

Response to the State Government’s document:

Developing South Australia’s Copper Strategy

23 October 2015

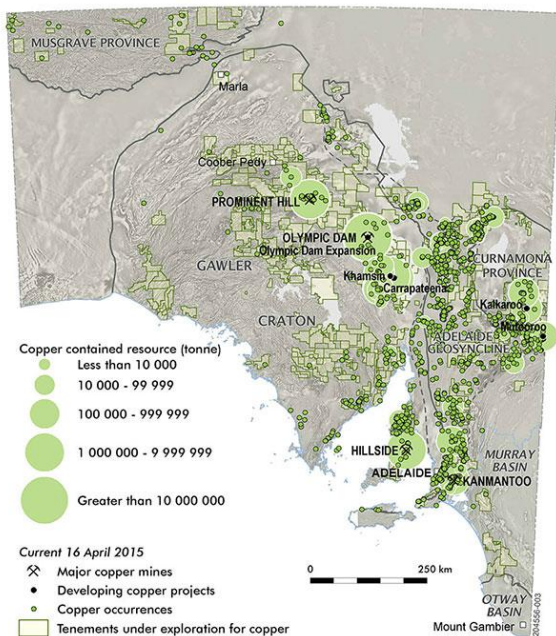
This discussion paper was released for public consultation in Sept 2015 with implementation scheduled for early 2016. It aims to:

- *unlock the full potential of SA’s Copper assets*
- *triple SA’s copper production from 300,000 tonnes (current) to 1 million tonnes within the next 15 years (by 2030)*

Introduction

As presently drafted, this Strategy is fundamentally flawed because it seems to be based on two untenable premises:

- First, that the mining industry has the right to access any land within SA irrespective of any detrimental impact on pre-existing industries.



This resource map (see page 13 of document) suggests the entire state is open for copper exploration and mining, with no areas - including highly productive agricultural and tourist areas like YP and the Adelaide Hills - considered off-limits. It fails to recognise that SA has only 4.3% of land available for agriculture and should, therefore, be protected.

- Second, that only positive benefits will accrue from this Strategy. The Minister’s Forward states it could lead to *“substantial economic growth and improved standards of living for South Australia and the nation as a whole and make our world more energy efficient and environmentally stable”*. The implication is clear; whatever is good for mining is good for the State. These highly inflated claims are not substantiated in the document. Nor are they balanced by reference to or acknowledgement of the many negative consequences likely to accrue to existing industries such as agriculture if the strategy is fully implemented.

Other failings include the document’s lack of reference to the well-documented downsides of mining, including (but not limited to):

- The fact that the mining boom’s economic benefits to Australia and to local communities located close to individual mines have been significantly over-estimated by both Governments and the mining industry.
- Mine accidents and disasters. Prior to the commencement of any new mine, Governments and mining companies are keen to reassure the community that all risks will be managed. But mining accidents and disasters do regularly happen. Copper mining is particularly hazardous because of its potential toxicity, as numerous international examples of contamination of water ways, groundwater, soils and community health across the world have demonstrated.
- Failure to address the whole issue of the need for leading practice mine rehabilitation.
- Mineral resources are a non-renewable commodity. All mines have a finite lifespan. Once the resource is extracted, the mining company moves on, usually leaving in its wake a devastated, unproductive landscape. In contrast, agriculture is capable of producing food from the same parcel of land indefinitely.

In summary, the Strategy in its current form is not balanced, well considered or well researched. It is, it seems, an overly optimistic and knee-jerk reaction to the current economic woes of this state which, ironically, have been partly caused by the detrimental impact on some of SA’s key industries (eg the SA car industry) by the mining boom itself.

All of the negatives of a rapidly expanding copper mining agenda in SA need to be thoroughly documented and addressed in any further iterations of the Copper Strategy if the Government hopes to win community support for it.

Further discussion of some of the Strategy’s short comings are presented below.

What the strategy fails to address

1. Negative impact on pre-existing industries, especially agriculture

If the map on page 13 of the document is to be taken seriously, any copper resource in SA - be it a green or brown fields deposit - is a legitimate target for exploration/exploitation. This includes a multitude of sites within agricultural land.

To take an obvious example: the map clearly indicates a number of copper targets on Yorke Peninsula, including (but not limited to)

- the already approved Rex Minerals copper/gold (and until recently, iron) mine at Hillside

- what appear to be the 12+ satellite deposits identified by Rex in close proximity to Hillside and
- a host of potential deposits within or near the Copper Triangle of Moonta/Kadina/Wallaroo.

