ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into greenfields mineral exploration and project development in Victoria

Melbourne — 30 January 2012

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Mr B. McClure, General Manager,
Mr R. Kerr, Honorary CEO,
Mr J. Mawson, Chair, and
Mr B. Natoli, Management Committee Member, Construction Material Processors Association.
Good morning, gentlemen. Today, as you would know, this all-party parliamentary committee is hearing evidence on the Inquiry into greenfields mineral exploration and project development in Victoria. Welcome. All evidence taken at this hearing is protected by parliamentary privilege. However, any comments made outside the hearing will not have that same privilege. Are you going to go in tandem, serial, parallel?

Mr McClure — What we intend to do is give our presentation first and then open up for questions. I will just be going through the presentation initially.

The Chair — Could each of you give us your name and business address and whether you are actually appearing on behalf of an organisation or not?

Mr McClure — My name is Bruce McClure. I am the General Manager of the Construction Material Processors Association. My current residential address is 22 Gondolier Terrace in Golden Square, Victoria. I will be representing the CMPA here today.

Mr Kerr — I am probably wearing two hats — partly CMPA and partly as a owner of a family business. My name is Ron Kerr; 370 Lancefield Road, Kilmore.

Mr Natoli — Basil Natoli. I am wearing two hats as well. I am on the management committee with the Construction Material Processors Association. I have also been involved in the industry as a geologist for about 42 years now. I have worked for a major company for about 11 years and as a consultant in the industry during that time as well, in the areas of resource identification, assessment, planning and approvals.

Mr Mawson — My name is John Mawson. I am Chair of the CMPA. I am also the Managing Director of our family company operation, which is a joint venture between our family interests and Adelaide Brighton Ltd, which is involved in quarrying and concrete throughout regional Victoria and southern New South Wales. My home address is 59 Hopwood Street, Echuca.

The Chair — Thank you. Evidence taken today will be taken down and will become public evidence in due course. I invite you to make an oral submission.

Mr McClure — Okay. Thank you very much. The CMPA would like to thank the Committee for the opportunity to present to you here today. One of the main things I would like to stress is that the majority of members of our association are family businesses. Ninety-five per cent of our members are family businesses. In some cases they are third or fourth generation businesspeople. We represent strongly family businesses in our association. The CMPA is an industry association representing a broad spectrum of those involved in construction and material processes in the extracting and processing of materials such as gravel, rock, sand, masonry, clay, lime and soil. It is a very, very wide spectrum of extracted materials in Victoria. We also have industry consultants, industry suppliers and industry workers as members of our association.

Our association was formed over 10 years ago, mainly because we were concerned about the burgeoning government demands on our industry. We felt we had to have a single voice representing our concerns about those particular areas. One of the things I would like to cover when we talk about extractive industries and the relevance to the Victorian economy is that in June 2010 there were 869 work authorities producing around 46 million tonnes of product in Victoria. Based on Victoria’s population at the time, the amount of product that was consumed in Victoria is 10 tonnes per person per annum. That gives you some idea of the amount of material that is being used in Victoria. The other thing I would like to touch on quickly is that if you look at your average house built in Victoria, you see that up to 75 per cent of the total content of that house comes either from a quarry or a mine, whether it be the steel in the roof, the bricks on the walls, the concrete slab, the plaster walls or even the glass in the house. We have a major impact on everything that takes place in Victoria.

The Chair — What percentage of that would come from Victoria?

Mr McClure — All of it comes from Victoria.

Mr Kerr — No.

Mr McClure — Sorry, apart from the mining aspect of it. But all of the quarry products come from Victoria.
The CHAIR — Do you have any indication of the distance from the location it generally comes from, as an average?

Mr McClure — Yes. I do not have the figures with me, but at this stage most of the materials are sourced mainly locally at the moment. But what we are finding is happening increasingly at the moment is that we are running out of materials in Melbourne. We have documentary evidence to show that is the case.

The CHAIR — You are being pushed further out, are you?

Mr McClure — We are being pushed further out, which means that — and I know this for a fact — we are carting sand from Bendigo to Melbourne for concrete plants. We are also carting aggregate from Bendigo to Melbourne at the moment for road works on one of the freeway projects as well. So it is already happening. We have evidence of other areas where we are running out of sands — around Mordialloc and that area.

The CHAIR — I am sure it is part of your evidence, but what sort of cost does that apply to your project?

Mr McClure — It is adding anywhere between 15 to 20 per cent at the moment, but it will get worse as we run out of more materials. We estimate that it could end up being higher than a 35 to 40 per cent cost increase because of lack of materials that you can source directly. The further you have to cart it, the more expensive it becomes. The cartage costs are very expensive.

The CHAIR — Clearly.

Mr Kerr — For the cartage, on a rule of thumb, it is between 14 and 17 cents per kilometre tonne. That is a very important figure, so you can work out backwards very easily what the impact of that is.

