

From: Peter Hutchinson [REDACTED]
Sent: Friday, 9 November 2018 10:20 AM
To: DLGSC Act Review
Subject: Local Government Act Review - Rates, fees & charges submission

Importance: High

Dear LG Act Review,

Upon reading the discussion paper I found that it appears that exempting prospecting and exploration tenements from rates which for the reason I will outline in my opinion why it is a very bad idea.

Rating of mining licences

Mining tenements include prospecting and exploration licences and mining leases which are regulated under the Mining Act 1978. The mining sector argue that due to the negligible impact of prospecting and exploration licences on local government facilities and the fact that they are a right to explore, not a mining business, they should be exempt from paying local government rates.

What are the options for reform?

Some jurisdictions do provide exploration and prospecting licences an exemption from paying local government rates. In Victoria, amendments are currently being drafted to specify that land used for mining is not rateable.

The table below outlines possible options for reform.

Status quo	Exemption	Lower rates
Prospecting and exploration licences continue to pay rates.	Prospecting and exploration licences are exempt from paying rates.	Local government rates for prospecting and exploration are lower than general rates.

Mining licences have a limited intrinsic value unless minerals are found and mined. As a result, there is a high turnover of ownership. If a licence is terminated or the lessee does not pay rates, the local government licence, the rates are generally not able to be recovered by the local government. If rates are not paid, local governments have the option of lodging a caveat on the land with the Department of Regulation and Safety. Alternatively, local governments can seek unpaid rates through the courts.

Ok now I will break down the arguments;

- The mining sector argue that due to the negligible impact of prospecting and exploration licences on local government facilities and the fact that they are a right to explore, not a mining business, they should be exempt from paying local government rates.
 - In the regions where there is significant mining activity the largest asset/facility the local government has is there road network. For miners to access their tenements to prospect or explore they need to utilise the road network.

- Prospecting and exploration licences provide exclusive right to a pegged piece of land i.e no one else can go prospecting/exploring there without permission from the owner of the tenement.
- Local Governments must rate exploration and prospecting tenements lower than general mining.
 - To determine the Unimproved Value (UV) which local governments rate off Landgate use a multiple of the rent paid to the Dept of Mines rent prospecting and exploration tenements are significantly less than mining and so their UV's are lower.
 - Rent of Prospecting tenements is \$2.75 ha vs Rent on mining leases which is \$18.75 per ha i.e valuations of prospecting tenements are lower hence they pay less in rates.
 - Rent on Exploration Licences is \$357 for a single block (320 ha) or \$1,430 for additional blocks.

Section 4 of the Valuation of Land Act 1978

(ii) land in respect of which —

(I) a mining tenement is held pursuant to an agreement made with the Crown in the right of the State and scheduled to an Act approving the agreement —

- (A) 5 times the annual rent per hectare for the first 1 000 h or part thereof;
- (B) 2.5 times the annual rent per hectare for the next 9 000 h or part thereof;
- (C) 0.25 times the annual rent per hectare for each hectare in excess of 10 000 h,

where the annual rent referred to is the annual rent that would be used to calculate unimproved value under item (II) or (III) if the mining tenement were held under the *Mining Act 1978*; or

(II) an exploration licence is held under the *Mining Act 1978* —

- (A) 2.5 times the annual rent payable for the licence under that Act if it is the first year of the term of the licence; or
- (B) 2.5 times the annual rent that would be payable for the licence under that Act if it were the first year of the term of the licence;

or

(III) any other licence or a lease is held under the *Mining Act 1978* — 5 times the annual rent payable for the licence or lease under that Act; or



Information on Mining Tenements – *Miner*

EFFECT

* Subject to Government approval following publication in the Government Gazette

	Maximum Area	Terms (years)	Fees		Minimum Expenses
			Application	Rent	
Prospecting Licence	200ha	4 years Renewable for 1 period of 4 years (for licences applied for after 10 February 2006)	\$339.00	\$2.75 per ha or part thereof minimum \$27.50	\$40.00 minimum
Special Prospecting Licence for Gold	10ha (maximum)	Minimum 3 months or further multiples of 3 months (4 year maximum)	\$339.00	\$27.50	\$21
Exploration Licence (Non-Graticular)	200km ² minimum 10km ²	5 years Renewable for 2 periods of up to 2 years and further periods of 1 year	N/A	\$54.50 per km ² or part thereof for years 1–7 \$183.00 for subsequent years	\$300 per minimum Extensions: \$50,000 per year \$100,000
Exploration Licence (Graticular)	70 Blocks 200 Blocks (outside known mineralised areas)	5 years May extend for 2 periods of up to 2 years and further periods of 1 year for licences applied for prior to 10 February 2006 On or after this date term is 5 years, may extend for one period of 5 years and by a further period or periods of 2 years	1 block only \$357.00 More than 1 block \$1430.00	1 block licence applied for after 1/7/1999 - \$341 All other licence per block Years 1–3 \$136.00 Years 4 and 5 \$220.00 Years 6 and 7 \$300.00 Years 8 on \$567.00	Years \$1000 per • Minimum \$10 • Minimum \$15,0 • Minimum \$20,00 Years \$1500 per • Minimum \$10 • Minimum \$20,0 • Minimum \$30,00 Years \$2000 per • Minimum \$15 • Minimum \$30,0 • Minimum \$50,00 Year 8 on \$3000 per • Minimum \$20 • Minimum \$50,0 • Minimum \$70,00
Mining Lease	N/A	21 years renewable	\$500.00	\$18.70 per ha or part thereof	\$100 minimum \$500 otherwise
General Purpose Lease	10ha (larger area with Minister's consent)	21 years renewable	\$500.00	\$16.50 per ha or part thereof	Covenants
Miscellaneous Licence	N/A	21 years renewable	\$500.00	\$16.50 per ha or part thereof	Covenants
Miscellaneous Licence (search for groundwater)	N/A	21 years renewable	\$500.00	50c per ha or part thereof	Covenants

For the Shire of Upper Gascoyne the removal of rateability of prospecting and exploration tenements would see rate revenue drop from \$360,000 to \$110,000. Recently we had a mining company cause \$2,600,0000 worth of damage to a major tourist road into the Kennedy Ranges which has seen it closed.

If anything the Mining Act and Regulations need to be amended so that non-payment of Local Government rates is a condition of forfeiture. This would solve the problem of shell companies continually pegging tenements and not paying rates. It would also reduce the need for local governments incurring costs in both time and money to utilise the courts system to recover rates.

In conclusion the argument that miners don't use local government facilities is completely flawed as they need to utilise the road network and further there is no need to reduce the rates on prospecting or exploration licences because their rateable values are significantly lower than mining tenements.

Regards

Peter Hutchinson

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