

**ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE**  
**Inquiry into greenfields mineral exploration and project development in Victoria**

Melbourne — 26 September 2011

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Dr J. Yeates, Manager, Government Relations,  
Mr R. Jacobs, Development Manager, and  
Mr I. Blucher, Approvals Manager, Independence Group NL.

**The DEPUTY CHAIR** — Thank you, gentlemen, for coming along today. This is an all-party parliamentary committee, and the Economic Development and Infrastructure Committee is conducting an Inquiry into greenfields mineral exploration and project development in Victoria, so your evidence and your submissions are particularly pertinent to the terms of reference we have. Whilst the evidence you give before the Parliamentary Committee is subject to parliamentary privilege and is therefore protected, any comments you may make outside the hearing do not attract such parliamentary privilege.

We have about 45 minutes. We have cut into it a bit, but we will play it by ear. What we will do first is ask you to state your full name and business addresses and the capacity in which you are attending today's hearing — presumably representing the Independence Group — and your position in that organisation. I will let you take us through your presentation, and then we will have a bit of a discussion after that. Over to you.

**Mr JACOBS** — I am Rod Jacobs; my role is Development Manager with Independence Group. We are located at 1205 Hay Street, West Perth, in Perth.

**Dr YEATES** — I am John Yeates; I am the Manager of Government Relations for the same organisation at the same address.

**Mr BLUCHER** — I am Ian Blucher; I am the Approvals Manager for the same organisation at the same address.

**Overheads shown.**

**Mr JACOBS** — I have put together a PowerPoint presentation of 15 minutes or thereabouts, not to regurgitate the paper but to highlight some thoughts that are in there and hopefully bring them out a little bit. I do not know if 'credibility' is the right word, but I just want to put it forward that, whilst not trying to big-note ourselves, we are in this industry and we do have a reasonable degree of knowledge about what we are talking about. The Independence Group is a billion-dollar, a billion-and-a-half-dollar — depending on how good the market is on the day — capitalisation. We have resources across numerous metals and commodities — there is about \$10 billion worth of metal in the ground. The company has based itself on exploration success and has had very good exploration success, primarily in Western Australia but it is operating in quite a few other jurisdictions as well.

With the individuals involved with this submission there is in excess of 100 years of relevant experience covering exploration, permitting, mine operation and mine closure. So plenty of background went into it and experience across all the Australian states and internationally. We have seen different jurisdictions, I guess is the point, and been able to compare what seems to work and what does not work so well.

Initially from the geological prospectivity side of things, I believe Victoria has excellent geological prospectivity. The competing land use here is a much bigger issue, but it is manageable; it is not an out-and-out barrier. I believe the State needs to attract the small to medium explorers. I do not think you will see the likes of Rio Tinto and BHP exploring around here; they have different agendas these days. It is the small-to-mediums that will generate wealth and generate projects that people go on to develop. With the big ones, if they did find something, you might see it and you might not. The best you can hope for is that a small-to-medium will pick up their cast-offs and do something with that. But basically the big characters are just into mega projects that are unlikely to be found in Victoria.

For one reason or another the GeoScience Victoria output is not class E and can be improved a lot — that is, quantity and the way it is put out. I am sure it all comes back to a budget. There are a few other jurisdictions — I am sure you have heard South Australia mentioned over and over again; that is probably the best example around at the moment, albeit Western Australia has quite a long history of it — where the geoscience entity is doing the pre-competitive work.

It is not just all about rocks. Technology can completely change the field. For instance, I give the example of alumina. Bauxite just comes from gravel in the hills around Perth. Until the 1960s there was not an effective process to turn that bauxite into alumina. Then there was a technological breakthrough and now there is a massive alumina industry. Here there are huge mineral sands deposits all full of titanium. Titanium is a very expensive metal to make. One day there will be a technological breakthrough and it will be cheaper than

aluminium, and it has much better properties than aluminium. That can all of a sudden make a huge difference to Victoria. So it does not have to be the rocks.

