



MINERALS COUNCIL OF AUSTRALIA

VICTORIAN DIVISION

PREBUDGET SUBMISSION 2023

1. EXECUTIVE SUMMARY

The development of Victoria's minerals industry should be a high priority for regional development.

A growing minerals exploration, mining and mining services sector supports full time jobs in the regions, and creates more diverse regional economies.

The Victorian Government should aim to have multiple new gold, mineral sands/rare earths and base metal mines by 2030 which would create thousands of jobs and establish supply chain opportunities for small businesses across regional Victoria.

This submission outlines budget priorities to support Victorian jobs, regional communities and Victoria's critical minerals potential in high tech and renewable energy supply chains.

1. Promote exploration to lead to new minerals discoveries and processing technologies

- Expand investment in pre-competitive geoscience data
- Re-introduce a co-funded minerals exploration drilling initiative
- Invest further in Victoria's critical minerals initiatives to match other state incentives
- Establish a taskforce to investigate impediments and infrastructure needs for mineral sands/rare earths separation and processing.

2. Improve approvals timeframes

- Introduce strategic project facilitation support for mining projects
- Capacity building in Earth Resources Regulation (ERR) to deliver more efficient approvals.

3. Reform fees, charges and taxes

- Reform Victoria's gold royalty to remove regressive elements of the royalty regime
- No new taxes, rates or charges on mining and exploration
- Competitive user pays fees to fund Earth Resources Regulation (ERR).

4. Promote earth sciences in secondary and tertiary education

- Provide pathways to mining jobs in regional Victoria through tailored TAFE entry level courses partnering with industry
- Introduce earth science initiatives in Victorian secondary schools to inspire the next generation of scientists.

2. MINING – CRITICAL TO REGIONAL DEVELOPMENT

Mining and exploration plays an important role in regional development in Victoria. Mining creates high paying jobs and supports a supply chain of innovative small and medium sized businesses.

Victorian has significant potential in mining and related manufacturing and services

Demand for critical minerals including copper, rare earths and lithium is forecast to increase exponentially as essential inputs to modern technology. This creates big economic opportunities for regional Victoria.

In the 12 months to September 2022, Victoria reached a record high exploration spend of \$221 million – the fourth highest of all Australian states¹. Exploration projects across the state for gold and base metals have the potential to develop into future mining projects.

There are six potential mineral sands/rare earths projects in the pipeline in Victoria. Victoria has known mineral sands deposits containing zircon and titanium minerals, and rare earth element bearing monazite and xenotime which are inputs to wind turbines and batteries.

Geological Survey of Victoria estimates that there is as much gold left unmined in Victoria as has ever been extracted since the gold rush.

Victorian mining supports regional Victorian jobs and business

Regional communities with a mine enjoy a large positive economic impact.

Victoria's gold mining sector employs over one thousand workers directly in the Bendigo region at the Fosterville and Costerfield mines. Agnico Eagle's Fosterville Gold Mine is the fourth largest employer in Bendigo. Hundreds of workers are employed in Ballarat Gold Mine and Stawell Gold Mines.

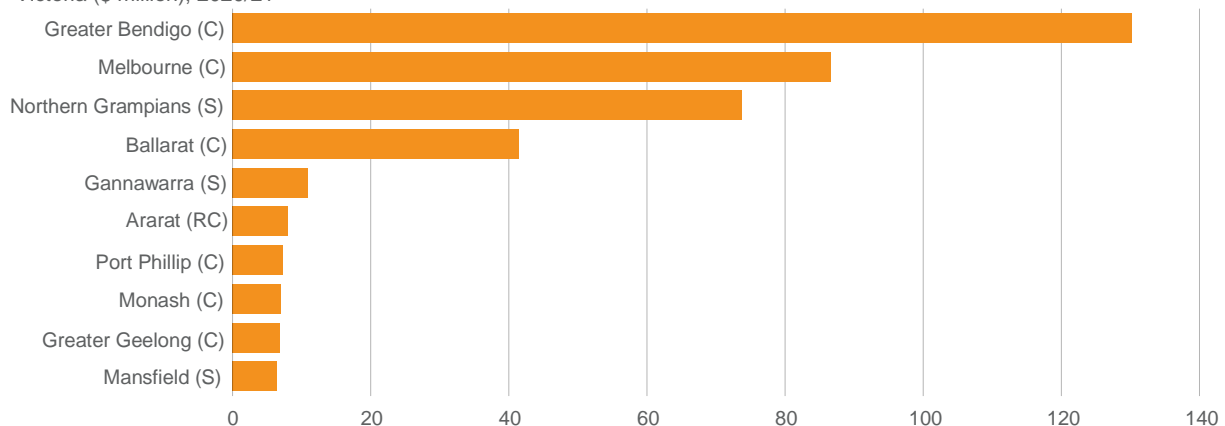
Victorian mines spent more than \$500 million dollars in Victoria in 2020-21 comprising:

- \$151.9 million in wages and salaries;
- \$307.3 million in purchases of goods and services from over 1,700 local businesses;
- \$48.1 million in state government payments.²

More than half (54 per cent) of Victorian mine supplier spend is in regional Victoria. Greater Bendigo LGA recorded the largest share of direct local businesses expenditure in 2020/21 (\$130.2 million), with Northern Grampians (\$73.7 million) and Ballarat (\$41.5 million) benefiting from mining spending.³

Minerals Sector Direct Spend by Local Government Area

Victoria (\$ million), 2020/21



Source: Lawrence Consulting

¹ [Mineral and Petroleum Exploration, Australia](#): Australian Bureau of Statistics, September 2022.

² Lawrence Consulting, [Victorian Minerals Sector Economic Contribution Study 2020/21](#). Report prepared for the Minerals Council of Australia, 2022.

³ Ibid

Around 95 per cent of jobs in mining are full time and the average fulltime wages are significantly higher than the national average.⁴ In Victoria, \$151.9 million in wages and salaries comes to an average salary level across the sector of \$115,090 per annum.

Including the Mining Engineering, Technology and Services (METS) sector 88,000 jobs are supported by the industry in Victoria.⁵ These include a range of jobs including equipment manufacturing in Melbourne, Bendigo, and Ballarat.

Victoria's opportunity to be a global mining engineering and services hub

Victoria is a hub for the METS sector with Victorian manufacturing and service businesses supplying mining operations across Australia and globally.

It is core business for mining to adopt new technologies in the pursuit of more productive, safe and environmentally sustainable operations. A strong and growing mining and exploration sector in Victoria gives the state the best chance of sharing in the \$15 billion a year national export METS industry providing services to over 200 countries.⁶

Victorian mining pays a range of special fees, charges and taxes

Mining pays all the state taxes and charges other businesses pay plus special charges.

The sector paid \$6.7 million in minerals specific license fees, land rents and royalties in 2021-22. Mining paid \$46 million in new gold royalties in 2021-22.⁷ Including increases in coal royalties and the new gold royalty, around \$200 million in new costs have been imposed on the industry since 2017.

Socio economic measures

Victoria has a less diverse, and generally slower growing economy than Melbourne. Many prospective areas of regional Victoria for mining experience higher levels of economic disadvantage in terms of household income, disengagement with school and employment, gross regional product and population growth compared to state averages.

Mineral sands and rare earths projects are primarily in the Wimmera, Mallee and Loddon Murray regions are in areas with declining populations and ageing demographics. These regions have experienced a lower Gross Regional Product (GRP), lower population growth rates over the 10 years to 2021, and have a lower percentage of people aged 15-44 than the state average.

Wimmera Southern Mallee has experienced negative GRP and population growth rates over the last 10 years.⁸ Buloke, Northern Grampians, Southern Grampians, West Wimmera, Hindmarsh, and Yarriambiack recorded declines in population between 2011-2021.⁹ The percentage of people aged 20 and over who did not complete year 12, and 15-19 year olds not engaged in school or employment is significantly higher than the Victorian average in the Wimmera and Mallee.

On the industry diversity (the Herfindahl index), the Wimmera, Mallee, Great South Coast and Gippsland have a much poorer diversification score with higher industry concentration (205) than Melbourne (6).¹⁰

The development of Victoria's resources is an important way to create economic opportunities and help reduce the increasing economic gap between regional Victoria and metropolitan Melbourne.

⁴ [Labour Force, Australia, Detailed](#): Australian Bureau of Statistics, *Average Weekly Earnings, Australia, Nov 2022*, ABS cat. no. 6302.0, released on 22 December 2022.

