



WALTERTURNBULL

your extra asset

Department of Regional
Development, Primary Industry,
Fisheries and Resources

Review of Minerals & Energy Function

Final Report

29 March 2009 ■ ■ ■

1 Executive Summary

1.1 Overview of Key Challenges Facing Minerals and Energy Sector in the Northern Territory

Over the last thirty years, the minerals and energy sector has made a significant contribution to the economic development of the Northern Territory.

Over this period, the relative importance of minerals and energy to the Northern Territory economy has increased as the Northern Territory economy has expanded significantly. In 2001-2002 the Northern Territory Government, through the predecessor of the Department of Regional Development, Primary Industry, Fisheries and Resources (DRDPPIFR) reported the value of the Northern Territory minerals and energy production and processing values as just over \$3 billion with this having increased to just over \$6 billion in 2007-2008¹.

Further the March 2008 report proposing changes to the Mining Act states 'With mining and petroleum sectors currently accounting for 25% of the Northern Territory economy, and a more significant 40% if LNG and alumina production is included, the importance of the resource sector to the Territory's economy cannot be underestimated.'² The minerals and energy sector has grown significantly in recent years in the Northern Territory contributing significantly to the Territory's economic growth. The Department of the Chief Minister Strategic Plan for 2008-2011 specifically cites mining exports and onshore gas-based processing as important to the future of the Territory³.

It is important to recognise that the expectations of the community and the Northern Territory Government have also evolved and increased during this period. This has included a significant focus on Indigenous issues through the initiatives arising from the Government's "Closing the Gap" and on regional development opportunities.

Despite this growth in the minerals and energy sector, there has been little or no growth in the budgets for the Minerals and Energy Group with some functions within the Group working with reduced budgets over this period. There is a risk that compliance and monitoring functions of the Group are not being adequately addressed resulting in possible delays in processing which will impact on both Government and industry. The current downturn in commodity prices will not reduce the pressure on resources, as current titles and authorisations still require ongoing monitoring and management.

In the future, the Minerals and Energy Group in the Northern Territory will need to take account of a range of issues impacting on the services provided to the minerals and energy sector by the Group, including:

- The need for sustainable development, particularly in the context of pressures regarding climate change and protection of the environment;

¹ DRDPPIFR Annual Report 2007-08

² Northern Territory Mining Act – Recommendations for Change, DPIMF, March 2008

³ Department of the Chief Minister, Strategic Plan 2008-2011

- The increased pressure on accessibility to land for minerals and energy exploration and production in the Northern Territory;
- A perception from some stakeholders that mining is not beneficial to land holders or the environment;
- Environmental management pressures arising from increased public focus and expectations, as evident from several high profile cases of problem legacy sites;
- Whole of Government strategies for appropriate infrastructure provision to support the development of the minerals and energy sector in the Northern Territory;
- Northern Territory Government priorities for Indigenous development in the context of "Closing the Gap";
- Increased Northern Territory Government focus on regional development, with the Department being looked to as the leader in this area;
- Ongoing funding constraints on the Department as the Northern Territory Government deals with a wide range of funding priorities for health and social infrastructure; and
- A recent history of significant difficulties in attraction and retention of professional and technical staff to work in the Northern Territory.

It is noted that the Department is currently implementing various actions in an effort to address many of these matters.

1.2 Implications for the Minerals and Energy Group

The Minerals and Energy Group will need to respond to a range of significant external changes and challenges which will have an impact on the management of the Group and the nature of the programs and services it provides to industry in the future.

In particular, the Minerals and Energy Group and DRDPIFR will need to be able to:

- Operate in an environment of uncertainty regarding the level of investment in the Northern Territory by mining and energy sector companies due to national and international funding and commodity pricing fluctuations;
- Identify and respond to the needs of industry to maintain a competitive advantage over other jurisdictions;
- Plan and resource appropriately for increased business opportunities including those created through Bringing Forward Discovery (BFD) and establish further long term strategies before it's end date;
- Assist a range of potential new clients created through the China Strategy whilst continuing to meet industry expectations on performance for titles management, authorisation and compliance activities;

- Engage proactively with other Northern Territory Government agencies on key issues related to the sustainable development of minerals and energy sector in the Northern Territory;
- Engage effectively with stakeholders and in particular be able to respond in a timely manner to the economic factors impacting on industry stakeholders;
- Manage within an environment of ongoing budgetary constraints arising from competition from other sectors of the economy which have higher social and community priority than minerals and energy and re-define priorities for programs and services in line with the available budget;
- Develop innovative approaches to deliver programs and services in a continuing environment of possible skills shortages in key professional disciplines; and
- Facilitate Indigenous development in the Northern Territory through expanding employment opportunities for Indigenous Australians within the Minerals and Energy Group and facilitating employment opportunities for Indigenous organisations.

