

Regulatory Impact Statement

Proposed Mineral Resources (Sustainable Development)
(Mineral Industries) Amendment Regulations 2025 and
Proposed Mineral Resources (Sustainable Development)
(Extractive Industries) Amendment Regulations 2025

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it.

We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

Resources Victoria is committed to genuinely partnering with Victorian Traditional Owners and Victoria's Aboriginal community to progress their aspirations.

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Abbreviations

Term	Definition
the current Regulations	Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2019 and Mineral Resources (Sustainable Development) (Extractive Industries) Regulations 2019
the proposed Regulations	Mineral Resources (Sustainable Development) (Mineral Industries) Amendment Regulations 2025 and Mineral Resources (Sustainable Development) (Extractive Industries) Amendment Regulations 2025
DMRP	Declared Mine Rehabilitation Plan
Department	Department of Energy, Environment and Climate Action (DEECA)
ERR	Earth Resources Regulator
GSV	Geological Survey of Victoria
MCA	Multi-criteria Analysis
MLRA	Mine Land Rehabilitation Authority
MRSD Act	<i>Mineral Resources (Sustainable Development) Act 1990</i>
Minister	Minister for Energy and Resources
EES	Environment Effects Statement
RIS	Regulatory Impact Statement
SLA	<i>Subordinate Legislation Act 1994</i>
TFA	Tourist Fossicking Authority

Executive summary

Context

In 2017, the Commissioner for Better Regulation conducted a review of the Earth Resources Regulator (ERR) and found that the fees charged for regulatory activities under the *Mineral Resources (Sustainable Development) Act 1990* (MRSD Act) did not align with costs. That review recommended reforms that would have consequences for regulatory operating costs and recommended that fees not be increased before 2020 to allow for improvements to regulatory practice to be put in place by the regulator.

In 2022 the Department of Energy, Environment and Climate Action (the Department) commissioned Deloitte to conduct an independent assessment of costs to examine the underlying cost structure of the existing fees schedule in the Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2019 and Mineral Resources (Sustainable Development) (Extractive Industries) Regulations 2019 (the current Regulations). That report found that full cost recovery of the regulatory costs would require, at that time, raising an additional \$22.8 million per year in fee revenue (in 2022-23 dollars). This included costs associated with regulating petroleum activities, whose fees were set on a full cost recovery basis by amendments in 2024 to the Petroleum Regulations 2021. Based on the Deloitte analysis of cost drivers, and excluding petroleum activities and non-cost recoverable activities (e.g., policy development), the current estimated cost of regulatory activities subject to cost recovery related to these Regulations is \$21.3 million¹ (in 2024-25 dollars). Given that the current Regulations are recovering \$7.5m (currently recovering 35.5% of regulatory costs) an additional **\$13.7 million per year** is required.

The fees in the current Regulations were last reviewed in 2013 and 2014 and were based on the Victorian Government's *Cost Recovery Guidelines*. From 1 July 2021, the *Pricing for Value Guide* replaced the *Cost Recovery Guidelines*. The new guide is intended to improve consistency and capability in price-setting across government. It updates pricing principles to align with current best practice.

Government policy – the need for cost recovery

The Victorian Government's approach to fees and cost recovery is set out in the *Pricing for Value Guide*. The Guide outlines twelve principles for consideration by policy makers when setting fees for government services, including regulatory services. Key principles are:

- Principle 1 – Agencies should aim to recover the full costs of service provision to promote efficient consumption.
- Principle 2 – The cost of service provision should be borne by those who benefit from the service.

Cost recovery principles generally support the concept that those who utilise services (or give rise to the need for a regulatory activity) pay for the cost of those services, rather than have them funded by others (typically through general taxation). In the context of the MRSD Act, companies that are granted licences and work authorities can generate significant value and profits by extracting Crown resources, which they are only able to enjoy because there is a robust regulatory framework in place.

Problem

The problem being addressed by the proposed Regulations is that currently the total revenue from fees from the resources sector does not cover the costs of delivering the required regulatory functions. The fees in the current Regulations only recover around 36% of the costs of providing regulatory services to the mineral and extractive industries under the MRSD Act. The consequences of under-recovery of costs are that taxpayers fund the bulk of the services that are provided for the benefit of resources companies.

Objectives

To address the regulatory problem, the objectives of the proposed changes to the fees are to:

- Improve efficiency of the current fee arrangement by achieving full cost recovery
- Ensure that fees are effective in achieving the government's legislative² objective, and are simple to understand and administer, while considering any equity issues.

¹ Note: The \$21.3 million amount excludes the Mine Stability Levy, which is being reviewed separately and is not further considered in this RIS. The fee increases in this RIS and cost base do not apply to the Mine Stability Levy.

² The purpose of the MRSD Act is to encourage economically viable mining and extractive industries which make the best use of resources in a way that is compatible with the economic, social and environmental objectives of the State. Also see footnote 20.

Options considered

Two broad fee design options to increase fee revenue to achieve full cost recovery were considered feasible and practicable for the purposes of analysis:

- **Option 1:** An increase of 234% to fees across all fee categories (except for the mining stability levy) to fully recover Resources Victoria's regulatory costs. There are also two new fees in relation to declared mine rehabilitation plans. The fees under this option are shown in Table 3 on page 7.
- **Option 2:** Differential increases in fees to fully recover costs, set according to industry sector (i.e., the extractives and minerals sectors). This option was raised during consultation with the extractives industry who mentioned that similar fees were being charged in the extractives sector compared with larger and more complex mines. For the purposes of assessment, under this option all fees related to the extractive industry, would be increased by 211%, while fees related to minerals licences³ would increase by 247%. This option also includes the two new fees in relation to declared mine rehabilitation plans.

During consultation for this RIS, stakeholders raised a number of suggestions in relation to the approach to setting fees, not directly related to achieving full cost recovery. These 'sub-options' included:

- **Option A:** An option to permit licence holders to pay fees on a quarterly basis.
- **Option B:** Re-setting fee value thresholds for work authorities in the extractives industry.
- **Option C:** Relatively lower fees for exploration licences, while still maintaining full cost recovery.

Options 1 and 2 were assessed against each other, while Option A, B and C were assessed against either Option 1 or Option 2 as a reference case, depending on which option was preferred.

Assessment of Options

Better Regulation Victoria recommends using the multi-criteria analysis (MCA) decision making tool to assess fee options (see section 5.1). The MCA decision tool is used in this RIS to assess the preferred fee options. This tool requires judgements about how options would perform against a series of criteria associated with the options. An MCA score is assigned depending on the likely impact of the proposal on each of the criterion, and an overall score can be derived by multiplying the score assigned to each criterion by the relative weighting given to each criterion, and summing the result. An assigned score of zero (0) represents the same outcome as the base case, while a score of plus ten (+10) means an option has significant advantages in achieving the Government's objectives. A score of minus ten (-10) means that the proposal goes against achieving the Government's objectives.⁴ If an option receives a positive net MCA score, then it represents an improvement over the base case, for the criteria assessed. If net MCA scores are positive, then the option with the highest net score should be preferred.

The criteria selected for this assessment – efficiency, effectiveness, equity, and simplicity – adopt the criteria recommended by Better Regulation Victoria in its Guidance Note on fees RISs.⁵ The criteria receive weightings of 35% for efficiency, 15% for effectiveness, 15% for equity, and 35% for simplicity, reflecting their relative importance for this particular proposal. The criteria also specifically refer to the relevant pricing principles in the *Pricing for Value Guide*.

Assessment of full cost recovery options

Option 1 and Option 2 were compared against each other (relative to the current fee arrangements) to assess the preferred option. These options are concerned with the broad structure of the fees, within the Government's policy requirement of full cost recovery. Options A, B and C are stand-alone fee design options that were assessed against either Options 1 or 2 as a reference case, depending on which option was preferred.

The MCA outcome is summarised in Table 1 below. It shows that Option 1 (a flat fee increase of 234% to all fees to achieve full cost recovery) is slightly preferred over Option 2 (an increase to achieve full cost recovery with fee increases differentiated based on industry sectors).

The MCA outcome for Option 1 was a net score of +1.91. This is an improvement over the current arrangements. The benefits mostly arise from economic efficiency, due to the removal of the current transfer of funds from general revenue to the resources sector. However, this option (and Option 2) were not assigned full scores for efficiency because these fees are based on regulatory cost estimates derived from 2013-2014 data, rather than more recent activity-based costing, and consequently this option does not achieve full allocative efficiency. Owing to the amount

³ Including miner's rights and tourist fossicking authorities.

⁴ In many cases, the base case may not achieve the Government's objectives; hence the need for policy/regulatory reform.

⁵ Better Regulation Victoria, 2021, *Guidance Note - Fees RISs*, p. 6: <https://www.vic.gov.au/impact-assessments>.

of the increase, however, this may result in some equity considerations (ability to pay) and possible effectiveness of the regulations (compliance), at least in the short term.

Option 2 received a net score of +1.71. This option scored slightly less for the efficiency criterion because there is an apparent cross-subsidy between the minerals and extractives sector, but scored comparatively favourably on the effectiveness and equity criteria. In terms of efficiency, there may be inefficiencies currently incorporated into the fee arrangements. Without further data on regulatory effort of the extractives and minerals industries, and if or how these have changed since 2013 and 2014, setting an industry-based differential fee increase may increase the likelihood of cross-subsidisation of the extractives by minerals industry. This is because the option would introduce an arbitrary deviation from the regulatory cost estimates from 2013 and 2014, which are the best currently available estimates of regulatory effort for the regulator's activities. In short, this option of a differential fee increase does not ensure the fee structure reflects most efficient estimate of regulatory effort because it is based on an arbitrary adjustment of existing fees, and is not based on data that reflects actual regulatory effort.

Given that Options 1 results in a higher net score (+1.91), this option is preferred over Option 2 (+1.71).

Table 1: MCA Assessment of Options 1 and 2 – weighted score summary

Criterion	Option 1 – Flat fee increase	Option 2 – Industry-based fee increase
Efficiency	2.45	2.10
Effectiveness	-0.15	-0.075
Equity	-0.30	-0.255
Simplicity	-0.0875	-0.0875
Net weighted score	+1.9125	+1.7125

Assessment of fee design options

Based on consultation, three design options were assessed. These were included and formally examined using an MCA assessment. The assessment of these options is shown in Table 2 below.

Under Option A, offering an option for periodic (i.e., quarterly) payments for annual fees could potentially provide benefits to smaller operators by providing flexible fee remittance arrangements to better help with cashflows. This alternative would be optional and licence or work authority holders could continue to pay annually should they so choose. However, these benefits were not large.

Under Option B, resetting value thresholds for the work authority fee would appear to provide more equitable fee arrangements by better matching gate value sales with regulatory effort, but any net benefits were quite small owing to greater complexity of the fee structure.

Under Option C, any benefits from keeping exploration related fees at the current levels appear to be offset by the unfairness of other licence and work authority holders from having to pay higher fees. Consideration also needs to be given as to whether any such cross-subsidy is justified.

Such scoring is sensitive to assumptions and uncertainty and the Department encourages feedback from stakeholders on these options. Industry stakeholder questions are invited on pages 6-9 below, and targeted questions are asked below in section 5.7.

Table 2: MCA Assessment of Options A, B and C – weighted score summary

Criterion	Option A Quarterly fee payment	Option B Re-setting fee thresholds work authorities	Options C Lower fees for exploration licences
Efficiency	0.00	0.175	-0.35
Effectiveness	0.0375	0.0375	0.0875
Equity	0.075	0.0375	-0.175
Simplicity	-0.0875	-0.0875	0.00
Net weighted score	0.025	0.163	-0.6125

Preferred option

For the cost recovery options, the MCA found that Option 1 – an equal increase of 234% to fees across all fee categories – was preferred. However, these scores are extremely close, suggesting that Option 2 may have some merit in principle. That said, any risk-based fee should ideally be based on a more detailed knowledge of the actual regulatory effort, and currently this data is not available. When the fees are reviewed prior to 2027, this data should be available.

Option 1, reflected in the proposed Regulations, would increase fee revenue by \$13.7 million per year (in 2024-25 dollars).

With respect to the sub-options, offering an option for periodic (e.g., quarterly) payments for annual fees (Option A) could potentially provide benefits to smaller operators by providing flexible fee remittance arrangements to better help with cashflows. This alternative would be optional and licence/authority holders could continue to pay annually should they so choose. However, these benefits were not large and would increase administrative burden on government in terms of processing costs. Second, resetting value thresholds for the work authority annual fees (Option B) would appear to provide more equitable and efficient fee arrangements by matching annual fee categories with regulatory effort, however the added complexity of the fee categories results in only a small positive score. Finally, any benefits from not subjecting exploration-related fees from the proposed increases appear to be offset by the unfairness of other licence/work authority holders from having to pay higher fees. Consideration also needs to be given as to whether any such cross-subsidy is justified. Providing lower fees for exploration licences (Option C) received a negative score because the cross-subsidy resulting in higher fees charged for other categories could not be justified.

The Department highlights that Options A and B were not incorporated into the preferred option and exposure draft given timing and resource constraints. Consultation with key stakeholders concluded in late January 2025 and subsequent dialogue extended into February 2025. The timing of finalisation of consultation, internal resource constraints, combined with the Government's request that the changes be in place for the 2025-26 financial year to meet Resources Victoria's resourcing requirements, and the fact that the MCA scoring was only marginally positive, all led the Department to conclude the most appropriate and expeditious way to test the proposals is through the public consultation process for the RIS.

Small business and competition effects

Small business impacts

Small businesses may experience disproportionate effects from regulatory requirements for a range of reasons, including the cumulative effect of other regulatory changes in their sector. In particular, the level of the fee increases, while treating all business in a similar manner (i.e., horizontal equity), are likely to be felt more by smaller operators (i.e., vertical equity).

