



**SUBMISSION to the
STRATEGIC LEADERS GROUP
on the
DRAFT RECOMMENDATIONS
for the
MINERAL EXPLORATION ACTION AGENDA**

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TABLE OF CONTENTS

	Page
1. INTRODUCTION	3
2. REPORT STRUCTURE.....	3
3. ACCESS TO LAND	4
4. ACCESS TO FINANCE.....	5
5. ACCESS TO PRE-COMPETITIVE GEOSCIENCE INFORMATION.....	6
6. ACCESS TO HUMAN AND INTELLECTUAL CAPITAL.....	7
7. CONCLUSIONS.....	8

1. INTRODUCTION

The Victorian Minerals & Energy Council (VMEC) welcomes the opportunity to comment on the draft recommendations of the Strategic Leaders Group of the Mineral Exploration Action Agenda.

The VMEC is an industry association that represents the corporate minerals and energy industry of Victoria. The members of the Council are engaged in mineral processing, mining, exploration, or the provision of services to the industry.

The mission of the Council is to create the best possible environment for the continued sustainable development of the minerals and energy industry in Victoria by:

- Working with all levels of Government to ensure an effective legal and regulatory framework that supports and governs the industry;
- Encouraging members to achieve best practice in all aspects of their business through networking and exchanging of ideas;
- Communicating with Victorians on the nature, effects and benefits of the minerals industry including the environmental and social programs, along with economic benefits; and
- Working in partnership with educators and students to enhance teaching and learning about the minerals industry.

Victoria has a very important minerals and energy industry that is not only significant nationally but also critical to many other industries in Victoria that depend upon low cost, reliable energy. It also provides significant employment in regional Victoria. We believe that the future of the Victorian minerals industry rests, to a large degree, on the ongoing viability of the junior exploration sector.

Access to land remains a key issue for exploration. The mineral potential of Victoria is acknowledged and the geological and geophysical data available from the Geological Survey of Victoria (GSV) is considered by many to be as good as any available in the World.

2. REPORT IN GENERAL

The Draft Recommendations paper to the Strategic Leaders Group is comprehensive, well written and sensible. The VMEC generally supports the findings and recommendations.

If the paper were to be rewritten we would suggest that it might benefit from a brief synopsis listing each objective along with the relevant recommendation that will achieve that objective. It may also be of value to prioritise the recommendations.

The following aims to support our position regarding the findings of the report.

3. ACCESS TO LAND

We note that the following has been recommended:

Recommendation 1 – Commonwealth, through the allocation of dedicated or linked support and funding to Native Title Representative Bodies (NTRBs), work in partnership with industry and the States and Northern Territory to develop regional template agreements for native title and heritage protection approvals processes that will reduce the backlog of tenement applications, improve relationships between miners and indigenous interests and provide ongoing access to land.

Recommendation 2 – Commonwealth and industry to promote the use of expedited procedure included under the *Native Title Act 1993* by producing and promulgating information about the application and use of the expedited procedure, and lobbying States and the Northern Territory for the more general application of the expedited procedure when granting low impact exploration tenements.

Recommendation 3 – Amend the Aboriginal Land Rights (NT) Act 1976 to facilitate the application, assessment and decision-making processes for the grant of mining and petroleum tenure by restructuring the Land Councils, delegating decision-making authority to regional or local bodies and developing standard agreements for the grant of tenure.

Recommendation 4 – Commonwealth and industry to work with the States and Northern Territory through the Ministerial Council on Mineral and Petroleum Resources (MCMPR) to gather information on the procedural regimes for mineral exploration and the overlap between Commonwealth and State/Territory legislative responsibilities and develop a coordinated approach to resolving impediments to land access, including protocols covering mineral tenure, heritage, environment and Conservation Estate.

Recommendation 1 is supported, particularly the need for funding of Native Title Representative Bodies for future act initiatives. We would also note that Mirimbiak (the NTRB), State of Victoria and the VMEC have agreed a set of proforma or template agreements for exploration and mining in Victoria and a standard cultural heritage management plan for the agreements. It is also noted that the VMEC has received financial assistance from the Commonwealth to assist in the negotiation of those templates. This funding has been instrumental in achieving closure to the negotiations.