From an exploration point of view, again Victoria is a relatively expensive jurisdiction. There is a bias that we see in on-ground costs, which is really what the Government should be aiming for — people spending money, having companies drill holes, having geologists take samples, do assays et cetera — real work versus the compliance costs of beating our way around Collins Street, going to see some office about something. I find in Victoria that there is a higher percentage of compliance costs compared to on-ground work than we are used to.

There are significant non-attributable costs as well. When we report our expenditures to maintain our good status on our tenements, we have to meet obligations there. There are only certain expenditures that you are allowed to quote, for good reason — to stop people lumping all of head office in there and pretending they are doing work on the ground. There are things like vegetation offsets in Victoria that are very expensive and they are not attributable to the tenements. It tends to mask the true cost of exploration in Victoria when you look at the Government statistics. The work plan requirements for exploration are quite involved. We talk about that a bit in the paper. That contributes to that high-compliance cost. We have found at times it has taken longer to prepare the work plan and get it approved and do the work, which is getting on the verge of being ludicrous.

In regard to multiple decentralised agencies, I can see the benefits of decentralisation when I get around Victoria. It is pleasant to actually see it rather than a state where you have a fringe around the coast and that is it, but it is just another compliance cost hurdle to make your way around these various agencies. Quite often they will be in disparate places. There are high start-up costs when you go exploring in Victoria. That is a barrier to the real juniors — the prospectors. You are probably not going to start exploration on the ground. You are probably not going to do anything from the ground for less than \$200,000 by the time you have done a Cultural Heritage Management Plan survey, a vegetation survey of the area you want to work in and you have done a vegetation survey of the offset that you have to get beforehand to offset where you want to do the work. You have probably done four surveys, nothing is under \$50,000 a pop, so you would have outlaid \$200,000 before you have done anything useful for the State or yourself. That is locking out your real juniors and your real juniors are the inventive and ingenious people who bring in other feeders. Not having them there is a real cost.

The question we pose in our paper is if Jabiru or Independence Group had been presented with just the anomalous geological data that the original deposit was found by, rather than knowing that there was a deposit there, would we have taken up the prospect? The answer is probably not. We probably would not have bothered. There are plenty of other anomalous pieces of data around Australia and elsewhere, and we probably would have decided to follow up on them in preference. We have had a big head start here because we knew there was a deposit there. Unfortunately we have had to spend the last four years re-proving it, but we knew it was there to be found. I think you can probably draw a fairly similar parallel to the mineral sands. CRA, the earlier Rio Tinto, found mineral sands in Victoria 30 or more years ago. Whilst the mineral sands players now have come in and extended the deposits and whatnot, they knew it was there. Whether they would have come in, you have to ask them, but I suspect that maybe they would not have.

So what are the issues? I think this is a real issue. There is nothing there in the last 30 or 40 years, and I think that really shows what happens when the small and medium players are not around generating results to be followed up. At some stage those big discoveries will start to come towards their twilight years, and there has to be a continuous pipeline or things just plainly run out. You lose the skills and it is that much harder to start again.

Perception — there is a poor perception of Victoria. I knew that before I worked here, just from being in the industry. Perceptions are like reputations — they are almost like Chinese whispers that human beings pass on from one to another. You have to go digging to find if there are facts behind it or not. As the PR people say, they are a reality. Whilst they are out there being circulated, they are a barrier. They are stopping people from coming here.

I think the main issues are those there. I will cover them in a bit more depth later. Something has to change. You cannot just wish for a better mining industry without changing anything and expect it to happen. That is getting close to the definition of insanity, isn't it? Something must happen. I believe Victoria is in desperate need of a success story or a case study. I would very much like the Stockman project to be a case study. I have been pretty

blatant about it to some of the regulators that we are here, we are doing this, we can be your success story, and you need them to repudiate perceptions, so let's get on with it.

What business wants is certainty. We want predictable outcomes and we want to know what the rules are. We want to know that if we follow the rules we will get to an outcome. Apart from anything else, it is embarrassing to go back to a board and stand in front of them, be asked questions and have to say, 'I do not actually know. I cannot quite tell you when we will get an approval. Somewhere between 3 and 12 months, maybe', and then expect them to have much faith in me and give me a budget to go and do another project. Uncertainty is the equivalent of sovereign risk. With sovereign risk you are normally thinking of Africa, the '-stan' countries and places like that. When we have uncertainty, that is exactly what it is.

