

To: **NSW Deputy Premier**

Re: **RECOMMENDATIONS TO SUPPORT MINERALS INDUSTRY INVESTMENT AND ECONOMIC GROWTH IN NSW**

26 May 2020

Introduction

The Association of Mining and Exploration Companies (AMEC) welcomes the opportunity to provide a submission to the New South Wales Government on recommendations for opportunities for the NSW Government to support the minerals industry to deliver economic growth following the impact of the drought, bushfires and COVID-19.

About AMEC

AMEC is a leading national industry body representing over 275 mining and mineral exploration companies across Australia. Our members are explorers, emerging miners, producers, and a wide range of businesses working in and for the minerals industry. AMEC represents a number of companies exploring, mining and investing in NSW.

The minerals industry stands ready and willing to support NSW

Mining is a pillar of the New South Wales economy and as a core regional industry is ready to support NSW following the impact from the devastating drought, bushfires and COVID-19 pandemic. With thousands of hectares of bush burnt, homes, lives and businesses lost, regional and state economies in deficit, the minerals industry stands ready to support NSW.

The minerals industry is a regional industry. We work in regional locations, stay in local hotels, eat and drink locally and routinely hire regional contractors and staff. The minerals industry is well placed and ready to be part of the solution to support NSW regional economies as well as the broader economy of the State.

Impact of COVID-19 on the minerals industry

The impact of COVID-19 has not been evenly distributed across the mining and mineral exploration sector. There are three main ways the pandemic has affected the mining and mineral exploration sector:

- Operating miners have needed to implement new processes and procedures that have increased costs and tightened expenditure. Some of these companies are delaying future expenditure and development of projects as well as reviewing jurisdictional priorities.
- Smaller miners, especially if they were heavily reliant on interstate fly in fly out (FIFO) experts or workers who could not relocate, have generally been forced to reduce operations. These companies may have benefited from the Commonwealth Government's JobKeeper program.

- Junior mineral exploration companies, depending on the state of their cash reserves prior to the pandemic, may have been forced to limit their expenditure, and reduce staffing and programs, especially where staff or equipment was unable to cross state borders. These companies are not currently eligible from the Commonwealth Government's JobKeeper program as they have no income.

To provide detailed insights, AMEC recently surveyed¹ mineral exploration company members in early April to assess the impacts of COVID-19, with the following results from 63 respondents:

- 74% of mineral exploration companies have ceased all or most exploration operations
- 74% of respondents do not believe that their cash reserves will last the year
- 25% of respondents reported less than \$1 million in cash reserves
- Over half of respondents reported a share price and value decrease of more than 20%
- Almost 50% of respondents had actual or planned staffing redundancies
- 97% of those with actual or planned redundancies expected between 1-10 redundancies.

Across Australia, the Australian Bureau of Statistics² has reported employment data (March-April 2020) that supports these findings:

- 8% decline in the mining and exploration sector employment
- 2.9% decline in mining jobs since Australia's 100th case of COVID-19
- 11.6% decline in the total employee wages of mining staff.

An important concern and impediment on future activity, especially for mineral exploration companies, is the amount of cash held to finance their activities, and their ability to raise future equity capital. The BDO *Explorer Quarterly Cash Update: December 2019*³ reported on the quarterly cash position of Australian Securities Exchange (ASX) listed mineral exploration companies, as follows:

- 40% of ASX listed mineral exploration companies reported less than \$1 million cash at bank in the December 2019 Appendix 5B reports (25% in the AMEC survey in April as above). Research⁴ finds that the average ASX listed mineral exploration company in Australia spends approximately \$1 million per year on administrative costs (fees, rents, rates & staff) before undertaking any on the ground exploration activities.
- 40% of the market now have less in cash reserves than required to meet their upcoming costs.

These responses mirror the recent lack of mineral exploration companies listing on the ASX, a common pathway for raising investment capital. To date there has only been one mineral exploration company listed on

¹ <https://www.amec.org.au/>

² <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6160.0.55.001>

³ <https://www.bdo.com.au/en-au/insights/natural-resources/publications/explorer-quarterly-cash-update-december-2019>

⁴ <https://minexconsulting.com/>

the ASX⁵ in 2020. In 2019 there were five, in 2018 there were 35, in 2011, 71 companies listed and in the halcyon days of 2006, 126 companies listed.