Recommendation 2 is noted and it is certainly agreed that fast tracking of approvals for low impact exploration licences is warranted.

Recommendation 3 is not relevant to Victoria.

Recommendation 4 covers the most significant issues concerning access to land for exploration faced by the industry in Victoria. The VMEC fully concurs with the need for reform of the procedural regimes related to licence tenure, and access to public

land. There is a critical need for consistent, timely, effective and transparent approval processes for access approvals to public land for exploration in Victoria.

In Victoria there are four primary categories of land that relate to the minerals industry. The relative size of which are:

Private land	68.3%
Exempt Crown land	13.3%
Restricted Crown land	3.5%
Unrestricted Crown Land	14.9%

That is, Exempt Crown Land (National Parks and State Parks) occupies 42% of all Crown land and Restricted Crown Land (Nature Conservation Reserves etc) occupies an additional 11% of all Crown land.

We believe that restriction of access to more than 50 percent of Victoria's public land (some of which is known to be prospective) is a very significant impediment to attracting exploration investment to the State.

In addition, it is critically important that the growth of National Parks, States Parks and Nature Conservation Reserves is halted or, at least, that appropriate multiple and sequential land management regimes implemented. We believe that the recommendations should make a stronger case for controls on the growth of the conservation estate.

We would also make the point that any exercise in simplifying the procedural regimes for gaining access approval should not under estimate the complexity of the systems that governments have established and the critical importance of documenting a road map through the maze.

4. ACCESS TO FINANCE

The following has been recommended:

Recommendation 5 – The Commonwealth Government introduce a flow through share scheme to remove the tax asymmetries that deny companies with insufficient taxable income the full benefit of immediate deductibility of exploration expenses and other exploration related expenses.

The flow through shares scheme should have the following features:

- i. tax deduction uplift factor for eligible expenses of 150 per cent;
- ii. that for capital gains tax purposes the cost base of the shares is set to zero for Capital Gains Tax considerations;
- iii. designed in accordance taxation principles of economic efficiency, equity and administrative simplicity, incorporating appropriate integrity measures.

Recommendation 6 – Introduce a general tax deduction uplift factor of 125 percent for greenfields exploration expenditure (other than eligible flow through share scheme expenditure)

Recommendation 7 – Implement the full taxation deductibility of all costs associated with Native Title requirements.

Secondary measures, which would also meet the principal objective, include a system of tradeable tax credits, taxation rebates and a targeted fund for greenfield exploration, based on the current Innovation Investment Fund program.

Recommendation 5 is supported. The introduction of a flow-through-shares scheme as proposed is considered a sound method of addressing the market failures related to investment in exploration in Australia. Given that the small and medium sized exploration companies are a critical component of the modern exploration industry in Australia and that they often do not have a taxable income against which to deduct their exploration expenditure it is important that investors are offered an incentive to invest in these risky businesses.

However, any schemes introduced by the Commonwealth should definitely not reward inefficient operators. Also, rebates should only apply to exploration expenses including head office and overhead costs associated with the proportional exploration costs.

Recommendation 6 is supported. However, we would recommend that any definition of greenfield exploration relate to the proximity of existing mining activity and not refer to historical mining activity. New exploration ventures with new techniques or new geological theories should be encouraged; these theories and techniques often depend on the historical records of earlier ventures to be effective. In Victoria where mining has been active since 1851 it can be difficult to find country that has not been looked at previously, hence our concern to relate to current mining activity.

Should the proposal for flow-through-shares meet with difficulty we would strongly recommend that the tax incentives proposed in Recommendation 6 apply fairly to all exploration as with R&D in other industries. In this case it is noted that companies with no taxable income can get a cash rebate if their turnover is below \$5 million pa. There is also increasing levels of incentive for companies with increasing R&D commitments.

Recommendation 7 is supported. It is important that this “black hole” expenditure in the taxation system is resolved. This is a critical issue for the Commonwealth and if resolved would be a positive initiative in assisting with Native Title future act issues.