We find that lack of certainty in the TRG, the technical reference group, for the EES in the issues and time lines. There is no hard and fast time line, and the issues they find as we present studies are akin to running off down a rabbit hole. From what I have observed, there is not a very tight or really any management at all of that process. There are various interest groups. They will have things that interest them, but they can run off on a minor issue that really does not rate on the larger scale of whether this project goes ahead or has a significant impact or not. If that keeps happening, it just goes around and around in a circle and the time line keeps extending and extending.

One issue we are having right at the moment is the options side of the EES. What I mean by this is that under the EES guidelines and act we need to demonstrate how we have come up with the particular layout of our project — why we chose that location rather than this one or that type of technology rather than this one. We have found that fairly frustrating, I guess. It is partly our fault, because we are just not used to having to document that. We are used to taking to a regulator something like, 'This is my project. You either approve it or you don't', rather than having to justify why you chose a gen set that burns gas rather than diesel et cetera. At the moment we are finding that this is a little process that is ripe for an embedded interest group to get stuck into a little thing of interest just to them and consume a lot of time and a lot of effort and not really push ahead with the overall, 'Is this a reasonable project that has reasonable benefits, versus reasonable impacts. Does it deliver something for the state?'

**The DEPUTY CHAIR** — So, when you say 'interest group', you mean within the EES project, within Government?

**Mr JACOBS** — Yes, our TRG has something like 17 different agencies or some count like that. There are some quite specific, narrow scopes for those agencies. I am sure they are doing it with the best of intentions from where they are coming from, but I do not think it translates well for the overall process.

Another area of uncertainty which concerns me quite a bit, and we have not got there yet, is the inquiry panel. Anywhere you go with a lawyer, firstly, you are going to be less wealthy when you come away, and, secondly, who knows what kind of outcome you are going to get? That does concern me that it can be taken hostage.

**Mr NOONAN** — We have a few in the Parliament too.

**The DEPUTY CHAIR** — None on this side, however.

**Mr JACOBS** — I guess we are about to find out. That is the uncertain part of the inquiry panel, but the cost of it certainly worries me as well.

On the overall approval process, we can map out the EES time line fairly well up until when we submit the document. After that it gets particularly murky. We are 10 months into that process, maybe a little more, and I still cannot find anybody in Government to give me a clear time line that I can take back to our shareholders and say, 'If we do these things the way they are meant to be done, this is when the outcome will arrive'.

Regarding the lead agency, it sounds like you have heard about this quite a bit, but I think it is absolutely crucial to improving the process. There are really two sides to it. On the exploration side the DPI is the regulator; they are not really a facilitator. I think you need a lead agency that has delegated powers so they can just get on with it and make decisions. On the exploration side of things the DPI and the DSE have memorandums of understanding. They do not always work. It is quite common for them not to adhere to their own time lines.

I would much prefer it if the DPI, for instance, had the delegated authority and the skills to assess those parts that they need to from the DSE. That works in Western Australia. I am very wary of saying 'Western Australia' too often, but it does work there in that the Mines Department has a delegated authority from the Environment Department on land clearing. That came about a few years ago because all of the land clearing bottlenecked up. The DSE over there could not deal with the work and could not get them through, and it was just getting out of control. They set up this delegated authority, and it seems to work. I believe it exists in Tasmania as well, and I believe the Tasmanian DPI has some powers to make decisions if other agencies that they go out to do not respond according to the time lines. You would have to have the skills to be able to make the decision, but I am sure it could be set up.

From a permitting point of view with the lead agency, we have seen proactiveness from RDV or DPI, or however they are badged now. We definitely have not seen it from the DPI or the DPCD, which are the two that I would have thought would have been standing up-front and centre.

**The DEPUTY CHAIR** — Do you say DPI in terms of issuing permits themselves for mining and related exploration and DPCD because of the double EES?