Further, the impact of COVID-19 on commodities has been inconsistent. Globally, many commodity prices remain volatile, but Australia's major mining exports have proven robust while coupled with a weaker Australian dollar and lower fuel prices. Unlike other commodities, the price of gold has continued to rise this year, with Australia now forecasted to overtake China as the world's largest gold producer⁶. However due to different market pressures and increased price volatility, the coal price has dropped 25% and is now at the lowest price since 2016⁷ and copper, nickel and aluminum have experienced valuation drops of up to 20%⁸.

Governments must support mineral exploration companies to continue to operate and invest, and for companies with projects, fast-track and streamline approvals to bring projects forward to directly stimulate job creation and the economy.

Making NSW the number one destination for minerals industry investment in Australia

Prior to COVID-19, the Australian minerals industry and investor confidence were recovering from record low performances, although NSW had remained behind other States and jurisdictions. The internationally respected Fraser Institute *Annual Survey of Mining Companies 2019*⁹ rated NSW as the lowest Australian jurisdiction in the three key rankings of investment attractiveness, policy perception index and best practices mineral potential as well as amongst the lowest in the world for uncertainty concerning existing regulations, environmental regulations and regulatory duplication and inconsistency.

The NSW Government has recently prioritised attracting minerals industry investment through a number of initiatives. These include the release of the *NSW Minerals Strategy*, the *Future of Minerals Report*, *Online Minerals Prospectus*, world class geoscience information such as the high-tech metal resources map and Seamless Geology Project, as well as participation in international promotional opportunities.

It remains critically important that NSW is an attractive destination for mineral industry investment, both exploration as well as mining activity, to ensure the stability and future of the industry.

The mines that secure the economy of tomorrow are found by the explorers of today.

To build industry momentum and confidence, mining and mineral exploration companies need the NSW Government to maximise this critical time to take further action to support and attract minerals industry investment.

To achieve this, AMEC provides recommendations detailed below and rated as follows:

- Priority (high or medium) – High priority designates recommendations that will make a significant impact on the minerals industry with direct outcomes, with medium priority for less critical issues.
- Term (short, medium or long term) – Some recommendations are designated short term as they require only internal Department of Regional NSW (DRNSW) processes and so could be completed or at least

⁵ <https://www.asx.com.au/asxpdf/20200212/pdf/44f12cs3p45bk5.pdf>

⁶ <https://www.australianmining.com.au/news/australia-to-overtake-china-as-worlds-largest-gold-producer-resources-monitor/>

⁷ <https://www.afr.com/companies/mining/coal-and-alumina-prices-looking-sick-as-virus-takes-hold-20200424-p54muf>

⁸ <https://www.aspistrategist.org.au/a-tale-of-two-commodities-iron-ore-and-oil-take-different-paths-in-covid-19-pandemic/>

⁹ <https://www.fraserinstitute.org/studies/annual-survey-of-mining-companies-2019>

commenced in the coming months and certainly by the end of 2020. Other recommendations may require broad consultation or co-ordination from multiple NSW Departments as well as legislative reform, so have been designated medium or longer term that would extend into 2021.

NSW must have a stable, fair and risk based public policy framework to provide industry with the confidence to make critical minerals investment and business decisions. AMEC recommendations to achieve this objective are detailed below.

Recommendations

1. Deliver on actions and update the *NSW Minerals Strategy*

High priority, Short/Medium term – DRNSW only, no legislative reform needed

The NSW Government's publication of the *NSW Minerals Strategy*¹⁰ in February 2019 was a landmark commitment that provides a clear pathway for the minerals sector to secure the future economy of the State. As an important pillar of the NSW economy, an overarching strategy to articulate the vision for the industry was long overdue and this strategy has provided the industry, community and the Government with a clear framework for our future.

Each of the actions in the Strategy has a resourcing commitment and Government must ensure each action is delivered within the published timeframe to maximise the natural resources potential for the State of NSW.

Further, most of the actions in the Strategy have been or are on track to be delivered in 2020. AMEC recommends updating this key document so that it continues to be current and provide a roadmap for the forward planning for Government in the coming years. The updated document should closely align with the objective of economic growth and include appropriate timelines to ensure delivery of each and every action. To ensure that the Strategy remains current, a regular annual review as well as reporting on the delivery of the actions quarterly should be implemented.