5. ACCESS TO PRE-COMPETITIVE GEOSCIENCE INFORMATION

The following has been recommended:

Recommendation 8 - The Commonwealth, in partnership with the States and Northern Territory, fund a major pre-competitive geoscience survey program to achieve complete national coverage to modern standards of basic geoscience datasets. Expenditure on this program at \$25 million per annum is recommended to complete the coverage by 2014.

Recommendation 9 - The Commonwealth, the States, Northern Territory, and industry cooperatively develop national standards for the acquisition, digital conversion, storage, manipulation and online retrieval of all exploration related data, including government generated pre-competitive geoscience datasets and industry-generated exploration data.

Recommendation 8 is supported. We agree with the point made in the paper that industry values greatly the fundamental geophysical, geological, geochemical, mineral occurrence and topographical data prepared by the Geological Survey of Victoria. We also place high importance on access to past exploration data and company reports. Whilst much of Victoria is covered by modern geological mapping there are areas that remain poorly understood.

We would note that in Victoria the "Victorian Initiative for Minerals and Petroleum" (VIMP program) commenced in 1993 and has involved a comprehensive program of studying the geophysical character of most of the state. Much of the data have been collected and analysis continues. The data have assisted significantly in the relatively recent discoveries of mineral sands in the Murray Basin and the VIMP program has been very successful in encouraging exploration in Victoria. Prior to the program starting private exploration expenditure was about \$12M pa, it rose to \$52.5M pa in 1997 and continues at more than \$30M pa in an environment of structural change to the exploration industry. It is estimated that for every dollar that the Victorian Government has spent on the VIMP program there has been \$15 spent by industry.

This clearly demonstrates the value of Governments investing in the collection of pre-competitive data.

Recommendation 9 is supported. It is recognised that all companies would benefit from a standard approach to data acquisition. We would also recommend that this approach include a standard format to the tenement reports that companies are required to provide to state governments on a periodic basis to report progress against the licence conditions. These matters are typically in the State jurisdictions but facilitation of standardisation through Commonwealth sponsored processes is recommended.

6. ACCESS TO HUMAN AND INTELLECTUAL CAPITAL

The final two recommendations are:

Recommendation 10 - The Commonwealth Government launch and support a "50 early career geoscientist" scheme for new graduates and doctorates, to be

rotated between government research agencies, industry and small to medium enterprises (SMEs). Cost estimated at \$1 million per annum.

Recommendation 11 - Increase public and private sector investment in R&D in new technologies for the discovery of mineral deposits in Australia, building on the existing infrastructure for R&D collaboration within the industry. Additional expenditure of \$20 million per annum is recommended to complete the R&D program by 2008

Recommendation 10 is a good idea and supported. The future supply of high-quality graduates is a critical issue for the industry and initiatives that encourage high-flyers are important. The “50 early career geoscientist” scheme will not only foster innovation in the exploration industry it will signal strongly that the minerals industry is a vital modern industry that values high achievers.

Recommendation 11 is a good idea and supported. It is important that the R&D effort to develop new exploration technologies and methods is supported. We agree that there is an urgent need to expedite the outcomes from existing R&D projects and to develop new R&D projects.

7. CONCLUSIONS

As stated above, the Victorian Minerals & Energy Council supports the draft recommendations of the Strategic Leaders Group. We believe that the critical recommendations are 1, 4, 5 and 6.

Firstly, it is of critical importance for access agreements to native title lands to be prepared so as to remove the backlog of exploration tenements. Secondly, it is important that consistent, timely, effective and transparent approval processes for access to public land for exploration are introduced. Thirdly, access to capital for exploration is of critical importance and the proposal for flow-through-shares is a sound scheme to address the market failure in exploration currently. Finally, exploration should be recognised as R&D and treated as such in the taxation system so as to provide incentive for larger companies to invest in exploration.

The minerals industry is far too important to Australia to allow it to diminish through impediments to exploration and action by the Commonwealth and State/Territory Governments is needed.