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Mineral Resources
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23 February 2017

To Whom It May Concern,

Thank you for the opportunity to provide a submission to the Mining Act 1971 review.

The Kangaroo Island Council comprises an area of 4,405km² and manages 1,362km of roads. Council is required to pay royalty on the extractive minerals taken from landowners property under S294 (7) of the Local Government Act at the rate outlined in Section 17 (4) of the Mining Act 1971. This measure was introduced as part of the Statutes Amendment and Repeal Bill 2015 (Budget 2015) to address competitive neutrality issues, with Councils supposedly competing unfairly with the private sector. The most affected Councils are (financially) small and in rural and remote areas. Rubble sourced under this part of the Local Government Act is primarily used for construction and maintenance of unsealed roads that constitute the vast majority of road lengths in these areas. Kangaroo Island Council is hugely affected by the introduction of this Bill.

Kangaroo Island Council has 1,100km of unsealed roads. In 2015-16 it was estimated that 181,423 tonnes of material would be used from 'borrow pits' for 56km of road construction and maintenance. The royalty payment for this is \$99,783 which is equivalent to \$18.39 per rateable property and is an increase of 1,313% in royalty payments from the previous year. For every additional dollar spent on a royalty payment this is a dollar not spent on actual tangible road improvement and it effectively reduces the impact of Roads to Recovery and any other grant funded road works Council can perform – including work performed using State funds.

Kangaroo Island Council accesses 'borrow pits' on private land to capture road base materials as close as possible to proposed work sites, enabling both a ready supply of material and a cost efficiency to Council in reduced haulage. There are only two registered quarries on Kangaroo Island and it is considered in this manner that Council is not competing directly with them.

The Local Government Association (LGA) has also determined there was little if any conflict between private contractors and Councils; and that Competitive neutrality has no application in respect of a Council sourcing goods or services for use by the Council for its own operations. The Kangaroo Island Council fully supports this view and would like to see the imposition to pay rubble royalties under S294 (7) of the Local Government Act removed as part of this Mining Act 1971 review.

With the introduction of this Bill it was negotiated with the LGA that Councils with a general operating revenue of less than \$5 million would be exempt from royalty payments (this picks up the nine smallest and most isolated Councils) – Kangaroo Island is not one of these.

During negotiations the Treasurer met with the LGA and indicated he was open to receiving correspondence about a possible rebate/compensation scheme however it has not been determined what conditions allow Council's to apply for compensation or rebate of the scheme and whether Kangaroo Island Council is then able to apply. As part of this review we would like this to be further investigated.

In our region the only Council caught in this new arrangement is Kangaroo Island. All of the other Councils within the Southern & Hills Local Government Association (Adelaide Hills Council, Alexandrina Council, Mount Barker District Council, City of Victor Harbor and District Council of Yankalilla) source their materials from licenced mineral tenement operators, or contract roadworks so that the royalty costs are not borne directly by the Council. As governed by the rules, monies paid by Kangaroo Island Council cannot be accessed directly back, but rather, must be utilised in regional activities under the umbrella and guidance of the S&HLGA. This is difficult when Kangaroo Island is isolated by water from its other regional councils, and has its own unique issues.

Kangaroo Island Council is concerned about the impact of the royalty provisions introduced for Council sourced materials for two reasons;

- 1) The direct cost and administrative imposition to Council of making the royalty payments (aforementioned) and
- 2) Our opportunity to access back the funds through the Local Government Research and Development Scheme.

We would like to see both of these issues considered in any review of the Mining Act.

Should you wish to further discuss this matter please do not hesitate to contact the undersigned on 8553 4500 or via email nicki.putland@kicouncil.sa.gov.au .

Yours faithfully



Nicki Putland
Director Council Services