The CHAIR — Absolutely.

Mr Kerr — There are also sections that have either stopped or are stopping production in Victoria, like lime, which is pretty well a dying asset.

The CHAIR — Depleted, is it?

Mr Kerr — Cement is being imported, and most of your masonry stuff now, except I noticed on the way in here we have China basalt sitting out the front door here, so it is good to come in today! But very gradually sections are being removed from the market.

Mr Shaw — Is that because we do not have the lime here or it has been built over or — —

Mr Kerr — It has been built over.

Mr McClure — We have the materials at present located around Victoria, but at the moment what is happening is because of urban development and sterilisation due to the establishment of grasslands and things like that, and also the price of the land — because it has been taken up for residential development in the future, it is just forcing all the quarries out of the metropolitan area to further away.

The other thing too that is also a problem with a lot of our quarries is the further you push them out, we also have a problem with access, because a lot of the quarries are not necessarily adjacent to a freeway or to a very good road, so then you have massive costs there for the local government area to upgrade the roads to take increased traffic. The number of trucks you require to cart material a fair distance is fairly staggering. It is easy to work out the figures; you would be talking many truck movements if you came and got the materials from a non-local source, and that comes back to more wear and tear on the road network plus more safety issues, so that the whole thing accelerates exponentially if you push the supply further and further out.

Mr Natoli — And there are indirect costs.

Mr Kerr — If you want to put truck movements to a figure, put it at 28 tonnes per load. Some range up to 30 and some go down to 10, but around 28 to 30 for each truck movement. If you have a million tonnes, divide by the 30 and you have X number of units.

The CHAIR — I am in Parliament because I cannot count.
Mrs PEULICH — Do we have any information as to the average length of a quarrying operation? Is there an average?

Mr KERR — The life? The life is difficult to determine at the moment, because there is no ownership of information in this area. It has been asked for in the past by us. Within the metropolitan area quite clearly many of those assets are coming to the end of their lives, because it is a finite resource and your boundaries determine that. Unless government agrees to expand that through improvements or extensions to work authorities or new work authorities, that means they have to look further afield, and that seems to be the trend at the moment. People are moving out. For sand, for instance, they are moving to Grantville and Moriac, which is 120 kilometres. If you multiply that by 14 and multiply a couple of million tonnes a year, it is not rocket science to figure out the impact.

The CHAIR — Where should it be going? Where should we be able to access this?

Mr NATOLI — I guess, as this says, the Lang Lang area was investigated by what was the Mines Department back in the 1970s as a future sand supply source for Melbourne. What is now the DPI but what was the Mines Department in those days under the old Extractive Industries Act was very proactive in working on identifying resources and protecting those for future use. The Lang Lang area had been identified probably back in the late 1970s through to the early 1980s, and those resources are now being utilised, so that the work that was done by government to protect these resources for future use for Melbourne is coming to fruition. But again that work probably stopped in the mid 1990s. There is no longer a role within DPI to either identify and protect resources or to even keep an inventory of the current resources available to the community.

Mrs PEULICH — No-one does that?

Mr NATOLI — No-one does it. That was stopped by the Department — I am guessing — in the late 1990s. They were wanting to save costs.

Mr KERR — No-one has even a role or responsibility to look after that asset at all.

The CHAIR — Is that right?

Mr KERR — No department has that charged as a responsibility.

Mrs PEULICH — That is extraordinary.

Mr NATOLI — In about 2003 Geelong was almost out of stone. One of our clients had an application up for a major extension to their quarry. That was delayed. A special deputation was made to the Minister for Planning because they were within months of having no stone supply in Geelong.

The CHAIR — That is why we are finding ourselves in the quandary of competing interests, because there has been no identification of it.

Mr NATOLI — Yes, and the extension application for that quarry had to go through an EES and an EPBC process, and it is still not resolved. They have a minor extension to get themselves a short-term supply, which has just about run out now, and they are still trying to get the finalisation of this EES process and also the federal process as well.

The CHAIR — That is over 10 years.

Mr MAWSON — I think in the same period about four quarries that once supplied the greater Geelong area have closed — they have been exhausted. I think also the Readymix quarry, which is now owned by Holcim at Oaklands Junction, was opened in the mid-1980s and designed to be the principal source of Melbourne’s aggregate on that side of town. At that stage its life was anticipated at 50 to 60 years or more. My understanding is that that lifespan has been halved.

The CHAIR — Because of?

Mr NATOLI — Competing interests.
Mr MAWSON — The demand for the resource. Other resources have been exhausted and demand for building materials has continued to grow, and so the lifespan of that quarry, which is presently being developed, is not going to be what it was originally anticipated to be even 10 years ago.

Mr NATOLI — I did the work on that quarry when I was at Readymix, and that was a 100-million-tonne-plus quarry, and that was in the 1970s. I think the approval went through in about 1978.

The CHAIR — You must have just been a little boy, were you?

