

Australian Geoscience Council Inc.

The Council of Earth Science Societies in Australia



7 Landsborough Street
Griffith
ACT 2603
24 February 2004

The Hon Peter Costello MP
The Treasurer
Parliament House
CANBERRA ACT 2600

Dear Mr Costello

The Future of Resource Exploration in Australia

We understand that the government is considering the outputs from the Minerals Exploration Action Agenda (MEAA) in the context of developing a resource exploration strategy for Australia.

On behalf of the Australian Geoscience Council (AGC), I am writing to encourage the adoption and implementation by government of the main recommendations contained in the report prepared by the Strategic Leader's Group of the MEAA. The AGC also supports the main thrusts of the recommendations contained in the Parliamentary Report: *Exploring: Australia's Future: Impediments to increasing investment in minerals and petroleum exploration in Australia*.

The Council, which comprises nine professional societies and has a membership of over 7000 geoscientists, is urging the Government to take full advantage of these two studies, to develop and implement effective strategies to encourage environmentally sustainable mineral and petroleum exploration in Australia.

The resource industries are vital in maintaining Australia's wealth. If we cannot sustain our wealth, we will not be able to afford appropriate health care, education facilities, defence and security capacities, or the wherewithal to sustain our environment.

ABARE estimates that for 2003/04, the value of Australia's minerals and energy exports will be approximately \$53 billion. This is equivalent to ~\$2650 for every Australian and is about double the export earnings from the farming sector. However, it represents a fall of 5.5 per cent from the 2002/03 result. The fall is mainly due to the increasing value of the Australian dollar against the \$US, the fact that new resources are becoming harder to find and develop, and because there has been a decline in exploration activity in Australia over the past 5-7 years, as a result of a major re-structuring in the industry.

The Council believes that there is an economic imperative to reverse this trend. Exploration is the lifeblood of these industries. We need to maintain strong and innovative resource industries, and without effective and efficient exploration, the wealth that we are currently generating from these industries will decline.

Unfortunately, exploration is an expensive, high risk activity, and even if successful there is likely to be a considerable time lag (of up to 10 years in some cases) between the start of an exploration program and a cash flow that will contribute to export earnings.

These issues were recognised in the MEAA report and the Council strongly supports actions by government in the five key areas listed below:

1. We need a **globally competitive environment to attract capital for exploration**. Private sector investment is essential to nurture entrepreneurial junior companies with fresh and exciting ideas, new technologies or clever products. The AGC strongly supports a flow-through share scheme to alleviate the high cost of exploration at a time when there may be little or no cash flow, a 125% tax deduction for greenfields exploration expenditure, and tax deductibility for the costs of Native Title compliance. We also believe it is possible and necessary to put in place rigorous controls to prevent the rorting of these incentives.
2. Improved coverage of, and access to, **geoscience information are needed to open up new areas for exploration**. The more we know about the Earth, the more successful we will be in managing its resources. The AGC recommends continued cooperation between the States/Territories and the Commonwealth, and increased funding to complete basic geoscience survey data sets over the continent, augmented by new mapping technologies.
3. **Investment in human capital is vital if the industry is to remain globally competitive**. Exploration is now a very high-tech activity and we need to maintain and develop world class research centres and teaching facilities for the geosciences in Australia.
4. **Improved access to land for exploration**: without fair and efficient access, the discovery process to replace depleted supplies of natural resources will be delayed, and Australian export revenues will inevitably decline.
5. We need to ensure that **exploration is undertaken in an environmentally friendly manner**. The AGC recommends that the States/Territories and the Commonwealth, in consultation with the industry, draw-up simple nation-wide guidelines to cover the environmental aspects of exploration activities.

In summary:

- Australia needs the resource industries to generate wealth;
- There needs to be a more active exploration program in Australia to ensure that these industries are sustainable and remain competitive;
- Two valuable reports have developed recommendations to address the issue of impediments to exploration; and
- We urge the Government to act on these recommendations.

Yours sincerely

David Denham
President