

**Submission to DEVELOPMENT WEST COAST on
“WEST COAST MINERALS STRATEGY FOR COMMENT”
(NOVEMBER 2015)**

INTRODUCTION

1. Straterra¹ welcomes the opportunity to submit on draft West Coast Minerals Strategy². The submission deadline of 11 December 2015 is noted.
2. Straterra submits from the point of view that the West Coast region needs to consider its attractiveness for investment as a key policy criterion when developing its “minerals strategy”.
3. We would welcome further engagement with West Coast councils in the development of this document.

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¹ Straterra represents NZ minerals production, exploration, research, services, and support

<http://www.straterra.co.nz/about/>

² <http://mineralsstrategy.wix.com/westcoast>

EXECUTIVE SUMMARY

4. The intent of the draft West Coast Minerals Strategy looks to be to attract minerals investment into the West Coast, on the basis that this would benefit investors and the community, and to explain the community's expectations that investors would have to meet.
5. If that is the case, the document is a "social contract" between the community and investors. In principle, this is a good idea. There is work to do for this document to be workable and useful.
6. The community's expectations on mining companies are made clear; however, it is not clear what councils will do to encourage investment or related activities, or how companies are to meet the community's expectations. That is not an attractive proposition for investors.
7. For example, it is not clear what councils will do to address commodity price fluctuations, diversify the minerals sector, increase exploration, encourage workers to live on the West Coast, or to encourage secondary processing of raw materials.
8. Nor is it clear how investors are to avoid fly-in/fly-out workers, integrate newcomers into the region, buy locally, support local schools and services, or to commit to health and safety, education, culture, and conservation. Some of these are legal requirements; others are business decisions made with regard to economics and reputation. What are councils going to do to help?
9. The only specific action to which councils have committed is to offer a "red carpet not red tape philosophy" for investors, when seeking regulatory approvals. That is an excellent initiative, however, the scope is unclear. Will the case management service extend to approvals required under laws other than the RMA, of which there are several?
10. As to structure, we suggest the objectives should follow the vision, and reflect the vision. The connection between these two sections is not clear enough.
11. The document is light on actions that councils will take to achieve objectives. There are no performance measures or review process. The aspirational targets of the economic development plan are too general to be of relevance. Hence our view that this document is less a strategy than a social contract between the West Coast community and investors.
12. The Department of Conservation is cited as a helpful regulator; however, DOC is also advocating actively to prevent mining in nationally-important landscapes, heritage, biodiversity, wetlands and coastal areas. That approach may be consistent with the Conservation Act 1987, however, it is not in the letter or spirit of the RMA.

DETAILED COMMENT

Title page

13. The document is presented as a strategy. It also looks like a prospectus for potential minerals investors, and seeks to provide comfort to communities that their values are safeguarded.

14. The focus is in three areas:

- a) explaining the benefits for investors of coming to the West Coast;
- b) the benefits to the region of minerals investment; and
- c) the community's expectations of minerals investment.

The document, therefore, resembles a "social contract" between investors and the West Coast.

Facing page (page 1)

15. Given the above, the choice of quote for the facing page could be reviewed. The intent is understood; we suggest a more positive framing: "By attracting responsible minerals investment into the West Coast, we build a thriving and resilient community and economy", or similar.

16. In keeping with this idea, perhaps, a photo of a person's hand containing minerals sands would illustrate the economic diversification message.

Page 2 - foreword

17. This first paragraph is supported – it lists the benefits to investors of entering the West Coast.

18. It would be useful to add the percentage contribution of the minerals industry to regional GDP.

19. It is noted that "commodity price fluctuations" are inherent to the minerals industry. That aspect will be well understood by investors. While ups and downs have an impact on regions, it is asking too much of West Coast councils to guarantee that the price downturn can be reversed. It would also be giving local government too much credit. The downturn will end, probably in response to drivers beyond New Zealand's control or influence. At issue is that we do not know when that will occur.

20. What councils can do is develop policies that would help mitigate the adverse effects of mining business cycles, to the extent that this is possible. What do councils have in mind?

21. Why is it the case that the West Coast can no longer rely on a small group of industries for regional development? What has changed - the mining downturn? Diversification is always a good objective to have, regardless of how diverse or not the economy already is.