Mr NATOLI — A little boy then. But that was looking at a 100-year quarry that is probably doing 2 to 3 million tonnes a year now. That is the market pushing up the demand plus the other suppliers running out around the area, so obviously the demand is there and they have to up their production to meet it.

Mrs PEULICH — Through you if I may, Chair, on the same subject: why do you think the role of identifying future sources of resources has been stopped?

Mr NATOLI — I am presuming because the previous work was done so effectively. People forget that at 10 tonnes per head per year if Melbourne goes to 5 million people it will be 50 million tonnes a year, and that is an awful lot of material.

Mrs PEULICH — And what do we have available?

Mr NATOLI — We do not know, because no-one is doing the work.

Mr MAWSON — No-one is responsible for it.

The CHAIR — Basically it is being left to private enterprise, is it?

Mr KERR — I think there is a belief that a lot of this asset does not have a royalty on it because it is owned by the centre of the earth and therefore it is identified as not being our responsibility and we do not have to worry about it. I think your last year’s returns had $4.4 million in royalties returned to the State. Let us say around about 40 per cent of your work authorities are with limited title, whether that is 15 metres or from the top down. The assumption that capital will participate is all well and good, but we represent small to medium-sized businesses with a turnaround of 7 to 10 years being the future. We are just saying to anybody, ‘Don’t bother thinking of investing in our sector, because it is after-tax money that you are playing with here and it will not be able to last the time’.

I had a young man the other day who has a little gravel deposit — this highlights what is happening at the big quarries — and he has an AAV issue and a specialist has found some chips. I think it is a 26 000 metre deposit — a very small deposit — but it would still facilitate that local area for a long time. He will not go ahead with that because the cost of even doing a CHMP study is so great that it would not be worth it.

In the last 10 years the sector has been buried by a plethora of new and advanced legislation requirements that make entry into the game just about impossible. So you have a dying industry from the point of view of lack of access to resource through this side of it, but you have also got this other side of not having an identified resource. Then you put in all your overlays — and government can quite clearly do that — and by the time you place your overlay of 100 metres or 200 metres off a watercourse then the AAV on top of that, which is another 200 metres, plus all your roads and plus your 500 metres on all housing plus 500 metres on all areas which are titled, say, national parks, you are suddenly left with a block about the size of a 10 cent coin that you can even look at. Then you have to look at your geological maps and say — —

The CHAIR — ‘There’s nothing there anyway’.

Mr KERR — ‘There’s nothing there anyway’. So we have put ourselves into a dreadful position.

The CHAIR — Do you think your industry has become collateral damage from governments trying to protect other things and putting the overlays in to protect other things, or do you think it has been specifically targeted because it is just not a desirable thing?
Mr MAWSON — It is collateral damage. I do not think there is any agenda or alienating of the construction industry.

Mrs PEULICH — There is no vested interest in protecting it.

Mr MAWSON — You have to differentiate: this is quarrying, so this is extractive. We are not processing minerals. Everything that we extract we can use.

The CHAIR — That was my point.

Mr MAWSON — I think perhaps the collateral damage has come through the demand and pressure on urban growth, so the urban sprawl has advanced at such a rate that it has overtaken any areas around the periphery that may contain viable resources and that should have been set aside. I think the thing to remember is that what we need at one point and what we need to set aside now in terms of area is bigger than what it was 20 years ago, before we had so many other overlays and buffer zones required.

Mr NATOLI — This is in effect mirroring what happened with, I think, the Extractive Industries Act 1966. It was the post-war building boom, and there was enormous pressure for resources to supply those works. There were a lot of land use conflicts arising from the other producers trying to get as much as they could in urban areas that were pretty much engulfing them. That was what brought in that special extractive zoning in the late 1960s. Areas that were deemed to have strategic extractive resources were given strong planning protection and as-of-right use for that purpose, which went, I think, right through the planning system until the mid-1990s. I think that zoning went out at that time. Our special-use zones do not have quite the same protection or teeth to safeguard those resources.

On the planning side there has recently been a strong recognition of the need for planning for extractive resources, but it used to be backed up by the DPI and geological surveying. That just seemed to disappear in the mid-1990s, and that has pretty much led to the hiatus we have now.

The CHAIR — So that is pretty much what you are asking to be re-implemented?

Mr NATOLI — Yes.

Mrs PEULICH — So we had a hiatus? Just a quick question, if I may: if Victoria cannot provide for its own construction needs, where would we get it?

Mr KERR — No, it is not that simple, because there are large assets within the marketplace who have already had privilege, with limited activity or competition. By that I would mean that you might go down the peninsula and you might see a very large asset down there that can have 30 per cent higher pricing than in other areas. What would happen is that your pricing in particular areas would accelerate. We have clear evidence where there are owners of small concrete plants and other types of businesses that are trying to tie up supply arrangements now for the future so that they have some kind of longevity. What you will see is that that will gradually come more into play.