**Mr JACOBS** — Yes. My first thought goes to the Mines Department. If there was going to be a lead agency, they would be it. They would walk you through the process, introduce you to who you had to be introduced to and hopefully make some of the various different agencies invisible. You would hopefully never see them. But that definitely does not happen, and there is no likelihood of it happening from what I can see. I say DPCD purely because they are planning people. We are searching desperately for a champion for this project, and RDV is our best hope. Interestingly, RDV are really not represented in the EES process.

Time is the other issue, and time is money. On the exploration side of things time delays reduce our ability to do work on the ground, and that is the whole point of it. We benefit out of that, and the state benefits out of that. The delays make the ratios of on-ground costs and off-ground compliance costs poorer. When we have delays we have less results to report back to the market, and if we cannot do that relatively routinely, then the shareholders go somewhere else. We lose backing; we do not have the funds, which are scarce in the first place, to keep reinvesting. There is a real cost to it apart from the money that you pay out in having people stand around.

On the permitting side of things, the fact that we cannot get a hard and fast approval time line says a lot. Any delays there have a dramatic effect on our discounted cash flow. When you have worked out, 'I have this project, and it's going to run for eight years', and you start discounting it out, the years at the end get discounted very heavily, and they do not contribute much to the net present value of the project. The more you delay it and the more you are pushing out into the never-never the harder it is to make your project look financially attractive and to put it on the table to the board, who have other choices, and convince them that they should be going with this one.

Regarding permitting delays, I think the system is open to manipulation. People who do not like our project or any other project know the thing that hurts you the most is time. It costs a lot of money. It frustrates you. In the end you will possibly go away. That is the best lever they have.

On the cost, the Stockman project is now ramping up into the rural action phase of the permitting process, and there will be at least \$5 million in costs for various consultants and permitting this year. It is at least \$250,000 to go to the inquiry panel, probably more, and what for? Is it to have them tell the Minister what is in the report that you submitted three months before? I really do not get it. You also have a high chance of it being held hostage to some focus group or running off track somewhere. I am failing to see any benefit. Still, we have not been through there yet. I may be pleasantly surprised.

I spent time working in New Zealand, where they had an environment court. It was common to go with a lawyer in tow to present your case. I do not see that had much usefulness either. It was basically a lot of lawyers making fees.

I think triple bottom line should be fundamental to the EES process. It is stated in many of the Acts, but we are finding it is given little credence in the management of the EES process. As I said, there are 17 or thereabouts TRG agencies. We came in to hear Martin mention that of those agencies there was only one interested in the social and economic outcomes. Even though the EES definition of environment is broad, covers all those things

and it is written on about page 2 of the guidelines that this is how you do an EES, it is not managed that way. The various agencies honestly could not care less. They are representing their little bit of turf, and that is that.

Vegetation offsets are very expensive to do here. It is a market that is opaque; it is not transparent. On the one hand, the strict framework allows you to work out what you can be up for; on the other hand, when you have something a little bit out of the ordinary it is very inflexible. It is a double-edged sword. Mining sees no credit to rehabilitation. We cop the double whammy. We have expenses at the end of a project to rehabilitate the site, and there is absolutely no credit for vegetation offsets to that. In fact if we rehabilitate somewhere and then want to go back there, we have to get another set of vegetation offsets for the trees that we just planted for knocking down the ones before.

The mining industry in general seems to be a bit of a tough fit for regulators in that there is not a lot of knowledge amongst the regulatory agencies even within the DPI. I guess that is due to the fact there may not be a lot of mining projects going on, so they are not exposed to it a lot, but it makes life difficult. Mining projects have a lot of uncertainty compared to civil projects, and we are finding the regulators have difficulty with this concept. If you are building a 26-storey building, it is exactly 26 storeys; if you are building a road from here to Bairnsdale that finishes at Bairnsdale and is this wide, it is all defined. In mining, if exploration goes well, you will keep on going, you hope. The plant infrastructure we build up there will be good for 20 years. At the end of eight years I would sincerely hope we would have found some more in that time and kept going. The regulators have big trouble with that. They want you to permit an exact project. If you say, 'I want to permit some extra tailings dam space because we expect that exploration will find more', they really cannot handle it. They do not want to go there, and they say, 'You come back in eight years and do another EES, thanks'.

