similar to the scheme implemented by Canadian State and Territory Governments. (In October 2001 we received a letter from Nick Minchin, then Minister for Industry, Science and Resources, via our local Federal member Peter Lindsay. The letter stated that "*the Australian Bureau of Agricultural and Resource Economics is investigating the benefits of introducing flow-through share arrangements for mineral exploration*".

That was 10 months ago. How long does it take for ABARE to investigate an arrangement that has already been in place in Canada for many years?)

- **Invest in the Acquisition of High Quality Geoscientific Data.** High quality, affordable, geoscientific data encourages the development of new exploration concepts, promotes exploration activity, and increases the chances of discovery. High quality, affordable geoscientific data also enhances Australia's competitiveness in the global exploration industry, attracting overseas investment. The Federal Government could contribute by:

- instituting a joint mapping accord between State and Federal geoscience bodies directed at the acquisition of high quality geological, geophysical and geochemical data. Initially the accord could target areas that currently lack adequate mapping coverage and/or are considered high priority in terms of their exploration prospectivity, but with the eventual aim of attaining Australia-wide coverage;

- instituting a State and Federal regional drilling accord to collect sub-surface data for correlation with geological mapping, geophysics and geochemistry.

- **Provide Simple and Affordable Access to Geoscientific Data, including Government Funded Research Data.** Explorers and other users of geoscientific data (including those involved in land and water resource management) require effective, affordable, on-line access to data. These data should include geological and geophysical mapping data, exploration and mining tenure information, and open file company reports held by State Government departments. There should also be an obligation for government-funded researchers, including those in the CSIRO and universities, to provide free and open access to research results that have been obtained using tax-payer funded infrastructure and personnel.

- **Express Public Support for the Exploration and Mining Industry.** The exploration and mining industry meets stringent environmental regulations, and Australia is a world-leader in mining environmental rehabilitation research and application. The exploration industry in Australia is also leading the way in developing productive working relationships with indigenous groups. The advances by the exploration and mining industry in these areas, and the major economic contribution of the industry to Australia's prosperity, should be publicly acknowledged by governments in order to encourage investment and public support of the industry.

We thank the Committee for this opportunity to present a submission to the Inquiry. We wish to emphasise that measures to stem the decline in exploration activity are needed urgently. We also recommend that, during any future industry consultation process, the Committee ensures it consults with companies and individuals who are actively involved in the exploration process, and who are committed to growth through exploration rather than growth through acquisition.