In the updated Strategy, focus should be on the following objectives to support the industry and grow the minerals industry investment in NSW:

- Providing data and geo-scientific information to support industry
- Improving Government services and better regulation
- Promoting investment in the NSW minerals industry.

Recommendation:

- Ensure the actions in the *NSW Minerals Strategy* are fully resourced to support and secure the future economy of the State.
- Update the *NSW Minerals Strategy* to ensure it provides a future roadmap to maximise the resources of NSW. Ensure that the Strategy is updated annually, and the delivery of the actions reported quarterly.

¹⁰ <https://www.resourcesandgeoscience.nsw.gov.au/miners-and-explorers/programs-and-initiatives/nsw-minerals-strategy>

2. Ensure that Department of Regional NSW has a growth and collaborative culture that supports minerals industry investment in NSW

High priority, Short/Medium term – DRNSW only, internal process and policy changes only

The recently formed Department of Regional NSW (DRNSW) that includes both Mining, Exploration and Geoscience (MEG) and the Resources Regulator (RR) is a great opportunity to reset and remedy longstanding bureaucratic issues.

Compliance requirements for the NSW minerals industry can be impractical, overly prescriptive, and increase the administrative burden for minimal regulatory, community or environmental benefit. As an example, the Improved Management of Exploration Regulation (IMER) introduced in 2015 brought in some positive changes but has increased the administrative requirements and complexity of tenure management.

AMEC strongly supports a clear, fair and streamlined regulatory framework that meets compliance, community and environmental expectations. In NSW a holistic review of the regulatory framework is needed to ensure that regulation is up to date, risk-based and outcome focussed.

Specific issues and recommendations for the Department are detailed below:

- **Ensure a customer-centric culture** – Industry continues to report that they experience unsatisfactory and often incorrect and inconsistent Government service. These issues over many years have led to a perception that the NSW Government has an obstructive and combative approach to the growth of the NSW minerals industry. In contrast, Service NSW has turned around their offerings to be a welcoming, streamlined and efficient service hub. It is timely to reset both MEG and RR and ensure that their culture and service align with the Government vision of customer service as well as supporting and increasing minerals industry investment in NSW.
- **Review and improve operational efficiencies** – Industry continues to report difficulties in the service for tenure applications, resulting in unnecessary and unexplained delays as well as the incorrect, inconsistent and unsatisfactory responses. A recent example is a new form where different versions were released on the MEG and RR websites with ongoing confusion over the new details and why the requirements continue to vary. A holistic review of the tenure management system could illuminate any issues and provide an improved framework to streamline and simplify the complex processes.
- **Ensure that MEG and RR work together as appropriate** – There is widespread industry confusion on which arm of Government is responsible for which component of tenure assessments and activity approvals. This is not assisted by different websites and these recent examples of inconsistencies on common forms. Where appropriate, MEG and RR must work together to deliver on the Government support for industry.
- **Improve the MEG and RR websites** – The current RR and MEG websites are out of date, confusing and difficult to navigate. The website is the shopfront of any organisation in 2020 and it must be welcoming, clear and contemporary to encourage investment in NSW.
- **Implement workable online system/s** – Both MEG and RR are independently developing online portals that must be linked and fully functional. The Titles Management System (TMS) commenced in December 2019, has cost over \$10 million, and is currently barely functional. The RR online portal is in development, but AMEC understands that there is currently no schedule for these systems to work together. This will lead to further confusion for industry and significant duplication in both costs and administration and so must be remedied without delay.

