How the West is being lost

By: Christopher Pearson | *October 11, 2008*

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THE best explanation I've heard for Brian Burke's career as a lobbyist is that he was just about the only person who could get Labor ministers and bureaucrats in Perth to make decisions. In retrospect, his term as West Australian premier can be seen as a perfect apprenticeship.

While in office, you entrench a local version of what the Indians call a permit raj, a rentier class of politicians and public servants who make money out of micro-regulating and licensing every aspect of business. Having retired from parliament, you're able to exploit the administrative chaos and deferred decision-making by presenting yourself to entrepreneurs as their best guide through the labyrinth.

The extent to which chaos and delay affect business in Western Australia was there for all to see in a report in ResourceStocks magazine, released on Monday. In its annual survey of 3000 senior mining, oil and gas executives, WA is rated as the poorest performing Australian jurisdiction in terms of risk. At a time when Australia's overall position improved, up from eighth least risky country to fourth, behind Finland, Canada and Botswana, the state with the biggest resources boom was also the worst performing.

Association of Mining and Exploration Companies chief executive Justin Walawski says there is a real risk WA could lose more big-ticket projects in the wake of INPEX's decision to locate its $25 billion gas project in Darwin: "The explosion of red and green tape, combined with difficult indigenous affairs in WA, has seen its former reputation as Australia's mining capital collapse."

He lays much of the blame on the fact six to 10 government agencies process mining applications. He also says the average time for explorers seeking approvals to undertake works in WA is 12 to 18 months, and there is a backlog of 13,000 mining and exploration licenses awaiting approval. "That is a nonsense for WA, and in the past decade there has been a 22 per cent decline in the level of mineral exploration." Queensland, which this year ranked fifth among the Australian jurisdictions, could perform "substantially better in coming years because of the Bligh Government's increase in activities promoting exploration and geoscientific research".

In WA, the Barnett Government's newly installed Mines and Petroleum Minister Norman Moore says he is disgusted at the state's rating and is considering legislation to create a single government entity to manage mining approvals or a lead agency to act as a case manager and ensure that applications flow through the various arms of government.

"It is very, very embarrassing indeed. One can lay the blame fairly and squarely at (the feet of) our predecessors, who did not see this as a significant issue at all," Moore says.

"They became very complacent about the resources sector. Resolving this matter and returning us to the respected position that we used to have is my No1 priority."

Moore says the INPEX decision is a classic example of what went wrong. "That was brought about by a government that couldn't, or wouldn't, make a decision. They gave it to someone else, the Kimberley Land Council, which had the power of veto over where the company goes." He undertook to meet the state's environment and indigenous affairs ministers in coming weeks to identify bottlenecks ahead of an overhaul next year.

Mining executives and Liberal ministers for mines can generally be expected to sing from the same hymn sheet on the subject of simplifying regulation.

But on Tuesday WA's Auditor-General Colin Murphy added his two bobs' worth on the subject in a report tabled in parliament. He has found that $40 million of taxpayers' money has been spent on trying to streamline the approvals process since 2003, but that it has produced no tangible improvements.

He also concludes that resources projects can't be tracked across government departments and the administration's left and right hand doesn't know what the other is doing. This in turn means that it is impossible to determine whether overall timelines have improved since 2003. He notes that companies will invest elsewhere if there is too much delay and uncertainty in gaining approvals.

Another of Murphy's findings is that the Office of Development Approvals Co-ordination, set up by ex-premier Alan Carpenter when he was state development minister, has not achieved its goal of improving the various departments' compliance with set times for approval.

In a week of financial turmoil unparalleled since the Depression, it is chastening to think of the Carpenter government, which so recently presided over a mining boom it half resented and did next to nothing to encourage. The national economy will soon be registering the consequences of that inaction in terms of jobs not created, wealth not generated, company tax foregone and development opportunities squandered. A backlog of 13,000 mining and exploration licenses awaiting approval speaks for itself. It signals an astonishing level of anti-mining sentiment, as well as complacency and sheer incompetence, on the part of the former government and suggests Colin Barnett may have a far more tractable parliament to deal with than first expected.

Trying to make sense of the Carpenter government's attitude to mining, I spoke to an old friend, Tom Kenyon. He's a Labor backbencher in the South Australian parliament, enjoying the patronage of the shop assistants union.

In the three years before his election in 2006, he advised Paul Holloway, South Australia's Mineral Resources Development Minister. Kenyon is one of the reasons SA was ranked the best Australian state in terms of risk by ResourceStocks last week.

He says: "West Australian Labor is very different from Rann Labor. For starters, they've got huge mines over there and huge numbers of them, too. We don't. There was the sense that they could afford to be a bit complacent. It's a luxury we've never had. In the West they didn't really feel they needed to push to expand existing operations.

"They didn't see over-regulation and red or green tape as major problems either, and that they would have serious consequences.

"They may not end up hurting established operations but, in the middle of a boom, they certainly do discourage new activity. Delay and indecision mean people sitting around paying the holding costs on capital, and they've got nothing to show for it. In the end, there are always other mining provinces to turn to where it's easier to do business."

Kenyon's pleased by the ResourceStocks rating but stresses that it comes off a very low base. "The Liberals in their most recent term of government in SA were reasonably active but commodity prices were low. When we came into government, South Australia had a grand total of four mines: Leigh Creek (coal), Olympic Dam (copper, gold, uranium), Beverley (more uranium) and the Middleback Ranges' OneSteel iron-ore operation. Now there are five more mines: Challenger (gold), Mindarie (zircon), Beltana (zinc), Prominent Hill (copper and gold) and Strathalbyn (zinc).

"Robert Champion de Crespigny, the founder and chief executive of Normandy Mining, was an integral part of the recent development of the mining industry here," Kenyon says. "He came up with the names of a core group of executives and with their advice we instituted a plan for accelerating exploration. De Crespigny convinced Mike Rann and the Treasurer, Kevin Foley, to fund a dollar-for-dollar government subsidy for drilling costs on (mostly) greenfield sites.

"We also formed a minerals and petroleum expert group. It consisted of mining executives and a few journalists, such as The Australian Financial Review's Trevor Sykes, who was invaluable in reassuring his readers that whatever the (party) federal conference and other state branches such as WA felt, we were keen to open new uranium mines. Holloway is generally acknowledged as a very competent minister and, on the eve of the last election, the SA Chamber of Mines and Energy pleaded with Rann to keep him in the post if Labor won."