With this in mind, the current fee structure for mining rents does take the size of operations into account (which tends to be correlated with business size), and extractives businesses pay annual fees based on the value of gate sales. Further, the fees for lodging or varying work plans differ according to a range of factors, including the number of 'sensitive locations' and the types of activities, which may correlate with business size. Nearly 90 per cent of fee revenue arises from fee categories that (indirectly) takes business size into account. In addition, the administrative costs associated with paying fees is similar for all businesses (i.e., there are no significant administrative economies of scale). Overall, it is assessed that the proposed Regulations do not have a disproportionate impact on small businesses.

Competition assessment

Victoria is party to the Competition Principles Agreement, which requires that any new primary or subordinate legislation should not restrict competition unless it can be demonstrated that the Government's objectives can only be achieved by restricting competition and that the benefits of the restriction outweigh the costs.⁶

The proposal imposes the same amount of fees on new entrants as industry incumbents. However, higher fees for applications and explorations licences may impose cost barriers and make it more difficult for certain businesses to enter the market. If the fees deter some businesses from entering the market, then this may raise competition issues.

While application type fees for new entrants will be higher, the largest fees, namely annual rent and annual work authority fees, apply to all operators equally. Once an operation has commenced, there will be no difference between the fees charged between a newer versus more established operator.

⁶ This is the 'competition test' to be applied to legislation. It is noted that the competition assessment does not preclude any option being preferred, but requires that any decrease in competition should ensure that the benefits outweigh the costs and that the desired outcomes can only be achieved by affecting competition.

In considering the competition effect of the proposed fee increases, small businesses may feel this impact more than larger businesses. Higher fees increase business costs and this may lead to some businesses, particularly smaller businesses, to exit the industry.

The proposed fee levels may impinge upon competition indirectly since they increase business costs. As far as there are impacts on competition, the Department considers that these impacts are necessary to achieve the Government's objectives and the benefits of the restrictions outweigh the costs (i.e., recovering costs from the beneficiaries of regulatory services so that the burden does not partly fall on the broader community).

Consultation

In January 2025, workshops were held with key industry groups in the resources sector to discuss the proposed changes and to help identify options to improve the structure of the current Regulations. Generally, industry representatives were not in favour of the proposed fee increases, but some were in favour of cost recovery if it improved regulatory services.

Key themes to emerge during consultation included: the current fee structure for the extractives industry placed a disproportionate burden on small operators; stakeholders wanted to know what service return they would receive for higher fees; and some stakeholders considered that the level of fee increases would reduce investment, in particular expenditure on exploration, and at the margin may cause some operators to exit the industry.

As a result of stakeholder consultation, several options were explored in this RIS.

Implementation

Implementation of the proposed fees will be relatively straightforward. The Department has existing payment systems in place, and authority and licence holders are familiar with these. The Department will write to all authority and licence holders to notify them of the changes. In addition, information concerning these changes will be posted on the Resources Victoria website and be distributed via email to all relevant industry bodies and e-newsletter subscribers.

Evaluation

Amendments contained in the *Mineral Resources (Sustainable Development) Amendment Act 2023* will introduce a duty-based model in 2027, which, among other things, will remove the need for work plans. A broad range of fees will need to be reviewed when these changes come into operation.

Therefore, the Department commits to reviewing all fees prior to July 2027. This process will commence later in 2025. It is important to review the current fee structure and levels to better reflect regulatory effort and risk because much of this data is currently not available.

A comprehensive review of all fees is important because:

- the 2019 RIS committed to reviewing of all fees and royalties after 1 July 2020 (other reforms, notably the introduction of the duty-based model, have made this difficult in the current review), and
- this RIS considered a limited range of options because of data limitations, timing considerations, and because a further review of fees will be conducted.

The future review of the fees will consider qualitative and quantitative data (see Stakeholder Questions on pages 11-13), as well as the effectiveness of the proposed fees in this RIS, including compliance issues and impacts on industry.

Current and proposed fees

Table 3: Current and Proposed Fees (for 2024-25 fee values⁷)

Fee	Industry*	Current Fee (Units)	Current Fee(\$)	Proposed Fee (Units)	Proposed Fee (\$)	% change ⁸
Application fees						
Exploration licence application	MI	145.8	\$2,380.90	487	\$7,952.70	234%
Mining licence application	MI	262.3	\$4,283.40	876.1	\$14,306.70	234%
Prospecting licence application	MI	50	\$816.50	167	\$2,727.10	234%
Retention licence application	MI	145.8	\$2,380.90	487	\$7,952.70	234%
Additional fee for mineralisation report	MI	66	\$1,077.80	220.4	\$3,599.10	234%
Additional fee for native title assessment	MI	73.5	\$1,200.30	245.5	\$4,009.00	234%
Application fee for work authority	EI	88.5	\$1,445.20	295.6	\$4,827.10	234%
Fee for grant of licence						
Grant of exploration licence	MI	145.8	\$2,380.90	487	\$7,952.70	234%
Grant of mining licence	MI	262.3	\$4,283.40	876.1	\$14,306.70	234%
Grant of retention licence	MI	145.8	\$2,380.90	487	\$7,952.70	234%
Annual rent/fee						
Rate of rent for exploration licence (per 10 graticules)	MI	6.9	\$112.70	23	\$375.60	233%
Rate of rent for mining licence (per 10 hectares)	MI	14.3	\$233.50	47.8	\$780.60	234%
Rate of rent for prospecting licence	MI	7.1	\$115.90	23.7	\$387.00	234%
Rate of rent for retention licence (per 10 hectares)	MI	2.4	\$39.20	8	\$130.60	233%
Extractive annual fee based on gate value of total sales:						
\$0 to \$100 000	EI	27.9	\$455.60	93.2	\$1,522.00	234%
\$100 001 to \$500 000	EI	55.8	\$911.20	186.4	\$3,043.90	234%
\$500 001 to \$1 000 000	EI	111.5	\$1,820.80	372.4	\$6,081.30	234%
\$1 00 001 to \$5 000 000	EI	446.2	\$7,286.40	1490.3	\$24,336.60	234%

⁷ The current and proposed fee amounts shown in the table are based on the value of a fee unit in 2024-25 (\$16.33). The value of fee units increases from 1 July each year in line with a rate determined by the Treasurer. When the proposed Regulations come into effect, the value of a fee unit will be different to that shown in the table.

⁸ While a flat 234% increase was applied to all fees, due to rounding, some smaller fee amounts may show an increase of 233% or 235% in some cases.

Fee	Industry*	Current Fee (Units)	Current Fee(\$)	Proposed Fee (Units)	Proposed Fee (\$)	% change ⁸
\$5 000 001 to \$10 000 000	EI	669.2	\$10,928.00	2235.1	\$36,499.20	234%
More than \$10 000 000	EI	836.6	\$13,661.70	2794.2	\$45,629.30	234%
Application for renewal						
Renewal exploration licence	MI	76.3	\$1,246.00	254.8	\$4,160.90	234%
Renewal mining licence	MI	76.7	\$1,252.50	256.2	\$4,183.70	234%
Renewal retention licence	MI	76.3	\$1,246.00	254.8	\$4,160.90	234%
Fees for lodging work plan						
Prospecting licence or mining licence area 5 hectares or less	MI	123.4	\$2,015.10	412.2	\$6,731.20	234%
Mining licence no sensitive locations (SE)	MI	308.4	\$5,036.20	1030.1	\$16,821.50	234%
Mining licence no sensitive locations (EES)	MI	1233.8	\$20,148.00	4120.9	\$67,294.30	234%
Mining licence one or more sensitive locations (SE)	MI	370.1	\$6,043.70	1236.1	\$20,185.50	234%
Mining licence one or more sensitive locations (EES)	MI	1233.8	\$20,148.00	4120.9	\$67,294.30	234%
Mining licence blasting no sensitive locations (SE)	MI	308.4	\$5,036.20	1030.1	\$16,821.50	234%
Mining licence blasting no sensitive locations (EES)	MI	1233.8	\$20,148.00	4120.9	\$67,294.30	234%
Mining licence blasting one or more sensitive locations (SE)	MI	740.3	\$12,089.10	2472.6	\$40,377.60	234%
Mining licence blasting one or more sensitive locations (EES)	MI	2467.5	\$40,294.30	8241.5	\$134,583.70	234%
Mining licence declared mine (SE)	MI	740.3	\$12,089.10	2472.6	\$40,377.60	234%
Mining licence declared mine (EES)	MI	2467.5	\$40,294.30	8241.5	\$134,583.70	234%
Extractive industry work authority area less than 5 hectares (SE)	EI	123.4	\$2,015.10	412.2	\$6,731.20	234%
Quarry no sensitive locations (SE)	EI	308.4	\$5,036.20	1030.1	\$16,821.50	234%
Quarry no sensitive locations (EES)	EI	1233.8	\$20,148.00	4120.9	\$67,294.30	234%
Quarry one or more sensitive locations (SE)	EI	370.1	\$6,043.70	1236.1	\$20,185.50	234%
Quarry one or more sensitive locations (EES)	EI	1233.8	\$20,148.00	4120.9	\$67,294.30	234%
Quarry blasting no sensitive locations (SE)	EI	308.4	\$5,036.20	1030.1	\$16,821.50	234%
Quarry blasting no sensitive locations (EES)	EI	1233.8	\$20,148.00	4120.9	\$67,294.30	234%
Quarry blasting one or more sensitive locations (SE)	EI	740.3	\$12,089.10	2472.6	\$40,377.60	234%

Fee	Industry*	Current Fee (Units)	Current Fee(\$)	Proposed Fee (Units)	Proposed Fee (\$)	% change ⁸
Quarry blasting one or more sensitive locations (EES)	EI	2467.5	\$40,294.30	8241.5	\$134,583.70	234%
Fees for varying work plan						
Prospecting licence or mining licence area 5 hectares or less (SE)	MI	114.4	\$1,868.20	382.1	\$6,239.70	234%
Prospecting licence or mining licence area 5 hectares or less (Other)	MI	38.1	\$622.20	127.3	\$2,078.80	234%
Mining licence no sensitive locations (SE)	MI	305	\$4,980.70	1018.7	\$16,635.40	234%
Mining licence no sensitive locations (EES)	MI	1143.8	\$18,678.30	3820.3	\$62,385.50	234%
Mining licence no sensitive locations (Other)	MI	95.3	\$1,556.20	318.3	\$5,197.80	234%
Mining licence one or more sensitive locations (SE)	MI	381.3	\$6,226.60	1273.5	\$20,796.30	234%
Mining licence one or more sensitive locations (EES)	MI	1143.8	\$18,678.30	3820.3	\$62,385.50	234%
Mining licence one or more sensitive locations (Other)	MI	114.4	\$1,868.20	382.1	\$6,239.70	234%
Mining licence blasting no sensitive locations (SE)	MI	305	\$4,980.70	1018.7	\$16,635.40	234%
Mining licence blasting no sensitive locations (EES)	MI	1143.8	\$18,678.30	3820.3	\$62,385.50	234%
Mining licence blasting no sensitive locations (Other)	MI	95.3	\$1,556.20	318.3	\$5,197.80	234%
Mining licence blasting one or more sensitive locations (SE)	MI	762.5	\$12,451.60	2546.8	\$41,589.20	234%
Mining licence blasting one or more sensitive locations (EES)	MI	2287.5	\$37,354.90	7640.3	\$124,766.10	234%
Mining licence blasting one or more sensitive locations (Other)	MI	228.8	\$3,736.30	764.2	\$12,479.40	234%
Mining licence declared mine (SE)	MI	762.5	\$12,451.60	2546.8	\$41,589.20	234%
Mining licence declared mine (EES)	MI	2287.5	\$37,354.90	7640.3	\$124,766.10	234%
Mining licence declared mine (Other)	MI	228.8	\$3,736.30	764.2	\$12,479.40	234%
Extractive industry work authority area less than 5 hectares (SE)	EI	114.4	\$1,868.20	382.1	\$6,239.70	234%
Extractive industry work authority area less than 5 hectares (Other)	EI	38.1	\$622.20	127.3	\$2,078.80	234%
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Quarry no sensitive locations (EES)	EI	1143.8	\$18,678.30	3820.3	\$62,385.50	234%
Quarry no sensitive locations (Other)	EI	95.3	\$1,556.20	318.3	\$5,197.80	234%
Quarry one or more sensitive locations (SE)	EI	381.3	\$6,226.60	1273.5	\$20,796.30	234%

Fee	Industry*	Current Fee (Units)	Current Fee(\$)	Proposed Fee (Units)	Proposed Fee (\$)	% change ⁸
Quarry one or more sensitive locations (EES)	EI	1143.8	\$18,678.30	3820.3	\$62,385.50	234%
Quarry one or more sensitive locations (Other)	EI	114.4	\$1,868.20	382.1	\$6,239.70	234%
Quarry blasting no sensitive locations (SE)	EI	305	\$4,980.70	1018.7	\$16,635.40	234%
Quarry blasting no sensitive locations (EES)	EI	1143.8	\$18,678.30	3820.3	\$62,385.50	234%
Quarry blasting no sensitive locations (Other)	EI	95.3	\$1,556.20	318.3	\$5,197.80	234%
Quarry blasting one or more sensitive locations (SE)	EI	762.5	\$12,451.60	2546.8	\$41,589.20	234%
Quarry blasting one or more sensitive locations (EES)	EI	2287.5	\$37,354.90	7640.3	\$124,766.10	234%
Quarry blasting one or more sensitive locations (Other)	EI	228.8	\$3,736.30	764.2	\$12,479.40	234%
Fees for other services						
Fee for transfer of licence	MI	14.3	\$233.50	47.8	\$780.60	234%
Fee for variation of licence	MI	27.3	\$445.80	91.2	\$1,489.30	234%
Fee for amalgamation of licence	MI	23.2	\$378.90	77.5	\$1,265.60	234%
Fee for submitting an impact statement	MI	159.8	\$2,609.50	533.7	\$8,715.30	234%
Fees for information and copies	MI	1.7	\$27.80	5.7	\$93.10	235%
Certificate of information	MI	1.7	\$27.80	5.7	\$93.10	235%
Fee for request to vary a work authority	EI	20	\$326.60	66.8	\$1,090.80	234%
Fee for transfer of work authority	EI	13.7	\$223.70	45.8	\$747.90	234%
Recreational prospectors						
Miner's right application	MI	1.7	\$27.80	5.7	\$93.10	235%
Tourist fossicking authority application	MI	6.4	\$104.50	21.4	\$349.50	234%
New fees						
Fee for plan for rehabilitation of declared mine land	MI	0	0	8241.5	\$134,583.70	New
Fee for variation of declared mine rehabilitation plan	MI	0	0	7640.3	\$124,766.10	New

*MI = fee is prescribed in the Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2019 EI = fee is prescribed in the Mineral Resources (Sustainable Development) (Extractive Industries) Regulations 2019
SE = a work plan or variation to a work plan for which a planning permit is required EES = a work plan or variation to a work plan for which an Environment Effects Statement is prepared under the Environment Effects Act 1978
Other = a work plan where a planning permit or EES is not required.