- **Eliminate the backlog on tenure processing** – Issues with delay on tenure processing continue to plague DRNSW that lead to frustration and concern for industry. Although under the *Mining Act 1992* an explorer may continue to work on a title under renewal, many Company Directors view this as a breach of their fiduciary responsibilities. Eliminating the current tenure processing backlog and instilling processes to prevent the creation of future backlogs should be a priority for Government.
- **Streamline the Government forms, guidelines and codes** - In NSW the ‘cradle to grave’ process for an exploration licence (including application, one activity approval, renewal and relinquishment) requires over 600 pages of NSW Government documentation including almost 200 pages of forms and over 400 pages of guidance documents. This is a significant burden, especially for exploration companies that are typically small (often one to ten employees) who cannot afford to spend time and resources on unnecessary administration, as well as for Government to process and keep updated. AMEC understands that some of the forms are currently under review but this project must be broadened to include all forms and ensure that the guidelines and codes are similarly updated and streamlined where possible as a matter of urgency.
- **Review Service Delivery Standards** – The current Service Delivery Standards were scheduled for review following the implementation of the TMS, which was introduced in December 2019. It is now timely to review the key performance indicators or service delivery standards. This should include a parameter for tenure transfers (similar to the time for exploration licence applications); reduced time for simple activity approvals (similar approvals are now completed in 5 business days in other jurisdictions) and include time to process Native Title applications. Reporting on length of time over the service delivery standards and spot reports on other parameters should also be included as industry members report that Government processes that do not have reported standards are often left in abeyance.
- **Introduce concierge service or case managers** – AMEC understands that there is industry frustration when applications for tenure and activities are not progressed in a timely nor efficient manner. A point of contact for each application would greatly assist industry to understand the process or delays and help progress matters as appropriate.

Recommendations:

- Ensure that DRNSW has a growth and collaborative culture that supports minerals industry investment in NSW, with risk based and outcomes focused processes, assessment, reporting and compliance framework.

3. **Improve the regulatory framework for NSW through review of the frameworks for security bonds, tenure application selection, tenure advertising and penalty regime**

High priority, Short/Medium term – DRNSW focussed, review needed with potential legislative reform for some recommendations

There are ongoing issues with some aspects of the regulatory framework in NSW that should be reviewed and improved where possible. These include:

- **Review the security bond regime** - At this time, access to capital is currently one of the most critical issues for the mineral exploration sector. Any capital raised that is not directly related to exploration is seen as a disincentive to investors. The NSW Government currently holds \$3.1 billion in rehabilitation security deposits for the minerals industry, with \$36.6 million (1% of the full security holdings) held for security over all mineral exploration tenure. AMEC has recently provided Government with a detailed brief

noting the issues with the current system and alternative security frameworks. A short-term improvement could be to reduce the deposit threshold or quantum or provide for group bonds and reporting. This is now a critical issue that deserves Government attention.

- **Review fines and penalties** – Currently NSW tenure holders may receive penalties for submission of late reports, inadequate reports, late payments or mistakes on applications that then lead to penalty infringement notices and other permanent records for the company that must be declared in all future applications. Similar activities such as late car registration payments or speeding in NSW incur fines or warning letters. This system deserves review to ensure that it is equitable and reasonable, as well as benchmarked with other jurisdictions.
- **Review the process for the grant for new mineral exploration tenure** – NSW deserves the best exploration programs performed by the most capable companies. Currently for most mineral groups, allocation of new ground is on a ‘first past the post’ basis. This system puts pressure on companies to apply for tenure at midnight and is highly reliant on the efficiency of the tenure management system. A more equitable system may be to accept all applications for recently relinquished or new ground for a period of time (up to a month, as in other jurisdictions) to allow NSW Government to select the most suitable applicant rather than the one that had the most efficient computer. Industry consultation on an updated process would be needed to ensure that the process was fair and did not disadvantage new companies to NSW or the junior companies who often make the mineral discoveries¹¹.
- **Review tenure advertising requirements** – With the recent closures of local papers in many regions, the requirement for companies to advertise new tenure locally is difficult. Replacing local advertising with state-wide or national papers does not generally fulfil the objective of informing local communities and attracts significant expense as well as potential unintended consequences. Further consideration of alternative forms of advertising should be undertaken, potentially including a notice on the MEG website, as has recently been adopted in Victoria following similar issues.

Recommendations:

- Review the security bonds structure to maximise the use of exploration funds and deliver an improved system that continues to provide surety for the Government, industry and community.
- Review the fines and penalty regime for NSW to ensure it is equitable and appropriate.
- Review the process for the grant for new mineral exploration tenure to ensure that NSW has the best exploration programs.
- Review tenure advertising requirements to provide for appropriate communication for local communities.

4. Implement reconnaissance exploration tenure to fast track opportunities and development

High priority, Short term – DRNSW only, regulatory/policy changes needed only

Explorers should be able to undertake what was previously termed ‘category 1 activities’ that included allowing a geologist to walk the ground and take small soil or rock samples using hand-held tools. This is an important

¹¹ <https://minexconsulting.com/>

initial step in any new exploration program but is currently being hampered by excessively prescriptive requirements and significant administrative burden.

