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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON INDUSTRY,
SCIENCE AND RESOURCES

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Mr Geoff Prosser MP
Chairman
House of Representatives Standing Committee on Industry and Resources
Inquiry into Resources Exploration Impediments
Parliament House
CANBERRA ACT 2600

House of Representatives Standing Committee
on Industry and Resources
Submission No: 86
Date Received: 18 September 2002
Secretary: *Sen. Forster*

Dear Mr Prosser

I refer to your letter of 20 June 2002 regarding the Inquiry into Resources Exploration Impediments. The Tasmanian Government's comments on the terms of reference are as follows:

Importance of the mining industry to Tasmania and resource drawdown:

The mining and mineral processing industries are of pivotal importance to the Tasmanian economy. Based on industry estimates, the value of sales and shipments in 2000-01 was \$1,384 million, which accounts for some 40 per cent of the State's export income. Of this total, the mining industry directly contributed \$419 million.

The mining industry in Tasmania relies on a small number of major operations, most of which have been in existence for more than 40 years and many of which have a limited reserve base. A number of these mines are operating marginally or at a loss.

All but one of 6 major mines had less than 10 years reserves at 30 June 2001 and 3 had less than 5 years reserves. Since that time, 1 operation has announced a significant increase in reserves.

Of the 6 operations, 3 had less than 10 years of resources remaining. In a further case, major capital expenditure would be required to define a significant part of the resource and develop it for mining. Improved profitability might be needed in a number of cases to allow the mines to devote sufficient capital to exploration and development.

Structure of the industry and role of small companies in exploration:

Mineral exploration in Tasmania is at historically low levels of activity. According to the Australian Bureau of Statistics figures, exploration expenditure was \$9.1 million representing 1.26 per cent of the national total. Mineral Resources Tasmania (MRT) figures indicate that \$4.24 million was spent on mining leases and another \$1.11 million on retention licences and that only in the vicinity of \$3.1 million was spent on true "green fields" projects conducted on exploration licences.

Preliminary data for the early months of 2001-02 do not indicate any significant improvement in expenditure levels, but there is a promising increase in exploration licence applications for the first 6 months of 2002 from 17 to 23 compared to the corresponding period in each of the previous 2 years.

Traditionally, the bulk of exploration activity in Tasmania was conducted by large to medium-sized companies, a significant proportion of which operated mines. In recent years corporate mergers and company restructures have resulted in a significantly higher proportion of activity being conducted by junior listed and unlisted companies.

Impediments to raising capital by junior companies:

An increasing proportion of time needs to be devoted to capital raising by junior companies operating in the State. There have been some successes in recent years by companies involved in nickel and gold exploration, but an attempted float by a company with a portfolio of Tasmanian exploration properties was unsuccessful.

Anecdotal evidence suggests that major difficulties include lack of sufficiently large projects to attract institutional investors, competition from other industry sectors for risk capital, lack of appreciation of the favourable climate for investment in Tasmania and high operational costs.

There is increasing direct evidence from clients of MRT that the increased cost of public liability insurance is a strong inhibitor of exploration, particularly to the junior public companies and syndicates of individuals that now carry out the bulk of mineral exploration in Tasmania.

It is suggested that investment incentives for risk capital, such as the Canadian "flow through" shares for mineral explorations would probably stimulate the exploration industry.

Access to land including native title and cultural heritage issues:

Native title issues do not significantly affect access to land for mineral exploration in Tasmania.

State land use issues have largely been resolved with the passage of both State and Commonwealth legislation underpinning the Regional Forest Agreement (RFA), which defined areas of land for mineral exploration and mining and permitted activities. There are some residual issues associated with the development of management plans for RFA Comprehensive, Adequate and Representative Reserves, but these are being dealt with effectively by State processes.

Development approvals for mining have proceeded smoothly since the introduction of new planning and environmental legislation in the 1990s.

The key mineral resource exploration legislation in the State is the *Mineral Resources Development Act 1995* (the Act). This Act was reviewed under the National Competition Policy Legislative Review Program in June 2001, with the review concluding that no amendments to legislation were required.

However, there remain some concerns about land access and environmental approval processes in Tasmania in some sections of the Australian mining and investment communities. It has been suggested that the Commonwealth *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) provides an additional layer of bureaucracy and largely duplicates the purpose of State conservation legislation.

Moreover, the onus is on the proponent to indicate whether an action affects the matters of national environmental significance that would trigger the EPBC Act. Anecdotal evidence suggests that confusion surrounding the operation of the EPBC Act can be a significant disincentive to mineral exploration.

The Tasmanian Government is working to dispel this confusion through its promotional activities. The Tasmanian Government has negotiated a bilateral agreement with the Commonwealth to enable State assessment procedures to apply to actions that trigger the EPBC Act. This means that Tasmanian industry can follow one set of processes, regardless of which legislation applies.

Public provision of geoscientific data:

The Tasmanian Government has a policy of providing access to geoscientific data for the cost of transfer.

Through Project TIGER (Tasmanian Information of Geoscience and Exploration Resources), the State is providing \$1.5 million to deliver a system to provide access to all State-held geoscientific data via the Internet by 30 June 2003. New geoscientific data acquired following the recommendations of the Western Tasmanian Regional Minerals Program (WTRMP) is being made available to explorers through the TIGER data management system.

Tasmania welcomes the recent adoption of a similar policy by Geoscience Australia.

Relations with indigenous communities:

MRT maintains contact with indigenous community groups and liaises with exploration companies for staff to be trained in the recognition of indigenous cultural heritage. The system has worked well and there are no known issues of conflict.

Contributions to regional development:

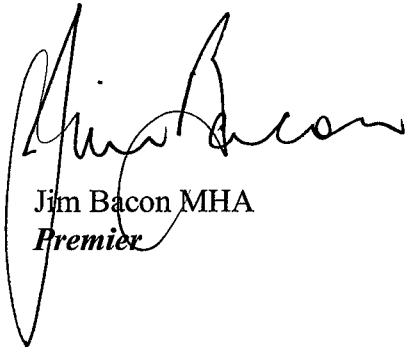
The mining industry has been critical to the development of remote areas of Tasmania, including the west and north east coasts and King Island. The State and Federal Governments recognised the importance of the industry to these areas and jointly funded a Western Tasmanian Regional Mineral Program (the WTRMP) to identify the infrastructure needed to expand mining and mineral processing activities in this area. The Federal Government has provided \$5 million towards implementing the recommendations of the WTRMP.

Mining remains the major contributor to the economy of western Tasmania and associated service industries are an important contributor to the economy of the north west coast.

Mineral exploration has also been a significant contributor to the economies of these regions and, in particular, numerous service companies and consultants reside on the north west coast.

We look forward to the outcomes of your Inquiry.

Yours sincerely

A handwritten signature in black ink, appearing to read "Jim Bacon". The signature is fluid and cursive, with a large loop at the beginning and end. It is positioned above the printed name and title.

Jim Bacon MHA
Premier