

Cost Recovery Enquiry
Productivity Commission
Locked Bag 2
Collins St East
Melbourne VIC 8003

23 January 2001

Dear Commissioner

PRODUCTIVITY COMMISSION ENQUIRY INTO COST RECOVERY BY THE COMMONWEALTH

The Geological Survey of Victoria (GSV) is part of the Minerals and Petroleum Division of the Victorian Department of Natural Resources and Environment.

The Minerals and Petroleum Division is responsible for the promotion and regulation of the extractive, oil and gas and minerals exploration and mining industries and pipelines in Victoria. Industry specific facilitation and development marketing services are provided, along with the maintenance of the State's historical geological database and the development of additional state-of-the-art regional geological data.

The GSV delivers high quality products to generate wealth through the sustainable development of earth resources by attracting minerals explorers to Victoria. The geoscientific information provided by the GSV include geological maps and accompanying reports, airborne geophysical surveys, geochemistry, historic mines plans, mine information, and open file exploration company reports. These data are the foundation stone upon which new exploration models are built. Much of these data are now readily available in a digital form.

In 1994, the Victorian government recognised the need to make an investment in data acquisition in order to enhance the discovery of new resources within the state. It instigated a 3-year \$16 million program, the Victorian Initiative for Minerals and Petroleum, to increase the production of these data sets. The government has recognized the importance of this initiative and has extended it to 2001 bringing the total commitment over the seven years to \$25.5 million.

Our experience in Victoria is that for every \$1 spent by government of acquiring high quality geoscientific information at least \$10 are spent by the exploration industry and this can lead to major new mineral discoveries. During this period the amount spent on exploration has increased from a low \$12 million in 1992 to a peak of \$50 million in 1997. As an example, in a bid to encourage exploration in the north west of the state, the government spent \$2 million to acquire new geophysical data. This data has lead to the discovery of a major mineral sand province in the Murray Basin with potential for a \$10 billion industry with a life span of 50 years.

Prior to 1998, GSV charged for its digital data. The items were typically between \$500 and \$1500. Equivalent items from AGSO would be \$12000 to \$24000. In an effort to increase access to our data, we decided to provide our digital data for free. Since this decision we have seen a 25 fold increase in the volume of data (up from 100 items/year to 2500 items/year) provided to explorers, contractors and educational institutes. New clients such as land managers are now using these data for soil and salinity mapping whereas previously they would have been reluctant to purchase the data. This illustrates that many clients are interested in the data but either could not afford to it or were unwilling to pay for it. AGSO's higher costs are an even larger impediment to clients.

Benchmarking of AGSO prices against Victoria and some other states would show that the AGSO prices are significantly higher. These high prices act as a disincentive to access and use of the information. Furthermore, they disadvantage smaller companies that are likely to try to use products not suited to task to minimise the cost to their exploration program instead of purchasing the AGSO data. This group of explorers plays an important role in the major discoveries in Australia. The large companies such as BHP, Rio Tinto, Anglo Gold and Western Mining have no such cost impediment to their exploration programs.

Prior to the Victorian Initiative for Minerals and Petroleum initiative, AGSO was the custodian of the majority (95%) of the airborne survey geophysical data over Victoria. These data were collected under Commonwealth of joint State/Commonwealth projects and distributed by AGSO. As our initiative progressed and the much of the AGSO data became obsolete to the point where AGSO is now custodian of only 25% of this data in the state. While this is a major reduction, these data are in strategic areas in the central goldfields around Bendigo and Ballarat. Our marketing approach to distribute statewide datasets is compromised because of AGSO's requires royalties for their data. Distributing partial datasets (ie without AGSO data) is clearly not in the best interest of promoting Victoria to our clients as a place to invest its exploration dollars.

The revenue generated by AGSO sales is considered as part of its budget funds. I consider that AGSO needs to be able to adopt a flexible approach to its pricing policy based on current industry benchmarks without reducing AGSO's overall budget.

AGSO pricing policy is a deterrent to potential investors both Australian and from overseas. The significant gains from new major mining projects far outweigh monies might gain from geoscientific data sales.

PHILIP ROBERTS

Manager

Geological Survey of Victoria