There is no common major project status that I can see in Victoria. I have been told by a couple of different agencies that we are now a significant project or a major project. That does not seem to come with any benefits or different or streamlined process, and it does not seem to be the same notion from one department to another. Let's stop whingeing and give you something positive. I think fewer departments would be better. Water, for instance, is a classic. We deal with at least three different water departments with a catchment management authority, a regional water authority and the DSE. We are right on a watershed, so we have six of them. Less of them would suit me. If we cannot have less of them, because that might be pretty wishful thinking, then at least there should be a lead agency that makes a lot of that invisible to the proponent.

In terms of certainty, we really need to know that if we follow the process and do good science and work, then we will have an outcome at this point in time. Quicker is always better, but it is really expensive. I would like to see the EES process managed, some upskilling of the regulators and a high-level government conviction that mining is welcome. I think it has to come from the highest levels of State Government that it is an industry that is welcome here. So let's get on with it. Otherwise, if that is not the view, make the contrary view quite plain. People get quite annoyed when they come in and half invest under one set of ideas and then find out something different.

I think there is some good prospectivity here. I do not think multiple land use is a huge barrier. There is an attractive royalty regime you mentioned before. There is a strong mining services industry in Melbourne. The impediments I have just been through. Exploration capital is a bit scarce and mobile. It can very easily switch jurisdictions, and it will.

**The DEPUTY CHAIR** — Thank you very much for that. It was very useful. On the key issue of if you cannot have fewer agencies, can you have a lead agency, similarly to what you may have heard in the earlier exchange with the Shire of East Gippsland, how would you see a lead agency working in practice? If it is based on your Western Australian experience, that is fine, because everyone has their different perceptions as to where they are coming from. What roles and responsibilities do you think such an agency might take, particularly around the regulator versus the facilitator-type stuff?

**Mr JACOBS** — I guess here in Victoria my first thoughts were DPI, but I do not see much hope there. They are basically missing in action, and I think it would be too big a cultural change to get there. RDV look to be the best people culturally for that, and they seem to have connections within Government and the ability to talk to other departments and across silos. To me they look like they are the best bet.

My Western Australian experience is the DPI equivalent. They had a Department of State Development. They were very different. They were segregated from the regulators. They did not seem to have any problem vigorously proposing projects, which still had to go through via the EPA and all the approvals process, and really did not interact with the regulators until it was operational anyway. I am not sure if it still sits in there.

**Dr YEATES** — It does; Major Projects Group, or whatever it is called. I will just add to that. There are sort of two levels. For big projects the Department of State Development takes them on as state projects, essentially. So big oil and gas projects, for example, have been shepherded through by it. The experience there is that what they do is essentially bang heads until there is an outcome. They set time frames, and Premiers and others make sure that they are met.

For smaller projects I guess you do not have the same sort of level of focus, but people like those at the Department of Mines and Petroleum are still, I guess, very user friendly when you go and talk to them. They do have some delegated regulatory powers for the projects that do not attract EPA attention, but they are user friendly, if you like, in terms of, 'These are the hurdles you have got to get through; this is what you have to do, and this is how you do it'. I think the experience here is that that is not easy. There are almost two scales of projects, if you like, depending on what they are.

**Mr JACOBS** — We are quite used to having an idea about, 'This is what we would like to build or develop', and to go in to the mines department, scope it out and say, 'This is what we are thinking of doing here, here and here. What do you see as the issues, and what do I need to work on?', and coming away from that with a pretty clear understanding of, 'If you do this and you do that and you do that, you will get to this end point'. To be able to do that in a pretty time-effective manner up-front and have everyone pretty much on the same page is — —

**Mr BLUCHER** — It is only if they discover along the way that things are not quite the way you have said that you will get queries of, 'You can't really do that; you need to think about something else'.