Questions for stakeholders

The Department invites comments from any interested person or organisation. While in no way limiting the comments or suggestions on the proposed Regulations, the list of questions below may be a useful guide to providing comments. Submissions do not need to respond to all or any of these questions:

Background Information

Resources Victoria is currently reviewing the earth resources fees system. As part of this review process, we are seeking to achieve State Government guidelines to recover the costs of providing the services associated with the array of different licence and work authority approval types. In order to gain a full appreciation of the current challenges facing the Victorian resources sector, Resources Victoria is seeking industry input into the final formulation of the future fees policy settings.

In order for us to correctly report the findings of this survey and attribute it correctly to current Resources Victoria fee-payers, as a result, we would like you to confirm the following details:

1. What role does your organisation play in Victoria's resources sector? (options: public body/regulator, private industry, peak body/lobbyist, professional institute/association, trade union, charity/advocacy/cause, member of the public/community/traditional owners)
2. Name of company (legal entity)
3. Trading name of company
4. Name of company representative
5. Address of company
6. Company contact details
7. In what year did your organisation first begin operation in Victoria?

Current Resources Victoria regulatory fees

8. Are you currently subject to any regulatory fees processed by the Earth Resources Regulator (e.g. mining licences, work authority or work plan approvals)?
- 8.1 If NO, are you likely to be liable for Minerals or Extractive sector fees soon?

Industry Perspective on Reforms to the Resources Victoria Fees System

9. Do you believe that future fee increases should be spread equally across all resources industries?
- 9.1 If NO, why?
10. Do you believe that future fee increases should be spread equally across all sizes of businesses?
- 10.1 If NO, why?
11. Do you believe that business performance should play a role in the determination of the fees setting system for the resources sector?
- 11.1 Explain your answer?
12. Would you support a fees system which provided the flexibility to settle fees either on a quarterly, biannual or annual basis?
13. Would such a proposal help your current cash flow situation?
- 13.1 Explain your answer?
14. If fees were slightly higher for an annual payments system over a quarterly system, which would you use?
15. Do you believe that annual fees for the extractives industry would benefit from resetting gate value of total sales scales and subsequent fee thresholds?
- 15.1 Explain your answer?
- 15.2 If YES, what recommendations would you make to changing the dollar amount thresholds to provide an equitable and economically efficient distribution of fees across the extractives sector?
16. Would you support the introduction of additional fee threshold scales for extractive annual fees based on gate value of total sales above \$10,000,000 per year?
17. Would you support a new determination on a licence application fee and a licence granting fee for exploration licences?

- 17.1 Explain your answer?
- 18. Would you support a lower fee setting for minerals exploration licences when compared to other mineral licences?
- 18.1 What would you consider to be a fair maximum value for setting an exploration licence application fee?
- 18.2 How would you recommend mining, prospecting and retention licence application fees increase accordingly to account for lower exploration licence application fees that deliver full cost recovery for Resources Victoria?

Current Industry and Business Performance Decision-Making Activities

19. How would you rate the current performance of your industry?

(tick the most appropriate box)

Very Strong	Good	Neutral	Weak	Very Weak

20. How would you rate the expected future performance of your industry?

(tick the most appropriate box)

Very Strong	Good	Neutral	Weak	Very Weak

21. If you have provided a different answer between your current industry’s performance and its future performance, can you provide a key reason?

22. How would you rate your own business performance?

(tick the most appropriate box)

Very Strong	Good	Neutral	Weak	Very Weak

23. If you have provided a different answer between your business’s performance and that of the broader industry’s performance, can you provide a key reason?

Current Business Decision-Making Activities

24. In making decisions to expand your current business activities, how would you rate the relative importance of the following business impacts?

(tick the most appropriate box)

	Very positive	Mild	Neutral	Weak	Very weak
Future business opportunities					
Cost/availability of new fixed capital expenditure					
Access to skilled labour					
Access to finance					
Technological impacts					
Input costs					

Current Business Barriers

25. Currently, how would you rate the three most important barriers to your business (Rank from most important barrier first, through to the third most important barrier)?

Rank of importance	Barrier label and description
Number 1 Barrier	
Number 2 Barrier	
Number 3 Barrier	

Any other Business Concerns

26. Are there any other business issues of concern to your business which you would like to communicate to Resources Victoria?

Further comments

27. Any further comments on the proposed changes to increase fees?

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1. Purpose of this Regulatory Impact Statement

1.1 Requirements for making Regulations

The Victorian Government is proposing to make the following Regulations:

- Mineral Resources (Sustainable Development) (Mineral Industries) Amendment Regulations 2025, which will amend the fees prescribed in the Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2019, and
- Mineral Resources (Sustainable Development) (Extractive Industries) Amendment Regulations 2025, which will amend the fees prescribed in the Mineral Resources (Sustainable Development) (Extractive Industries) Regulations 2019.

Before making any proposed Regulations, the *Subordinate Legislation Act 1994* (SLA) requires the preparation of a Regulatory Impact Statement (RIS).⁹ A RIS is intended to assist in public consultation on proposed regulations by setting out the basis on which the Government believes the proposed Regulations are necessary, likely to result in benefits that outweigh the costs, and are preferred over other means of achieving the policy objectives. A RIS provides the Government and the Victorian community with evidence and analysis about proposed Regulations and opportunities for the community to provide input into their design. This improves the quality of regulations.

Under the SLA, a RIS must include:

- A statement of the objectives of the proposed regulations
- A statement explaining the effect of the proposed regulations
- A statement of other practicable means of achieving those objectives, including other regulatory as well as non-regulatory options
- An assessment of the costs and benefits of the proposed statutory rule and of any other practicable means of achieving the same objectives
- The reasons why other means are not appropriate
- A table comparing the proposed fees and existing fees, including an indication of the percentage increase or decrease for each fee
- An assessment of the impacts on competition
- A statement on how the proposed regulations will be implemented and evaluated
- An explanation of how the views of stakeholders consulted to date informed the impact assessment and how future consultation will be undertaken.

Prior to publication of the RIS, independent advice is received on the adequacy of the RIS and of the assessment included in the RIS. For this RIS, this advice was provided by the Deputy Secretary, Economic Division, Department of Treasury and Finance, with support from Better Regulation Victoria.

Following publication of the RIS with a draft of the proposed Regulations, all comments and submissions on the proposed Regulations must be considered before the Regulations are made. A Statement of Reasons will be published following the making of the Regulations, explaining how the comments and submissions have been addressed in the final Regulations.¹⁰

1.2 Regulations that set fees and charges

The fees in the current Regulations, which were last reviewed in 2013 and 2014, were based on the Victorian Government's *Cost Recovery Guidelines*¹¹, which provided an approach to measuring the cost of services and determining appropriate fees.

From 1 July 2021, the *Pricing for Value Guide* replaced the *Cost Recovery Guidelines*. The guide is intended to improve consistency and capability in price-setting across government. It updates pricing principles to align with

⁹ SLA s. 7(1).

¹⁰ SLA Guidelines (2023) para. 196.

¹¹ State of Victoria, Department of Treasury and Finance, *Cost Recovery Guidelines January 2013 Incorporating the information formerly published in the Guidelines for Setting Fees and User-Charges Imposed by Departments and Central Government Agencies*, Melbourne.

current best practice. The guide helps departments and agencies use pricing to recover the costs of regulating and delivering services, and as a tool to support wider policy objectives.¹²

A key feature of the *Pricing for Value Guide* is a principles-based approach to identify opportunities to set government charges in better ways. The Pricing Principles are:

1	Agencies should aim to recover the full costs of service provision to promote efficient consumption
2	The cost of service provision should be borne by those who benefit from the service
3	Services creating broad benefits for the community should be priced to support efficient consumption
4	The cost of interagency services should be borne by the user agency
5	The price of services should not limit access to those with a lower ability to pay
6	Users should pay for differentiated service based on the value created by that differentiation
7	The public should share in the value generated by pricing based on user differentiation
8	Pricing should support positive behaviours
9	Pricing should ensure sustainable usage of public services and reflect the value of natural resources
10	Where services are in competition with the private sector, pricing should be relative to market prices
11	Pricing structures should be easy to understand and simple to administer
12	Pricing arrangements should be monitored annually and reviewed periodically

While the previous *Cost Recovery Guidelines* focused on cost recovery, the new pricing principles go beyond cost recovery to identify a broader range of principles to set fees, although cost recovery remains a key principle among a broader range of principles. Some principles support setting prices below cost recovery, while some principles support setting prices at or above cost recovery. Overall, the amount of fees collected must not exceed the Government's cost of providing its regulatory services.

The *Pricing for Value Guide* provides practical step-by-step guidance for undertaking the review of fees. Reviews are a detailed process to collect data, consult with stakeholders, and identify and test a range of different pricing strategies. Where fees are prescribed in regulations, the RIS process forms an important part of the review of fees.

Not all of the above principles will be relevant or need to be applied in all circumstances. Agencies and departments must consider which principles should be considered, within the context and objectives of the services being assessed.

¹² Further information about the *Pricing for Value Guide* can be found on the website <https://www.dtf.vic.gov.au/pricing-value>.

2. Problem analysis: Why is the Government considering action?

2.1 Context

2.1.1 Victoria's mining and extractive industries

Victoria's resources sector comprises several industries including exploration, mineral development (mining), extractives (quarrying), onshore and offshore petroleum, geological sequestration of greenhouse gases, and geothermal energy.

Mining refers to extracting minerals¹³ from land to produce them commercially and includes processing and treating ore. Mineral production in Victoria is dominated by the production of brown coal, gold and other minerals. In 2023–24 Victoria produced 39,021,596 tonnes of brown coal, 374,263 ounces of gold, and 930,286 tonnes of industrial minerals.^{14,15} The table below shows the value of minerals production since 2017-18, with a total value in 2023-24 of over \$1,167 million.

Minerals extracted during mining are used in many modern processes and products, including information and telecommunications technologies (phones, computers and equipment), steel manufacturing, wiring and piping and chemical compounds.¹⁶

Table 4: Mineral production value by financial year (\$ million), 2017-18 to 2023-2024

Year	Gold	Silver	Antimony	Mineral sands	Industrial minerals	Coal ¹⁷	Others	Total
2017-18	\$613.5	\$0.0	\$28.2	\$172.6	\$11.7	N/A	\$0.2	\$826.1
2018-19	\$1,015.5	\$0.0	\$21.2	\$45.7	\$10.3	N/A	\$0.0	\$1,092.7
2019-20	\$1,843.0	\$0.2	\$24.8	\$19.9	\$10.3	N/A	\$0.2	\$1,898.4
2020-21	\$1,781.5	\$0.3	\$36.7	\$10.1	\$13.6	N/A	\$0.3	\$1,842.5
2021-22	\$1,592.5	\$1.3	\$58.2	\$0.0	\$15.7	N/A	\$0.8	\$1,668.5
2022-23	\$1,236.1	\$0.3	\$73.6	\$44.7	\$12.2	N/A	\$0.3	\$1,367.2
2023-24	\$1,090.1	\$0.3	\$35.3	\$23.8	\$17.0	N/A	\$0.9	\$1,167.4

Extractive industries refers to the removal or extraction of stone from the earth for the purposes of sale or commercial use, or for the purposes of roads, buildings, construction or manufacturing works. The table below shows recent production and value trends since 2017-18, with the total value of sales from the extractives sector in 2023-24 at \$1,315 million.

Table 5: Extractives production and value of sales by financial year (\$ million), 2017-18 to 2023-2024

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Quarries recorded production	558	549	534	511	496	501	487
Production (million tonnes)	61.39	63.20	64.76	68.18	71.85	75.40	66.54
Value of sales (\$ million)	\$990.09	\$1,026.70	\$1,075.47	\$1,119.69	\$1,187.44	\$1,357.81	\$1315.2

Note: Some historical data has been adjusted to accommodate earlier errors identified in previous annual returns by tenement holders.

¹³ The MRSD Act defines 'minerals' as any substance which occurs naturally as part of the earth's crust including: oil shale and coal; hydrocarbons and mineral oils contained in oil shale or coal or extracted from oil shale or coal by chemical or industrial processes; and bentonite, fine clay, kaolin, lignite, quartz crystals, zeolite and minerals in alluvial form including those of titanium, zirconium, rare earth elements and platinoid group elements; but does not include water, stone, peat or petroleum.

¹⁴ Feldspar, gypsum, kaolin and fine clay.

¹⁵ Earth Resources Regulator Annual Statistical Report 2023–24, p. 12: <https://resources.vic.gov.au/legislation-and-regulations/regulator-performance-reporting/annual-statistical-reports>.

¹⁶ Minerals Council of Australia https://minerals.org.au/wp-content/uploads/2023/01/Introduction-to-Victorias-Minerals-Resources-Act-1990_July-2020.pdf

¹⁷ Note: The coal that is currently produced in Victoria is used for electricity generation close to the point of extraction. It is difficult to transport due to high water content and propensity for combustion. For these reasons it does not itself have an accepted market value.

Key drivers of economic activity for these industries include prospectivity of exploration areas, expectations of commodity prices, cost of funding and regulatory environment. The extractives industry is strongly influenced by demand factors such as the continuing growth in road, rail and other infrastructure development, housing, and supply factors related to availability of quality resources in proximity to demand. Factors driving the minerals industry include commodity prices, building and industrial activity, and emerging technologies.

