

MINISTER FOR MINERAL RESOURCES

OVERVIEW

| <i>Agency</i> | <i>Budget 2002-03 \$m</i> | <i>Budget 2003-04 \$m</i> | <i>Variation %</i> |
|--|-----------------------------------|-----------------------------------|------------------------|
| Department of Mineral Resources | | | |
| Total Expenses | 52.5 | 53.7 | 2.2 |
| Asset Acquisitions | 1.5 | 13.6 | 804.8 |
| Coal Compensation Board | | | |
| Total Expenses | 3.8 | 3.9 | 2.6 |
| Asset Acquisitions | ... | 0.1 | n.a. |
| Total, Minister for Mineral Resources | | | |
| Total Expenses | 56.3 | 57.6 | 2.2 |
| Asset Acquisitions | 1.5 | 13.7 | 811.5 |

DEPARTMENT OF MINERAL RESOURCES

The Department's mission is to ensure that the people of New South Wales benefit from the responsible assessment, development and regulation of their mineral wealth. This is accomplished through the assessment of the State's geology and mineral resources, allocating those resources for exploration and mining, and regulating for the safety and environmental performance of mines.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

Global competition, commodity prices and developments in financial markets continue to impact on the level of exploration and development investment in the State. New South Wales maintained its share of Australian exploration investment and with increased production has achieved a significant improvement in export earnings. The total value of production was around \$7.9 billion in 2001-02, an increase of 11 percent on the previous year. Total value of production for 2002-03 is expected to be around \$7.1 billion reflecting lower coal prices and a weaker mineral market.

In this context, the Department has maintained a strong focus on attracting investment and facilitating responsible development to ensure that New South Wales continues to have a viable exploration and mining industry in the future.

Recent major developments affecting the Department were:

- ◆ implementation of the Government's \$30 million Exploration NSW initiative with funding of \$5 million in 2002-03. The focus of the initiative is on attracting exploration investment to the State by providing advanced and high quality geo-scientific data to industry and government. The 2002-03 funding was expended mainly in Broken Hill, the Murray Basin, the Central West and northern regions of the State. The geological information obtained is also important to Government in improving land use decision making;
- ◆ development consent and petroleum production leases have been granted for the first large scale commercial gas production in the State. The approvals are for the production of coal seam methane in an area near Camden in the Sydney Basin. Major mine developments include Mt Arthur North and Dendrobium coal mines;
- ◆ expenditure of \$3 million in 2002-03 on the reform of mine safety brought the total expenditure over five years to \$14.9 million. A major achievement of the reforms was the passage through Parliament of the new *Coal Mines Health and Safety Act* in December 2002. New legislation covering the non-coal sector was also tabled in Parliament as a public exposure draft;
- ◆ the Government's continued commitment to restoring derelict mine sites with funding for the rehabilitation program of \$1.6 million in 2002-03. In addition, \$2 million of a three year \$2.8 million Environmental Trust grant provided in 2001-02 was spent in 2002-03. The grant has enabled major works to be planned and undertaken on 13 significant sites across the State and minor works on a further 15 sites to reduce safety hazards and increase environmental sustainability; and
- ◆ the Government's announcement in February 2003 of the construction of the Department's new offices in Maitland to accommodate its staff, including the bulk of the Department's Sydney based positions. The relocation is planned for 2004 and will significantly boost the economy and profile of the region.

STRATEGIC DIRECTIONS

The key issues that the Department continues to address are:

- ◆ the need to ensure that New South Wales continues to attract mineral and petroleum exploration investment;
- ◆ facilitation of new mine development that achieves the Government's economic, environmental and social objectives. The focus is on maximising social and economic benefits and minimising adverse environmental impacts;
- ◆ regulation and continuing reform of mine safety to achieve the Government's aim of ensuring the health and safety of mine workers; and
- ◆ regulation and further improvement of the environmental performance of the NSW mining industry.

