

# Easier to do business in Canada, says Australian

Being in the right place, at the right time, still makes getting the job done easier



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**A**trum Coal chairman James Chisholm is in no doubt. "Australia's mine permitting processes are inferior to those of Canada," he says. The Australian's recent efforts to develop an anthracite mine in Canada have given him an extra insight into doing business in both places.

Atrum claims a unique selling proposition. It says it has the world's largest ultra-high-grade anthracite deposit at Groundhog in British Columbia.

The commercial attraction of anthracite is its role as a substitute for coke in steelmaking. It can be used as a direct blast furnace charge bypassing the production of coke with beneficial impacts on steelmaking costs. With a 1,600Mt resource (569Mt measured and indicated, and 998Mt inferred), Atrum has enough to pursue a place in the 30Mt/y high-grade anthracite export market for generations to come. Drilling to build a larger resource base is not a priority.

As a significant owner of the business, Chisholm's priority is to generate cash from the project as soon as possible because he wants a speedy dividend. He is even spinning off other Canadian coal assets held by Atrum to make sure he is not tempted down the usual path of pushing cash flows from one project straight into another. Being in Canada works in his favour.

Firstly, Canada places a limit on how long it takes to get a permit. In contrast, according to Chisholm, the Australian system is too open-ended. Years could elapse while government officials in some jurisdictions assess permitting requests.

A second advantage is the ability to get approval for a small-scale development mine. Atrum is moving to extract a 100,000t bulk sample before the end of 2014 using room and pillar mining. It will then move to small-scale mining at a 250,000t/y rate in 2015 before full-scale mining starts in 2016. Approvals for the smaller operations are quicker. By tapping into early sales, directors can avoid being forced into deals prematurely to raise capital.

A third advantage in Canada is that exploration rights can be retained indefinitely, cre-



**Anthracite... lasting appeal as coke substitute**

ating opportunities for explorers to match the timing of their activities to market conditions. This also creates a ready market for exploration assets. Atrum was able to take advantage of this market as it searched the region for high-grade coal deposits.

Direct regulation of exploration activities and mine permitting in Australia falls to the equivalent of Canada's provincial governments. Less directly, the national government oversees foreign investment, taxation, environmental policies and export controls. Priorities can vary over time and across jurisdictions.

The sometimes confused and capricious nature of Australian permitting regimes gained notoriety in New South Wales in late 2013 when the state's official corruption watchdog, the Independent Commission Against Corruption, concluded that a former minister for mines had acted corruptly in granting an exploration permit to a company associated with a former trade union official.

ICAC concluded that it was easy for exploration permits in New South Wales to be corruptly granted to favoured recipients and recommended a series of steps to prevent this from happening. The corruption fighter observed how an exploration licence gave the holder the inside running on a mine permit. Before an exploration licence is issued, newly proposed processes will involve assessment of the environmental, social and economic consequences of allocating a licence and whether the recipient already had the necessary technical expertise and funding in place to undertake the work proposed.

ICAC also recommended allocation of licences by auction and tenure under which "exponentially increasing rents are payable", changes which could radically alter the exploration and mine development model historically followed in Australia.

The various government bodies affected by its findings must report to ICAC about

their progress in implementing its recommendations. As if the Australian exploration and mine permitting rules were not entangled enough, there is now another agency with an oar in the water affecting the way in which decisions must be made and doing so with little regard to how its view about the way permitting is carried out affects the incentive to do business in Australia.

In 2012, the Australian government asked the Productivity Commission, an official economic research and policy advisory body, to undertake an inquiry into the non-financial barriers to mineral and energy resource exploration. The reference arose in the aftermath of the government's attempts to introduce a super profits tax and concerns expressed at the time that the government had not given enough thought to how its policies were going to affect the explorers and early-stage mine developers.

The commission was specifically asked to consider whether there were unnecessary regulatory burdens on exploration activity and what could be done to reduce or eliminate them. It was also asked to examine the complexity and time frames of government approvals processes. Another task for the commission was an assessment of the impact of government on the international competitiveness of Australia's exploration sector.

The report, submitted last September, must be released by the Australian government before March 24. Commonwealth ministers will have little direct control over how state governments react. The report will create an opening, however, for the Australian government, if it wants the chance, to urge changes on the states where regulation may be hurting.

Luck can play at least as big a role in where a company ends up mining as considered planning or thoughtful policy. Ultimately, companies are likely to go to where they can find or buy a mineral resource. If the anthracite was in New South Wales, Atrum might well be there rather than in Canada.

More often than not, governments would be right to assume as much but change is afoot. Governments face a rising risk when executives like James Chisholm, now they know they have a choice, start to think about where they should begin planning their next ventures. ▼