

ABN 14 725 309 228
Enterprise House
136 Greenhill Road
Unley South Australia 5061
Telephone 08 8300 0000
Facsimile 08 8300 0001
Email customerservice@business-sa.com
www.business-sa.com

15 March 2013

Resource Exploration
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Sir/Madam,



I write to you in relation to the Productivity Commission's Issues Paper: *Mineral and Energy Resource Exploration*.

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

While South Australia has experienced a mineral exploration boom and there have been a number of new mines commissioned, the State has yet to benefit significantly from the mining boom. With the indefinite postponement of the Olympic Dam mine expansion, the so-called mining boom is likely to be one of moderate growth in South Australia, rather than strong growth.

Mineral exploration in South Australia has been supported by the Plan for Accelerating Exploration (PACE), which was introduced in 2004. PACE has developed a vital database of pre-competitive geoscientific data for mineral explorers and contributed to the identification of many new mineral deposits across the State. Indeed, these types of initiatives reduce both costs and risks for explorers and increase the level of exploration that occurs.

Almost \$31 million in funding was allocated to PACE between 2004 and 2011 and a further \$10.2 million has been provided to an expanded PACE 2020 initiative. PACE 2020 maintains the core principles of economic stimulation, accessibility to land, development of environmentally sustainable exploration and mining and increasing cultural awareness.

Exploration approval processes should be transparent, easy to understand, and have clarity regarding information requirements. Regulations associated with such processes should be reviewed regularly to ensure that their objectives are still being met and that any interim changes do not have unintended consequences.

Where additional requirements are imposed, particularly associated with land access, environmental and heritage issues, then it is likely to result in higher costs and longer delays. A risk-based approach to exploration approval processes, when these issues are considered, would reduce the costs and the time associated with such processes.

Unfortunately, there has been minimal progression of initiatives to streamline environmental approval processes, largely due to the composition of the Australian Parliament. Simplifying such processes, in particular requiring only one environmental impact statement to be produced, would improve consistency and reduce the costs and time taken for projects to be approved.

Areas that are open for exploration should also be open for mining. Issuing an exploration licence over a particular area is counterproductive if there is no allowance to mine any deposit that may be discovered. This will waste both time and money for the exploration company, the relevant Government Department and in some cases, taxpayers.

A recent example of this is where the South Australian Government issued an exploration licence to a business to explore in the Arkaroola Wilderness Sanctuary, knowing however, that mining would not be allowed, and without adequately advising the explorer. This was counterproductive and ultimately the State Government paid compensation to the business. In such a case the licence to explore should not have been issued.

An area of concern that may be limiting mineral and resource exploration is the undue influence of unions on industrial relations and subsequently the ability of project proponents to proceed with greenfield projects.

The current provisions in the *Fair Work Act 2009* are acting as a barrier to businesses commencing new projects and in particular resource projects. They are also adding to the costs of such projects. These negative impacts flow upstream to exploration efforts, particularly for medium to large businesses.

Businesses should be able to make pre-start agreements for new projects without having to negotiate with a union(s) and be subject to inflated wages and employment conditions claims by a union(s).

The *Fair Work Act 2009* should be amended in accordance with provisions that existed in the *Workplace Relations Act 1996* to allow employers the option of a non-union greenfield agreement that would be tested against the relevant modern award, minimum standards and a 'no disadvantage test'.

The terms of reference for the Inquiry do not include consideration of financial barriers to exploration; however, it is important to mention changes to tax regimes that impact on the mining industry.

This is particularly so when such changes are as poorly managed as they have been by the Commonwealth Government over the last few years, resulting in raising the sovereign risk of investing in Australia. This reduces the likelihood that exploration activity and subsequently mining efforts will be allocated to this country.

This is also the case with any policy change that is poorly managed and where consultation with stakeholders is inadequate.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely

Nigel McBride

Chief Executive Officer