The price structure has not changed very much. It is still a pretty brutal battle program, where you have five or six operators. Four of them are mobile, one is recycling and one is fixed asset. There is pretty aggressive competition there, and there is no problem with that, but we are trying to look further into the field. It is not just resources security but also the ability of an individual to enter the market that is being eliminated. The right of access is being removed as well, and a small family business would be thinking, ‘Why are only those with a couple of million dollars able to do that?’.

Your EI — extractive industry — interest areas had one area nominated that sits in my head, which is the picture on the front of that there, which is a document we did a number of years ago. That was a deposit out at Euroa. That story has just come to a conclusion now, about eight years later. That family put $700 000 into the legal costs alone to get it to happen — just the legal costs alone. It is a sickening story. It was a deposit that was a work authority. It got called in by the owner, but then the owner’s son decided that he wanted to go ahead with it. You start to look at this, and you hang your head in absolute shame because it is nowhere from anywhere. Every trick in the book was used to try to stop it as a particular not-in-my-backyard syndrome. That is the problem with our industry.
Mr FOLEY — And that is in Euroa; that is hardly on the urban growth fringe.

Mr NATOLI — And it was a quarry.

Mr KERR — It was a quarry, and it had a licence back in 1982, so it is not as though it was a death knell.

Mr FOLEY — I was going to raise this issue. We have had a bit of a focus on the Melbourne fringe and the Melbourne growth areas, which for obvious reasons are a fairly large part of the market. The industry is also represented in Echuca and around regional Victoria. Are you facing the same issues in the regions?

Mr NATOLI — Yes, very much so. Some areas are better endowed with natural resources than others. I do a fair bit of work up in Gippsland, and good quality resources there are very scarce. We have had a lot of effort involved with a couple of our clients there who are trying to get resources approved.

Mr FOLEY — Is it the same principle of urban growth and expansion?

Mr NATOLI — Not so much the urban growth there. I guess there are two sorts of instruments: the Native Vegetation Framework and the Cultural Heritage Act would be two of the biggest killers that are very much adding to the cost and the time of getting the approvals through.

The CHAIR — We are getting pretty much an idea of the intricacies of the problem. With your presentation have you identified the solution? Obviously it is multitiered. The identification of where it is, the protection of where it is for a period of time and access — those things all need to be taken care of. Have you suggested a mechanism for those things to happen?

Mr NATOLI — There are recommendations.

Mr McClure — Yes. In our report that we submitted to you we did put some solutions.

The CHAIR — We might actually let you do what you came here for.

Mr McClure — No worries. One of the things — and it is on the slide now — is that we are talking about balanced regulation. We all realise we need regulations, but at the moment they are just simply not balanced. We believe that really needs to be addressed. The other thing I want to touch on is that with work authority proposals there has been an 87 per cent decline in these applications since 1979 — 87 per cent.

The CHAIR — For work applications?

Mr McClure — For work applications, yes, for quarry sites.

Mr Kerr — Which is the starting process.

The CHAIR — I have heard anecdotally of a lot being knocked back. My area is Hastings down on the peninsula.

Mr Mawson — Sorry to interrupt, but that might be knocked back by any one of the referral departments. That could be local government, it could be DPI, it could be DSE. So for any one of those if you trip on anything you are out the door, and then the whole legal thing opens up if you have the nerve and the resources to go and challenge it through VCAT.

The CHAIR — Yes, I understand.

Mr Kerr — But these were about literal numbers of drop-offs as far as from the data from DPI, that there were less people coming forward with a piece of paper saying, ‘We would like to play in this game’.

The CHAIR — That is because the disincentive is so strong?

Mr Mawson — Yes, or because the risks are so high. Just to answer another question, if the stone does not come from the metro area it will come from the country area. Those resources will get depleted, and in the meantime the price has increased. If you work it out, with those tonnages at 17 or 18 cents a tonne a kilometre it is not a cheap exercise bringing stone down.
Mrs PEULICH — I will ask another question, and then we will let you go through that. Is there a lack of interest — and you have obviously intimated one of the reasons — because post-quarrying often infers landfill? There is a great deal of sensitivity about that, obviously, from the point of view of impact on residential amenities. I am being a devil’s advocate. So local government has to pick up the wear and tear on roads, and I am not sure of what sort of offset there is of any sort of additional costs through trucks coming in and out all the time. I know, because I have been a local councillor in the past, that around the Kingston area where there is obviously still quite a bit of quarrying happening, residents are concerned because it means that post-operation there is a high likelihood of there being a landfill, and the Government is obviously not getting too much in terms of income out of it. How do we respond to that to be able to change the system to give the industry some certainty?

Mr KERR — I think the first thing is we do not have a clear end use that is predictable sometimes, because with assets at 40 years you cannot say what they are going to be. Quite a few quarries end up being supermarkets and other businesses.

Mr MAWSON — It does not have to be a rubbish tip.

