Response to the Parliamentary Enquiry

into


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Response to the Parliamentary Enquiry into Greenfield Mineral & Project Development.

Comment:

While there will be many formal submissions for the committee to absorb, this submission is a personal “take” off the top of my head to provide the committee with a predominant range of thoughts from an individual who has worked in the minerals industry and has been involved with a diverse but thinking and focussed group of individuals for 30 years.

This document does not reflect in any way any policies or strategies of any company I am associated with or a director of and I seek to provide the committee with an individual view on the industry and what has affected it both beneficially and detrimentally with a touch of the exaggeration stick to make a point. I expect the committee to read this and take anything from they see is in line the broad objectives of their task but to ignore the more flippant narrative.

It’s been an interesting time in this business and is becoming even more interesting.

This industry is one of the few that can provide an exceptional living for a large number of people who fail the “normal lifestyle tests” and end up in their late teens to early twenties with no education, no direction but a desire to work after having experienced rough childhood years.

These skilled individuals “drive our mining revenue” and end up being strong contributors to our society (despite testing it early) and compliment the technical and financial people that work in the mining business. Mining is risky and large amounts of money flow in and out of the business with the potential for high return.

One of the major impacts of our society and past governments “perception” of what our society in Victoria expects is large amounts of risk capital being “siphoned off” to satisfy a minority of anti-miners who in all reality won’t ever be satisfied as its with a “religious fervour” that they attack a business that provides them the opportunity to bite the hand that feeds.

With the world reeling from the short sighted policies being washed down over the last 20 years, Victoria is in a premier spot to receive large investment into its mining centres subject to the government making some hard decisions that will upset the lifestyles of some people.

In being involved in this business for many years, I have only seen a handful of people be affected by mining operations and they completely understood that it was a big operation and they could live with the effects. Their compliance usually resulted in some secondary benefits as should be the case.

I have also seen only a small number of people who have made outrageous and unsubstantiated claims that various operations would destroy their lives and others around and have generated an activist lifestyle that has required enormous private and government costs to try to quell the issues that were never going to be quelled. If 5 people had been told to sit down and shut up in various operations over the last 20 years I suspect at least 2 million dollars of funds would have been directed to development or exploration rather than committees and sugar pill solutions for what always turns out to be hot air and a desire for easy money.. Minority governments and swinging voters.
Mineral Endowment:

This submission will cover predominantly gold mining as this is the premier mineral of the moment and with Victoria’s population, bulk metals such as Copper, lead and Zinc etc are environmentally sensitive due to the vast developments required. The current geological structure of Vic tends to (not totally) limit this style of ore body.

Coal is well defined in Victoria with an established mining process providing cheap power to Victoria.

When ANY of the alternative processes can match Coal to provide a consistent and reliable power source at a similar cost then a focus on its integration to the states circuit should be made.

Pricing of power with the newer unregulated arrangements has become confusing and with an extra layer of management in between the consumer is being charged more, reducing the state’s economic competitiveness and we lose jobs to overseas again.

Victoria is still very prospective even with the enormous mineral wealth developed to date.

60 – 90 million ounces of gold has been produced in the past with only minor disturbances of the surface area of the state(now called “Heritage” and requires another layer of bureaucracy to work through) which is ideal for victoria’s population.

Very clever planning people have allowed significant settlements to be built right on top of premier mining areas ensuring that the most difficult of conditions for future miners will be and are being experienced.

One of Victoria’s largest regional centres is located right on top of Victoria’s largest goldfield (and is still Australia’s second largest producing field).

The history of gold exploration is extensive and does not need a rehash other than to discuss the “why we are where we are” today as compared say to Kalgoorlie / West Australia which is in top gear as a producing region.

Victorias gold mining history is one of simple economics. As the gold was found in greater and greater quantities, the cost of producing rose until it precluded all but the highest grade / low cost operations. A fixed gold price especially capped efforts.

Union interference restricted the next step which was to lower costs by mechanising operations and reducing labour. This was undertaken in WA but not in Victoria with the result the industry passed away.

In the early 1900’s Victoria was still restricted to 1 ton per man per shift and by the mid 1900’s, air boggers and locos had arrived but the unions agitated to keep men at the face with the result that the mines closed. Good work. This didn’t occur in WA and the mines restructured with mechanisation increasing production and reducing unit costs. Subsequently following the depression of the gold price in the mid 1990’s the industry is on “greyhound” status and now making good profits with unheralded expansion.
In Vic, with the increase in gold price in the 1980’s and the subsequent financial manipulations which have seen the gold price rise significantly, new attempts to reopen significant fields have occurred with mixed results. The single biggest factor is the money that has been spent in the communities with these efforts.