These sites all sit within what is arguably the best cropping land in South Australia. The oft-repeated mantra of this Government – that farming and mining can co-exist – is untenable. Allowing a plethora of open cut heavy metal mines to intrude on such fertile land ignores the long term damage this will do to agricultural productivity in this state, not only through direct loss of land subsumed under mining tenements but also through indirect losses to surrounding properties that may result from mine-generated dust, groundwater and surface water contamination.

Agriculture has always been and, if adequately protected, will continue to be the economic mainstay of South Australia. To quote from GPSA's draft Mining Policy (September 2015; Appendix 1):

“South Australia’s food industry ...generated more than \$15.3 billion revenue in 2013-14. Food exports from South Australia accounted for \$3.7 billion or 32% of total merchandise exports in 2013-14. The agribusiness sector employs approximately 1 in 5 South Australian workers. Total grain production in South Australia from an estimated 3,000 grain producing businesses for the 2014-15 season was 7.63 million tonnes from 4.04 million hectares. With an estimated farm gate value of over \$1.8 billion and export value of \$2.2 billion, the grains industry is a not only a major contributor to this State’s economy, it is also a significant export earner for this State. It is estimated in PIRSA’s Food and Wine Scorecard 2013-14 that the South Australian Field Crop industry contributed \$4.5 billion or 26% of South Australia’s gross food and wine revenue”.

Yorke Peninsula plays a key role in this economic picture, annually producing 25% of the State's grain crops on only 12% of cropped land.

All this will be put at risk by this Strategy unless the document is significantly changed to exclude such mining in prime agricultural regions such as YP.

2. Other evidence of the Strategy's disregard of agriculture

This includes:

- **No reference to growing world demand for food:** While the Strategy lauds what it predicts will be a long-term increase in international demand for copper (see Terry Burgess – page 2), it totally ignores the fact that food, not copper or any other mineral, is likely to be the most sought-after commodity in the future as the world strives to feed its burgeoning population. If SA is, as this Strategy claims, well positioned to become a key copper producer, so this state is equally, if not more, strategically placed to tap into the growing demand for clean, green produce from emerging economies such as India and China. To put this at risk for short term mining gains makes no economic sense.
- **Lack of consultation with farmers:** While the need to consult with Indigenous communities is properly and appropriately acknowledged, the same imperative is not extended to farmers. The Strategy (page 9) identifies the need for “*effective engagement to gain a social licence to operate*”. Presumably this includes engagement with all sectors of the community, including farmers. However, it has already failed in this task. The original workshop which led to the formulation of this Strategy was attended by mining representatives only, with no farmers

present or invited. Nor, it seems, will the agricultural sector be represented in the workshops planned for October 2015. No representatives from Grain Producers SA or, we understand, PPSA, have been invited to participate in these workshops, even though these are the peak representative bodies for YP farmers.

The timing of these next workshops – October 2015 - also largely precludes involvement from the agricultural sector because it coincides with the grain harvest period – the busiest time in the farming calendar. If the Government was serious about full participation from the farming community, these workshop dates would not have been selected.

The next round of focus area workshops are scheduled for Feb 2016, which is AFTER the Strategy has been finalised and implementation commenced. This begs the question about just how serious the Government is about getting meaningful input from all segments of the community other than mining.

The failure to even mention the words “agriculture”, “farming” or “cropping” at any point in the document further reflects a disregard for agriculture.

3. Negative impacts of the mining boom on the Australian economy

While the document is fulsome in its claims about the benefits this strategy will bring to SA, no substantiating data are provided. These claims seem to be offered as articles of faith, with no regard paid to the growing body of evidence that the “mining boom” has had major downsides for other sectors of the Australian economy, especially agriculture and manufacturing.

According to empirically-based research by the Australia Institute, the so-called ‘mining boom’ has had adverse social and financial impacts for agriculture, manufacturing and tourism (Mark Ogg, paper delivered at Kingston seminar, 2014) with very limited (if any) economic benefits for local communities situated near mine sites. The AI research shows that:

- The mining boom created a two-speed economy. While those sectors and employees involved in the industry benefited, the dramatic surge in the value of the Australian dollar led to a significant reduction in the demand for non-mining exports. Agriculture and manufacturing were the major victims. Qantas, Bonds, Toyota and Holden all attributed their declining exports to the rise in the Australian dollar. The rural sector’s export income also declined by \$61.5 billion. *“Wheat growers have been particularly hard hit, losing \$3 billion in 2011-12 and \$8.3 billion over the boom”* (Grundoff, AI, 26/3/13).
- By forcing up wages, mining placed increased pressures on other industries. Rather than creating jobs, evidence indicates that the mining boom simply redistributed jobs (Richards, 18/2/12) which found it difficult to retain or attract workers. And even with the high rate of growth in the mining industry during the ‘boom’ years, it remains *“one of the smallest sectoral employers in Australia, offering work to fewer people than that employed in the arts and recreation services sector* (Richardson and Denniss, AI, Sept 2011). The same report noted that the increase in employment in the mining industry accounted for only 7% of total employment created in the seven years ending 2011.