**The DEPUTY CHAIR** — If I could have one more question before throwing to my colleagues, going right back to the start of the process, the competitive tender bids that you went through and were successful in, in retrospect what would you see being added to that process so as to avoid the kind of difficulties, not so much about the silos but about the practical delivery of the project, that you might want to see included in any future such programs?

**Mr BLUCHER** — Perhaps, Rod, I should start with that.

**Mr JACOBS** — Yes, Ian was there during that time, whereas we were not.

**Mr BLUCHER** — I think Martin touched on it really well. It is something we have not discussed with council at all, but it has obviously become quite apparent that even though you can seek resources on the web from various departments about what is required, it is about how they actually fit together and what the actual implications are of the various Acts and regulations in the Victorian context might actually mean. But really, the Acts and regulations are no different here from in Western Australia; it is about how they are actually implemented and how they interact in actual practice, particularly the vegetation offset side of things.

Our project has a big handicap, because it is in a state forest. We are on Crown land, and there is a whole set of nuances that apply to that, which were not readily apparent until we got right into the middle of the whole process. I think if there were a road map — call it a lead agency or whatever you might — as part of the tender process that, 'If you are coming here, these are the sorts of things we will expect you to be able to either hand to the regulators or deal with in a timely fashion with the regulators', which means that the regulators would have had to have a view of the process as well, that would have been helpful.

But — and this comes particularly from what Martin was saying — I doubt there was a huge amount of discussion between DPI and other agencies, because the sorts of questions we get from other agencies highlight the issue that Rod talked about: a lack of understanding about exploration as a general concept in Gippsland, because most of the explorers there have generally been small, and, as you progress further and further through the EES, an understanding of what mining activities actually are and the issues that surround them. It appears that there was a lack of background information that perhaps was missing when this tender was

put out. It was a good idea, but perhaps the whole thought process — what happens if somebody actually goes to develop a mine here? What are they going to be faced with?

**Dr YEATES** — Can I just follow up on a couple of points? When I got involved in the system here, two things really surprised me. One was the number of EESs done every year in Victoria; it was about three or five, whoever you believe. It seems to me the amount of expertise and the road map, for want of a better term, is not at all well defined and understood. There is not a lot of regulatory expertise. Everybody wants to have a go at their little bit, and that makes it very difficult. The other one that we have had recent difficulties with is the options issue — it is pretty unusual.

**The DEPUTY CHAIR** — Native vegetation offsets?

**Dr YEATES** — No, having to look at options for every piece of the project. It got to a point where I asked one of the senior regulators, ‘Do we have to justify why it is here and not in the Philippines or something?’ if you are looking at every option we have looked at. One of the difficulties we have had some internal discussion about is that one agency will say, ‘Maybe your mine needs to be over here or you need to shift something over here’. You shift this one around, and they can sort of cherry pick the bits they want. Clearly our company goes in there with a desire for a mine, and to be pulled apart like that and have to put all the extra work into identifying all the options is really quite frustrating, time consuming and difficult to deal with. I think it relates back to this issue of not many EESs and not much expertise. People do not quite understand that this is an integrated project.

**The DEPUTY CHAIR** — Fair enough.

**Mr BLUCHER** — Just to finish off on that. If you did end up with a lead agency, DPI or RDV, they would have to draw on expertise from somewhere, and perhaps they would have to second people from industry to provide them with advice. I do not know whether that business model, if you like, is capable of working at the moment in the current regulatory environment.

**Mr NOONAN** — One of the details that you have got in your submission, which you have not referenced in your verbal presentation, is the economic impact for the state. I suppose this should not be understated. You talk about a successful project — that this project for Victoria:

... will create approximately 300 new jobs, create a new base metals export industry for Victoria, generates revenue of approximately \$60 million for the State from royalties and taxes and increases the gross regional product (GRP) of the East Gippsland region by \$680 million ...

It is no wonder that the council representatives sitting behind you are interested in what you are on about, because there are some pretty big numbers there. What you say to us is a recurring theme from various witnesses coming forward and talking about the difficulty in the Victorian system. The issue for Government in all of this is that it is one thing to put up your hand and say, ‘We want to be like South Australia’, for example; but how you do and pay for that is another thing. The question I have then flows from how you pay for it.

