



University of  
South Australia

**Dr Ian Gould, AM Speech**  
**Chair, SAMPEG and Chancellor, UniSA**

<i>Occasion</i>	SAMPEG Opinion Leaders Dinner Speech
<i>Date</i>	Thursday 4 <sup>th</sup> April, 2013
<i>Time</i>	7.00 pm for 7.30 pm <u>6:55PM Greet Premier in Main Foyer</u>
<i>Venue</i>	Panorama Suite, Adelaide Convention Centre

## 1. Who are we - SAMPEG?

SA MINERAL & PETROLEUM EXPERTS GROUP is a component of the successful, much imitated PACE program 2004. Robert Champion de Crespigny was the first Chair. We act as ambassadors for South Australia's resources industry. Perhaps we are more experienced than expert. Most are no longer executives....but still with networks and credibility.

We are unpaid and proud believers in the industry as a mechanism for greater prosperity for the SA community.

Our aims are to encourage investment in South Australia and advise government fearlessly - we are not a government committee or industry association.

I am pleased to say that our independent view is much in line with that expressed by the Premier.

## 2. Who are you - OPINION LEADERS

This is not an audience of industry insiders.

Many here have stakeholder links to the wider industry, who:

- Influence the wider community.
- Influence the industry.
- Influence government, come from the regions, NGO's, conservation, agriculture, tourism, education or have indigenous perspectives etc.

Industry needs to listen and communicate well with opinion leaders about this vital resources sector ... that is why we are here tonight.

## 3. Perceptions of the Resources industry

Most do believe it is economically very important as a state and a national driver of export performance, and our main trade link

with China. But many do not like or understand it; just tolerate it as a necessary evil.

- It is seen as big, foreign, powerful, insensitive, low tech, working its people in 12 hour shifts.
- A major cause of environmental degradation.
- Creating contests over land use with indigenous, conservation, grazing, agricultural interests, etc.
- And it pays little tax and certainly does not pay its fair share of taxes.

Although considered to be small employer of Australians, its high salaries and exchange rate forcing make other industries uncompetitive. Little training for Australians is undertaken; just more 457 visas are applied for.

Somehow it is separate, possibly an anachronism from the rest of the Australian economy/society.

#### 4. Realities

Some of the perceptions are partly true - so the industry needs to improve its performance! The industry must use its real but currently fairly invisible leaders to communicate its role better or its image will be typified by the much denigrated billionaires.

There are plenty of verifiable analysis and anecdotes to support a more positive message by examining the ripple effect of resources on the economy; ie the whole resources economy, not just the minesite and the wellhead.

Unfortunately, use of catch-all definitions such as direct employment and impact on gross national product greatly underestimate contribution and employment in allied support and service industries. As revealed in the recent Reserve Bank paper, 500,000 jobs are estimated to have been created by the

minerals economy (two for each direct job) and its proportion of Australian GVP has soared.

Australian mining technology, services and equipment are leading edge, innovative, exported extensively, often by SME enterprises and local subsidiaries of majors, amounting to \$70bn product value annually.

The resources industry is the largest trainer, employer and in many areas source of non-government funding for indigenous communities.

FIFO employment is highly popular with employees and shifts and rosters are becoming much more family friendly, and are creating prosperity in the home communities of these workers.

The unprecedented capital spending by the industry, including on infrastructure is underwriting construction and other industries and restoring productivity to the economy.

Regional areas with strong mining activities benefit, and are not “hollowing out”; more families, higher wages and higher growth are more the norm. Roxby Downs recently was categorised by ABS socio-economic data as one of the most advantaged in the State.

The Australian mining industry employs about 11,000 apprentices and trainees; government is helping (for example, RESA, TAFE Mining and Engineering at Regency Park).

Land covered by actual operating mining and petroleum leases (as distinct from low or no impact exploration licences) is miniscule compared with other land uses, albeit often intensive  
- look out the plane window for personal proof.

The environmental approval system is rigorous and systematic and largely independent; fast tracking and replication are increasingly avoided. The industry employs many environmental scientists. The community's environmental and heritage icons are not being violated.

The strong \$Aus dollar no longer tracks commodity prices and is influenced by safe haven status and high comparative interest rates.

Australian superannuation funds hold a high proportion of major Australian resource stocks; overall public shareholding of these stocks is very substantial.