Mr KERR — I happened to be in Europe last year, and there was a garden I went to deliberately in, I think, Canada.

Mr MAWSON — That was in Canada.

Mr KERR — Yes, Canada.

Mr MAWSON — Victoria.

The CHAIR — Not Australia.

Mr KERR — No. Butchart Gardens, I think it was called. It was an old lime quarry that had been turned into an absolute international attraction for thousands. There are about 170 gardeners engaged there; amazing. So I do not know that we have a wide enough perspective of what could be done with these assets in a second level.

Mrs PEULICH — We are not thinking outside the square.

Mr McCLURE — No, we are not.

Mr MAWSON — The same thing has been done in Melbourne.

Mrs PEULICH — Karkarook Park, yes.

Mr MAWSON — And even in Sydney where they have made an Olympic rowing facility out of it. It does not have to be a landfill; it can actually be an asset that adds value to the neighbouring properties.

The CHAIR — Yes. I think you will probably find the Committee is fairly open-minded on that, because we have gone on site visits and seen the reparations that have been done in various areas to other parts of the industry.

Mr KERR — I think you have low land value around the quarry for a period, particularly for buffer zones. That plays as a disadvantage; particularly also on the corridors leading to and from them it plays as a disadvantage from the point of view of transport movement. I think also you have clearly limited understanding of the returns that come back into the community from quarries. I would suggest, let us say, a 500 000 tonne quarry would probably have a wages bill in excess of $1.5 million, without all the indirects of drilling, welding and transport. So there is a massive lack of information there for people to understand the full value that these assets put back into the community.

Local rates now seem to be much higher than they have been in the past, and we notice they are doubling again. They are rising extensively across the board, so quarries are being defined differently now, and I am not sure in the long run whether that is a bad thing. I also think land tax is starting to take a bite in a bigger sense than it did, say, 10 years ago. I have had people approach us and say, ‘I have had to pay $100 000 in land tax’. These are all
figures that you would probably never capture or you would capture as a $4 million bill that comes in from the part of the royalty that you have access to. So I think there is a lot of activity there that is happening, as far as what you are asking is concerned, that is bringing revenue back into the State, whether it is PAYE or other forms of taxation at state or federal level.

Mr NATOLI — But the other side of that coin is that we should not be ashamed of rubbish tips. We have to have them too. Again they require trucks to transport the material — the waste generated by the communities — to them. If you look at the old system, I know that back in the 1970s when we were involved with applications most of the councils would insist on the landfill rights. If you did not give them those, you would not get a planning permit. That was common sense; that saved the community — their ratepayers — money, and some of the councils made squillions of dollars out of it. Whittlesea in particular made a lot money out of landfills.

So there is the concept of landfill being nasty, but it has to be somewhere, and the closer it is to where the rubbish is being generated the better. If proper protection with buffers is put around the extractive resources in the first place, there is no reason why you cannot have both. To me that is fundamental to the aspect of long-term planning for the use of these resources, because it will be a win-win situation. Karkarook and the whole chain of parks in Heatherton was extraction. There was strong protection around it, except the councils got greedy later on. They subdivided the local boundaries of these sites, which should have been industrial, so they have gone to residential right up against the buffers or boundaries of some of the sites there. But the concept was fine.

Mrs PEULICH — There is a lot of angst as a result.

Mr NATOLI — Yes. That should never have happened planning-wise, but the concept at the outset was very good. They are still going to get very large areas of parkland there which long term will be of great benefit to those communities.

Mr KERR — If you would like to see this compatibility issue, we have a business out there in the Whittlesea Council area and it sits in between soil, green waste, recycling and other such businesses which are around it. I think complementary land use around these assets is a step forward, and it is not impossible to do. I do not think enough attention is paid to the fact that it does not necessarily have to be sterilised; it can have other end uses.

Mr NATOLI — A large number of the inner city reserves and parklands are filled quarries. They are current assets for the community. If you look far enough ahead and do the planning and protection for it, then everyone can win in that process. But if you get too greedy and people subdivide and put houses up against the boundary, you will end up with conflicts these days.

Mr McClure — That is happening more. If you have had a quarry there for 40 or 50 years and all of a sudden they change some of the planning rules, and then if people start building houses right alongside the back fence — —

Mrs PEULICH — Of course landowners prefer residential subdivision to quarry, for obvious reasons.

Mr Kerr — That is right. You just have to be patient, that is all.

The Chair — There is the other end of it too, isn’t there, about the urban planning — where urban planning is planned to happen? Clearly, if you have resources, that would be one tick in a box about heading that way for urban planning.

Mr NATOLI — It should be. At the moment we have the western grasslands reserve, which has incorporated about two or three large quarry reserves — God knows why — which have been sitting there for a long time. So someone has not joined the dots.

Mr McClure — And they do not realise the impact. That is one of the problems we have: people do not realise the amount of product we are going to need in the future to cater for the extra million people that are going to be here. I mean, if you want to cart it all from someone else, okay, fine, but we are saying that is just crazy.