I understand Victoria has royalty rates which are generally lower than other jurisdictions in Australia, and that might vary depending on the area of mining. Would industry support changing royalty rates to levels, for example, in other jurisdictions if it meant that some of that royalty revenue that was generated would go to better facilitation, if you like, at the Government end, in relation to everything from the precompetitive data that is supplied to industry — because you are a little critical of GeoScience Victoria — right through to essentially funding a stand-alone agency within Government that would be about doing all the sort of legwork that council behind you have helped do? That is the general question that I am putting. It goes to the structure, if you like, of this within the Government of Victoria and how you would pay for it.

**Mr JACOBS** — When we look at a prospect, we look at it holistically, with the information that we have got. Victoria’s real issue at the moment is that there is a lot of indirect taxation. There are compliance costs, there are time delays — they are an effective royalty on us. If some of that could disappear, I do not think you would have too many people objecting to the real royalty rate changing.

**The DEPUTY CHAIR** — It reflects your certainty principle.

**Mr JACOBS** — Yes.

**Mr BLUCHER** — But you would want to be assured that would come back, rather than just going to Treasury.

**Mr JACOBS** — That is right, and until Royalties for Regions cropped up because of a very tight election — —

**The DEPUTY CHAIR** — I did see that.

**Mr JACOBS** — It was just about impossible to get royalties out of consolidated revenue. Treasury would die before they would give up anything.

**The DEPUTY CHAIR** — Governments come and go; treasuries go on forever.

**Mr BLUCHER** — That is exactly right.

**Mr NOONAN** — But you are not opposed to the general proposition. I mean, royalties would not drive you out of the State. It is really the delay and the impediments that you face at the moment. The Government have got scarce resources, that is a fact, so there are some things that are not going to cost and there are some things that are going to cost. There is always the question of how any government pays for those. I suppose you are in as good a position as any witness we have had before us to make some assessment about this. If there was a level of restructure and a level of guarantee that some changes to royalties would actually flow back into improving the efficiency of government, such that you are not waiting two years to improve the outcomes for your business, compared to what you might in Western Australia, then you would not be averse to that as a proposition?

**Mr JACOBS** — I cannot speak for the board, but it would be looked at holistically. Frankly, when I was putting together the financial analysis for our scoping study, our first line in the sand to see whether we should keep going, royalties was reasonably down the list of things that I wanted to pay attention to, because I just presumed they would be reasonable. I was pleasantly surprised actually.

**Mr NOONAN** — That is the general view about Victoria's royalties.

**Mr JACOBS** — And you have got the mix now with the Federal Government and the state governments all trying to grab the pot first, so who knows where that will lead to anyway.

**Dr YEATES** — I think if you look at some of the numbers that Rod put up there too, you know, \$5 million a year just in the permitting phase — for want of a better term. Permitting itself is in the millions in terms of all the work that needs to be done, and Rod made the point that you have got some money there, but where is that money really going to? Is it benefiting anybody very much, apart from consultants essentially?

**Mr NOONAN** — What about the issue of infrastructure then? You would have heard the question I asked council in relation to the costs essentially that might need to be borne by the council in relation to infrastructure to support your business in the long term. Do you do your own analysis in relation to the existing infrastructure, and if so, have you quantified in any way what that infrastructure cost would be to support the operation of your mine here in Victoria?

**Mr JACOBS** — We do, and I guess it was touched on before that the three pieces of infrastructure that really interest us are roads, water and power. In relation to the roads, while there is some council road right at the end, by and large it is managed by VicRoads. We will move 150,000 tonnes of concentrate a year, so it is not a big tonnage from that point of view. It is probably less than what the timber industry decline has been over the last few years. So from the point of view of VicRoads, I guess my opinion has been that our trucking contractor pays his registration like any other trucking contractor. I presume that covers VicRoads's income. Whilst I think the road up there could really improve from a safety point of view with a few not particularly expensive passing bays here or there, I do hold little hope of VicRoads doing it. Given the fact that we could run legally tomorrow with standard trucks and standard payloads, I do not see it as an imperative for the company to do anything.