The influx of funds has allowed significant geological discoveries and the input of money from govt to undertake regional data gathering programmes has been invaluable and heavily utilised by industry.

With economics favourable and technology available, money has been forthcoming to recommence development and exploration work at Victorias major mining centres.

*Of the most significance has been the quantum leap in geological understanding at all of Victorias past mining centres which has now led to significant new discoveries throughout the state.*

Regulatory system.

The perception that Victoria is too populated, too green and that the govt doesn’t want mining is rife throughout the broking and mining business.

A well known local mining analyst made the statement in the 1990’s that “investing in Victoria is a complete waste of funds” This was made at a significant conference event. That individual has since recommended investments totalling many millions of dollars in Victorian mining ventures so his attitude has changed significantly. This does show the industry perception of Victoria is poor.

All the majors have been here and left empty handed is another industry perception.

They have and simply because they haven’t found a deposit that fits their operating criteria. Operations by numerous companies have shown solid results and shown that profitable mining is possible on a smaller scale.

The slim political majority observed by successive govts since the 1980’s has seen proposed developments and perceived sensitive issues swept under the “EES” carpet.

This is seen in the industry as a govt mechanism to push the “blame“for unpopular decisions off to a series of consultants that industry “pays handsomely for” and the govt can hold its hand on its heart and say that the decision to mine or not has been made independently along guidelines (which it can adjust depending on the political wind.) I have been involved in a significant EES process and found it almost a farce.

The car park being full of Porches and Mercs every time a consultants meeting was held has left me cynical at the waste of investor’s dollars to satisfy a very small minority of fundamental objectors and allow a government not to feel threatened at the next election.

Independent phone surveying of mining in Bendigo showed an overall majority were positive or uninterested at all in what was to be a major project underneath their houses.

The negatives were of a very small but vocal minority that successive governments have been scared of and the industry has to undertake excessive expenditure on overcompensating for these issues.
It must be pointed out that the incoming labour government in the 1980’s deliberately targeted all known mining areas with “Conservation Parks and Historic reserves” with the aim of satisfying top level supporters who quote “don’t like mining”.

This was supported by the creation of the “conservation department” whose aim was to wrest legislative power from the mines act and the forestry act and bring “green principles” into what some city people saw as slash and burn field policies.

I saw the placement of very green principled, university graduates and teachers into superior positions in the new Conservation Forests and Lands department over 30 year experienced foresters who had been managing the states forests with minimal impact.

What then occurred was a national disaster in the making as the experienced operatives immediately retired or transferred rather than compromise their principles and be responsible for what would eventually happen!

In 1986 I had a conversation with an early retiring lands department forester whose words stayed with me.

“These new young guys have no idea of the real world and the changes they are implementing to the management of our high country and state forests will result in unprecedented bushfires and people will die” He was right as we have experienced unprecedented bushfires and people did die.

This legacy has been relaxed in some cases as economic pressure is brought to bear and successive govt have removed some of the fundamentalist operatives in the DPI sphere but it was a perversion of governments supposed mandate based on public servants personal opinions.

The layers of obtaining permission to work are improved in some cases but the native vegetation overlays are hugely imposing particularly the offset land replacement requirements and the bush broking arrangements. This supposedly simple process is overly complicated and no one can agree on actual values.

Money is being wasted on superfluous ancillary actions before it can be directed to finding resources.

And this is to satisfy a very small minority of people who are fundamentally opposed regardless of anyone’s actions so why bother? A clear government directive for exploration or no exploration needs to be clarified and owned.

While Labor governments get in on “social reforms” these bleed money like there is no tomorrow and they fail to promote anything that can pay for it and eventually a liberal government gets back in to fix it up. A very general view but that what happens.

What annoys everyone is that the state votes on personalities and not performance!

The native vegetation requirements should be totally waived for any exploration work as companies are required to rehabilitate all work areas so eventually a no nett loss of vegetation occurs. (Note we are not allowed to leave our history behind but have to expend substantial sums protecting existing history?? How does that work??) that’s right “pay a fee” to destroy.
In some areas, total clearing of all vegetation was experienced in the 1800’s so we are not even preserving old growth.

In the case of a mining operation, yes there should be some management of vegetated area and nett loss reduced. In generating wealth for the state (just like farmers) we will effectively reduce area for exploration by continually increasing 4 fold the areas of “offsets” that will be untouchable. This will eventually encroach on economic areas.

Aboriginal cultural heritage is another area of confusion.

The mining industry is being forced to sign compensation agreements and pay money to “claimants” who haven’t yet had their claims recognised.

Their agreements include a clause that states “should our claim be dismissed, this agreement still stands...”

how does that work under our legal system? This is a travesty of law and we have been forced into this by a vocal minority.

