

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

Adelaide — 18 November 2011

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Mr B. Brown, Chief Executive, Southern Quarries & Direct Mix Group

The CHAIR — I am Neale Burgess, the Member for Hastings and Chair of the Committee. This is Martin Foley, Member for Albert Park. This is Wade Noonan, Member for Williamstown. This is an all-party committee. It is hearing evidence today on the Inquiry into greenfields and mineral exploration and project development in Victoria. Welcome to the hearing of inquiry. All evidence taken at this hearing is protected by parliamentary privilege. However, any comments you make outside this room will not have the same protection. At some stage this will all become public information so you need to bear that in mind when you are giving evidence.

Could you state your full name and business address?

Mr BROWN — Brett William Brown, 29 Dequetteville Terrace, Kent Town.

The CHAIR — You are representing an organisation today?

Mr BROWN — Representing the Cement, Concrete and Aggregates Australia as well as Southern Quarries.

The CHAIR — Your position?

Mr BROWN — As Chief Executive.

The CHAIR — Would you like to proceed?

Mr BROWN — I guess what I will be doing is trying to give you a bit of an understanding of what we do in South Australia from an extractive perspective, so differentiating ourselves from mining a little bit. I will first of all give you a bit of a background about myself.

So my role is Chief Executive of Southern Quarries & Direct Mix Group. That is basically a quarrying company with a downstream business in concrete. I am also Chairman of the Cement Concrete Aggregates in South Australia and also a director of CCA and sit I on the National Council.

The CHAIR — Pretty busy boy?

Mr BROWN — Absolutely. I enjoy it that way. I have also been involved in the industry now for 15 years and I have been fortunate enough to have worked in South Australia, New South Wales, the ACT and also in Queensland as well. Everywhere except Victoria, I know. Nothing wrong with Victoria. Just haven't managed to find my way there.

I will just start out if I can by trying to give you a bit of an understanding, from my perspective anyway, of the key differences that I see between extractives and mining as such. In terms of the extractives, we are actually processing and evaluating on-site, which in most circumstances is different to mining. What we tend to find is that our markets are generally speaking, in South Australia, within a 50–80 kilometre radius of our operation. So in effect we are basically managing low value products and we are delivering them to local markets. So for us it is crucial that we have a regulatory environment, I guess, which is not overburdening to our business. We have ease of access to markets. If we were to try to establish quarries 200 km from markets, yes, there would be less chance of having urban encroachment and all the issues that go with it. Having said that, the consumer would end up paying in terms of concrete pricing, bridges, roads and transport.

I guess from an extractive industry and looking at your terms of reference specifically, the greenfields mineral exploration is critical for us here in South Australia. The Government has spent a lot of time investigating it and we have recently compiled a hard rock review. What that was, was looking at all the quarries around South Australia, looking at their reserve life, quality of reserves, different types of aggregates, whether they were for sealing and ash facility and concrete aggregates, and they are just about to embark upon a strategic sand review as well. From that perspective, the Government has been focussed on ensuring there is plentiful supply of raw materials for the building and construction material. They have also got some fantastic tools in terms of businesses being able to establish where reserves are and potential.

There is a web site — I'm not sure if you have seen it: <http://www.sarig.pir.sa.gov.au>. What this is is a web site whereby anyone can log on and look at basically a map of South Australia and look at specific areas, look at active tenements, inactive tenements, types of materials, drill hole results, ground water surveys, geology. So it

is an incredibly valuable one-stop-shop in terms of trying to find information. It would be valuable for anyone looking to open up a quarry or a sand reserve.

In terms of as I see it the regulatory environment in South Australia, we have just undertaken a review of the Mining Act. It hadn't been reviewed since '71. The Government had full consultation with industry, and with industry I mean through the CCA, who represents more than 80 per cent of our industry not only here in South Australia but across Australia, and they also, I believe, were engaged with SACOME, the South Australian Chamber of Mines and Energy. The key outcome that we got from the amendments to the Mining Act were that there was a clear distinction between mining and extractives such that the Government was able to recognise that mining was producing high value products that weren't being processed. So we had exemptions in things like streamline mining proposals, no requirement for independent audits that are applicable to the mining industry, no renewed compliance reports unless there is extenuating circumstances, reduced administrative penalties and simplified reporting requirements. So the Government really has recognised that by removing that red tape and the burden upon business they can let us get on with producing products at low cost and getting them to market.

As part of your terms of reference was the fee and charges and royalties. I can't speak with any familiarity in terms of what you are doing in Victoria but what I can say is that in South Australia I believe that the fees and charges and royalties do encourage new operations to start and encourage business as well. So if you were to look at something like to take out a mineral claim, the application for a mineral claim is sort of some \$400 and once you have got that mineral claim approved and you then go on to an extractive mineral fee application you are sort of talking of once again, including advertising costs, some \$2000. So the Government does not put onerous costs on business such that it does not make it viable for them to go out and to search for new resources.