⁵ [Deloitte Access Economics Mining and METS: engines of economic growth and prosperity for Australians](#), Report prepared for the Minerals Council of Australia, 2017.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ ABS, [Regional Population 2011-21: Population Change](#), July, 2022. Viewed January 2023.

¹⁰ RDV [Regional Snapshot](#), viewed January 2022.

3. AGENDA FOR REGIONAL GROWTH

As a highly regulated industry, government policy and regulatory choices will help ensure the minerals industry can maximise its contribution to Victoria's economic recovery.

Priority actions to support the regional Victorian economy

1. Promote exploration to lead to new minerals discoveries and processing technologies

Budget measures:

- Expand investment in pre-competitive geoscience data
- Re-introduce a co-funded minerals exploration drilling initiative
- Invest further in Victoria's critical minerals initiatives to match other state incentives
- Establish a taskforce to investigate impediments and infrastructure needs for mineral sands/rare earths separation and processing.

The Victorian government's investments in pre-competitive geoscience data, and co-funded exploration under the TARGET program are important policy tools to help ensure the Victorian community can benefit from the development of the state's resources. Pre-competitive geological survey information is a public good that delivers positive financial returns for the people of Victoria.

Funding should be provided to ensure GSV can invest in the following pre-competitive data and modern geoscience concepts to promote exploration and minerals development through:

- Increased coverage of Victoria with LiDAR (light detection and ranging) to produce highly accurate Digital Elevation or Digital Terrain Models
- Conduct FALCON airborne gravity/gradiometry surveys
- Produce deposit model studies of minerals deposits to identify new opportunities.

Victoria lacks routine LiDAR data outside of irrigation areas. Sensor technology and ability to process these data sets is changing dramatically each year, a commitment to renew this data should be included. It is regarded as the best remote tool to augment on-ground geological observations.

Undertaking a long term multi-year program to acquire FALCON airborne gravity/gradiometry over the entire state will ensure complete potential field (magnetics, gravity) data sets to increase the chances of new discoveries.

Deposit model studies of minerals deposits can identify new opportunities in:

- Devonian epizonal gold - the late gold story is not well understood. Better targeting comes with better understanding of the controls on gold mineralization
- Copper-dominant base metals deposits in both eastern and western Victoria
- Critical minerals deposits.

MCA Victoria welcomes the Victorian Government's development of a critical minerals grants and development program as recommended in the MCA's 2022 Pre-Budget submission, and announced in the 2022 Budget.

Critical minerals grants should cover the minerals used in technology everyday that Victoria can produce including antimony, cobalt, copper, graphite, indium, lithium, magnesite, molybdenum, nickel, niobium, platinum group elements, rare earth elements, rhenium, scandium, silica, tantalum, tellurium, tungsten, tin, titanium, vanadium, zinc, and zirconium. Projects that primarily target gold or mineral sands with critical minerals as a co product or secondary product should be considered.

Victoria's critical minerals package is far more modest than some other states. The NSW Government announced in 2022 the \$130 million Critical Minerals and High Tech Metals Activation Fund to support

the development of the critical minerals and high-tech metals sector to activate projects across the mining and downstream processing value chain.

In comparison to NSW, the Victorian Critical Minerals Project is far more modest and consideration of a much larger package to provide a real impact on constructing the key infrastructure needed to develop investment-ready projects nearing construction and operation and to support downstream mineral processing.

Renew the TARGET co-funded exploration program

Ongoing investment in a revised TARGET co-funded exploration drilling initiative is necessary to encourage further exploration activity.

A co-funded minerals exploration drilling initiative will ensure Victoria is competitive with other jurisdictions to attract exploration investment.

Victoria's last TARGET program was fixed-term and currently not renewed despite leveraging significant exploration funds into Victoria. Renewing the TARGET co-funded drilling initiative would encourage exploration drilling in under-explored areas and encourage exploration for previously unexplored-for minerals.

Most other states have a permanent program or have just had grants programs renewed. The grants programs range from \$500,000 in the renewed Tasmanian program up to \$7.5 million in WA.

Renewing the TARGET Co-funded drilling initiative would build on the past success of the TARGET program and encourage exploration drilling in under-explored areas and exploration for previously unexplored-for minerals. A renewed program should focus on exploration in Greenfield areas and support for innovative exploration techniques utilising non-traditional deposit models, undercover or in new terranes to maximise the benefits of a grants program.