No issues with looking after their heritage sites have huge issues with being forced to pay money to groups that do not have legal claim to it.

Of note in “native title negotiations” this clause is not negotiable.

**Town Planning.**

Who owns the minerals? The crown. Who regulates for the Crown? DPI ... So why do a whole lot of other people need to get involved in a further layer?

Unfortunately, staff and councillors generally have a vested interest in their areas and or are on board to push an agenda. This can delay decisions as internal politics takes place with once again, individuals being able to control outcomes.

This tends to get out of control with the only option being VCAT to get a resolution.

A colleague recently mentioned a case where a council planning decision was taken to VCAT and the decision overturned in 7 minutes of testimony. The applicant had to wait 2 years and cost in excess of 30k. Ridiculous.

Get them out of it and appoint a couple of planning scheme experts to DPI to ensure local planning issues are covered in the approved work plan process. There will be noise but a smoother and much quicker approval process with certainty will result for exploration / mining proposals.
Canberra:

Canberra has a department of Sustainability, Environment, Water Population and Communities that come over the top of the state and can delay and prevent capital expenditure on exploration and mine development as they have a department of compliance. They obviously have no confidence in the state’s ability to regulate its own backyard. You can call them on 02 62741080. One person with a fundamental opposition to mining (as all rocks have a consciousness) has involved this department in a small exploration project. The power of one!

SO as a company, time and money is being diverted from the real job to engage in “satisfying the complaint” for a Federal government department. Might as well get rid of DSE and DPI, let the federal government look after it all. (ignore cynical comment).

Summary:

Funding to be pushed into DPI to expand the titles regulation to provide a fuller service for companies to obtain titles and provide a streamlined process covering approval for work plans, especially in respect to Heritage and Vegetation issues.

Relax vegetation removal constraints for exploration.

The DPI to manage Planning, Native vegetation and Heritage without the need to outsource comments and conditions from other departments which is where the predominance of delays exist.

That covers regulatory issues.

Success and failure:

There have been several successes and perceived failures in operations at Victoria’s major mining centres. It must be noted that the failures have still resulted in significant opportunity for further investment as significant capital works have resulted along with increased technical information being obtained. What may be a failure for one company can be an opportunity for another.

Successes:

**Stawell Gold mines:** started in the mid 1980’s has produced gold and given enormous economic benefits to that area for 30 years despite being on 1 year’s reserves ahead of itself since inception.

**Fosterville** Again, commenced in the 1980’s and has developed along to be a significant local contributor for 30+ years with good resources still in front of it.

**Bendigo** $0.5 billion dollars raised and spent in and around the Bendigo area since 1984. Dramatic reduction in resources and subsequent hiatus saw a revised operation mine a significant production total until a lack of resource ahead of mining closed the operation.

A conservative management team have perceived the operation as high risk and have reduced risk to the company with focus elsewhere. Exploration work still ongoing. Fundamentals of the area are still good.
**Ballarat**

Enthusiastic major company completely overestimated capability of the field and a small focussed company has picked up and is developing the operation at an appropriate rate. Still there has been several 100 million dollars spent on infrastructure for a long term operation which has benefitted the local community significantly.

**Tarnagulla**

Small well organised company mined a new gold shoot successfully at an appropriate rate in the 1990’s until a corporate takeover along with the gold price drop saw it close operations. It produced a small profit at a then price of around $380 /Oz.

If that operation were to be up and running today the value of that production profit would be more like $40 million or more.

**Costerfield:**

Small company has taken mining to a scale that suits the deposits and is working hard to maintain an output that is exported overseas. Good development for a basically depressed area of the state.

Why have some large projects failed the bar lately?

Because of the lack of appeal for funding for Victorian projects, to raise significant funds, favourable projections are sometimes made which are then increased through the corporate level until issues that we have seen at Bendigo and Ballarat occur and cause shock waves.

This is common place through the industry with mechanised mining and large tonnages being the deposit of choice throughout western Aus / Qland & NT so applying this to Victorian narrower high grade reef deposits is difficult and doesn’t work on a practical scale but was seen as the main method of achieving a focus on Victorian targets for attracting large funders in the mid 90’s.

The remaining areas of significant gold production in Victoria are now being subjected to fund raising and operational activity as well as new discoveries under the sediments that cover the northern section of the state.

Several discoveries have been made which are of significance which has generated interest outside the state and has brought in capital for exploration and development.

**General Observations.**

Alluvial gold which was the initial start to Victorian gold production is now being focussed upon but is stifled by historic classifications, vegetation issues and the encroachment of population by the practise of land developers buying what was perceived as unproductive ground and selling it to the suburbs as the “getting away from it” all lifestyle.