The other thing we do, if we pay 35¢ in royalties but that is actually split in South Australia between a royalty payment and a system called the Extractive Areas Rehabilitation Fund. Unlike other jurisdictions around Australia where they have a bond system, we have got a system whereby operators are forced to do progressive rehabilitation throughout the term of their lease, so every seven years, and you must demonstrate that progressive rehabilitation back to PIRSA but we contribute funding to EARF. Funding can be used to rehabilitate that site and that can be used to fund progressive rehabilitation for sites as well.

Mr NOONAN — That is for extractive?

Mr BROWN — That is just for extractive, yes. What that does from my perspective, if you were to have a bond system and someone was to look at starting up a new quarry, the capital costs of starting a new quarry are huge, let alone them trying to go and find a \$1 million bond up-front. I think it removes some of the barriers to entry which creates more competition, which creates lower priced products and more value for the consumers.

The other thing, I suppose, in terms of your terms of reference is the engagement that we have with government. As I said before, the CCA is the peak body representing the extractive industry here in South Australia. We have an excellent relationship with the former Minister the Honourable Paul Holloway, the new Minister Tom Koutsantonis but also the Executive Director, Todd Tetine has been a great supporter of industry and really understands what it is we are doing. We also have a regulator in Greg Marshall, who works incredibly closely with industry and is very accessible, and I think you need that. It is pointless having a minister who is on side but then the Department who is working against you. I believe in South Australia we are very fortunate to have support through all levels of government.

The CHAIR — How long have you been in the industry?

Mr BROWN — 15 years.

The CHAIR — Did that change dramatically, the levels of support that you got?

Mr BROWN — In South Australia I think we have seen a greater level of support in the last probably five to six years in South Australia, yes. I really think we have. And South Australia is no different to any other state. I think regulators in the past have seen themselves as — whether it is the compliance officer turning up on site or the Chief Executive, they have seen themselves as someone who shall lay down the letter of law, whereas at the moment we have got a very good working relationship with them, you know. An example I can think of is

that if we have an issue where there is a community issue with a quarry or a site and that call comes through to the Department, that's automatically referred back to the operator and I guess what they are trying to do is to get the community and the management of that site to actually work through the issue together rather than tying up the resources of the Department by going out and investigating every time they think there is a blast noise or a dust issue or a traffic issue or a visual aspect issue, and that's been incredibly successful and I think that's a win-win from an industry perspective and also from a departmental perspective as well because they are not continually out there trying to put out bushfires.

Mr NOONAN — Thanks for your presentation, Brett. Mining seems to be a very broad catch-all, catch-all reference, I suppose. You seem to paint a picture that you have been able, here in South Australia, to work with the Department, indeed the Government, to assist the extractives part of mining as a part of the broader sector and seek some outcomes which are going to be conducive to further investment. Is that a fair summation? Is that something, given your experience of working in other states' jurisdictions, that you have seen?

Mr BROWN — Yes, absolutely. I certainly think that working with government again you need to understand the idiosyncrasies of our industry as opposed to mining. There is the Mining Act that covers mining so whether you have got a little sand reserve in a little power screen, you are governed under the same act as guys who have copper and uranium. They recognise that work with us, which has been great. I get the feeling, sitting on the National Council, and it is only anecdotally what I hear in other states, particularly the Eastern seaboard, that that is not happening in other states, particularly Victoria.

The CHAIR — The changes or review of the Act in South Australia and Victoria that was able to take account of the specific issues that you face as a sector within the broader mining industry, what were they? I think you mentioned the removal of the bond and replacement with a fund as an example. Is that part of the amendments that have just happened?

Mr BROWN — Not that specific one. We have had the EARF fund in place for a considerable length of time now. That was not part of the review. In essence what it was, we set up a working group within the CCA and that involved small council operators, it involved large multi-nationals like Boral, companies like Rockler who don't have a hard rock reserve and only do sand mining, so they don't have drilling blast components. We put together a working group and worked with the Department through the Mining Act and we were able to demonstrate that certain areas of the changes were going to impact upon our industry in a negative way, and I think so long as we are able to go through that, step them through the process and I guess be honest with them, they were happy to make amendments with us.

The CHAIR — Just a last question I have. It is really about planning. You have obviously got to be within a certain distance of largely urban environments. One of the criticisms we heard in Victoria was that when government moved the usual boundary to create more housing, it was done without a lot of consultation with the sector which you are here in, in South Australia. Population growth in Melbourne is quite extraordinary in part. I'm not sure what it might be, for example, in Adelaide or other regional centres, but is there any dialogue to ensure that as urban growth goes ahead and the potential impacts associated with that encroach on your existing mines? I suppose I am getting to this point: that is there an understanding, I suppose, from a planning point of view about the potential impacts of the population growth within South Australia both in Adelaide and the regional setting?