The minerals industry is heavily concentrated, where the top three (coal) companies contribute to almost one-third of the total royalties and rents received by the Victorian Government, while the top 30 operators in the extractives sector (of 817 work authority holders) account for around 40% of sales.

2.1.2 Regulatory framework

All minerals in Victoria are owned by the Crown (unless exempted).¹⁸ Stone is the property of the landowner in which it is located, regardless of whether it is on or below the surface of that land. Stone located on Crown land¹⁹ is owned by the State.²⁰

Victoria's mining and extractive industries are primarily regulated under the *Mineral Resources (Sustainable Development) Act 1990*²¹ (MRSD Act) as well as the associated Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2019 and Mineral Resources (Sustainable Development) (Extractive Industries) Regulations 2019, respectively.

The MRSD Act facilitates mineral exploration and economically viable mining and extractive industries, which make the best use of, and extract the value from, resources in a way that is compatible with the economic, social and environmental objectives of the State.

The MRSD Act establishes a licensing regime for the issuing of exploration, mining, retention and prospecting licences in mineral industries, and processes for the grant of work authorities in extractive industries. It also provides a process for the coordination of applications for works approvals and statutory endorsements. Other matters such as compensation, rehabilitation and royalties for mineral exploration and development activities and enforcement also fall under the MRSD Act. The current Regulations set out specific requirements including matters relating to licence applications, content of work plans (including rehabilitation plans), declared mine rehabilitation, the mining register, infringements, and annual, technical and incident reporting. Fees and charges for government services in relation to mineral and extractive industries are also set under the current Regulations.

Under the MRSD Act, a party that wishes to undertake mining or exploration activities in Victoria must obtain a licence or other authorisation. There are four main types of licences under the MRSD Act:²²

- Exploration licences – enables the holder to carry out exploration activities on the land covered by the licence. Exploration licences are granted for a five-year term and may be renewed once for up to five years. A second renewal also of five years is only allowed in exceptional cases where the licensee can demonstrate a strong likelihood of identifying minerals.
- Mining licences – enables the holder to carry out mining, exploration, construction and any other activities incidental to mining on the land covered by the licence. A mining licence can be granted for up to 20 years, or longer with the Minister's agreement. Renewals are granted when an operator wishes to continue extracting a mineral resource or restart mining from an area previously mined. There are no limits to the number of renewals for a mining licence. Under the current licensing regime, work on a mining licence must be directed at establishing and operating a mine (identification of a mineral resource is a precondition for the grant or renewal of a mining licence). The MRSD Act also specifically provides that a mining licence may be cancelled if mining on the licence has stopped for a continuous period of two years.²³

¹⁸ MRSD Act s. 9.

¹⁹ Crown land is land held by the Victorian Government on behalf of the public.

²⁰ MRSD Act s. 11A.

²¹ Other Victorian legislation also plays an important role in the regulation of mines and extractives, including the *Planning and Environment Act 1987*; *Environment Effects Act 1978*; *Environment Protection Act 2017*, *Traditional Owner Settlement Act 2010*, *Aboriginal Heritage Act 2006*, *Heritage Act 2017* and *Native Title Act 1993* (Cth).

²² There are separate authorisation processes for recreational prospecting. A miner's right allows a person to remove and keep minerals discovered on Crown Land, their own land or private land (where the landowner has given permission). Tourism operators can purchase a Tourist Fossicking Authority (TFA) which allows their customers to search for minerals. The TFA only applies to the land identified in the application.

²³ This is a discretionary power for the Minister exercised on a case-by-case basis, taking into account the relevant circumstances.

- Prospecting licences – enables the holder to prospect or explore for minerals, carry out mining activities and other activities that are incidental to mining. Prospecting licences have a maximum length of five years, cannot be renewed and cannot apply to an area of more than five hectares.²⁴
- Retention licences – enables the holder to retain the rights to a mineral resource that is not currently economically viable to mine but may be in the future. Retention licences are limited to 10 years and may be renewed twice.

Provision is also made for individuals to fossick for minerals. A miner's right allows a person to remove and keep minerals discovered on Crown Land, their own land or private land (where the landowner has given permission). A 10-year miner's right costs \$27.80 and is for individuals only (not businesses). In addition, to promote tourism and recreation, a Tourist Fossicking Authority (TFA) is also available. This allows the customers of a tour operator to search for minerals on specified land without a miner's right. A TFA costs \$92.50 and is valid for up to 10 years.

In the quarry industry, an extractive industry work authority under the MRSD Act is required to carry out an extractive industry. A work authority is required before starting works at a quarry. A work authority gives quarry operators the right to extract stone (e.g., sand, gravel and hard rock) from land with the landholder's consent.²⁵

The holder of a work authority is required to comply with the MRSD Act, regulations and any conditions placed on the authority, including those relating to the program of work, and to carry out the work in accordance with an approved work plan (work plans are also required for a mining licence). Conditions typically include rehabilitation of the land, protection of the environment, protection of groundwater, access requirements and the protection of community facilities. Failure to comply with these requirements may result in an authority being cancelled or not renewed.

Under the MRSD Act, licensees and work authority holders are required to rehabilitate the land in accordance with any relevant rehabilitation plan or conditions on their licence or authority. This seeks to ensure that former mine or quarry sites are remediated to safe, stable and sustainable final landforms to protect people, land, infrastructure and the environment, as required under Victoria's laws for the regulation of earth resources activities.

Reporting requirements are provided by the current Regulations. Licence holders are required to provide a royalty return (where applicable), an annual activity and expenditure report and a technical report in relation to exploration, mining and other activities undertaken under the licence. Work authority holders are required to submit an annual report and royalty return.

Mines and quarries can be declared under section 7C of the MRSD Act, which triggers additional regulatory requirements. A declared mine is a mine that is deemed to pose significant risk of harm to the community, environment and infrastructure. Currently Loy Yang, Yallourn and Hazelwood (which ceased operations in 2017) are the only declared mines in Victoria. There are currently no declared quarries.

Holders of minerals licences or extractive industry work authorities pay royalties to the State in relation to the amount (or value) of minerals or stone removed. Royalties amounts and methods of calculation are set out in the regulations, but as noted earlier, royalties are not considered in this RIS.

From 1 July 2027, Victoria will move to a duty-based model of regulation for minerals and quarrying activities under the MRSDA. A duty-based model will introduce a duty on operators to proactively eliminate or minimise risks of harm to community, the environment, land, property and infrastructure. Currently, most operations are regulated by work plans. While work plans do identify risks of harm arising from operations, and ways to mitigate them, they are problematic because they tend to be static and not readily adaptive to environmental, technical and other changes over time. Operators will be given clear and consistent expectations on how to comply with the duty, including through the issuing of standards, Codes of Compliance and other guidance material. Under a duty-based model work plans will no longer be required. While this will entail a relatively small reduction in fees income, it will change the regulatory configuration and a greater amount of enforcement and compliance activity is expected to occur. This will therefore require fees to be reviewed and amended again to ensure that costs are recovered.²⁶ At the time of writing, Resources Victoria is also developing a detailed risk model that will apply risk tiers to individual firms. This model will be finalised ahead of the introduction of the duty-model in 2027 and will provide a better basis for including risk elements in the fee structure.

²⁴ While an exploration and prospecting licence appear similar, they have distinct functions. An exploration licence gives the licence holder exclusive rights to explore for specific minerals within the specified licence area. No mining activities can be undertaken on an exploration licence. Prospecting licences allow prospectors and small-scale miners to explore or mine in an area less than 5 hectares.

²⁵ The work authority is only granted after a work plan is approved, planning approval is granted, rehabilitation bond has been provided, and all other required consents are in place.

²⁶ Separately, when the duty-based model is introduced as part of the MRSDA reforms, council planning referrals will be referred and assessed by ERR rather than by local governments as is currently the case. This will also increase ERR costs.

2.1.3 Data on MRSD Act minerals licences and work authorities

As at 30 June 2024, there were 1,454 current licences and work authorities operating under the MRSD Act, along with 96,363 miner's rights (on issue as at 14 January 2025) and 8 tourist fossicking authorities:

Table 6: Number of licences and authorities

Licence/authorisation type	Number
Exploration licence	432
Mining licence	114
Prospecting licence	43
Retention licence	48
Extractive work authority	817
Miner's rights	96,363
Tourist fossicking authorities	8

Table 7 below shows the number of work authority holders categorised by the value of annual gate sales for 2022–23. It is observed that 78% of work authority holders generate gate sales of between \$0 and \$500,000 annually.

Table 7: Number of work authorities by value threshold, 2023–24

Column 1: Current value thresholds	Tenement count
\$0 to \$100,000	550
\$100 001 to \$500,000	114
\$500,001 to \$1,000,000	38
\$1,000,001 to \$5,000,000	76
\$5,000,001 to \$10,000,000	32
More than \$10,000,000	37
Total	847

Note: The number of work authorities in table 6 is given as 817. Table 7 data has been adjusted to accommodate amendments to annual returns by tenement holders and annual returns received after the publication of the previous year's report.

2.2 The need for cost recovery

2.2.1 Principles of cost recovery

Cost recovery is a method of recovering all or some of the cost of particular activities undertaken by government agencies from individuals or businesses, based on the beneficiary pays²⁷ or impactor pays²⁸ principle. The concept 'user pays' is used to capture both situations. Common activities where cost recovery usually applies are:

- Government provision of a good or service, such as issuing a certificate, providing copies of documents, allowing access to use government assets
- Undertaking regulatory activities, such as registration, licensing, approvals, issuing of permits, inspections, and compliance and enforcement, where the need for regulation only arises because some individuals or entities are granted permission to do particular activities.

²⁷ Those who benefit from the provision of a particular good or service should pay for it (Productivity Commission, 2001, p. XXI).

²⁸ This is where impactors (the party that gives rise to the need for regulation) meet the full costs of their actions, based on the view that those who create the need for a service should incur these costs.

The task of setting fees or charges involves determining whether to recover costs directly from users or others who benefit from the service being provided, those whose actions give rise to the need for the activity, or taxpayers more generally. Whether costs should be user pays or more generally funded by taxpayers will depend on the type of activity and the existence of any public benefits.

Cost recovery principles generally support the concept that those who utilise services (or give rise to the need for a regulatory activity) pay for the cost of those services, rather than have them funded by others (typically through general taxation). In the context of the MRSD Act, companies that are granted licences and work authorities can generate significant value and profits by extracting Crown resources, which they are only able to enjoy because there is a robust regulatory framework in place.

Full cost represents the value of all the resources used or consumed in the provision of an output or activity. Under full cost recovery, taxpayers do not subsidise those who use the service, or impose the costs, which are to be recovered. In particular, full cost recovery:

- Promotes the efficient allocation of resources by sending the appropriate price signals about the value of all the resources being used in the provision of government goods, services or regulatory activities. No cost recovery for these activities from those that use the services could lead to higher demand for these activities, leading to higher costs to government than would be needed—this is likely to be an inefficient use of government resources, as there is no price signal to reflect the cost of each activity, and
- Ensures that those that have benefited from government-provided goods and services, or those that give rise to the need for government regulation, pay the associated cost (and those parties that do not benefit or take part in a regulated activity do not have to bear the costs). If no costs or partial costs are recovered it may be unfair, in that all taxpayers or other parties pay for the activities even though they do not directly benefit from the activities. This is a failure to achieve what is known as 'horizontal equity'.

General government policy is that regulatory fees and user charges should be set on a full cost recovery basis because it ensures that both efficiency and horizontal equity objectives are met. However, there may be other factors—such as affordability considerations or risks to policy effectiveness—that may warrant consideration of less than full cost recovery in some situations.

Cost recovery is not achieved through royalties. Royalty payments are collected by the State to ensure Victorians receive benefits from the private sector development of State-owned non-renewable resources. Royalties are paid into consolidated revenue to fund general expenditure²⁹ and are not used to fund other regulatory services necessitated by the regulation of minerals and extractive industries. Revenue from royalties is not a means to achieve appropriate price signals for the cost of government activities, and is not considered in this RIS.

2.2.2 The regulatory services provided by Resources Victoria

The MRSD Act establishes a licensing regime for the issuing of exploration, mining, retention and prospecting licences, it also provides a process for the coordination of applications for related approvals. Other matters, such as compensation, rehabilitation and royalties for mineral exploration and development activities and enforcement, also fall under the MRSD Act.

Resources Victoria sits within the Department of Energy and Climate Action and is made up of the Earth Resources Regulator (ERR), Geological Survey Victoria (GSV), Earth Resources Policy and Programs (ERPP) and Resources Victoria Approvals Coordination. Resources Victoria³⁰ which play a key role in:

- Regulating the resources industry to effectively manage risks to the environment and community
- Managing access to Victoria's resources for current and future use
- Policy development and regulatory reform
- Regulatory approval coordination
- Regional geoscientific investigations and data provision.

Regulatory costs relevant to this RIS are mostly costs associated with ERR.

²⁹ Section 89 of the Victorian Constitution requires that all taxes imposts rates and duties and all territorial casual and other revenues of the Crown in right of the State of Victoria (including royalties) be paid into Consolidated Revenue.

³⁰ See <https://resources.vic.gov.au/geology-exploration/geological-survey-victoria>

ERR is responsible for:

- Reviewing applications and issuing mineral licences and work authorities, as well as maintaining a register of licence details. This is carried out with technical input from GSV.
- Monitoring authority holders for compliance with the current Regulations and licence and work authority conditions, as well as assisting mining and quarrying companies through proactive activities to encourage compliance including industry seminars and forums, guidance materials, and community engagement activities
- Reviewing and approving work plans and coordinating the initial contact with relevant authorising entities³¹ on behalf of licensees
- Reviewing declared mine rehabilitation plans
- Administering the review of work authorisations, coordinating authorising entities, and recording details of work plans when approval is granted
- Assessment of mineralisation reports and feasibility studies
- Processing of information reported to ERR by authority holders in accordance with reporting requirements.