22. The “red carpet” is an action that councils intend to take, or are taking. This is very important, however, the scope is unclear (para. 50 of this submission refers).
23. What other actions are councils intending to take?
24. The *quid pro quo* proposed is appropriate. Some formatting would be useful, along the lines of “what we will do for you (the investor)”, and “what our communities expect you (the investor) to do for us”. This is a statement of a win-win outcome. In other words, the councils are offering a “handshake” between the community and the investor, and this goes to the concept of “social licence to operate”, without saying so in so many words. That is supported, in principle.
25. The statement “while our mineral and coal reserves are extensive, they are not infinite” adds little value, and to the extent that this is accurate, it is self-evident. We suggest the deletion of this sentence.
26. It is noted that coal is variously a mineral, an energy resource and a chemical feedstock.

Page 3 - background

27. We suggest that this document is less of an “enduring strategy to manage and develop the minerals resources of our region” than an invitation to investors to come to the West Coast as an attractive destination for investment, and to help build a more diverse and more resilient economy and community in the region. The point is that councils are offering to work with investors to these ends. But it is not clear how councils will do that.
28. This document is more than a voice for communities. It goes to the concept of a social contract – here are the benefits for investors, and this is what we as a community expect from investors.
29. Accordingly, this document must also provide confidence to the West Coast community that mining can be and is being done safely and responsibly, for communities, the environment and heritage.
30. As stated, councils’ ability to reverse or manage business cycles is limited. But a mitigation strategy is appropriate, if one can be developed. This goes to providing confidence to the community. What do councils have in mind on this topic?

Page 4 – economic development plan

31. This section is supported, as useful, logical, and as underpinning the rest of the document, in a general sense.

Page 5 – why is a strategy needed, strategy objectives

32. We suggest a reformatting of this page. The content in the left-hand column could be incorporated into other pages. The background section (page 3) could provide the problem definition.
33. The “strategy objectives” are uneven in the level of detail presented. In some cases, the objectives contain actions to achieve the objectives but it is not clear who would implement those actions. No further detail is provided.
34. For example, the call to ensure “continued mineral surveys, exploration, and development; and diversification within the sector towards extracting new mineral types” would be undertaken by whom, and what mechanisms would be used to achieve these actions?
35. We suggest a refresh of the objectives.

Page 6 – vision for the future

36. The “vision for the future” contains seven outcome statements:
- The West Coast is New Zealand’s leading mining region;
 - More diversity in minerals extraction occurs;
 - More jobs;
 - Resilient and sustainable communities;
 - More overseas investment, with a focus on jobs;
 - Mine workers who live on the West Coast; and
 - More secondary processing of minerals in the region.
37. The vision is appropriate and supported. We ask if the vision is adequately underpinned by the objectives listed on page 5. For instance, the emphasis on avoiding fly-in/fly-out workers in the vision is not reflected in the objectives.
38. The logic of the document may be improved by placing the vision before the objectives. The objectives should then flow from the vision.
39. For instance, to strengthen the West Coast’s position as a mining region, the objective of incentivising exploration, development and diversification are important. The question then is: what actions would be undertaken, and by whom, to achieve the objective?
40. The image of a pick-axe with a splintered handle harks back to the West Coast’s rich mining history, cf. a vision of the future.

Page 7 – opportunities and challenges

41. It is noted that approvals for overseas investment are determined by the Overseas Investment Office, under the Overseas Investment Act 2005; such decisions are not up to councils.
42. To add to the welcoming approach of West Coast community leaders (elected representatives?), the West Coast is a mining-friendly region, all things considered. That would be a point of interest to investors.
43. Examples of the minerals potential would be useful, noting an indicative list is provided later in the document.
44. It is noted that the Department of Conservation is advocating for the new West Coast Regional Policy Statement to prevent all development in areas containing matters of national importance (section 6 of the RMA), e.g., outstanding natural landscapes, heritage, significant indigenous biodiversity, and outstanding water bodies such as wetlands. That was never the intent of the Resource Management Act 1991 (noting that this outcome would be consistent with DOC achieving its function under section 6 (b) of the Conservation Act 1987). Straterra's further submission on the proposed RPS refers. DOC's approach should be listed as a challenge.
45. The potential to develop secondary processing facilities is an interesting idea. Some examples of this potential would be useful. The encouragement of such initiatives would be achieved via what means? Would they include favourable rating or development contribution mechanisms, or enabling provisions in district plans?
46. The guidance³ on the West Coast regional council web site on rehabilitation of land is an opportunity for investors. This should make the calculation of environmental bonds more straightforward. The document could refer also to the work of the Centre for Minerals Environmental Research⁴, a consortium of Landcare Research, the Universities of Canterbury and Otago, CRL Energy, and O'Kane Consultants.