This has prevented large tracts of alluvial ground from being pulled together due to fragmented ownership issues.

The potential disruption, action groups and “noise level” generated by efforts to commence a large scale alluvial operation would have officials running for cover and most companies pass over these deposits purely on the community impact basis (current gold prices have the old reports being dusted off for review).
The nature of alluvial mining is to disturb the surface and from the 1850’s any areas that had potential to hold alluvial gold were cleared and covered with diggings.

With Australia’s flora accustomed to growing in concrete with no nutrients, this was heaven and all old mining areas are well (naturally) revegetated.

Now these areas are “preserved” when there is significant potential value for the state.

I will open a short discussion on: “Preservationists”

This is a breed of city folk who buy cheap land in the country to “get away from it all” then immediately involve themselves in every issue to ensure it remains exactly how they found it.

This is frustrating as they are unaware of long term projects that may have been in play for many years and this breed have caused issues all round the state holding up all sorts of plans for their own personal benefit.

The most obvious case was the expansion of the fosterville mine when a new neighbour caused significant delays to the operation and launched legal actions with the backing of neighbours.

This went to the point that the company was forced to buy all the properties by this action which was the main opponent’s preferred outcome.

The rest of the neighbours who were actually quite happy with their locations were shocked to find they had a cheque and no place to live. A social disaster.

Companies want and should be protected from these issues and clear legislation should be drafted to ensure people are clear in what they can and cant do in the case of mining operations.

The original mines act and compensation committee were effective in dealing with these cases, no emotion, just put your case for compensation or shut up.

While the current administrative affairs tribunal sorts this stuff pretty well, it can be an 18 to 24 month circus which a well healed “objector” can create all sorts of delays in the hope that the “company / proposals” will go away.

Suggestion: increase AAT capacity to resolve issues quicker and or fund a suitably independent group to deal with these issues.

Summary:

While the industry is still small in Victoria, world economics now suggest it will be an important business to foster. The onflow of money into small communities is a huge bonus when the farming industry is flat and the world itself is in a negative sentiment.

Different approaches and programs to foster Investment in Victoria:

There are numerous incentive programs throughout the world but the recent Victorian geol survey programs have been very effective. Digitising and availability of all historical information to explorers has been a big benefit throughout the worlds mining areas.
Increased geophysical work (detailed gravity and magnetic), drilling grants and updated mapping / regional reports have been very beneficial in lifting the geological potential of Victoria.

In particular the drilling grants were found to be especially beneficial for small listed companies to carry out “spec holes” for testing structural theories etc and mineralisation models that they may not have approved budgets for in normal circumstances.

The Victorian Geological Survey (has a new name I cant recall) has provided a very strong and consistent database and knowledge store of Victorian mining for well in excess of 100 years and this knowledge is being digitised gradually to be accessible online through the Geovic portal which is a fabulous tool. This is one area that deserves focus.

All opportunities to increase the net wealth to Victoria lies purely in strong government to reduce costs related to dealing with self interested individuals and groups etc with fundamental opposition to mining that have developed strategies to delay and frustrate exploration and mining operations.

This government is in a position to assert itself and bring in further investment by subtle but direct changes to legislation to increase exploration and mining activity to the state by reducing the impact of minority interests.

The mines act is powerful legislation, it needs other legislation and impediments in public service operations to be aligned, not opposed to it and the government needs to be committed to pushing on with this work and to not be delayed and sidetracked by the vocal minority. It will be controversial but this should be welcomed as a sign of action and the majority of Victorians will also welcome a strong and pro development government that isn’t put off by loud noise.

Don’t read this as a request for a licence to bulldoze the state but a more appropriate recognition of the delaying and damaging efforts of minority groups to disrupt what is a vibrant and productive business in what are extremely testing financial times. The government of the day needs to implement a process whereby spurious attempts to delay work are dealt with quickly and with a finality. The obvious closer is the current status of the amount of “noise” generated and dire predictions of all opponents to the current operations in Victoria who have been proven pretty much wrong.

I like to call it the wind farm factor: if you’re not in the wind farm envelope (receiving direct benefit) make as much noise as possible and try to get into the wind farm benefit envelope...

Why should companies that are striving with shareholders funds to generate a living for any number of people, be subjected to an effective “ransom” to be able do this? Elsewhere its a bribe or corruption...

A Panel should be convened to hear all these issues for every proposal that receives an objection and the objection issues dealt with in as short a time possible. The aim of the panel is to stop dead any spurious complaints and maintain a clear path for miners (within the appropriate operating legislation) to continue work.

Thanks for reading these thoughts

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