Implementing a provision for reconnaissance tenure was an action in the *NSW Minerals Strategy* and industry has been consulted on alternative frameworks. This tenure should now be implemented without delay to fast track exploration programs and encourage investment in NSW.

Recommendations:

- Provide for reconnaissance exploration to ensure that low impact exploration can be conducted rapidly and without undue cost and administrative burden.

5. Provide a clear, fair and equitable framework for land access for exploration

High priority, Short/Long term – DRNSW only, regulatory/policy changes with legislative reform needed in part

The current requirements for land access for exploration are complex, time consuming and expensive, often prohibitively expensive. Land access in NSW is regularly viewed as a key deterrent for industry investment.

AMEC believes that the framework for land access needs to be reviewed and amended to provide a process that is fair and equitable for both landholders and explorers, acknowledging the rights, roles and responsibilities of each party. Changes could include a review of the cap on fees for negotiation and consider a cap on fees for mediation, arbitration and Court, encourage negotiation and mediation over arbitration and Court decisions as well as provide clarity on the issue of significant improvements.

Further, the current publicly available information on land access roles, responsibilities and requirements is provided by the mineral or agricultural sectors and much of it is out of date. For a new explorer in NSW and the wider community, it is very difficult to find and understand what is needed and how to go about it. Both the minerals industry and the wider community would benefit from improved clarity from Government on land access as an independent source. The Government website needs to be updated to reflect the legislative changes in 2015, as well as other regulatory changes, and to provide clear guidance on the legislative requirements, roles and responsibilities regarding land access for all parties.

Recommendations:

- Review the current requirements for land access for exploration and introduce amendments to provide a fair and equitable system for both landholders and explorers.
- Clarify and provide updated guidance on land access for exploration.

6. Open the Mineral Allocation Areas across NSW

High priority, Short term – DRNSW only, regulatory/policy changes needed only

The announcement of the Mineral Allocation Areas over multiple large resource areas of the State in August 2018 without appropriate industry consultation nor notice period effectively sterilised key prospective areas of NSW for industry investment with immediate effect. This was deeply concerning to industry, especially for the existing tenure holders in these areas, with limited clarity at the time and few opportunities for tender for new tenure in the areas sterilised.

AMEC understands that the key objective of these Mineral Allocation Areas was to allow the Geological Survey of NSW to undertake exploration and drilling as part of the national MinexCRC. It is disappointing that this work, with significant Government investment, had been planned with minimal industry consultation and is also a long-term program, with on the ground drilling not scheduled until 2022-26.

Opening these areas permanently would provide certainty and security for investors as well as initiate interest to maximise the resource potential for NSW. These areas could make an excellent opportunity for a crowd funding initiative as detailed below in Recommendation 9.

Recommendations:

- Open the Mineral Allocation Areas to allow industry to work in these areas and maximise the resource potential for NSW.

7. Fast track development opportunities to support economic growth minerals

High priority, Medium term – NSW Government, legislative reform may be needed

The application for a mining approval is a long and arduous process and often held up with intra-Government delays. Industry members report that there is duplication and confusion between different Government departments and groups and this acts as a disincentive for investment. An example is the ongoing issues with Water NSW and NRAR as well as the importance of consistency for biodiversity requirements between NSW and the Commonwealth. These 'choke points' need to be identified, prioritised and streamlined.

NSW Government has recently taken important steps to progress development applications including the welcome reforms to the Independent Planning Commission and the recent 'fast-track' processes and 'one stop shop' planning hubs. AMEC believes that minerals developments should be included in the recently introduced NSW Planning 'fast-track' processes and 'one stop shop' planning hubs. The case manager or concierge service described above and provided in other parts of the NSW Government could also support the minerals industry work through the 'maze' of Government requirements and processes.

Recommendations:

- Fast track development opportunities to support economic growth and streamline intra-Government 'choke-points'.

8. Extend the New Frontiers Co-operative Drilling program

High priority, Medium term – DRNSW only, internal policy changes needed only

Collaborative exploration development programs are a key incentive for investment. The previous three rounds of the Co-operative Drilling program in NSW, each with \$2 million funding, have been highly successful and oversubscribed.

AMEC believes that this program should be offered annually, just as in other key mining jurisdictions, to ensure there is this regular commitment to this proven program to bring significant investment into the State. This is exactly what NSW needs to ensure that it is an attractive and competitive jurisdiction for exploration investment.