In relation to power, there is a much stronger financial argument there. I guess the default position is to build an island power station up at the mine site and truck in fuel and run the power station just for the mine. To my mind there is a much better scenario. If you upgraded the grid up to there, then that is an asset that stays as a legacy for regional development after the mine has gone — hopefully it is never gone — but it stays there.

The grid obviously means a lot of up-front capital but much lower operating costs. An island power stations is the other way around: low capital, high operating costs. In an eight-year project you cannot make it swing. In 20 years you could, but that is the thing that we have gone to RDV, and anyone else who will listen, and said, 'We think this has got legs for a state regional development. Let us do a deal on it, let us have some cost-sharing arrangement'. We are getting mild interest but nobody is jumping out from the other side of the table saying, 'Let us get on with it'.

**Dr YEATS** — Some of the same thing applies to what I would call local social infrastructure in the towns that you are essentially in or near.

**The DEPUTY CHAIR** — Where would you take your workforce from? Benambra, or all the way back down?

**Mr JACOBS** — All over, with 300-ish new jobs. We look at the Tambo Valley as the local pool of Benambra, Omeo, Swifts Creek even down to Bruthen. Then regionally, I tend to view Bairnsdale and the lakes area, and likewise over the hill with Bright; then you have got another one further again which is the Melbourne-Albury-Wodonga area. We will need to have people from all over because there is not the workforce available locally. We are guessing 25 per cent will come from that local area, but really, until you actually sign people up, it is a guess.

**Mr NOONAN** — To go back to what the local council representative said. Built within the tender process, would you be averse to some clauses which are supporting investment in local communities? They have identified, obviously, training and employment, but workforce is another issue of course.

**The DEPUTY CHAIR** — It is procurement in the broadest sense really, all sorts of purchases.

**Mr JACOBS** — I do not think we are averse to that as long as it is staged, as long as you can find something first and then, 'Right, now we have got something' and then there are some investment hurdles as you go on. You do not want them up-front because you are not sure if you have got anything. That is one of the frustrations about vegetation offset. You have got to go and buy it before you set foot on the ground. You have got money outlaid before you even know if it was worth having a look there.

**The DEPUTY CHAIR** — We might bring this back, maybe wind up the talk about roads and power, but you did not quite get to water.

**Mr JACOBS** — We are reasonably confident that we will find water by exploring. There is no known deep water up there, but geologically there is pretty good reason why it should be there. We will go and explore for it and find it. We are finding the system is a little different here where that does not give us any rights to it, but we are told with a nod and a wink that if you stand in line, you will probably be first in the queue, as long as it is not unreasonable. We are willing to go and explore for that, I just do not see any other method of getting there. We did try to interest GeoScience Victoria in some airborne geophysics over the area to give us some targets. They said, 'We would love to, there is just no budget'.

**The DEPUTY CHAIR** — We have gone over time, but I think that reflects the value of the contribution you have made, gentlemen. I thank you again for giving your time from your, no doubt, busy schedules and coming all the way from Perth. In a couple of weeks you will receive copies of the Hansard transcript which can be corrected for minor errors or issues of emphasis, but the substance cannot be changed. In due course that will become public evidence, and with a bit of luck we will have our report out there at some stage next year. You never know, we might have a race with you to see who can get the EES or the report out first.

**Mr BLUCHER** — I think you might win, actually.

**The DEPUTY CHAIR** — We might organise to get a copy of your presentation for our own purposes so that we can feed it into our processes.

**Mr JACOBS** — We appreciate the opportunity to come and have a say. When you are putting it together you are sort of thinking, 'Well, I have still got to deal with some of these agencies'. We will get there.

**The DEPUTY CHAIR** — I am sure they will be reading the transcript of today. I do not think you have said anything particularly new, just with a degree more emphasis having just been through the process in a very real way.

**Mr JACOBS** — Fiona was talking about introductions before, and you did get us an introduction to the Premier, which will make him aware.

**Mr NOONAN** — She did not disclose that, though, on record. But you have.

**The DEPUTY CHAIR** — Thank you very much for your time.

**Committee adjourned.**