Mr Kerr — Forty years is not enough.
Mr NATOLI — No.

Mr KERR — A hundred years has to be what you are aiming at.

The CHAIR — The missing part of the puzzle.

Mr KERR — Ten years is getting it to function and create markets.

The CHAIR — It is disturbing that there is not anybody in the position even looking at that.

Mr McClure — We have some solutions, but we will just quickly go over some of the major areas that are causing us real grief. For example, native vegetation is causing big problems for our industry at the moment. The requirement for native vegetation prescriptions is a very, very big disincentive. It completely sterilises the land in a lot of cases.

Again, these are just some of the solutions we have thought of. When they are doing the valuations they put a value on the trees and grasses, but they do not put a value on the materials underneath all of those things, which is crazy. I mean, you have an asset there. This slide relates to an area Basil is particularly familiar with, where we have had real problems. That quarry could expand. That is probably one of the major suppliers of stone down in the Latrobe Valley, and he has real problems in trying to expand his quarry because of issues down there in relation to native vegetation.

Mr NATOLI — Also, it is on Crown land there too. We are still fighting a battle in terms of the Crown’s requirement for rehabilitation levels versus private land. He is currently facing a rehabilitation of $3 million for that site. If he has to pay that, the quarry will be almost unviable.

The CHAIR — A barrier to entry, you are saying?

Mr NATOLI — Yes. And this quarry has been going for about 25 years.

Mr KERR — It is the last remaining significant deposit in the valley — end of story.

Mr McClure — What also happened, he was going to make major improvements to his plant, but because his bond was so large he rang up the supplier and said, ‘I can’t take it because I have a bond issue now with the department’. So here you have another repercussion on another industry, because he simply cannot put his money into developing and upgrading his plant.

The CHAIR — The ripple effect is extraordinary, isn’t it?

Mr KERR — The plant developer there, a person from central Victoria, has had to try to sell that plant because he has already built part of it, but once the bank was aware there was a future liability, it went from $400 000 to that higher price — $2.6 million, I think it is.

Mr NATOLI — No, it is about $2.9 million.

Mr KERR — Two point nine million dollars now. I think it will take a very good entrepreneur to get out of this one. So you are actually assuring yourself of less and less future participants in the market.

Mr McClure — Just quickly, the other issue shown on the bottom of the slide is cultural heritage. That is causing some real problems for us at the moment. I know an inquiry into that is taking place this year, but that is another area that has grown out of proportion.

Mr SHAW — I read some of your case studies about cultural heritage costs, and nothing of any of significance came up. So you spent that money — —

Mr McClure — Yes, in terms of artefacts.

The CHAIR — Nothing was found.

Mr SHAW — Nothing was found. No.
Mr McClure — No, exactly right. That is one of the problems we have, and it really is a big issue.

Mr Shaw — It is not just the dollar costs; it is the time it takes to do that as well.

Mr McClure — Yes, and that is causing more and more grief all the time, as the cultural heritage side of things starts to develop. I mean, basically an industry is being created out there with consultants; that is the reality. They have created an industry out there and that is feeding it, and the costs are just skyrocketing. When the idea was first mooted the department was talking only $4000 or $5000 to do a desktop study. Now you cannot do one for — what would be the minimum, Basil?

Mr Natoli — A desktop study is probably up to about $15 000 to $20 000. But if they find one stone — which is not hard to do on a proposed quarry site — you have disputes about whether it is an artefact or just a broken piece of stone, and it is impossible to arbitrate. Over $100 000 has been spent on a CHMP for that site there.

Mr Shaw — One hundred thousand?

Mr Natoli — Yes, and they have to spend another $90 000 on salvage works as they develop the site.

We had a dispute with the consultant initially involved in one of the areas. We had a meeting on site with AAV, and their employee declared that these were artefacts. It was a roadside stack site. She said, ‘That bit of stone there is an artefact’. I said, ‘What about the bigger bits and the smaller bits?’. She said, ‘No, they’re not artefacts; the little bits are’. I said, ‘No, that’s crushed rock’. That is the level of knowledge or level of understanding of materials that you are dealing with. Basically a small stone fragment will be a registered site and that then requires a buffer, unless you go through a whole process to deal with that. To me it is ridiculous. In Western Australia those fragments are not classified as artefacts, whereas we have developed an industry finding useless bits of stuff and doing massive reports on almost nothing that has happened in the last three or four years.

Mr Shaw — So out of your members, everyone has to do a report?

Mr Kerr — Not everyone.

Mr Shaw — Okay. Out of all that, on what percentage would they have found anything?

Mr Natoli — On one site they found some more obvious artefacts, but they were actually outside the proposed extractive area, so they would have not been disturbed anyway. Of other bits of material they found, most of them are quite debatable, and for the sake of getting the thing through the client generally says, ‘Oh, yes, we’ll accept that’. One of them has taken nearly two years; another one we are involved with has finally come through just about a week ago with an approval. That is about a year and three-quarters, and they spent over $300 000 on that.

