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The Executive Officer
Economic Development and Infrastructure Committee
Parliament House
Spring Street
EAST MELBOURNE VIC 3002

By email to: edic@parliament.vic.gov.au

Dear Sir/Madam

GREENFIELD MINERAL EXPLORATION AND PROJECT DEVELOPMENT IN VICTORIA

Resource Futures Pty Ltd is a consulting and advisory service provider that has operated in the resource development and infrastructure sectors since 1987.

During that period, principal consultant and director, Dennis O'Neill, has also undertaken contract and senior executive or general management staff roles with organisations such as the Australian Mining Industry Council (AMIC, now Minerals Council of Australia); the Australian Council for Infrastructure Development (AusCID) and as managing director of NuPower Resources Limited, a NT focused explorer for uranium, gold, phosphate and rare earths.

He also participated on the panel that undertook the Hunt Inquiry into the WA Mines Act in 1986/87.

This submission is made in the context of offering higher level perspectives on the desired public policy framework for timely and meaningful assessment of the State's mineral resource endowment; on achieving an appropriate balance between pre-competitive public investment in the mineral resource sector and subsequent competitive investment by the private sector; on setting and administering 'fit-for-purpose' regulations that are fact-based and deliver cost-effective outcomes consistent with the prime goal of safe operations; and, last, on providing an administrative setting that integrates these inputs and outcomes in a pro-investment sense to create future jobs and opportunities for Victoria.

As a generalised headline statement, it is the opinion of this company and, arguably, the perception of the exploration industry that the legislation, regulations and operational practices, including budgetary support, of South Australia currently represent best practice in the mineral resource sector in Australia.

It is in this last statement that our key message rests – market perceptions count. The Victorian Government could do no worse than to review and overhaul its legislation, regulations, programs and budgetary support for mineral resource development and proceed to emulate best practice, as identified by investors.

Victoria's Mineral Endowment

Knowledge of the mineral endowment of a particular region is never definitive. It is the result of an evolving process of discovery that is conditioned by scientific theories (which in themselves evolve), extant databases of geological information (which can decay in a competitive sense), mineral economics, improved exploration technology and the regulatory framework that governs access to and economic development of prospective land.

Thus it would be quite inappropriate ever to declare that Victoria has been fully explored or that its mineral endowment is fully understood.

Hence the gold discoveries of the 19th century that marked Victoria as a rich gold province continue to attract some new investment in gold exploration, though, arguably, not so much on a comparable basis as other Australian gold regions. One can only remark that, most likely, the most easily won, lower cost, gold has been successfully extracted and there may remain much more to be found. It most likely lies under deeper or more "opaque" cover and may require new techniques or technologies to extract economically.

Therefore, within a jurisdiction where mineral rights are effectively public property ("Crown" ownership as it is expressed in Australia), it is incumbent on governments to ensure that knowledge about the full mineral endowment is at all times kept updated.

This implies that no mineral species should be prohibited from exploration, even if it is not desirable from an economic or public policy perspective to consider economic exploitation of that mineral.

In Victoria's case, this means that minerals such as uranium and thorium should be explored for. Not only might these commodities contribute economically to the State's future but also to its future energy security. At the same time exploration for lignite should continue, as determined by market forces, again to understand the State's mineral endowment and to ensure more comprehensive appreciation of our energy minerals.

The search for sources of geothermal energy has been a recent addition to Victoria's spectrum of resources activities. It has its own technical and commercial challenges and, at this early stage of potential commercialisation, may require more pre-competitive support from governments than would other commodities.

To achieve an up to date state of mineral endowment knowledge, on which informed decisions about future exploitation may then be made, governments must ensure the maintenance and funding of appropriate pre-competitive capacity. This is then used to collect, research and analyse basic geological theories and information, store and retrieve it and make it available to the public, including industry, to foster market-driven decisions about further investment in commercial exploration.

Timely appointment and retention of key staff is critical to success in this process and many in the resources sector would question whether recent Victorian Governments have given due priority to this outcome.

Access to land for exploration purposes, whether by government entities or by private sector explorers, is crucial to information gathering about mineral endowments. Unfortunately knowledge about land tenure and its associated rights, about mineral tenure and its associated rights and the role of governments, seems to have been subsumed in recent times to the presumed overarching right of the individual to see his or her rights dominate over the wider community interest.

If Victoria's mineral endowment is to be exploited sustainably to the benefit of all Victorians, some serious efforts are called for (by government and industry) to ensure that the balance of interests between private rights and public interest is managed wisely.

This issue is no better demonstrated than in the current uproar over land access for gas exploration and the presumed risk to food production. Leadership is needed to introduce clarity, objective information and education about the issues to seek sensible resolution. We need energy, water and food; it is not an either/or issue.

The Regulatory Environment

Having not actively explored in Victoria since 1987, we cannot comment in detail on Victoria's current regulatory environment as it applies to mineral exploration. Perceptions count, however. It is a wider industry perception that Victoria's regulatory environment in this sector is effective but also more challenging than in the more dominant resource States.

Of particular concern to explorers is the growing tendency to adapt regulatory processes suited to the mining stage, to exploration activities. This indicates a misunderstanding and misallocation of the risks involved in exploration and can lead to more costly, time consuming outcomes, for no or little net gain.

A regulatory review, with benchmarking against those States attracting more exploration investment, could prove beneficial in identifying areas where regulatory reform would contribute to a more investor friendly outcome based on appropriate regulation.

Programs to Increase Greenfields Mineral Exploration

Again we see no reason to act any differently than Victoria's more nimble competitors have done. Look at South Australia and other Australian States to identify their geological and geophysical data collection programs, their drilling support programs and their systems for public access to data. The British Geological Survey has done similarly with a recent data acquisition program in Northern Ireland.

Simply identify best practice in this respect and implement programs to ensure that best practice is adopted and maintained in Victoria.

Costs and Benefits of Greenfields Mineral Exploration

An examination of other relevant jurisdictions will show that the annualised cost of state of the art geological data systems and investment incentive programs runs in the tens of million to low hundreds of millions of dollars. The opportunity cost of foregone economic and social development caused by not understanding the extent of the mineral endowment is incalculable.

Without wishing to show any disrespect to the Committee, Donald Rumsfeld summed it all up very well, albeit awkwardly:

"There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know."

Mineral endowment fits this space. Should the Committee require further elaboration on the above or on other matters associated with the Inquiry, I am happy to be available for a personal presentation.



Dennis O'Neill
Director