Finally, the Australian mining industry has of late paid \$20billion per year in company tax and state royalties (before recent state

royalty increases and super profits tax). Most in the industry believe that additional taxation is justified on genuinely super-profits, which are by their nature the exception not the rule.

## 5. South Australian Perspective

South Australia enjoys a well-balanced economy, with mining now the largest export sector and fastest grower, but agriculture/wine, manufacturing and defence also prominent and likely to remain so. Resources need to be integrated with and synergise with other sector strengths, rather than compete. There are in the real world very few “mine or dine” mutually exclusive options.

We have many genuine competitive advantages in South Australia.

- Prospective geology, especially in the Olympic Dam-hosting Gawler Craton, Cooper Basin shale gas and eventually hot rocks.

- A history of mining, notably copper and processing/smelting at Roxby, Pirie and Whyalla.
- Actively supportive government and high bipartisanship; low sovereign risk, multiple land use policies.
- The best “Mines Department”, with world leading data provision, tenement management, etc.
- Fewer land access issues, very large land area, little intensive farming in most areas, ILUA’s (Indigenous Land Use Agreement) as a response to Native Title delays.
- Shale gas discoveries are deep, remote with little land use competition and without the social, water quality and environmental complications of coal seam methane on the east coast - and some infrastructure is already in place in the Cooper Basin.
- Deep and covered resources in the Gawler, but Olympic Dam-type resource “elephants” are still to be discovered.
- Strong (often national and international best) technology and service facilities in Adelaide for industry; eg School of

Petroleum Engineering, CRC DET, Wark institute, CRC CARE, Maptek , three good local universities.

- The Roaring Forties for wind energy (but beware it does not just raise electricity costs).

## 6. Optimising South Australian Resources

Getting the Olympic Dam expansion project with its 100 year life potential over the line is the first challenge, by using innovative technologies in mining and processing; it is still one of the best ore bodies on the planet; and it has some close relatives, like Carapateena, Prominent Hill, etc. BHPB have the incentive and financial commitment and we have a lot of capability to develop enabling technology for OD.

The large and lasting impact of such a super ore body was demonstrated a century ago just over our border by Broken Hill, which spawned most of the nation's heavy industry and the world's largest mining company.

The long life and high value of Broken Hill in the 20<sup>th</sup> Century was only possible by the invention of an innovative technology that allowed separation by froth flotation of the previously discarded zinc component of the ore.

Old activities can also be revitalised, eg Port Pirie smelter is to be refurbished using innovative financing, the latest clean lead smelting technology, high co-product recovery and environmental performance. Lead is far from dead and demand and price have risen strongly on the back of automotive batteries and Port Pirie is the largest lead smelter in the world.

The Kanmantoo copper mine, first worked in the mid 1800's has been revived and is producing metal at three times the previous best rates achieved.

Bulk port development on the Eyre Peninsula will open up large scale iron ore exports; government catalysis of private sector infrastructure will facilitate development.

High quality government geodata and drilling aid under PACE 2020 will promote and enable effective under- cover exploration.

Deep shale gas (and other petroleum) can change the game as a large new export and energy source for adding value, with Santos and Beach already active and giants BP and Chevron now joining.

Surf the resources service economy ripple (really a wave), with its job and value multipliers, using existing strengths, especially defence and its technologies and manufacturing capabilities and our innovative research organisations.

Look beyond improved mining royalties to add value by creating a vibrant set of specialised service and advanced manufacturing and engineering businesses imitating the successful Norwegian example with offshore oil and gas services - and a sustainable future fund! Bergen and its university is a world centre of know-how in this sector, which is proving more satisfactory than salt cod had been historically.

Ironically Chile used its copper derived industry development fund to spawn the world's second largest salmon industry, after Norway.

And finally, support this achievable vision by creating a MINING SERVICES CENTRE OF EXCELLENCE OR HUB in South Australia with Government and private sector backing.

## 7. Conclusion

This is the message we would like you to take away as ambassadors for the State and its resource based industries.

They are the future not the past. They link us with the world's growth areas and can synergise with rather than displace other activities.

We need to be proud of our resource economy, not apologetic - but always expect the best standards. We need to be able to operate a diverse but connected economy - to walk, talk and chew gum at the same time.

But without community support and innovation we will fail to achieve the potential that good fortune has bestowed on the one and a half million South Australians in the form of a well-endowed landmass larger than France and Britain combined.