Establish a taskforce on rare earths and minerals processing

The government should establish a taskforce to investigate impediments to value adding to Victoria's rare earths resources including infrastructure requirements, royalties, approvals processes and duplication with federal regulations.

Victoria has the potential to develop into a global hub for not just mineral sands (zircon and titanium), but also valuable rare earths such as the magnet elements dysprosium, neodymium, praseodymium and terbium. Victorian mineral sands deposits are rare earths rich. There are six potential major mineral sands projects in the pipeline at various stages that need regulatory certainty.

Examining impediments to projects moving to the mine development stage and impediments to separation and value adding in Victoria through an expert panel will help inform government and communities on ways to remove barriers to the development of Victoria's critical minerals potential.

Waste management research and pilot projects, including technology options available for how to better utilise and recycle water, alternatives to a traditional tailings disposal should be recommended and funded to keep Victoria at the cutting edge of circular economy technology in mining. Cutting edge environmental research in mining and support for pilot circular economy technologies will help ensure Victoria is a leader in zero waste outcomes and sustainable development goals.

2. Improve approvals timeframes

Budget measures:

- Introduce strategic project facilitation support for mining projects
- Capacity building in Earth Resources Regulation (ERR) to deliver more efficient approvals.

Policy settings need to be competitive and approvals processes need to be efficient to realise this potential.

Delays in approvals to site works and work plans from referrals to agencies increases costs and project timeframes that impact on mining's ability to generate jobs in regional areas.

A well-funded department and regulator is critical to ensure regional communities benefit from the development of Victoria's resources in this highly competitive global industry. Increased funding in recognition of a growing industry is required to ensure timely and efficient processing of licences.

Strategic project co-ordination

A centralised government co-ordinating authority, similar to the quarries co-ordinator should be funded to facilitate significant resources based projects in Victoria. The role would plan approvals pathways and co-ordinate key agencies through the approvals process including sign offs on timetables at the start of the approvals process. Co-ordination would follow through all the stages of assessment and approval.

Mining projects are complex and involve multiple approvals agencies, long timeframes, and large amounts of capital and are important to host communities. Duplication and inefficiencies in approvals between multiple regulators (Earth Resources Regulation, EPA, local councils and planning) and regulations (including interactions with the Environment Protection Act and Planning and Environment Act) that cause protracted approvals timeframes with no benefit to environmental, health or other outcomes.

A co-ordinating role, similar to that being trialled for quarries, would provide a clearer facilitation framework to help secure global capital, boost regional economic activity and ensure proper environmental outcomes for Victorians from minerals projects.

The threshold for minerals project facilitation support should include projects to extend the life of, or expand, existing operations as well the development of new projects.

A clear support framework for minerals projects will help secure global capital, boost regional economic activity and ensure proper environmental outcomes for Victorians. A mining project co-ordination role would provide opportunities for better coordination and collaboration across State Government departments to facilitate minerals projects in Victoria. This aligns with Regional Development Victoria's role to facilitate economic and community development in rural and regional Victoria.

Strategic project facilitation benefits project developers and host communities. For developers, it assists to provide certainty of process for viable minerals projects. For communities, it supports the creation of new jobs and investment and enables consideration of projects within broader strategic regional development processes.

3. Reform fees, charges and taxes

Victoria's gold royalty, applied from 1 January 2020 is flawed. It does not reflect Victoria's unique geology of narrow vein mining, nor the impacts on Victoria's mines. It is uncompetitive with other states and imposes regressively high tax rates on unprofitable and thinly profitable mines.

Budget measures:

- Reform Victoria's gold royalty by:
 - introducing an exploration offset to remove distortions against investing in exploration and a royalty phase-in for new mines to reduce cash flow impacts in the early years
 - reduce impacts on small and growing mines with zero or thin profits
- Align user fees with ERR performance
- No new regulatory fee increases on Victorian explorers and miners.

Victoria's current gold royalty of 2.75 per cent with no deductions does not reflect the varied risk profiles and underground operations of Victoria's mines, or the need for ongoing exploration to sustain gold mines.

The current structure imposes a significant tax burden on mines when they are unprofitable. The royalty creates a large tax rate of over 50 per cent on mines with thin margins.

The effective tax rate is higher than Western Australia (the largest gold mining state), New South Wales (which has various deductions) and other states with various offsets and royalty holidays for new mines.