As the Government has reaped millions from the Administrative Levy¹², as well as increased revenue from the Rental fees, there should be ample funds to cover this important incentive on a recurring basis to stimulate further industry investment in NSW.

Further, AMEC believes that the Co-operative Drilling Program should be extended beyond the previous programs that was limited to 50% of direct drilling costs. This is a fraction of the total exploration expenditure as the mobilisation, drill pad preparation, assay costs, land access, rehabilitation, compliance, labour and consumables are not included – one AMEC member calculated that the Co-operative Drilling Program provided only 23% of actual costs of drilling and 5% of the whole program costs.

The program could also consider inclusion of additional forms of exploration including geophysical and geochemical surveys. These measures would broaden the appeal and potential results of the program and to ensure that NSW is competitive with other Australian jurisdictions.

AMEC seeks a commitment from the Government to fund this important program to attract and encourage exploration investment in NSW. Further, AMEC has sought support from the Commonwealth Government on this issue to provide additional funding to support this important NSW program.

Recommendations:

- Provide annual funding for the New Frontiers Co-operative Drilling Program with a minimum \$2 million investment to attract explorers to NSW and support the continuation of greater knowledge of NSW's mineral resources.
- Extend the program to cover 50% of all drilling costs and consider the inclusion of geophysical and geochemical surveys to broaden the appeal of the program and potential outcomes.

9. Extend geoscience in NSW and pilot crowd sourcing for NSW exploration

Medium priority, Medium term – DRNSW only, internal policy changes needed only

Geoscience has never been more important in NSW. Geoscience projects have already been used to not only support the minerals industry to find the next mine but also find water in our drought-stricken State. The NSW Geological Survey has recently undertaken airborne electromagnetic (AEM) surveys and this non-invasive program could be extended to further identify and map potential groundwater sources. This is a cost effective and proven program that should be part of the drought solution.

Crowd sourcing is a new way of opening challenges to a broad audience as a competition to seek solutions and has recently been implemented in the minerals industry. OZ Minerals partnered with the open innovation platform, Uearthed, to launch the Explorer Challenge in December 2018¹³. This unique, online crowdsourcing competition called for geologists and data scientists from across the globe to develop ground-breaking approaches to discover new exploration targets with a \$1 million prize pool to be awarded to winning ideas. In November 2019, the South Australian Government was the first government globally to host a \$250,000 crowdsourced open data competition to fast-track the discovery of mineral deposits in South Australia¹⁴. NASA has also successfully used crowd sourcing since 2015 to seek solutions for complex rocket science problems

¹² <https://www.planning.nsw.gov.au/About-Us/Annual-Report-and-Corporate-Plan>

¹³ <https://www.ozminerals.com/media/news/oz-minerals-partners-with-unearted-on-explorer-challenge/>

¹⁴ http://www.energymining.sa.gov.au/minerals/latest_updates/sa_to_host_first_crowd_sourced_mineral_exploration

including development of super-fuel-efficient full-scale aircraft, discovering a new multi planet system and designing an improved astronaut glove¹⁵.

NSW could pilot a similar opportunity as a novel way to attract global interest in NSW minerals and bring fresh ideas, diverse thinking and new approaches to the State. Providing a pilot program in 2020-21 by opening a data set in a prospective area with rewards of \$250,000 for proposed solutions could help bring more interest and investment to NSW.

Recommendation:

- Extend pre-competitive geoscience to support the minerals industry and drought relief.
- Pilot a crowd sourcing mineral exploration project in NSW in 2020-21 with rewards of \$250,000.

10. Maintain or reduce current fees, levies and royalties

High priority, Medium term – NSW Government, review needed

Although the cumulative effect of the recent drought, bushfires and COVID-19 has cost the NSW Budget dearly, this is not the time for Government to increase fees, charges and royalties for the minerals industry. These recent events have also cost industry, as detailed above, and any increase or change in Government costs would shake the confidence of the sector for future industry investment. NSW has worked hard to encourage investment and bring confidence back to the State. New fees or charges may provide a short-term windfall at the cost of long-term sustainable investment.

The minerals industry already faces a multiplicity of fees, charges, taxes and levies, including the recently introduced administration levies and rental fees. The cumulative effect of meeting these costs is a disincentive for exploration investment in the ground to find and develop the next mine in NSW.