Mr BROWN — Absolutely. We have actually got a ministerial working group at the moment who have conducted two meetings and our third meeting will be before Christmas, and what we are doing is we are looking at that key resource area. So there has been acknowledgement from the Ministry and the Department and industry that there is an issue going forward. It has probably been a bigger issue in other states than it has been in South Australia but we are coming up against it. So we would be looking to actually get in place some amendments and I guess in effect looking at key resource areas in South Australia are strategically important for the Government, not only the resource but also the transport routes. So that is something we are undertaking at the moment.

The CHAIR — When you talk about ministerial task, you are talking about the Minister for Resources as opposed to the Minister for Planning?

Mr BROWN — It is interesting. It was integrated by the Minister for Resources but in terms of who sits around that table, we have people from DETI, people from PIRSA — now called MITA. We have people there from Planning, people there from — we will have people from the UDIA as an example. So we will have all the stakeholders around the table representing all of their interests and trying to then get an outcome whereby we can actually look at putting in place key resource area protection for those key resources.

The CHAIR — As part of which act?

Mr BROWN — We don't have an outcome as yet. As I said, we have only met twice. That is still to be determined.

The CHAIR — But the picture you are well and truly painting for us is that this is an emerging issue and rather than see a situation where changes are made without any regard for your industry; you are looking at it in the early part to see what you can do to preserve or protect in essence your sector.

Mr BROWN — Absolutely, and the former Minister was Minister for Mineral Resources and also for Planning so I guess that's where, having both of those hats on, he was able to say: 'This is an issue' and, you know, 'We need to do something about it now rather than in the future'.

Mr FOLEY — Brett, to be precise, that is the South Australian Extractive Industry Resources and Planning Protection Ministerial Task Force.

Mr BROWN — That's correct.

The CHAIR — I was going to ask about that. So that's good. Of course, what we are looking at is very broad terms of reference, as you have identified, but I just want to make sure that the extractive side of things, because it is an immediacy and it is a long-term presence in so many communities, it really isn't forgotten in the rush.

Mr BROWN — Absolutely. Industry is fully aware of its obligations as well. You know, the CCA is running out community engagement charters throughout each state. So we recognise to be a good corporate citizen that we must engage with the community and ensure that people who live within our community can coexist with operations. As you said, they are an incredibly long resource life. Anything in South Australia, you have got resources for 150 years so it is important that we manage that process and that people can still live nearby.

Mr NOONAN — Just one more question in relation to royalties.

Mr BROWN — Yes.

Mr NOONAN — You touched on that in your presentation. You essentially suggested to us that royalties and charge arrangements here in South Australia actually encourages further investment.

Mr BROWN — Yes.

The CHAIR — Can you be a little bit more specific about how that does, because your Victorian counterparts again were suggesting that there needed to be some changes to the fees, charges and royalty arrangements in Victoria.

Mr BROWN — I am not familiar with the Victorian royalties but what I can say is that the royalties in South Australia, in effect of the 35¢ that is paid in royalties, if it is one payment, roughly speaking 10¢ is split as a royalty payment and 25¢ goes into the EARF fund. I think it would encourage simple investment. If a player wanted to start up a Greenfield site they wouldn't be hit up with a bond. It is a payment per tonne produced and sold. What I am familiar with in Victoria, as one example, is that I believe there is a royalty charge on overburden, which I don't understand.

In essence, the definition of 'royalty' in South Australia is a royalty payment on all minerals covered on mineral land or royalties pay only on all minerals recovered from mineral land and sold or intended for sale or utilised or to be utilised for any commercial or industry purpose. No royalties are payable on overburden in South Australia.

The CHAIR — But the big advancement is the removal of a bond and the money set aside for the funds.

Mr BROWN — Absolutely.

The CHAIR — That's the big advancement.

Mr BROWN — Absolutely, but if you were setting up a new Greenfields site and you needed to trip, because often you can have metres of overburden before you actually get down to the source rock, that can be a huge impact on a business having to start up if you had to pay a royalty and you had to set up that product and there is no revenue coming in.

The CHAIR — There is no suggestion that a shift in relation to a bond as opposed to a fund is in any way going to reduce the quality outcome of essentially the rehabilitation as you go forward.

Mr BROWN — In effect, I think it brings forward the rehabilitation. So what it does is the Department works with the operator to say 'You must, as part of your lease terms, have progressive rehabilitation'. So when that is reviewed every seven years, you must demonstrate your progressive rehabilitation. I guess that is the stick they hold to say: 'If you don't rehabilitate, then guess what; we may not then renew your rights', and I think that is a better outcome even for all operators rather than ending up with a huge amount that needs to be paid out at the end of a project or at the end of a life. Doing that progressive rehabilitation is the best outcome for the community, the operator and the Government.

The CHAIR — Brett, you will receive a transcript of today's proceedings. Feel free to make any changes that you feel are appropriate, typographical errors and such, but nothing to the substance of the document. Just on behalf of the Committee, I would like to thank you very much for being here. We have enjoyed your presentation.

Mr BROWN — Thank you very much. I appreciate that.

Committee adjourned.