Victorian gold deposits are typically narrow vein deposits with irregularly distributed gold. Narrow vein deposit underground mining is difficult for mine planning and is much higher cost than open pit mining. These unique characteristics make it more difficult and expensive to 'prove-up' sufficient gold reserves to support a reasonable mine life and secure the necessary finance to develop a mine.

Larger, shallower, more predictable ore bodies, not typical in Victoria, can be mined more cheaply and provide the advantage of greater grade predictability and easier extraction techniques.

Victorian gold mines have short reserve lives making exploration the lifeblood of sustaining gold operations in our state. Modest reform to the gold royalty is required to make it more competitive with other jurisdictions and reduce impacts on small mines through an exploration offset and consideration to reduce royalty rates in the early years of a new mine paying back capital.

These changes would reduce the risk of closing mines earlier than they otherwise would by reducing the impact of expenditure on ongoing sustaining exploration and encourage future reinvestment in mines in Victoria.

ERR fees and charges

Victoria's 2014 fees and charges regime imposes high taxes on explorers. Every dollar in government fees, charges and taxes are a dollar less put into the ground in exploration.

The 2014 fees and charges regime imposed fees and 'rents' on exploration, retention and mining licences and it increased costs for exploration.

A 'rent' charge on exploration licences was imposed setting a minimum cost of \$5,000 scaling up to around \$90,000 over five years depending on the area. Various new fees and charges were also imposed in 2014 on applications, variations and transfers under the cost recovery model for ERR on all industry participants.

In 2021-22 mining paid \$1.2 million in regulatory charges, and \$4 million in rents alone - more than double that of 5 years ago.¹¹ Royalties on gold are a new impost introduced on top of these charges in 2020.

Any review of the fees and charges regime that applies to Victoria's minerals sector will require the introduction of mechanisms to ensure the cost recovery model translates into improved efficiency in regulation at ERR as a user pays system.

'Rent' charges on exploration licences should be reformed and reduced as a regressive tax on explorers with no income to increase incentives to invest in exploration in Victoria.

4. Promote earth sciences in secondary and tertiary education

Budget measures:

- Provide pathways to mining jobs in regional Victoria through tailored TAFE entry level courses partnering with industry
- Introduce earth science initiatives in Victorian secondary schools to inspire the next generation of scientists.

¹¹ [Earth Resources Regulation, 2021-22 Statistical Report](#).

The mining and exploration sector continues to face skills shortages. There is a lack of relevant courses in regional Victoria for young Victorians and workers looking to re-skill into mining and exploration.

The Victorian Government's Minerals Strategy states an objective to 'Support skills development for mining and METS and skills attraction to regional Victoria' including through partnering with the MCA to promote the attraction of talent into Victoria and pathways into the sector for secondary and tertiary students. MCA Victoria seeks to work with government on industry-led career awareness and education programs.

A minerals sector equivalent of the Agriculture TAFE and Training Fund should be introduced to support TAFEs and other training providers to deliver training to support mining communities to pursue careers in mining and earth sciences.

Grants could be offered to training providers to offer training that meet the needs of the mining and METS sector to ensure Victoria has the skilled workforce for future developments in critical minerals mines to support renewable and other modern technologies.

A key purpose of the grants should be to support connecting Victoria's training system, higher education and schools to encourage the uptake of earth sciences and mining engineering, technology and related courses.

Two Victorian universities offer mining/resources engineering, three offer geology/geoscience, and four offer metallurgy. Environmental science and other engineering courses are offered in Victoria, however, declining enrolments risk the pipeline of skilled workers in mining despite growing demand for minerals products in technology used every day.

MCA is developing pathways into the sector for secondary and tertiary students. Pathways initiatives build on MCA work to promote careers awareness through school based activities, and MCA support for earth sciences programs aligned to the science curriculum to support secondary school teachers such as the Teacher Earth Science Education Program.

MCA Victoria seeks to work with government on industry-led career awareness and education programs. If skill development opportunities in regional Victoria, the state can be a regional hub for jobs training, and innovation. It will further alleviate skills shortage issues and ensure young Victorians can benefit from jobs and training in the sector.

Victoria's VCE curriculum provides minimal opportunity for students interested in earth science. A government pilot geology course, through funding the Victorian Curriculum Development Authority, would provide a pathway into geoscience and help create a pipeline to Victorian university geoscience courses and mining engineering courses as part of Victoria's aim to be 'the education state'.