GSV is responsible for understanding the State's geological framework through regional geoscientific investigations to enable the informed and responsible management of State-owned resources. It provides evidence-based knowledge and information to government, industry, academia and the community. GSV's mandate is to use this geological information to generate net social benefits through better understanding of Victoria's subsurface.

There are costs to the Government for undertaking the functions outlined above.³² The functions are necessary, as they are required under the MRSD Act, albeit there is some discretion as to the amount of some activities (e.g., proactive compliance). The Department considers that the amount of regulatory activities performed is appropriate, given the nature and risks of the sector being regulated. These activities also implement recommendations contained in the independent review performed by Better Regulation Victoria, *Getting the Groundwork Right: Report on the Earth Resources Regulation — Continuous Improvement Project* (2017).³³

It is noted that not all costs incurred by these areas of the Department arise due to the activities regulated under the current Regulations. These areas also perform regulatory functions in relation to petroleum, which are administered under different regulations, and have a separate mechanism for setting fees and charges. In addition, broader government functions such as policy development, briefing Ministers and responding to their correspondence, and financial reporting are not included in recovered costs.

2.2.3 The current fees do not recover the full cost

Revenue under the current Regulations

The current fees are set out in Table 3 on page 7. The current fees apply to a range of activities, and are allowed to be charged under the MRSD Act. When the fees were set in 2013 and 2014 they were broadly set by using an activities-based costing method, which costs the regulatory effort expanded in processing requirements subject to the fees.³⁴ These include:

- Licence and work authority application fees (for the work undertaken to assess the application)
- Additional fees if other documents are required to be assessed as part of an application (such as a mineralisation report, native title assessment).
- Fees for the granting of a licence under tender arrangements (where relevant)³⁵

³¹ Authorising entities include: Environment Protection Authority Victoria, WorkSafe Victoria, Country Fire Authority, Emergency Management Victoria, Latrobe Valley Regional Rehabilitation Commissioner, Parks Victoria, Catchment management and water authorities, and local councils.

³² Appendix 3 contains further details on the functions of Resources Victoria.

³³ *Getting the Groundwork Right* (2017): https://resources.vic.gov.au/__data/assets/pdf_file/0009/456246/Getting-the-groundwork-right-better-regulation-of-mines-and-quarries.pdf

³⁴ See: Appendix C, Mineral Resources (Sustainable Development) (Extractive Industries) Amendment Regulations 2014 (Fees): <https://www.vic.gov.au/regulatory-impact-statements-2014#mineral-resources-sustainable-development-extractive-industries-amendment-regulations-2014> and Appendix B, Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2013: <https://www.vic.gov.au/regulatory-impact-statements-2013>

³⁵ Under s. 27 of the MRSDA (tendering process), the Minister may invite tenders for a licence over land that is not the subject of a licence or an application for a licence.

- Annual rent on a licence and annual fees for work authorities (to ensure entities contribute to the ongoing costs of regulating their activities, such as monitoring, reporting, compliance and enforcement)
- Fees for applying for a renewal of licence (to have the application assessed)
- Fees for other transactions or services, such as varying or transferring a licence or work authority, varying a work plan, or providing information or copies of information under the MRSD Act.

Regulatory fees currently collect around \$5.8 million (excluding the mine stability levy), which represents around 0.14% of gate sales from the extractives industry and 0.31% of production value from the minerals industry.³⁶³⁷

The Mineral Regulations also prescribe a mine stability levy,³⁸ payable by the Latrobe Valley region coal mines, for the purpose of providing measures designed to decrease geotechnical and hydrogeological risks to mine stability in those mines. Funds from this levy can only be used for these purposes and are not considered in this RIS.

Table 8: Fee revenue (2023-24)

Licence/authorisation type	Application	Work plans (new and variation)	Granting licence	Annual rent/annual fees	Application for renewal	Other revenue*	Total Revenue
Exploration licence	\$69,546	-	\$2,318	\$1,031,834	\$41,248	\$52,656	\$1,197,602
Mining licence	\$8,341	\$28,159	-	\$1,214,010	\$18,292	\$3,282	\$1,272,084
Prospecting licence	\$3,975	-	-	\$5,091	-	\$1,396	\$10,462
Retention licence	-	-	-	\$1,164,127	\$4,853	\$6,305	\$1,175,285
Extractive work authority	\$18,294	\$142,639	-	\$1,713,188	-	\$10,422	\$1,884,543
Miner's right	\$271,281	-	-	-	-	-	\$271,281
Tourist fossicking authorities	\$102	-	-	-	-	-	\$102
TOTAL REVENUE	\$371,539	\$170,798	\$2,318	\$5,128,250	\$64,393	\$74,061	\$5,811,359

* Other revenue includes fees collected for other services, such as transfers and variations of a licence or work authority and amalgamation of a licence.

In addition to the above table, around \$1.7 million is collected each year via the mine stability levy.

Regulatory costs

In 2017, a review of the Earth Resources Regulator conducted by the Commissioner for Better Regulation³⁹ found that the fees did not align with costs of performing the regulatory functions under the MRSD Act. The review recommended reforms that would have consequences for regulatory operating costs, and recommended that fees not be increased before 2020 to allow for improvements to regulatory practice to be put in place by the regulator.

In December 2022, Deloitte completed a preliminary review of fees and charges for regulatory activities under the MRSD Act. This review made estimates of the efficient regulatory cost base, and projections of the possible demand for services to determine options for the fees and charges which will recover costs.

³⁶ Earth Resources Regulator Annual Statistical Report FY 2023–24, pp. 5 and 12: <https://resources.vic.gov.au/legislation-and-regulations/regulator-performance-reporting/annual-statistical-reports>.

³⁷ Ibid., in 2023–24 extractives industry gate sales were \$1.3 billion and the production value for the minerals industry was \$1.2 billion.

³⁸ Section 38AAB of the MRSD Act imposes the mine stability levy. The mine stability levy applies to the three declared mines in the Latrobe Valley and is separate from the Declared Mine Fund, which is not part of the current Regulations.

It was noted that since 2017, in addition to changes due to the 2023 amendments of the MRSD Act⁴⁰, there has been an increase in demand for the Resources Victoria services. For example, mineral licence applications have increased 2.5 times since 2018 and this has significantly increased the costs of processing applications. There is renewed commercial interest in Victoria's gold reserves following the success of the Fosterville gold mine and the increasing prices of gold. Large infrastructure projects underway in Victoria have led to increasing demand from quarries to supply the raw materials for construction. The licensing unit is also responding to an increasing number of objections and comments from the public in relation to licences, with the total number of objections increasing from 150 in 2018 to over 1,000 in 2020-2021.

The current Regulations set out fees for work plans and work plan variations. These fees vary and allow for higher fees where the licences relate to a declared mine. However, there are currently no fees set for lodgement/assessment of a declared mine rehabilitation plan (DMRP) or variation of a DMRP. DMRPs are a distinct instrument, separate from work plans. There are currently no fees set for ERR's substantial work in assessing a DMRP or DMRP variation. The requirement for declared mine licensees to develop and implement a DMRP by October 2025⁴¹ was introduced in the 2019 amendments to the MRSD Act.⁴² The Department has estimated the regulatory effort involved in assessing a DMRP or DMRP variation (by reference to existing similar activities) and has proposed new fees accordingly.

Resources Victoria currently has 136.3 full time equivalent staff. To implement the MRSDA reforms and embed improved regulatory practice, it is estimated that Resources Victoria requires an additional 52 FTE staff.

The Department commissioned an independent assessment of costs in 2022. Deloitte was engaged to:

- Examine the underlying cost structure of the existing fees schedule, and
- Understand key cost drivers impacting the Resources Branch (including its regulatory and non-regulatory services).

That review found that full cost recovery of the regulatory costs would require, at that time, raising an additional \$22.8 million per year in fee revenue (in 2022-23 dollars). The Department did not receive detailed data on the costs of individual activities or how cost drivers vary between or within activity groups. The review of costs noted there were sufficient inputs to determine costs at a high level only, and the available inputs did not support detailed costing analysis.⁴³

As stated above, the Deloitte report found that full cost recovery of the regulatory costs would require, at that time, raising \$22.8 million per year in fee revenue (in 2022-23 dollars). This included costs associated with regulating petroleum activities, whose fees were set on a full cost recovery basis by amendments in 2024 to the Petroleum Regulations 2021. Based on the Deloitte analysis of cost drivers, and excluding petroleum activities and non-cost recoverable activities (e.g., policy development). To be conservative the Department re-examined recoverable costs and excluded some items. The current estimated cost of regulatory activities subject to cost recovery related to these Regulations is \$21.3 million.⁴⁴ Given that the fees raised by the current Regulations is \$5.8 million (currently recovering 35.5% of regulatory costs) an additional \$13.7 million per year is required to be raised to achieve full cost recovery.

In other words, the fees in the current Regulations only recover around 35.5% of the costs of providing regulatory services to the mineral and extractive industries under the MRSD Act.

⁴⁰ *Mineral Resources (Sustainable Development) Amendment Act 2023*

⁴¹ See r. 64A, *Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2019*

⁴² Division 2—Declared mine rehabilitation plans, ss. 84AZU–84AZX, MRSD Act

⁴³ The review also noted reforms that were underway but not yet completed, and other policy changes (e.g., removal of the moratorium on onshore gas development), which affected areas of regulatory priority and concentration within the department.

⁴⁴ The \$21.3 million amount excludes the Mine Stability Levy, which is being reviewed separately and is not further considered in this RIS. The fee increases in this RIS and cost base do not apply to the Mine Stability Levy.

3. Objectives: What outcome is the Government aiming to achieve?

3.1 Setting regulatory objectives

The SLA requires a RIS to include a statement of the objectives of the proposed regulations.⁴⁵ The *Subordinate Legislation Act 1994* Guidelines (September 2023) require that agencies should clearly define the intended objectives and the reasons for those objectives, to ensure that:

- they are reasonable and appropriate for the intended level of regulation
- they can be clearly and succinctly set out
- they conform with the objectives, principles, spirit and intent of the authorising Act
- they are not inconsistent with the objectives of other legislation, subordinate legislation and stated government policies.

Subordinate legislation, such as regulations, can only cover matters permitted by the authorising Act, and must be consistent with the principles and objectives of the policy issue(s) that the primary legislation addresses.

3.2 MRSD Act objectives

Section 2 of the MRSD Act states that legislation's objectives and, among other things, includes:

- to encourage and facilitate exploration for minerals and foster the establishment and continuation of mining operations by providing for an efficient and effective system for the granting of licences and other approvals
- a process for co-ordinating applications for related approvals
- an effective administrative structure for making decisions concerning the allocation of mineral resources for the benefit of the general public
- an economically efficient system of royalties, rentals, fees and charges and to establish a legal framework aimed at ensuring that risks posed to the environment, to members of the public, or to land, property or infrastructure by work being done under a licence or extractive industry work authority are identified and are eliminated or minimised as far as reasonably practicable.

3.3 Authorising provisions

The MRSD Act recognises⁴⁶ that the charging of fees is necessary to provide the relevant regulatory services to support the responsible encouragement and facilitation of exploration for minerals and foster the establishment and continuation of mining operations.

Fees are authorised to be prescribed under section 124 of the MRSD Act, which provides that regulations can be made requiring the payment of fees for anything done under the Act or the regulations and prescribing those fees.⁴⁷ Fees prescribed in regulations may vary according to differences in time, place or circumstance, and provide for different fees for:

- different activities or classes of activities, or
- different cases or classes of cases, or
- different modes of providing any service in respect of which those fees apply.⁴⁸

⁴⁵ SLA s. 11(2)(a) - The objectives stated in the statutory rule itself might differ from those in the RIS as RIS objectives should be stated in terms of intended outcomes, rather than means. The objectives in statutory rules are usually narrower than the RIS objectives; they are a brief summary of what the statutory rule does, rather than any policy implications of the statutory rule.

⁴⁶ MRSD Act section 2(1)(a)(iv).

⁴⁷ MRSD Act section 124(1)(v).

⁴⁸ MRSD Act section 124(8).

3.4 Other policy objectives

Resource Victoria's priorities are to increase investment in Victoria's earth resources, including new critical minerals, build confidence in the performance of the earth resources sector in Victoria and its regulation, and secure the supply of quarry materials essential for new infrastructure and construction.⁴⁹

More generally, in December 2024 the Victorian Government released its economic growth statement, *Victoria Open for Business*⁵⁰, which highlighted the importance of investment and development of Victoria's resources sector. The statement highlights, 'The Victorian Government established Resources Victoria to help unlock sustainable minerals development and create a roadmap to support this new industry. This roadmap will present a plan for attracting world-class minerals development and investors to Victoria, while maintaining strong environmental standards and empowering local communities through greater consultation'.⁵¹

3.5 Pricing Principles

The Victorian Government's approach to fees and cost recovery is set out in the *Pricing for Value Guide*. The Guide outlines twelve principles (see p. 17) for consideration by policy makers when setting fees for government services, including regulatory services. These principles are intended to promote efficiency, equity and financial sustainability in the pricing and provision of government services.

The relevant Pricing Principles for the type of activities undertaken under the MRSD Act are:

Principle 1 – Agencies should aim to recover the full costs of service provision to promote efficient consumption:

- Full cost recovery promotes the efficient consumption of services and, in turn, the efficient allocation of resources by sending appropriate price signals about the value of resources that are required to provide the good or service.
- Full cost recovery also provides a transparent way for government agencies to identify and fund the cost of undertaking their activities without the need to rely solely on general taxation revenue. This can relieve fiscal pressures, reduce the need for taxation and ensure general taxation revenue is used for more appropriate uses.

Principle 2 – The cost of service provision should be borne by those who benefit from the service:

- The efficient consumption of services and, in turn, the efficient allocation of resources generally require users to pay the full cost of the goods or services they consume.
- By ensuring that those who trigger the need for the good or service meet the relevant costs, those individuals and entities are sent a clear signal regarding the full cost of their activity.
- This principle promotes efficiency but also supports equity as those who create the need for a government activity, rather than the general community, bear its costs.