Mr Kerr — What size was that site, Basil?

Mr Natoli — It was initially for about a 60 hectare site, and it was cut back to 5 hectares.

Mr Kerr — So you can figure out that the resource on that is going to be fairly limited. Look, one point I would make as an observation from sitting on the side is that government continues to bring forward new legislation and regulations and ideas. It should be held accountable that its original assessments on costs are checked and proven five years later. If those costs are not able to be proven by evidence, the legislation should be terminated. If you have said it is going to cost $8000 to do an XYZ study and it is already costing three times or five times that, there has to be a new look at the economic impact, because it seems to me that when regulators put things forward they are putting them forward with rose-coloured glasses to get their policies forward and delve around that. I am saying that maybe we need to look at the evidence at the end of the day and say, ‘Gosh. The cost we originally said doesn’t stack up with the cost that is actually happening’. I do not think that is an unreasonable outcome.

Mr Natoli — Not just the cost, but the value of the outcomes of that work, too, needs to be assessed, and that is what we say. The native vegetation process, unfortunately, as far as law, was never before Parliament. It is just an adopted policy that was prescribed, pretty much. The cost of that, the whole thing, has never been
assessed, but I would say it could be staggering in terms of what we have seen in the work that we do. It is a very fickle process. You can go and look at a paddock one year, and depending on the weather and the grazing or what farm use had been taking place, it can be no value. Come back a year later and there are different practices and it could be worth something. We had one paddock down near Geelong that has gone from almost nothing to about $4 million offset costs in a year. That is what the operator has to come up with: buying offsets to develop that paddock.

The whole concept behind the process is an ideology; it is not science. Money is being spent in tying up these Trust for Nature blocks and covenants. There are little blocks, thousands of hectares, being tied up around the whole state. These have to be monitored. I do not know who is going to pay to do that. There is no fire risk assessment or management for any of these. This is happening right across the State, and there are literally hundreds of millions of dollars being spent on this. If we go ahead with the western grassland reserves, there are probably several billion dollars to be spent there to buy that land and do the same thing. This is all based on an untested ideology which was put forward previously and we are currently working to. The practitioners who are involved in this area all think it is a bit strange, but they make money out of it.

Mr FOLEY — So what is the untested ideology?

Mr NATOLI — That by setting aside these reserves as such or by having these offsets, which are being tied up under covenants, section 173 agreements, we are going to get a net environmental benefit. When the drought was on things were getting pretty hard hit everywhere. All of a sudden everything is growing like blazes all over the place. The concept that we are reduced in native vegetation might be fine — it is a fact — but we have a population of how many million people and we have to provide food and resources for them and land for them to live on. When that framework first came out the concept was to return Victoria to 1750s vegetation coverage, which to me is absurd. That was the driving concept behind that framework.

Mr KERR — The problem from our point of view is also the restriction of entry. Your bush broker at the moment is sitting at about $100 000 per hectare. A person may have to find four–for-one or five-for-one to offset. Again, these are additional burdens on a small-to-medium business that cannot put it on the table. It is just another burden.

The CHAIR — And they all get passed on.

Mr KERR — There does not seem to be the evidence in past history that says this will benefit this state or benefit the community, because we do not have a value on that rock that is under that. We do not have a value on that rock, so the trees were X units, but the rock does not have a value. From the point of view of an environmental footprint from travelling over to push the material an extra 100 kilometres to the market or to remove that tree, it seems to me that, if we have to play this game in this way, the field should be level and there should be an identified value for the rock as well. It is because with a footprint that is open in one site, we will use that site up before we move to another footprint. I firmly believe that is so. If that gets counteracted out because of the vegetation of the buffer zone that you originally put in in the form of bunding, which happened at one site that I am thinking of, then it gets reassessed and now you have this phenomenal liability because you have grown all these trees and now they are being used against you.

Mr NATOLI — This particular site in the Latrobe Valley is on a forest reserve, and to get the offsets to remove the timber, which there was going to be a lot of anyway, the client has had to buy a block of land for $300 000 up near Longford. That has been secured by agreements to get the offsets for that. The value on the offsets that he bought in that block, now he has had VicRoads looking at spending in the order of $7 million to buy further offsets off us for a $300 000 block of land that he bought. The whole financial accounting behind this process is absolutely crazy — it is Mad Hatter’s tea party stuff. That particular issue of native vegetation is crying out for a full-blown assessment of the costs of it. There are bits and pieces happening in various areas all over the place not being pulled together. The potential for future fire hazard is enormous. In my opinion the framework — I come from St Andrews — has added significantly to the impact of fires three years ago. To me from the start to finish the whole cost of that framework should be fully examined, reviewed and accounted for. I cannot see there are any benefits at this stage, or very few — any real benefits. You have land that cannot be managed, but being tied up all over the place. DSE cannot manage its own parklands adequately at the moment, so here we are creating these blobs of land disconnected all over the place which have vegetation, which to me is just an absurd outcome; I don’t know how the hell we got there.
Mr KERR — Extractive industry has a disadvantage in this area too, because often rock is sitting up on the ridge of a hill and the farmer never cleared that before, so therefore the trees and the grasses are sitting there, so the penalty is further exacerbated.

