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Hon Liz Behjat MLC  
Chairman  
Standing Committee on Public Administration  
Legislative Council  
Parliament House  
PERTH WA 6000

Dear Hon Liz Behjat

## **INQUIRY INTO PASTORAL LEASES IN WESTERN AUSTRALIA**

Thank you for the invitation dated 13 August 2013 to make a submission to the Inquiry into Pastoral Leases in Western Australia.

The following comments are made predominantly in respect to reference “(e), *any other matter*” of the Inquiry’s *Terms of Reference* but with some bearing on the other elements in the Terms of Reference.

Pastoral lease areas in Western Australia are defined by both the *Mining Act 1978* and the *Petroleum and Geothermal Energy Act 1967* as being “open” for mineral, petroleum and geothermal exploration and production. These activities are regulated by the Department of Mines and Petroleum (DMP) through a system of mining tenements and petroleum titles issued under the respective Acts. These tenements and titles are independent of the underlying pastoral leases and are a good example of how compatible multiple land uses such as pastoralism and exploration and resource development can co-exist to gain the maximum economic and social benefit for the State.

### **Economic significance of mining within pastoral leases**

Areas held under pastoral leases cover much of the known mineral wealth of the State including most of the iron ore regions in the Pilbara and the gold, base metal and iron ore regions in the Eastern Goldfields and Mid West. Importantly, these areas also contain a large part of the highly prospective areas of the State where future mineral, petroleum (particularly the emerging shale gas sector) and geothermal energy discoveries will be made. In 2012, 9264 exploration and prospecting licences and mining leases overlapped, either partly or wholly, pastoral leases throughout Western Australia

Exploration and mining within pastoral leases contributes substantially to State and regional economic development and employment. The total value of minerals produced for the entire Pilbara, northern Goldfields and Mid West regions combined was over \$61 billion in 2012. State Royalties from mining iron ore alone in these regions was over \$3 billion in 2012.

About 60% of the higher-value (non-construction material) mines in these regions occur within current or former pastoral leases and thus contribute a significant amount to the above values. Overall, around 50% of all higher-value mines in the State occur within current or former pastoral leases.

In 2012, \$8.25 billion was reported as being spent on exploration and mining activities on the 9264 mining tenements that are wholly or partly within pastoral leases. Some of this expenditure was to pastoral lessees for the provision of services such as the construction and maintenance of access tracks. Furthermore in 2012, \$34.4 million was paid in rent for these mining tenements to the State Government and mining tenement holders are also responsible for the payment of Local government rates.

### **DPaW - managed pastoral leases**

DMP is aware of 65 whole or part former (and current) pastoral leases totalling over 6.4 million hectares that are currently being managed by DPaW. These are all intended to be added to the conservation estate.

These areas comprise:

#### ***DPaW-purchased former pastoral leases***

Since the late 1980s, the Department of Parks and Wildlife (DPaW) and its predecessors have been purchasing pastoral leases with a view of converting them to conservation reserves.

#### ***2015 Pastoral Lease Exclusions***

From 1 July 2015, significant areas will be excluded from pastoral leases. Some of these have been surrendered early in agreement with the pastoral lease holder and are now managed by DPaW. Others have been proposed by DPaW to become conservation reserves when they become available after 2015.

#### ***Environmental offsets***

Some pastoral leases or parts thereof have been purchased by private parties to fulfil environmental offset obligations under State or Commonwealth environmental legislation with the intent that they be transferred to the State to be included in the conservation estate.

The 65 whole or part former (and current) pastoral leases being managed by DPaW constitute 13% of the current number of pastoral leases.

### **Issues**

There are several issues of concern to DMP because they have the potential to increase the impediments for exploration investment and hence decrease the future contribution of resource development to the State. Mineral and petroleum resource production depletes individual deposits and therefore ongoing exploration is essential to discover new deposits to support the sustainability of the mining and petroleum sectors. Exploration is a high-risk and capital intensive activity. Impediments such as increased costs and time delays and uncertainty associated with a more complex approvals process act as a disincentive to carry out exploration. This has led to exploration investment moving to other more competitively attractive parts of the world with similarly prospective geology.

Ongoing access to pastoral leases areas under existing procedures and protocols is therefore extremely important to maintain this economic underpinning of the State.

Currently, most of the DPaW-managed former pastoral lease areas are unallocated Crown land and thus considered to be open to exploration and mining under the Mining Act and Petroleum and Geothermal Energy Acts and only require the approval of the Minister for Mines (i.e. no change from when they were pastoral leases). However, upon conversion to conservation reserves new approvals will need to be obtained for new exploration and petroleum titles involving:

- at least the recommendation of the Minister for Environment; and
- the recommendation of the management authority (in most cases); and finally
- the approval of the Minister for Mines.

Inevitably this process will create delays and uncertainties and will result in higher costs for any approved exploration and mining activities.

Further, if a commercial discovery is made, this approvals process needs to be repeated and hence the grant of a production tenement is not assured. Potential investors see this as a high-risk step and hence a strong deterrent to initial exploration.

### **Recommendations**

1. There needs to be a whole-of-government evidence-based approach to the determination of future land tenures of the former pastoral leases to enable a balanced outcome that takes into account economic and social as well as environmental considerations.
2. Due process needs to be followed in which affected third parties such as mining tenement and petroleum title holders are notified of the proposed changes and have an opportunity to comment on them.
3. Consultation across government needs to be undertaken before any further pastoral leases are acquired for conservation purposes.

Thank you for the opportunity to present these comments and recommendations. If the Standing Committee would like clarification or expansion of any of the items discussed, I would be pleased to provide more information.

Yours sincerely



Richard Sellers  
DIRECTOR GENERAL

u September 2013

cc: Hon William Marmion MLA, Minister for Mines and Petroleum; Housing