Principle 3 – Services creating broad benefits for the community should be priced to support efficient consumption

- Pricing below cost or below market rates can encourage consumption of certain goods or services, which generates broad benefits for the community.
- This principle promotes efficiency and the achievement of other public policy objectives.

Principle 8 – Pricing should support positive behaviours

- This principle promotes positive behaviours and supports efficiency. Prices should be structured to encourage regulated parties to engage in desired behaviours, such as improved timeliness in payments, accuracy and compliance.

Principle 11 – Pricing structures should be easy to understand and simple to administer

- Large and complex pricing schedules can result in costs and confusion for agencies and regulated parties.

⁴⁹ Resources Victoria Strategy: Towards 2030: https://resources.vic.gov.au/__data/assets/pdf_file/0013/1015150/Resources-Victoria-Strategy.pdf

⁵⁰ Victoria: Open for Business, December 2024: <https://www.vic.gov.au/sites/default/files/2024-12/Economic-Growth-Statement.pdf>.

⁵¹ Ibid., p. 12.

- Simpler pricing structures are preferable to overly detailed and precise arrangements. Pricing structures should be simple to understand and administer.
- This principle encourages simplicity and efficiency in pricing arrangements.

3.6 Objectives of the proposed amendments to fees

The fundamental problem to be resolved is that the total value of fees revenues from the resources sector does not cover the costs of delivering the required regulatory functions. This represents a cross-subsidy from the Victorian taxpayer to the resources sector.

The objectives of the proposed amendments to the fees are therefore to:

- improve efficiency of the current fee arrangement by achieving full cost recovery
- ensure that fees are effective in achieving the government's legislative⁵² objective and simple to understand and administer, while taking equity considerations into account.

⁵² The purpose of the MRSD Act is to encourage economically viable mining and extractive industries, which make the best use of resources in a way that is compatible with the economic, social and environmental objectives of the State. Also see section 3.2.

4. Options: What different courses of action could be taken?

4.1 Base case

The base case describes the regulatory position of the current fees. The current Regulations, which prescribe the fees, are due to expire in 2029. Without change to the fees, revenue would fall significantly short of government costs (this leaves a cost recovery gap of \$13.7 million (in 2024-25 dollars)). The base case is therefore not a feasible option going forward, but it is the baseline against which options are assessed.

The current fees are set out in Table 3 in the Executive Summary. The current Regulations:

- set different fees for different types of services, such as making an application for a licence, granting a licence (following a tender process), renewing a licence, transferring a licence, lodging a work plan, varying a work plan. This recognises that different activities have a different cost to Resources Victoria
- set different fees according to licence/authority type, for example, for new applications, mining licence fees are generally higher than extractive industry work authorities, and mining licence fees are generally higher than exploration or prospecting licences, etc.
- set different fees for lodging or varying a work plan according to the number and type of sensitive locations in proximity to the relevant site, the types of impact assessments and the type of activity. This recognises that some work plans will require more effort to assess than others
- include mechanisms so that annual fees/rents reflect the size or value of the activities under the licence.

4.2 The Government has decided to increase fees to achieve full cost recovery

As part of annual State Budget considerations, the Government has considered the efforts by the Department to gain a clearer understanding of the relationship and gaps between revenue generated from the current fees and the costs required to deliver the associated regulatory activities. The Government has decided to increase cost-recovery through regulations proposed to be made under the MRSD Act, and to achieve full cost recovery for the 2025-26 financial year. Fees under the Petroleum Regulations 2021 were increased in July 2024 as part of this full cost recovery decision.

4.3 Options considered

4.3.1 Cost recovery options

Two broad fee options to increase revenue were considered feasible and practicable for the purposes of analysis. These options each fully recover costs, although under different fee structures:

- **Option 1:** An equal increase to all fees in the current Regulations (except for the mining stability levy), and introduce new fees in relation to lodging new and varying declared mine rehabilitation plans. To achieve full cost recovery, fees would be increased by 234%, and the new fees for declared mine rehabilitation plans introduced. The fees under this option are shown in Table 3 on page 7.
- **Option 2:** Differential increases in fees to fully recover costs, set according to industry sector (i.e., the extractives and minerals sectors). This option was raised during consultation with the extractives industry who mentioned that similar fees were being charged in the extractives sector compared with larger and more complex mines. For the purposes of assessment, under this option all fees related to the extractive industry would be increased by 211%, while fees related to the minerals licences, as well as miner's rights and tourist fossicking authorities, would increase by 247%.

During consultation for this RIS, a number of stakeholder suggestions were made that were not directly aimed at improving cost recovery, but could be considered in parallel. These fee design 'sub-options' are described below:

- **Option A:** An option to permit licence and work authority holders to pay fees on a quarterly basis.
- **Option B:** Re-setting fee thresholds work authorities (in the extractives industry)
- **Option C:** Maintaining fees for exploration licences at their current level, while still maintaining full cost recovery.

4.3.2 Description of cost recovery options

Option 1 – Proportional increase across all fees to fully recover costs

This option would apply the same percentage increases to all fees in the current Regulations (other than the mine stability levy), and introduce new fees, in order to achieve overall full cost recovery of Resources Victoria's regulatory costs. This would require a flat fee increase of 234% across fee categories. Two new fees will also be included for declared mine rehabilitation. The fees for declared mine rehabilitation was benchmarked against the proposed fee for 'mining licence blasting one or more sensitive locations (EES)', which is considered to require a similar amount of regulatory effort.

Option 2 – Differential increase to fees based on industry sector to fully recover costs

This option was considered following industry consultation with the extractives industry. It was suggested by the extractives industry that some fees were comparable to similar fees in the minerals sector, but the extractives sector was less risky. This option would increase fees on an industry sector basis with different increases for the extractives industry and minerals industry. It would also include the new fees for declared mine rehabilitation.

The 2013 and 2014 regulations sought to set fees based on regulatory effort. Smaller fee increases could be set for the extractives industry to attempt to reflect the differences between the extractives and mining sectors. This was suggested in industry consultation with the extractives industry. Businesses in the extractives sector:

- tend to be smaller sites/operations/businesses
- are generally locally owned at higher rates than minerals, and
- are important for infrastructure and private building and therefore have more state strategic significance and greater impact on cost of living in Victoria.

For purposes of analysis, this option results in a 211% increase of fees for the extractives sector and a 247% fee increase for the minerals sector, including miner's rights and tourist fossicking authorities.

Fee design options

In January 2025, several workshops were held with key parties in the resources sector to discuss the proposed changes and to help identify options to improve the structure of the current Regulations. These included the:

- Association of Mining and Exploration Companies (AMEC)
- Cement Concrete & Aggregates Australia (CCAA)
- Construction Material Processors Association (CMPA)
- Minerals Council of Australia (Victoria) (MCA)

As a result of stakeholder consultation, several options are explored in this RIS; namely, an option to make quarterly payments of annual fees, resetting the value threshold amounts for work authorities, and keeping exploration fees at their current levels in order to encourage investment in Victoria's resource sector. These are included below as options A, B and C:

Option A – Periodic remittance (quarterly)

Currently re-occurring fees are mostly paid on an annual basis. This option considers providing a choice for licence and work authority holders to remit fees on a quarterly basis. This option may suit smaller operators to help smooth cashflow. Similar arrangements existing in Victoria for motor vehicle registration, where VicRoads permits registrations payments on a 3-, 6-, or 12-monthly basis. Many local governments also permit quarterly payments of annual rates.

Options B – Re-setting fee thresholds in the extractives industry

The current Regulations set annual fees for an extractive industry work authority calculated on the gate value of sales basis.⁵³ There are currently 5 fee categories in the regulations.

⁵³ The value of total sales at gate means the value of the product at the quarry gate, including any loading cost, less costs (if any) associated with freight or cartage outside the quarry site or if the product is, or is to be, used on the quarry site for the manufacture of another product, such as asphalt, concrete, bricks, tiles or cement products, an estimated value of the product prior to that use. (See regulation 19 of the Mineral Resources (Sustainable Development) (Extractive Industries) Regulations 2019.)

Consultation with industry suggests that the value thresholds for work authorities are not equitable and impose a relatively heavier burden on smaller operators, while inadvertently providing a 'concession' for larger operators. An alternative is to reset the thresholds on a more equitable. Additionally, these levels have not changed since 2014.⁵⁴ The current thresholds could be adjusted as shown column 2 in the Table 9 below.

Under this option three new fee thresholds could be created: fees for operators with gate sales between \$10,000,001 to \$20,000,000; \$20,000,001 to \$30,000,000; and more than \$30,000,000. Of the 817 work authorities currently on issue around 30 authority holders have gate sales of more than \$10 million. This option would not raise additional fee revenue but smooth out collections over the industry.

Table 9: Thresholds for work authorities fees

Current value thresholds	Proposed fee units: Option 1	Potential new value thresholds	Option B's indicative fee units	Option B's % increase compared to current fees
\$0 to \$100,000	93.2	\$0 to \$100,000	87.1	212%
\$100 001 to \$500,000	186.4	\$100 001 to \$500,000	174.1	212%
\$500,001 to \$1,000,000	372.4	\$500,001 to \$1,000,000	360.1	223%
\$1,000,001 to \$5,000,000	1,490.3	\$1,000,001 to \$5,000,000	1,441.1	223%
\$5,000,001 to \$10,000,000	2,235.1	\$5,000,001 to \$10,000,000	2,235.1	234%
More than \$10,000,000	2,794.2	\$10,000 001 to \$20,000,000	2,794.2	234%
		\$20,000,001 to \$30,000,000	3,353.1	301%*
		More than \$30,000,000	3,688.4	341%*

*These percentage increases are in relation to the current fee cap threshold of more than \$10 million gate sales.

Options C – No fee increases for exploration licences

Consultation suggested that to encourage exploration of Victoria's mineral resources, and to lower barriers to entry, the licence application fee and licence granting fee for an exploration licence could be set at a level to facilitate exploration. For the purposes of analysis in the RIS, it is assumed that fees relating to exploration⁵⁵ are not increased. This would result in around \$2.8 million less revenue collected annually. To achieve full cost recovery, this amount would need to be recovered by setting other fees at higher levels (281% higher under Option 1 and 253% higher for extractives and 297% for minerals higher under Option 2). This option recognises that Victoria competes for exploration investment in a globally competitive environment of investors, where favourable geology and government policy settings are factors in decisions to invest in certain jurisdictions over others.

4.4 Options that were not feasible

Other options were identified but considered not feasible because of government policy or data limitations:

- Partial cost recovery – this is inconsistent with the objectives of full cost recovery and therefore would not achieve the objectives outlined in this RIS. However, a view could be put forward that without private investment, resources would remain in the ground and not benefit to broader community, therefore some level of under recovery could be argued.
- Introduce more differentiated fees (or replace the current differentiations) with other factors/criteria that reflect the overall risk of the activities being undertaken, as a better proxy for the amount of regulatory effort needed for each licence holder. This could include taking account of compliance history. However, currently the Department does not have sufficient data to develop such an approach, and considers it would take a longer

⁵⁴ The current categories set a maximum fee for operators with a gate sales value of more than \$10 million at 836.6 fee units.

⁵⁵ These fees are for: exploration licence applications, grant of exploration licence, rate of rent for exploration licence (per 10 graticules), renewal exploration licences.

period to develop in consultation with industry and other stakeholders. It is therefore not a practical means to address the problem of cost recovery in the short term. At the time of writing, Resources Victoria is developing a detailed risk model that will apply risk tiers to individual firms. This model will be finalised ahead of the introduction of the duty-model in 2027 and will provide a better basis for including risk elements in the fee structure.

- Activity-based costing is generally the preferred method of setting fees. The 2022 Deloitte Report did not use this method to estimate the cost base of Resources Victoria owing to a lack of data at that time. The current review of the fees used the 2022 report as the basis for setting fees to recover costs, and therefore the data to set fees using a more thorough activity-based costing methodology was not available for this review. It is intended that the proposed review of the fees by 2027 will use this method.
- Fee increases could be phased in over time – this option would permit businesses to plan for the increased fees. This option would deliver full cost recovery more slowly and is inconsistent with the Government's objectives, although this option was suggested during consultation.

Stakeholders are invited to comment on the options contained in this RIS and suggest other options that could be considered to meet the objectives of achieving full cost recovery.

5. Assessment of options

This chapter sets out the impact analysis: the expected impacts of feasible options and how the preferred option was decided.

Better Regulation Victoria recommends using the multi-criteria analysis (MCA) decision making tool to assess fee design options. This method is described in section 5.1 below.

Option 1 and Option 2 were compared against each other (relative to the current fee arrangements, that is, the base case) to assess the preferred option. These options are concerned with the broad structure of the fees, within the government's policy requirement of full cost recovery. Options A, B and C are stand-alone fee design options that could be applied to either options 1 or 2.

5.1 Multi-criteria analysis (MCA) method

The multi-criteria analysis (MCA) decision tool is used in this RIS to assess the preferred fee options. This tool requires judgements about how options would perform against a series of criteria associated with the options. An MCA score is assigned, depending on the likely impact of the proposal on each of the criterion, and an overall score can be derived by multiplying the score assigned to each criterion by the relative weighting given to each criterion, and summing the result. An assigned score of zero (0) represents the same outcome as the base case, while a score of plus ten (+10) means an option has significant advantages in achieving the Government's objectives. A score of minus ten (-10) means that the proposal goes against achieving the Government's objectives. If an option receives a positive net MCA score, then the Department considers that, on balance, the option represents an improvement over the base case, for the criteria assessed.

The criteria selected for this assessment – efficiency, effectiveness, equity, and simplicity – adopts the criteria recommended by Better Regulation Victoria in its Guidance Note on fees RISs.⁵⁶ The criteria also specifically refer to the relevant pricing principles in the *Pricing for Value Guide*. Table 10 below describes these criteria and shows weightings of 35% for efficiency, 15% for effectiveness, 15% for equity, and 35% simplicity, reflecting their relative importance in setting these fees in accordance with the government's objectives.

