

Media Release – Tuesday, 23 June 2020

Extractives Industry Supply Chain Review – Draft Report released

The South Australian Productivity Commission (SAPC) today released its draft report of its review into the extractives industry supply chain. The extractive minerals industry provides essential materials for the construction industry and for state infrastructure.

On the 3 February 2020, the Commission was asked to undertake a review into the regulatory framework for quarry and extractive industry development. Approval processes, associated timeframes, costs for business and quarry closure and future land use arrangements have been considered. Identifying efficiencies in these processes and improving the strategic development of quarries are a focus of the Commission's draft recommendations.

The Commission has consulted with the extractive industry in South Australia, key regulatory authorities, and other stakeholders. Businesses large and small, and industry associations and professionals were engaged.

Chair of the SAPC Dr Matthew Butlin said "the extractives industry plays an important role in the SA economy by providing key inputs for the construction industry and the State's infrastructure. The regulatory arrangements can be streamlined and made more efficient largely by improving how regulators work together to streamline and better coordinate processes."

Other draft recommendations build on existing reforms, including the implementation of discrete aspects of state planning reforms to give protection to strategic resources, and to accelerate explosives regulation reform.

"The review has also provided directions for broad regulatory reform to improve the climate for jobs, investment and productivity" Dr Butlin said.

The Commission will consult with stakeholders and participants on the draft report to improve the recommendations to be made in the final report. The final report recommendations will focus on the key areas identified by industry and regulators as being most conducive to reform, or where significant benefits can be achieved.

Contact: Dr Matthew Butlin – Chair and Chief Executive, South Australian Productivity Commission
Telephone Number: 0466 456 892
Email: sapc@sa.gov.au

Key Messages

The extractive minerals industry provides essential materials for the construction industry and for state infrastructure. The Commission's task has been to evaluate and identify streamlining opportunities in the approvals process for quarries, and in the use of their outputs in construction and elsewhere, without compromising other government objectives.

The regulatory framework for extractives industry combines a lead regulator framework for pre-operational approvals, led by the Department for Energy and Mining (DEM), and a co-regulation framework during the operational stage of quarries. Significant improvements can be made in both frameworks without changing legislation. Other draft recommendations build on existing reforms, namely the implementation of discrete aspects of state planning reforms and the delayed explosives regulation reform.

The extractive regulatory framework illustrates some wider issues for significant regulatory reform that would lift employment, investment and productivity.

The distance that extractives outputs must be transported greatly affects their cost and the cost of infrastructure. Adelaide, among Australian capital cities, has its highest production quarries located within the greater metropolitan area. This proximity to other sensitive land uses also creates tensions from neighbourhood and amenity effects such as noise, air quality and truck movements.

Current regulatory processes reconcile these competing interests with insufficient regard to the state's ownership of extractive resources. Whilst other extractives resources are available, they result in higher transport costs and impact on roads. The Commission sees scope to strengthen the State's interests in the regulatory processes, without compromising the assessment of the 'best' use of the land containing extractive resources.

DEM is generally well-regarded as a regulator by industry, which also identifies improvements possibilities. The Commission sees there are opportunities for regulatory improvement in:

- strengthening and streamlining DEM's lead role in approvals including by further risk-based triage, allocating the relevant resources and considering a code of practice model by DEM and the industry; and
- adopting a hybrid lead regulator/co-ordinated co-regulator approach for the operational phase, enabled in part by adopting contemporary environmental standards that provide quarry operators with greater consistency among regulators.

The Commission sees merit in providing protections to strategic extractive mineral areas in the state's planning system. The Commission notes the state planning reforms are addressing these issues, but that the new Resource Extraction Protection Overlay may not be applied around urban quarries in the first instance.

There are also opportunities to optimise quarry locations with budgetary benefits to the state, especially outside the metropolitan area, through more flexible approaches to pre-qualification of quarry outputs and early notification of infrastructure plans.

The Commission also sees opportunities to improve regulatory arrangements for ongoing rehabilitation, eventual closure and subsequent land use.

The final report is due to the Premier by 28 August 2020.