1.3 Key Findings of this Review

There is a range of improvements evident in the activities of the Minerals and Energy Group since the last major review in 2004. Feedback provided to WalterTurnbull in 2008 of customer satisfaction⁴ indicated there had been improvement particularly in relation to industry engagement. This Review also noted a range of process enhancements.

However this Review identified there were still a number of opportunities for further improvement, including in the key areas of:

- Long term planning for industry attraction and development beyond the current 4 year initiative of Bringing Forward Discovery;
- Timely completion of the Mining Act Review and presentation of the new legislation;
- Maintenance of a competitive advantage over other jurisdictions and the current good reputation of the Northern Territory for minerals and energy activities;
- Greater integration and planning for coordination of whole of government resources to support the minerals and energy sector with infrastructure, transport, power and water;
- Increased resourcing to match increased development in the sector particularly in the compliance area;
- Greater cohesion and integration of the petroleum-related functions within the Minerals and Energy Group;

⁴ Department of Primary Industry, Fisheries and Mining Customer Satisfaction Survey (April 2008)

- Promotion of greater cohesion and more coordinated approaches to customer services;
- Continued enhancements to the processes for evaluating and managing compliance against the Mine Management Plans (MMPs);
- Greater investment in IT systems and databases to meet current needs and assist with gaining process efficiencies;
- Improved performance monitoring and reporting to strengthen focus on continuous improvement and key areas of processing risk; and
- Promotion of Indigenous development and broader regional development and the role of the minerals and energy sector.

These matters are discussed in more detail within the report.

1.4 Summary of Recommendations

The following recommendations are proposed to address the findings of this review:

Recommendation 1

DRDPIFR give priority to the development, in consultation with Government and industry, of a strategic long term investment attraction and exploration strategy following completion of Bringing Forward Discovery and other initiatives.

Recommendation 2

DRDPIFR include in any further proposals for increased exploration and mining opportunities the provision of resourcing to meet future processing requirements for titles management, authorisation, maintenance and compliance activities.

Recommendation 3

Minerals and Energy Group continue to progress the resolution of the redrafting and presentation of the Mining Act for approval in a timely manner and provide a brief update to industry on the progress to date.

Recommendation 4

DRDPIFR seek greater opportunities for promoting a whole of government approach to addressing the needs of the minerals and energy sector.

Recommendation 5

DRDPIFR seek clarification from Government on the future role, if any, of the Mining Board and advise industry accordingly.

Recommendation 6

DRDPIFR continue to seek funding to address the identified shortfall in resources for the conduct of regulatory work within the Minerals and Energy Group.

Recommendation 7

DRDPIFR restructure the Minerals and Energy Group to more closely integrate the functions as proposed in this Review.

Recommendation 8

DRDPPIFR consider further improvements to the MMP process including greater integration and simplification with Department of Justice processes, multi year submissions and exception reporting.

Recommendation 9

DRDPPIFR review the current role and direction of the DRDPPIFR Information Management Committee and look at opportunities for strategic priority setting and increased engagement at an Executive level.

Recommendation 10

DRDPPIFR review the reasons for not implementing recommendations of previous IT reviews and identify timeframes and resourcing for priority recommendations to be addressed.

Recommendation 11

DRDPPIFR establish a performance reporting framework for the Minerals and Energy Group that includes a broad range of KPIs and ongoing reporting that highlights key issues of performance in a timely manner and facilitates benchmarking of performance.

Recommendation 12

DRDPPIFR strengthens its capacity and capability to embrace the challenges of Indigenous development positively and proactively by leveraging off the current draft Indigenous Engagement and Participation Plan with the identification of specific deliverables and opportunities within the Group.

Recommendation 13

DRDPPIFR develop a Workforce Plan for the Minerals and Energy Group, with a particular focus on professional and technical staff.

Recommendation 14

DRDPPIFR review and update the Executive Minerals and Energy Job Descriptions to reflect current operational requirements.

1.5 Acknowledgements

During the review of the Minerals and Energy Group, WalterTurnbull received sound support from Executive and staff within the Group and the Department more broadly, as well as stakeholders within the sector. WalterTurnbull would like to thank all those involved for their time, thoughtful comments and contributions.