Table 10: Description and weighting of criteria for the MCA

Criteria	Description	Weighting (%)
Efficiency	Fees should be set at a level to enhance allocative efficiency and to minimise distortions in the economy (i.e., encouraging optimal use of resources). Efficiency in the for-profit sector is often achieved through full cost recovery. This is especially important in the case where businesses are the private beneficiary of the regulatory services provided by government (i.e., allowing mining and extractives operators to benefit from Victoria's resources by establishing a regime that provides them with exclusive rights over a Crown resource) and/or whose activities give rise to the need for regulation. Cross subsidisation ⁵⁷ should be avoided when structuring charges unless there is an explicit decision of the Government to cross subsidise.	35%

⁵⁶ Better Regulation Victoria, 2021, *Guidance Note - Fees RISs*, p. 6: <https://www.vic.gov.au/impact-assessments>.

⁵⁷ Cross subsidies occur when one group of users pay for more than the costs of the services (or products) they receive, and the 'surplus' is used to offset the cost of services provided to other users. From an economic efficiency point of view, cross subsidies are undesirable because those paying the subsidy will under consume resources, and those receiving the subsidy will be encouraged to consume more resources than would be the case if the relevant product/activity were to be appropriately priced. There may also be 'flow on' effects where the cross subsidised activities are inputs to other processes. Often, the costs of cross subsidies remain hidden. Favoured groups can receive benefits without those incurring the costs knowing they are doing so. This is contrary to the important principle of transparency.

Criteria	Description	Weighting (%)
	<p>Efficiency should also explicitly take into account regulatory effort, for example, the activity-based costing method of calculating fees and cost base.</p> <p>Consequently, a relatively high weighting of 35% is assigned to this criterion reflecting the Government's priority of cost recovery.</p> <p>Relevant Pricing Principles:</p> <ol style="list-style-type: none"> 1. Agencies should aim to recover the full costs of service provision to promote efficient consumption 2. The cost of service provision should be borne by those who benefit from the service 3. Services creating broad benefits for the community should be priced to support efficient consumption 	
Effectiveness	<p>Fees should be set at a level to encourage compliance and to achieve the Government's objectives. This can be a concern if, for example, high fees discourage people from complying with the Regulations (e.g., operating outside the licensing system), which could compromise policy objectives, such as mine or quarry site rehabilitation.</p> <p>Unlike many other regulations, fees regulations are relatively easier to comply with and to enforce. Compliance with fees regulations is simply acquitted when the fee is paid on time, but if not done so, the regulator has clear processes to enforce payment – in simple terms, enforceability is more easily achievable in these industries as it is easy to locate the regulated parties (as they run mines or quarries).</p> <p>Consequently, a weighting of 15% is assigned to this criterion.</p> <p>It is also important that fees be set at a rate to support interest in investing in the minerals and extractives industries.</p> <p><u>Relevant Pricing Principles:</u></p> <ol style="list-style-type: none"> 8. Pricing should support positive behaviours 	15%
Equity	<p>The concept of 'vertical equity' provides that fees should be charged with some notion of ability to pay, so that fees do not provide a barrier for people accessing important services. Businesses in the minerals and extractives industries range in size from smaller operators to large international companies. Fees should avoid creating a barrier for smaller operators to enter or participate in the market.</p> <p>In setting business fees, vertical equity issues should be recognised, although these issues for the mining and extractives industry are of a lower relative importance compared with efficiency and simplicity. Therefore, a weighting of 15% is assigned to this criterion.</p> <p><u>Relevant Pricing Principles:</u></p> <ol style="list-style-type: none"> 5. The price of services should not limit access to those with a lower ability to pay 	15%
Simplicity	<p>This criterion refers to whether an option is easy to understand and comply with, and for government to implement and administer.</p>	35%

Criteria	Description	Weighting (%)
	<p>This is important in the context of the current fees proposal, as the resources industry is currently undergoing reforms and the current fee arrangements will be reviewed within two years. Given the cumulative effect of changing regulations, it is important to provide industry with something easy to understand. Therefore, a weighting of 35% is assigned to this criterion.</p> <p><u>Relevant Pricing Principles:</u></p> <p>11. Pricing structures should be easy to understand and simple to administer</p>	

5.2 Assessment of Option 1 – Proportional increase across all fees to fully recover costs

As noted earlier, an additional \$13.7 million per year is required to fully recover costs. This option re-sets the fees at a level to achieve full cost recovery. This results in a flat fee increase of 234% across all fee categories. Table 11 below show the results of the MCA assessment undertaken to evaluate this option.

Table 11: MCA assessment: Option 1 – Full cost recovery based on proportional increases to all fees

Criterion/weighting	Assessment	Assigned score	Weighted score
Efficiency (35%)	<p>Option 1 achieves full cost recovery.</p> <p>Full cost recovery helps to ensure that allocative efficiency objectives are better met. By setting the fees at a level that fully recovers regulatory costs; this satisfies the objectives of the ‘user pays’ principle where regulated parties pay for the cost of regulation. This in turn avoids the call on taxpayers, who currently fund a large proportion of these services.</p> <p>Two new fees will be introduced in relation to assessing Declared Mine Rehabilitation Plans and variations. There is currently no fee for these activities, so setting a fee to recover costs will also improve efficiency.</p> <p>While the 2013 and 2014 fees took regulatory effort into account, there has been significant legislative and organisational changes since then, and the current extent to which fees reflect regulatory effort is not known precisely.</p> <p>In addition, a flat fee increase may cause marginal licence holders to exit the industry, which could encourage new more efficient business entrants to more quickly develop Victoria’s resources, thus improving efficient economic outcomes. However, if new operators do not enter the industry, then this may have implications for the supply of</p>	7.0	4.25

Criterion/weighting	Assessment	Assigned score	Weighted score
	<p>minerals and extractives in Victoria. Given the local nature of the extractive market, this may have price implications for the extractives market.</p> <p>In addition, this may reduce the fees base. That said, Resources Victoria would also expend less regulatory resources, so on balance there should not be a need to realign fees.</p> <p>Therefore, a score of 7 was assigned to the economic efficiency criterion. Despite full cost recovery it did not receive a full score because the fees were not calculated using the activity based costing method, which better matches fees to regulatory effort. This method is generally preferred since it more accurately aligns fees with regulatory effort and thus improves allocative efficiency.</p>		
Effectiveness (15%)	<p>The proposed fee increases may cause delays due to some payments difficulties (compliance). The level of such cost pressures cannot be estimated (but current payment patterns suggest that around 3% of licence and work authority holders pay late).</p> <p>Further, fees under this option will represent around 0.78% of mining and extractives business sales (compared with 0.23% for the current fees), which overall represents a proportionally small increase.</p> <p>Consequently, a score of -1.0 was assigned to this criterion relative to the base case.</p>	-1.0	-0.15
Equity (15%)	<p>Given the dollar amount of fee increases, this may raise vertical equity considerations (i.e., smaller operators may find it more difficult to pay). While the fee structure has been designed so larger businesses pay higher fees than smaller businesses, the flat increase will likely impact smaller operators more than larger operators.</p> <p>For example, the fees paid as a proportion of gate sales for an extractives industry operator with gate sales of \$500,000 would increase by to 0.61%, while the increase for an operator with sales of \$10 million would be 0.46%. Smaller businesses will generally pay a higher proportion of fees compared to their sales (larger businesses can spread costs over large output).</p> <p>When fees increase, small businesses are likely to feel this impact more. Given the</p>	-2.0	-0.3

Criterion/weighting	Assessment	Assigned score	Weighted score
	vertical equity issues, a score of -2 was assigned to this criterion.		
Simplicity (35%)	Under this option, the fee structure would remain the same. It has been in place for more than 10 years and is understood by licence and work authority holders. Increases to all fees retains the current structure, however there will be two new fees which will add to an already large schedule of fees. Consequently, a small negative score of -0.25 is assigned to this criterion.	-0.25	-0.0875
		Net score	+1.91

The MCA for Option 1 resulted in a net score of +1.91. This is an improvement over the current arrangements. The benefits mostly arise from economic efficiency, resulting in the removal of the current transfer of funds from the taxpayer to the resources sector. Owing to the amount of the increases, however, this may result in some equity considerations (ability to pay) and possible effectiveness of the regulations (compliance) impacts, at least in the short term.

5.3 Assessment of Option 2 – Differential increase to fees based on industry sector to fully recover costs

Option 2 is similar to Option 1 except that different fees would be charged for the extractives and the minerals sectors. While this option would still seek to fully recover costs, fees could be set to account for the differences between the mineral and extractives industries. Namely, consultation with the extractives industry suggested that extractives are lower risk than minerals, and therefore that fees should be set lower for extractives than minerals. Resultingly, this option proposes a fee differential for the extractives sector of 211% for the extractives industry and an increase of 247% for the minerals sector⁵⁸.

The MCA for Option 2 is shown in Table 12 below.

Table 12: MCA assessment: Option 2 – Full cost recovery based on industry sector

Criterion/weighting	Assessment	Assigned score	Weighted score
Efficiency (35%)	Option 2 achieves full cost recovery. Full cost recovery would achieve the efficiency objectives of the Government. As with Option 1, two new fees will be introduced in relation to assessing Declared Mine Rehabilitation Plans and variations. There is currently no fee for these activities, so setting a fee to recover costs will also improve efficiency. As with Option 1, inactive licence or authority holders will feel a greater impact given that they are not producing stone or minerals. The proposed fee increase may cause some license holders to exit the industry, which may have impacts on the supply of minerals and extractives and the price of extractives.	6.0	2.1

⁵⁸ Includes miner's rights and tourist fossicking authorities.

Criterion/weighting	Assessment	Assigned score	Weighted score
	<p>However, generally cross-subsidies should be avoided in setting 'user pays' fees, unless there are sound policy reasons for doing so.</p> <p>The 2013 and 2014 fees were set on the basis of estimates of regulatory effort (i.e., costs incurred by the regulator) for different activities involved in assessing and processing fees. Differences in regulatory effort partly reflect risks. This is visible in the different proportion of fees to industry revenue for minerals and extractives. For example, under the current fees about 63% is collected from minerals and 33% from extractives (the balance collected from miners rights, etc). As a percentage of revenue, the current fees represent 0.14% of gate sales from the extractives industry and 0.31% of production value from the minerals industry. This demonstrates that the current fee structure (which Option 1 is based on) already takes into account the lower regulatory effort of extractives compared to minerals, to some extent.</p> <p>Without further data on regulatory effort of the two industries, and if or how these have changed since 2013 and 2014, setting an industry-based differential fee increase may increase the likelihood of cross-subsidisation of the extractives by minerals industry. This is because the option would introduce an arbitrary deviation from the regulatory cost estimates from 2013 and 2014, which are the best currently available estimates of regulatory effort for the regulator's activities.</p> <p>In short, this option of a differential fee increase does not ensure the fee structure reflects most efficient estimate of regulatory effort because it is based on an arbitrary adjustment of existing fees, and is not based on data that reflects actual regulatory effort. Consequently, a slightly lower score of 6 was assigned to this criterion, compared to Option 1.</p>		
Effectiveness (15%)	<p>Fees should be set at a level to encourage compliance and to achieve the Government's objectives. The proposed fee increases may cause delays in some payments or avoidance activities compared to the base case, as discussed in 5.2.</p> <p>Data from Resources Victoria's invoicing system suggests that most businesses who</p>	-0.5	-0.075

Criterion/weighting	Assessment	Assigned score	Weighted score
	<p>paid fees late are smaller operators. Given that many small businesses operate in the extractives sector, increasing extractive fees by a lower amount may reduce non-compliance issues when compared to Option 1.</p> <p>Consequently, a score of -0.5 was assigned to this criterion, which reflects likely better levels of compliance by smaller operators in the extractives industry relative to Option 1.</p>		
Equity (15%)	<p>Compared to Option 1, this option sets fees lower for the extractives industry, which is generally composed of more smaller operators relative to the mineral industry. Therefore, it is expected that there will be a slightly lower impacts on smaller businesses under Option 2, resulting in a slightly more equitable outcome compared to Option 1. However, given the amount of the dollar amount of the increases, smaller operators may find it more difficult to pay the higher fees compared to larger operators, reflecting a less equitable outcome than the base case. Consequently, a score of -1.5 was assigned to this criterion.</p>	-1.5	-0.225
Simplicity (35%)	<p>Once the value of the fees are set for the extractives and minerals sectors, fee categories will remain the same and will be levied on the same basis as the current fees. Increases to all fees retains the current structure, however there will be two new fees which will add to an already large schedule of fees. Consequently, a small negative score of -0.25 is assigned to this criterion.</p>	-0.25	-0.0875
		Net score	+1.71

The MCA resulted in a net score of +1.71. This represents an improvement over the current fee arrangements, primarily because of the economic efficiency contributions to full cost recovery.

5.4 Preferred option for achieving full cost recovery

The MCA shows that Option 1 is slightly preferred compared with Option 2. The Department believes that this is the most appropriate feasible option currently available, given the significant legislative and organisational changes since 2013 and 2014 the level of regulatory effort for each fee is not known precisely. A change to sector based fees (Option 2) may exacerbate any current problems with the fee structure by increasing inefficient levels of cross subsidisation that may be currently incorporated into the structure.

Notwithstanding the above, it is noted that these scores are close, suggesting that Option 2 may have some merit in principle. When the current fees were set in 2013 and 2014, there was an attempt to account for the different risk between the minerals and extractives sectors; however, given the significant legislative and organisational changes since 2014 it is not currently known how closely the current fee structure matches regulatory effort. It is also noted that the proposed fees are based on the proportional risks and regulatory

effort of different mining and extractive activities as estimated in 2013 and 2014, and this is the best estimate available to the Department at this time. At the time of writing, Resources Victoria is developing a detailed risk model that will apply risk tiers to individual firms. This model will be finalised ahead of the introduction of the duty-model in 2027 and will provide a better basis for including any explicit risk elements in the fee structure. Overall, the allocation of risk/regulatory effort could be not made with a sufficient level of accuracy to result in Option 2 being preferred.