The Department is implementing long-term strategies to address these issues, including:

- ◆ continuing the implementation of Exploration NSW, with \$5 million allocated in 2003-04 for work programs focusing again on Broken Hill, the Murray Basin the Central West and northern regions of the State;
- ◆ implementing the new legislation for health and safety in mines. A particular focus in 2003-04 will be on developing the regulations, guidelines, policies and procedures associated with the implementation of the new legislation. A further \$2.5 million has been allocated for continuation of safety reforms;
- ◆ working with the industry to improve the environmental performance of mining operations so that they achieve best practice standards. A further four environmental field officers will be appointed; and
- ◆ continuing focus on the rehabilitation of derelict mine sites, particularly in water catchment areas.

2003-04 BUDGET

Total Expenses

Total expenses of \$53.7 million for 2003-04 include:

- ◆ \$18.8 million to provide a comprehensive information and knowledge framework on the State's geology and mineral and energy resources:
 - to optimise responsible exploration and development of the State's mineral and energy resources; and
 - to ensure that informed decisions can be made on land use, infrastructure planning, and the sustainable development of the State's resources.
- ◆ \$8.4 million to advance sustainable mineral development in the State for the benefit of the community by:
 - providing stewardship of mineral resources and ensuring sound resource utilisation;
 - encouraging and facilitating well planned, responsible mineral exploration, mining and minerals processing development;
 - allocating and managing exploration and mining titles in a timely and efficient manner;
 - ensuring a fair and equitable royalty return to the community for the development of its mineral resources; and
- ◆ \$25.2 million to ensure that mining and exploration industry satisfies community and Government expectations for health and safety, environmental management and rehabilitation and mineral resource extraction. The regulatory and educational framework involved will continue to be supported by an active regime of audits, inspections and investigations and a clear and effective enforcement policy.

Asset Acquisitions

A total of \$13.6 million has been allocated for asset acquisition. The allocation includes \$5.7 million for improving the Department's information systems and relevant processes through the Process and Systems Improvement Project and \$7.1 million for facilitating the Department's relocation to Maitland. The allocation also includes capital expenditure associated with the Exploration NSW initiative (\$0.3 million), works at the Broken Hill Core Library (\$0.2 million), fire control facilities at Londonderry Core Library (\$0.2 million) and the replacement of minor plant and equipment (\$0.2 million).

COAL COMPENSATION BOARD

The Coal Compensation Board is involved in a program of purchasing coal rights from owners who wish to sell their rights to the State. The Board is responsible for receiving, determining and paying compensation for claims resulting from the acquisition of coal rights under the *Coal Acquisition Act 1981*. Additionally, the Board assess applications for compensation for re-acquired coal under the *Coal Acquisition (Re-Acquisition Arrangements) Order 1997*.

EXPENDITURE TRENDS AND RECENT DEVELOPMENTS

The State receives royalties on re-acquired coal and has an obligation to pay compensation to former owners.

Compensation payments made by the Board totalled \$25.1 million in 2000-01 and \$9.4 million in 2001-02. For 2002-03, the Board estimates that it will pay out \$10 million in coal compensation. As at March 2003, the total compensation paid since the inception of the Board was \$619.4 million.

The Board has completed the determination of most claims and applications for compensation. The remaining work substantially involves the management of litigation. The principal litigation issue is a test case for approximately 100 appeals on the meaning of "just and equitable" in the 1997 Reacquisition Arrangements.

The Board received a capital funding supplementation of \$0.1 million in 2002-03 for the replacement of obsolete computer equipment.

STRATEGIC DIRECTIONS

The Board's focus in 2003-04 will be on management of appeals to the Coal Compensation Review Tribunal against determinations by the Board. Proceedings in the Supreme Court were commenced to obtain judicial review of decisions of the Tribunal including a test case in which the outcome will have direct implication on 84 current appeals and future assessments by the Board of remaining compensation applications.

2003-04 BUDGET

Total Expenses

The Board estimates that it will pay \$35 million in coal compensation during 2003-04 to reduce liabilities raised in prior years. No new liabilities to pay coal compensation are currently anticipated.

Administrative expenses in 2003-04 are estimated at \$3.9 million.

Asset Acquisitions

\$0.1 million has been allocated to the Board for developing a graphical database of restored coal titles and replacing obsolete office equipment.