Concerns mount over red tape among Australian miners

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As Australia's miners brace themselves for the impact of the U.S. president's decision to tax steel imports at 25%, the chair of Australia's single biggest iron ore mine has lavished praise on Donald Trump, who she says could teach a thing or two to local politicians, as industry red tape concerns gather pace.

Mining magnate Gina Rinehart — executive chairman of Roy Hill Holdings Pty Ltd., owner of the Roy Hill mine — lauded Trump's "trailblazing" economic reforms while addressing the 500 Club's inaugural State Shapers Series Lunch Feb. 28.

"The U.S. is showing, with their tax and tape cutting, they welcome investment and all of the associated benefits that go with it of sustainable jobs, rising living standards and higher wages, and bringing people out of the problems of being on the dole," Rinehart said.

"Isn't it time our governments knew this, and did something significant about this, not just say they are cutting red tape." She added that Australia's red tape was significantly higher than under the notorious "anti-business, socialist" Whitlam government of 1972-1975.

The comments came just days after Canadian think tank the Fraser Institute's Annual Survey of Mining Companies for 2017 revealed that Australia's highest-ranked state for investment attractiveness, Western Australia, where the Roy Hill mine resides, dropped from third in 2016 to fifth behind Finland, Saskatchewan, Nevada and Ireland.

Minerals Council of Australia CEO David Byers said in a March 5 statement that it was "alarming" to note that some Australian states were only just ahead of "tiny" African nations like Burkina Faso in perceptions of government policy that influence mining exploration investment.

"Australia's world-class mining sector is handicapped by over-regulation, red tape and duplicated environmental laws across most jurisdictions — all of which limits job creation and prosperity, especially in regional communities," Byers said.

The survey responses also showed some large drops in the Policy Perception Index scores — a measure of the attractiveness of mining policies — for the Northern Territory, Victoria and Western Australia and their relative rankings against other mining regions.

While New South Wales' global ranking improved, its index score still dropped, ranking in the bottom half of surveyed regions this year along with Victoria, with both states ranked as having comparable policy settings to Burkina Faso (ranked 55), Ghana (51) and Guyana (56); while Fiji (37) also outscored those two states.

Australian regions scored particularly low on ratings of taxation regimes, with less than 9% of respondents rating existing tax systems as encouraging investment — far below the 30%-plus scores received by perennial survey high fliers Finland, Ireland, Saskatchewan and Sweden.

Association of Mining and Exploration Companies CEO Warren Pearce told S&P Global Market Intelligence that while Australia still has a "very good" reputation as a place to do business, there has been some high-profile government initiatives around bringing in greater revenue from the mining industry, citing the unsuccessful attempt by Western Australia's new Labor government to lift the gold royalty from 2.5% to 3.5% in 2017.

He said the Fraser survey provided an important lesson to governments: "Understand that capital is mobile, and when you bring in these sort of changes to an industry that has long-term investment, it's going to have some impact."

"That said, Western Australia particularly but other states as well, are still very prospective and very favorable places to do business," he said, but added that there was also an underlying understanding that costs were higher in Australia, which was offset "to some degree" by the country's low sovereign risk profile.

Yet Omar Khan, the head of corporate development at cobalt-focused junior High Grade Metals Ltd. — which will start trading on the ASX on March 7 after a reverse takeover of Quest Minerals Ltd., and is shifting its focus to Austria rather than Australia — said the decision had nothing to do with any issues of perceived sovereign risk.

Khan, who started at High Grade in the week of March 2, told S&P Global Market Intelligence that the company did not see any material issue in looking for opportunities in Australia, which was still highly regarded among capital markets.

"The advantage of our cobalt assets being based in Austria was the significant car and battery manufacturing that exists nearby," Khan said.

"Even from a capital markets perspective, most of the cobalt mineral explorers are listed either on the ASX or in Toronto. They're the markets of choice for explorers, which says a lot about doing business in Australia, even if their underlying asset isn't always located in Australia."