Page 8 – opportunities and challenges continued

47. We note that much of public conservation land on the West Coast is classified as schedule 4 land. This is not a challenge that can be overcome. Alternatively, this fact could be listed as an opportunity. The quantity of land locked up in schedule 4 provides a safeguard to society that

³ <http://www.wcrc.govt.nz/our-council/news/Pages/Guidelines%20for%20mine%20rehabilitation%20in%20Westland.aspx>

⁴ CMER www.cmer.co.nz

large parts of the beautiful and valuable environment of the West Coast will continue to be protected and preserved from mining.

48. There is also the status of World Heritage areas outside of schedule 4 to consider in this discussion. Taken together, mining outside of schedule 4 areas on the West Coast should be enabled, subject to legislative and regulatory requirements being met.
49. On conservation land, miners may require approvals under as many as six different pieces of legislation covering environment and heritage: RMA 1991, Conservation Act 1987, Crown Minerals Act 1991, Wildlife Act 1953, Animal Welfare Act 1999, and the Heritage New Zealand Pouhere Taonga Act 2014. We call this the “legislative labyrinth”, and it is a significant challenge for investors, as Bathurst Resources and other companies have found out. The “red carpet” approach ought to address this challenge.
50. The West Coast’s geology certainly presents challenges, and that has implications for directing exploration effort, proving up resources, and determining the best way to mine minerals, including with regard to managing effects on environment and heritage (and with regard to workplace health and safety).

Page 9 – community expectations

51. It is legitimate for the community to have expectations of investors coming into the West Coast. To a great extent, these would be non-binding; these fit into the category of “social licence”, without having to use these words.
52. The expression of a community desire to avoid fly-in/fly-out labour is fine. However, it cannot be forced on mining companies or their staff. What encouragement will the region provide to incentivise local residence?
53. Secondary processing will be an economic decision for companies to make. Once more, it would be interesting to learn what actions councils would take to encourage or incentivise this activity.
54. The agreement with mining companies for community and conservation partnerships would, of course, be non-binding. Investors will expect that in signing such an agreement that the likelihood of regulatory approvals will be increased. This is something that councils cannot guarantee. Perhaps, this point will have as the *quid pro quo* the “red carpet” treatment? What would be the parameters around such a discussion? Investors would want to know what they are getting into.

55. Note that conservation initiatives are likely to form part of conditions on resource consents, access arrangements, and any concession or wildlife permits, so this aspect is confusing.

Page 10 – community expectations continued

56. Our comments on page 9 apply also to the ideas on page 10 covering community development and environmentally-responsible mining. Again, we ask what incentives councils will provide to encourage local employment, integration of newcomers into the region, buying locally, support of local schools and services, health and safety, education, and culture and conservation.

57. On the above, mining companies already have to comply with the high hurdles of the Health and Safety at Work Act 2015, as well as the many pieces of resource management legislation referred to earlier in our submission. What in addition are councils requiring or expecting? What are councils offering in return? Are the councils saying that New Zealand’s laws are not good enough?

58. The concern is that the expectations are specific, while the enabling mechanisms or encouragements to be provided are unclear or non-specific. Investors will think that there are many things that they should do, to be considered welcome on the West Coast, without knowing what they will receive in return. That is an uneven construct, and will deter investment.

Pages 11 and 12 – more information, further assistance

60. Generally supported.

61. Other organisations include: Heritage NZ, Worksafe, the EPA (hazardous substances), and the Overseas Investment Office.

Appendix 1 – pp 14ff

62. This is a very good start to providing to both investors and communities information on mining and regulatory requirements. A thorough review is recommended for comprehensiveness and accuracy. We make a few suggestions below.

63. Prospecting should be mentioned in addition to exploration.

64. Exploration is high-risk from a financial point of view, as opposed to health and safety or the environment.

65. The Fraser Institute results from 2010-11 are out of date and of little relevance to the West Coast. It would be more appropriate to refer to the GNS Science study, released in 2011.

66. Among minerals of exploration interest are garnet, tungsten and zircon.

67. Movement from exploration to mining is also time consuming. Investors need to be prepared for that. It can take years to gain regulatory approvals.
68. The “Crown” is a term that may be unfamiliar to many investors.
69. Mention should be made of possible regulatory requirements in relation to: overseas investment, heritage, wildlife, hazardous substances, buildings and other construction, and health and safety.
70. Site rehabilitation may also convert the land into a new state or an enhanced state, depending on resource consent conditions.
71. Monitoring may not be continuous; it depends. “Ongoing” would be more accurate.
72. As discussed, the list of permits and land access needs to be extended to cover the applicable legislation, and regulators.
73. We suggest hyperlinks to other agencies, for ease of use when referring to the document online.
74. Pounamu/greenstone is also called nephrite, to distinguish this mineral from jade.
75. Resource consents also deal with biodiversity, noise and ground vibration.