- Only a small percentage of mining profits remain in Australia simply because most mines in this country are foreign owned, with the bulk of the profits go offshore. According to the Australia Institute (Richardson and Denniss, Sept 2011) 83% of mining profits accrue to overseas investors.
- The Mining Industry's claims regarding its Australian tax contributions have proved to be massively exaggerated and misleading because of the inclusion in those payments of Government royalties. Royalties cannot be regarded as 'tax payments' because they represent the cost to mining companies of 'buying' resources owned by the states (West, August 17 2014: The Age).
- What the Mining Industry also chooses to ignore is the considerable subsidies paid to the industry by both Federal and State Governments. In the 6 years between 2008/09 and 2013/14, direct financial support provided by State Governments to the mining industry totalled \$17.6 billion, including \$316.2m paid by the SA Government to the mining sector (Peel et al, AI, June 2014). The same report noted that, according to its 2013-14 budget papers, SA provided \$71 m assistance to the minerals and fossil fuel industries, which exceeded its spending on its country fire service for that year.

This accumulation of evidence clearly indicates that the benefits of mining are not all they are claimed to be. But despite this, the SA Government's continuing insistence on promoting mining at the expense of other industries suggests it has failed to heed the lessons from the recent past.

4. Implied danger the Strategy will be used to justify further erosion of the already limited protections available to grain growers

One of the apparent goals of this Strategy – ‘To reduce bottlenecks in processes across the copper value chain’ (page 9) - focuses on the improvement of approvals, land access and development processes. In light of the scant regard paid to grain growers on YP whose land is required by Rex Minerals for the Hillside mine, and the constant downplaying by this Government of any mining impact on agricultural productivity, YPLOG is concerned this Strategy will be used as the catalyst to amend the Mining Act 1971 to remove S 9 which exempts cropping land from exploration and mining. This section currently gives farmers the right to protect their land by refusing to waive that exemption when requested do so by exploration/mining companies. It is the only avenue farmers currently have to resist the incursion of inappropriate and destructive mining operations on land which has and will continue to be a key source of food and income for SA well into the future.

The possibility of such an amendment has already been floated (see comments by McKenzie, *'Battle for Land Heating up over Miners' Access*; p 69, The Advertiser, 10-5-14,)

The Strategy must be redrafted to make it clear that such heavy-handed tactics will not be employed to clear the way for copper mining in sensitive and inappropriate locations. If such assurances are not forthcoming, any Government moves to make such legislative changes will be vehemently opposed by the farming sector.

5. Failure to acknowledge economic risks of mine disasters

As noted earlier, the Strategy fails to acknowledge, even in passing, that mining – especially copper mining - entails significant environmental risks both during operations and after mine closure which often carry significant economic costs.

Recent examples of mining accidents/disasters include

- McArthur River Mine's burning waste rock pile which has triggered major health and environmental concerns among Gulf of Carpentaria Aboriginal groups (Jane Bardon, 27 Jul 2014) and more recent concerns over this mine's toxic contamination of more than 400 cattle which wandered onto the mine site. Half had to be destroyed and the rest quarantined.
- The derailment of a train carrying ore from Oz Minerals' Prominent Hill mine in SA Train which resulted in 500 tonnes of copper concentrate being spilled into the Edith River in the NT. This concentrate included an estimated 96kg of uranium (*NT News, December 31, 2011*). The report noted that

“OZ Minerals has ...been allowed by NT and SA governments to transport the copper concentrate without complying with Australian Dangerous Goods laws”.

- A fire in Hazelwood's giant open cut mine in Victoria burned out of control for 45 days in early 2014, sending toxic smoke over thousands of residents in Morwell and surrounding areas of the La Trobe Valley. A Board of Inquiry set up by the Victorian Government has been told (ABC News, 22 Oct 2015) that at least 27 deaths may have been caused by that smoke. The Government has already pledged \$30 million to implement recommendations from the Inquiry.

Clearly, mining accidents do occur, despite the persistent assurances of Governments and the industry that all risks can be managed. Such accidents are usually very costly to clean up.