AMEC recommends that fees, charges and royalties are maintained in the short term but reviewed in the medium term. The review should benchmark costs nationally and internationally to ensure that NSW has a fair, competitive and transparent regime that supports the development of the minerals sector. Wherever possible costs should be reduced, especially in the short term to stimulate exploration activity. Industry has previously called for the removal or reduction of the Administrative Levy to ensure that NSW is competitive for exploration and mining investment. Any recommended changes in fees should be undertaken with measured implementation in consultation with industry to allow time for businesses to plan and manage any changes.

Further, as part of the review, consideration should be given to reducing royalty rates in the first two years of operations. New mines are very difficult and costly to establish. Cash flow is particularly difficult in the early years of the operations for new mines, a time where orebody knowledge is typically low and capital costs high. These early cash flows are critical to the long-term success of a new mine. An exemption and/or waiving of the royalty during the first two years of a new mine would both support companies to make the decision to commence a new mine as well as support the operation in these critical 'make or break' stages.

¹⁵ <https://www.nasa.gov/press-release/nasa-uses-crowdsourcing-for-open-innovation-contracts>

Recommendations:

- Maintain current fees, levies and charges in the short term, with no new increases.
- Review and benchmark industry fees and costs to ensure that NSW has a fair, competitive, and transparent regime that supports the development of the minerals sector.
- Consider royalty relief in the first two years of a new mining project operation.

11. Release the Administrative Levy to Department of Regional NSW to fund minerals industry projects that support economic growth

Medium/High priority, Medium term – DRNSW focussed, legislative change may be needed

The Administrative Levy was implemented with the Rental Fees in July 2012 with specific objective, as detailed in section 292U of the *Mining Act 1992*. In consideration of the current surplus of more than \$10 million, the 2017 income of \$924,000 and 2018 income of \$24,866,000 and over \$26 million in 2018-19¹⁶, AMEC submits that the surplus and excess levy fees should no longer be held by Government but expended on projects that support economic growth and align with the specific purpose of the levy.

AMEC strongly believes that there needs to be industry consultation and transparency on the proposed projects as these are industry funds collected by Government for specific objectives outlined in the Act. This is not time to waste money or direct these funds to core Government business, but to spend it on projects that will directly support economic growth and the future of the minerals industry.

It remains disappointing that the outcomes of the Independent Review of the Administrative Levy, completed in October 2018, have not been released. Nor has clarity been provided on how the many millions of dollars that have been raised from the levy have been spent.

This is an opportunity for Government and industry to work together and use these industry funds to invest in the future of the industry.

Recommendations:

- Release the excess funds and surplus of the Administrative Levy to DRNSW to expend these monies directly on economic growth projects developed in consultation with industry and following the objectives of the Levy.

12. Support education and diversity programs that secure the future minerals industry

Medium priority, Medium/Long term – DRNSW only, regulatory/policy changes needed only

Exploration and mining are not seen as preferred industries by many school leavers, and this is reflected in the very low university enrolment numbers in the various mining-related disciplines. This is leading to severe skill shortages and a lack of locally trained minerals professionals which in turn stifles development.

A Government-Industry collaborative approach is needed to address this issue by promoting the minerals industry, particularly to primary and secondary level students. Some companies and sectors are doing some

¹⁶ <https://www.planning.nsw.gov.au/About-Us/Annual-Report-and-Corporate-Plan>

work towards this objective, but a unified approach is needed to spearhead a campaign to ensure that NSW does not potentially lose generations of skilled experts to realise the future minerals industry.

Gender diversity is also a key issue for the minerals industry. Women NSW note that mining is one of the most male dominated professions in NSW, just behind construction, with a female workforce of only 12.9%¹⁷. AMEC supports the NSW Women in Mining Network (WIMnet) Mentoring Program and believes that the NSW Government should provide annual support for this proven program that provides mentoring for NSW women in mining.

Recommendations:

- Support a collaborative approach to secure skilled workers for the future minerals industry.
- Support initiatives to further gender diversity in the minerals industry including NSW Women in Mining.

AMEC would welcome further consultation on this important matter and if you have any queries regarding this submission, please do not hesitate to contact:

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¹⁷ <https://www.women.nsw.gov.au/strategies-and-resources/women-and-work>