Mr NOONAN — I have just noticed we are right on time and, given that we are probably not going to get through the full length of the presentation which you have prepared in advance, we might organise to get a copy of the presentation for the Members, but use the last couple of minutes to try to hit the nail on the head with any key recommendations you want to make for the Committee, because we cover a lot of ground and that might be the best use of the time available to the Committee today.

The CHAIR — Yes.

Mr KERR — I think the simplified process coordinated by well-funded and skilled parties — a definition within somebody’s responsibility that they have accountability to that outcome. I am not quite sure that regulators and policy should be in the same world, because it seems one is always stronger than the other. But we have to as a state have a clear understanding of what we want. Do we want future access for resource to be able to accessed by all or just a few? Do we want a resource there for future generations, and are we willing to look out past 20 or 30 years?

Mr NOONAN — Do you have anything else? I did not mean to wind it up bluntly. We have covered a lot of ground. In a sense I think you have identified the challenges and the evolution of those challenges and how they have occurred. In the task of this committee making recommendations, and having a prepared presentation, are there two or three items that you would say would really assist in relation to your industry and we should ultimately be considering very clearly as a committee in terms of our own recommendations?

Mr McClure — I think there is one area that really causes a bit of concern: the lack of understanding of a lot of the planners. Recently they released the urban growth boundary corridor plans. If you look at the plans, you see there is virtually not a quarry on them. They have mentioned the quarry in the report, but it is in a very small paragraph. I think the problem we have at the moment is that there is no understanding within the community and local government area and among the planners and even within the government department of the need for viable product close to the market. If we are going to expand Melbourne for 1 million people, we need to have the resources close by, because if we do not, the costs of our trying to develop Melbourne to 2030 and 2040 onwards is going to be very expensive. I cannot see us doing that unless we are prepared to bring in the materials from China by boat, or whatever.

Mr MAWSON — It is probably a challenge across all government departments, but because so many departments are involved in this process you can find that the level of knowledge in any particular one is inadequate, and they can almost work for conflicting purposes while everyone is trying to achieve the common good. The quarry industry does not want to see the State denuded of native forest and fauna, but by the same token we have to find that balanced regulation in the middle ground, which will require that departments work proactively and together to come up with the right access to resources.

The CHAIR — Is there a state that is doing it better? Is there an ideal model that is operating at the moment or even a model that is an improvement on ours?

Mr MAWSON — I would put it to you that Victoria has perhaps gone back a little bit in following a national model and integrating extractive industries with mining. While superficially the industries have a lot in common, the whole economics of it are completely different. The impact on the environment, the size and the scale of the impact on road traffic and all the local government issues are quite different. Following the model elsewhere in the country, which has brought the extractive industries under the Mines Act, and developing the Mineral Resources Sustainability Act has actually been a negative step, I think we would agree. We need to try to have a head department, if you like; one that is responsible — DPI, DSE or whatever — to coordinate the whole thing and ensure that the other departments that are relevant referrals, including catchment management authorities and EPA — there are so many of them — are fully informed and are aware of the issues that are at hand.

Mr KERR — Many local councils and even VicRoads and others are finding it difficult to access the supply of materials also. It might be worth following up through the local council association to find out where they are finding shortages. I know from some of the reports being presented that they are struggling with distance — in
other words, the distance travelled for the materials they want is greater than the price they are paying for the material ex-quarry, so the tyranny of distance is really starting to bite.

Mr MAWSON — And the resources that those councils have in their planning departments — a planning department might consist of one person. That is a hell-of-an ask for that individual to be across all these issues, yet they are a key player from go to whoa on the development of a resource.

The CHAIR — I thank you very much for your presentation. The Committee extended the Inquiry to bring about the information that you have given us today and to listen to other people’s information on this particular area, because there is no doubt that we understand there are issues. We are listening. We are very grateful for your participation today and the information that you have provided to us. You will receive a copy of the transcript in the next few weeks. Please feel free to mark out areas where you think there have been typographical errors, but no change can be made to the substance of the evidence that has been given. Is everyone happy with that?

Mr McClure — Yes. There is just one other thing I would like to mention. We have a copy of our magazine, which I will let you have. We have highlighted a particular part.

The CHAIR — Do you want us to take out an ad?

Mr McClure — There is also a copy of our report we put together, which basically shows we are running out of stone in Melbourne.

The CHAIR — Thank you very much; we really appreciate it.

Witnesses withdrew.