The Strategy's failure to even mention the possibility that a proliferation of potentially large-scale open-cut copper mines in SA could lead to similar disasters is unacceptable and needs to be addressed in any subsequent iterations of the Strategy.

6. Failure to acknowledge economic risks of failed mine site rehabilitation

In Australia, the long long-term legacy left by mining because of totally inadequate rehabilitation is finally gaining recognition. A 2013 media report (Seacombe, *The Saturday Paper*, May 24 2013) drawing on reports from the Queensland Auditor-General and the Centre for Mined Land Rehabilitation at Queensland University noted that:

- In Queensland alone there is an estimated potential state liability of up to \$1 billion for the clean-up of its 15,000 abandoned mines
- “Environmental rehabilitation ... remain(s) an unrealised aspiration:
- Miners can and often do abrogate their responsibility to rehabilitate mined land.
- The costs of dealing with messes left by mining companies fall on others – governments, landholders, private citizens.
- There are about 52,500 abandoned sites nationwide, hundreds more under care and maintenance, and more ...operating under inadequate financial assurance of ultimate clean-up.

More recently, an ABC Landline program (19 Sep 2015) noted that:

- ... financial securities [ie bonds] for mine rehabilitation...are nowhere near enough.
- taxpayers will be left with a bill running into tens of billions of dollars unless Government and industry start taking mine rehabilitation seriously.

The program concluded that *“A lot of the landscape has been mined but at the moment there's no real functional use for that land after the mine is finished”*.

A well-documented example of failed rehabilitation of an Australian copper mine is that of Mount Morgan. When this copper/gold/silver mine closed in 1981, *“operators walked away, leaving behind the old pit, flooded with billions of litres of acidic water and elevated levels of 18 elements, including lead, cobalt, cadmium, copper, manganese.Decades later, long stretches of the nearby Dee River remain highly toxic”* (Seacombe, The Saturday Paper, May 24 2014). So far it has cost the Queensland Government more than \$50 million since 1992 to mitigate the worst of the problems but, according to the media report, to fully rehabilitate the site would cost potentially hundreds of millions of dollars.

Any likelihood that the proposed expansion of copper mines in SA will not result in a similar legacy is brought into question by the Government's recent acceptance of “minimalist” and “totally inadequate” rehabilitation plans for Rex Minerals' copper/gold mine at Hillside on Yorke Peninsula (see critique by Dr Tony Milnes, 2013).

The Government's failure to force the mining company to fully rehabilitate the site according to leading practice standards (including pit backfill, safe containment of contaminated tailings and levelling of waste rock dumps - measures which the Commonwealth Government requires for the rehabilitation of the Ranger Uranium Mine in Kakadu) guarantees the Hillside mine tenement will never be returned to full grain growing production and will carry with it the long-term risks of contamination of farmland, communities and the nearby St Vincent's Gulf well after mine closure.

If Hillside is an example of the SA Government's requirements for rehabilitating newly approved open-cut mine sites in prime cropping land then the verdict is in – such standards are abysmally low and render it inevitable that this state will repeat what has happened across Australia, where millions of dollars of taxpayers money are being put into fixing mining's long-term environmental legacy.

The reason given by Rex Minerals and accepted by Government is that “it is not economically viable” to rehabilitate Hillside properly. But how economic is it to let a mining company permanently damage previously prime cropping land for short term gains? And why haven't these financial costs been factored into this Strategy?

Conclusion

This Strategy's focus on copper mining with no regard to its economic, environment and social risks is dangerously short-sighted. A Government intent upon a carefully planned approach to economic development should adopt a balanced approach that carefully assesses and weighs the strengths and weaknesses of all key sectors of the economy to determine how best to juggle their competing requirements so as to maximise the economic benefits that each provides to the State.

A balanced approach would entail

- the encouragement of copper exploration/mining in regions where the impact on existing highly productive industries is likely to be limited; and
- the preservation of the State's full agricultural potential by, amongst other things, declaring the state's remaining 4.3% of agricultural land a no-go zone for copper and other invasive mines.

YPLOG strongly recommends the Strategy be redrafted to reflect these concerns.

YPLOG is not opposed to the development of mining in regions where highly productive pre-existing industries will not be harmed. However, it totally rejects any plans to develop a plethora of open-cut copper mines on prime cropping land such as Yorke Peninsula.

The fact that Olympic Dam alone has copper reserves that could be mined for "200 years at least" (BHP Billiton chief, Andrew Mackenzie, the Advertiser, 21/8/2014) reinforces our argument that there is no need to put agriculture at risk in order for SA to become a major copper producer.

REFERENCES

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