Given the closeness of the scores, stakeholders are encouraged to provide their comments on these two options.

5.5 Sub-options raised during consultation

5.5.1 Assessment of sub-options from consultation

As described above, the base case refers to the regulatory position represented by the current fees. The sub-options from consultation will be assessed against a 'reference case' of Option 1, as the preferred option selected based on the analysis in 5.4. For this analysis, a score of 0 indicates no change from Option 1. Positive and negative scores indicate benefits and costs relative to Option 1. Assigned scores for these options are relatively small because they do not significantly change the fees.

Assessment of Option A – Periodic remittance (quarterly)

A number of the fees are paid annually. These include annual fees for a work authority in the extractives industry and annual rent for licences in the minerals industry. Other fees are paid when various regulatory services are required, for example, an application for an exploration licence or a variation to a work plan. This option assesses periodic payment arrangements, which assumes full cost recovery (either Option 1 or 2).

Table 13 below assesses the alternative of providing licence and work authority holders with an option to make quarterly fee payments.

Table 13: MCA assessment: Option A – Quarterly fee remittance

Criterion/weighting	Assessment	Assigned score	Weighted score
Efficiency (35%)	Periodic payments do not cause economic distortions or under/over consumption of regulatory services because the same fee amount is collected annually. Accordingly, a score of zero was assigned to this criterion.	0.0	0.0
Effectiveness (15%)	<p>Currently some licence/authority holders do not pay invoices on time (around 3%). This could be for a variety of reasons, but one such factor might be cashflow issues facing businesses, particularly for smaller operators. Periodic payments could smooth out cashflows over the annual period and make it easier for them to pay the smaller amount, rather than having to pay a single (larger) amount once a year.</p> <p>While the same amount would be paid under this option, offering the option to make periodic instalments could improve the effectiveness of fee collection and reduce instances of late payments relative to the reference case. However, given that this alternative is optional, it is not known how</p>	0.25	0.0375

Criterion/weighting	Assessment	Assigned score	Weighted score
	many businesses will choose to pay periodically. This represents a small improvement over the current arrangements, and consequently a score of 0.25 was assigned to this criterion.		
Equity (15%)	Data from Resources Victoria's invoicing system shows that most businesses who paid fees late are generally smaller operators. Providing the option to make periodic fee payment is likely to help smaller operators smooth out their cashflow. Reflecting this, a score of 0.5 was assigned to this criterion.	0.5	0.075
Simplicity (35%)	Periodic payments would not result in more complex fee arrangements but would add to government processing costs (although this may also result in government having to follow up on fewer late payers). Consequently, a score of -0.25 was assigned to this criterion.	-0.25	-0.0875
		Net score	+0.025

The MCA outcome for providing an option to make quarterly fee instalments resulted in a very small net score of +0.025, indicating that this option may have small benefits compared to the reference case. The score is small because the real fee amount the licence/authority holder pays remains the same over the annual period. This alternative would be optional and licence/authority holders could continue to pay annually should they so choose. Offering periodic fee payments could potentially provide benefits to some smaller operators by providing flexible fee remittance arrangements to assist with cashflow issues.

Assessment of Option B – Re-setting fee thresholds in the extractives industry

The current Regulations set annual fees for work authorities calculated on the gate value of sales of extractives. Column 1 in Table 9 above sets out the proposed thresholds and fee amounts under Option 1. An MCA was undertaken to assess this option against the regulatory objectives, as shown in Table 14 below.

Under this option about 35 larger operators would fall into the new categories, with the maximum fee of \$60,321 for gate sales of more than \$30 million (compared with \$45,629 under the reference case). The fees for smaller operators (some 700 businesses) under this option would be:

- \$1,421 compared with \$1,522 under Option 1 (\$0-\$100,000 gate sales)
- \$2,842 compared with \$3,034 (\$100,001-\$500,000 gate sales)
- \$5,880 compared with \$6,081 (\$500,001-\$1 million gate sales);
- and \$23,533 compared with \$24,336 (\$1 million - \$5 million gate sales).

These figures are indicative only and would depend on thresholds chosen and period analysed.

Table 14: MCA assessment: Option B – Resetting work authority value thresholds

Criterion/weighting	Assessment	Assigned score	Weighted score
Efficiency (35%)	Since large extractive businesses generally create more regulatory effort, resetting fee categories will help to better recover these	0.5	0.175

Criterion/weighting	Assessment	Assigned score	Weighted score
	costs. The current fee structure, where all extractive businesses with over \$10 million in gate sales pay the same fee, limits the Government's ability to recover regulatory costs incurred by larger extractive businesses. This option would also reduce an apparent cross-subsidisation from smaller businesses to larger operators. Therefore, a score of 0.5 was assigned to this criterion.		
Effectiveness (15%)	<p>A revised fee structure with some of the relatively higher burden removed from smaller operators should make it slightly easier for these businesses to pay fees (notwithstanding the overall increase) and may improve compliance. However, higher fees will also impact medium or larger operators, especially if they are experiencing cashflow issues. On balance, in terms of effectiveness, it is considered that the benefits for small operators of smaller proposed fee increases outweighs the disbenefits of large operators having to pay higher fees. This is because, as noted above, smaller operators currently have more difficulty paying fees on time than larger operators.</p> <p>Overall, a small score of 0.25 was assigned to this criterion.</p>	0.25	0.0375
Equity (15%)	<p>This option will moderate the proposed fee increases for smaller businesses in the extractives sector. By including additional categories above \$10 million gate sales, larger operators will pay higher fees whereas smaller operators, with a lower ability to pay, will pay lower fees. Businesses with gate sales between \$0 to \$5 million will pay slightly lower fees compared to Option 1, with a reduction ranging from around \$100 to \$800.</p> <p>These vertical equity benefits, while positive, are relatively small. For example, an operator with gate sales of between \$100,001 - \$500,000 will only see a \$200.86 reduction in the fee increase when compared to Option 1. Consequently, a score of 0.25 was assigned to this criterion, reflecting a slightly more equitable fee structure than the reference case.</p>	0.25	0.0375
Simplicity (35%)	The fee structure is essentially the same as under the current arrangement, except that three new value thresholds are included in	-0.25	-0.0875

Criterion/weighting	Assessment	Assigned score	Weighted score
	the fee schedule. These are easy to understand and comply with, nevertheless it does add a level of complexity, especially for large operators who may now fall into a new category. Consequently, a score of -0.25 was assigned to this criterion.		
		Net score	0.16

Taken together, the MCA shows a small positive score of 0.16. The small efficiency, equity and effectiveness benefits are balanced against a more complex fee structure. This means that this option may have small benefits compared to the reference case. Further consideration of this option would benefit from stakeholder feedback to test the assumptions and analysis of this MCA assessment.

Assessment of Option C – No fee increases for exploration licences

An MCA assessment was undertaken of this option and the results are shown in Table 15 below. It is worth recalling that under this option exploration fees would remain at their current level.

Table 15: MCA assessment: Option C – No fee increases for exploration licences

Criterion/weighting	Assessment	Assigned score	Weighted score
Efficiency (35%)	<p>This option would still fully cost-recover regulatory costs; however, exploration licences would likely receive a cross-subsidy from other fees across the minerals and extractives sectors. Such a cross-subsidy, other things being equal, could possibly 'distort' the market because the costs of mineral exploration would not reflect the full regulatory costs, although given the uncertainties involved and the time since the last fees review, the extent of the cross-subsidy, if any, is not known.</p> <p>Lower exploration fees could potentially encourage more investment and discovery of minerals, leading to greater economic activity and employment, particularly in regional areas.</p> <p>However, many factors contribute to investment decisions, and keeping exploration fees at their current rate may be unlikely to attract <i>additional</i> investment. Further, the mining industry as a whole may be discouraged from investing in the sector if other fees (such as mining licence fees) are higher. This could mitigate the intended effect of encouraging additional investment in mineral exploration in the state.</p> <p>That said, in setting business fees cross subsidies should be avoided. In this context the government considers that the disbenefits of cross-subsidies would not be outweighed</p>	-1.0	-0.35

Criterion/weighting	Assessment	Assigned score	Weighted score
	by the potential for greater investment in the mining sector, consequently a small negative score of 1 was assigned to this criterion (relative to preferred Option 1).		
Effectiveness (15%)	<p>Lower fees for exploration may encourage greater compliance in the segment, but this needs to be balanced against higher fees elsewhere.</p> <p>Higher fees in other segments would place additional cost pressures on these businesses and this may lead to greater difficulties in compliance and hence effectiveness. Therefore, a small negative score of -0.25 is assigned to this criterion.</p>	-0.25	-0.0875
Equity (15%)	<p>Mining exploration businesses are generally smaller than others mining operators and often do not generate cashflow.</p> <p>However, maintaining exploration fees at their current rate (i.e., no change from the base case) would result in higher fees for all other minerals and extractives fee categories.</p> <p>Other businesses, in particular those in the extractives industry, would pay higher fees as a consequence. A six year annual average (2018-24) of tenements showed there were 80 exploration tenements and 750 small business extractive tenements, so more small businesses would be negatively impacted under this option than benefit. Therefore, a negative score of -0.5 was assigned to this criterion.</p>	-0.5	-0.175
Simplicity (35%)	Fee categories would remain the same and is not expected to have any impact on the level of complexity of the fees generally. Reflecting this, a score of zero was assigned to this criterion, which represents the same outcome as the reference case.	0.0	0.00
		Net score	-0.61

The MCA score of -0.61 shows that this proposal is not preferred over the reference case. Each criterion receives a small negative score; that is, the proposal raises efficiency issues from introducing a cross-subsidy, effectiveness issues as higher fees in other areas may cause compliance issues, and equity concerns regarding businesses in other segments, particularly smaller businesses, having to pay an additional amount.

5.5.2 Summary of assessment of sub-options from consultation

Consultation suggested a number of options that were considered. These were included and formally subjected to an MCA assessment in this RIS.

First, offering an option for quarterly payments for annual fees could potentially provide benefits to smaller operators by providing flexible fee remittance arrangements to better help with cashflows. This alternative would be optional and licence or work authority holders could continue to pay annually should they so choose. However, these benefits were not large and would increase government processing costs.

Second, resetting value thresholds for the work authority may be more equitable and efficient fee by better matching gate value sales with regulatory effort, however, the net score was small in the MCA analysis.

Third, any benefits from not subjecting exploration related fees from the proposed increases appear to be offset by the unfairness of other licence and work authority holders from having to pay higher fees. Consideration also needs to be given as to whether any such cross-subsidy is justified.

The Department highlights that Options A and B were not incorporated into the preferred option and exposure draft given timing and resource constraints. Consultation with key stakeholders concluded in late January 2025 and subsequent dialogue extended into February 2025. The timing of finalisation of consultation, internal resource constraints, combined with the Government's request that the changes be in place for the 2025-26 financial year to meet Resources Victoria's resourcing requirements, and the fact that the MCA scoring was only marginally positive, all led the Department to conclude the most appropriate and expeditious way to test the proposals is through the public consultation process for the RIS.

5.6 Overall assessment of Options

The Victorian Government has decided to fully recover regulatory costs for the extractives and minerals industries. Within this context, Options 1 (a flat rate fee increase) and Options 2 (an industry-based fee increase) were compared with each other. Option 1 fully achieves the Government's cost recovery objectives in a relatively simple way. Option 2 is considering differential fee increases between the extractives and minerals sectors because the extractives industry is considered by some industry stakeholders to be lower risk than the minerals industry. Option 2 was not preferred. The cost data used in this RIS was based on a distributed costs methodology (top-down approach) and broad industry-based fees may mask the actual underlying costs of providing regulatory services. In addition, given that the 2013 and 2014 fees were broadly set using an activity-based costing methodology (bottom-up approach, albeit some time ago), any fee structure that set fees on an industry basis may increase the likelihood of a cross-subsidy between the sectors (although the extent, if any, cannot currently be estimated owing to data limitations. However, it is also acknowledged that there may be a degree of cross-subsidisation under Option 1, given that the cost base may have changed since 2013 and 2014).

When the fees are next reviewed prior to 2027, an activity-based costing methodology (bottom-up approach) would more accurately reflect regulatory effort associated with individual fees, along with a risk rating framework for licence and work authority holder (this is in the process of being developed). Therefore, given these factors Option 1 – a flat fee increase to achieve full cost recovery – was assessed as the preferred option prior to the introduction of the duty-model regulatory framework.

Given that full cost recovery is achieved under Option 1, the 'design' options were considered in relation to how they improve the fee structure under Option 1. Setting lower fees for exploration related licences was not preferred, while the options for quarterly remittances and remaking the value thresholds for work authorities were only marginally positive. The Department highlights that Options A and B were not incorporated into the preferred option and exposure draft given timing and resource constraints. Consultation with key stakeholders concluded in late January 2025 and subsequent dialogue extended into February 2025. The timing of finalisation of consultation, internal resource constraints, combined with the Government's request that the changes be in place for the 2025-26 financial year to meet Resources Victoria's resourcing requirements, and the fact that the MCA scoring was only marginally positive, all led the Department to conclude the most appropriate and expeditious way to test the proposals is through the public consultation process for the RIS.

5.7 Targeted stakeholder questions

The Executive Summary contains a list of stakeholders questions relating to the proposed Regulations and industry conditions (pages 11–13). The questions below are adapted from these questions and directly relate to the options assessed in this RIS:

- Do you believe that future fee increases should be spread equally across all resources industries?
- Would you support a fees system that provided the flexibility to settle fees either on a quarterly, biannual or annual basis?
- Do you believe that annual fees for the extractives industry would benefit from resetting gate value of total sales scales and subsequent fee thresholds? If yes, would you support the introduction of additional fee threshold scales for extractive annual fees based on gate value of total sales above \$10,000,000 per year?
- Would you support a lower fee setting for minerals exploration licences when compared to other mineral licences?
- Do you believe that future fee increases should be spread equally across all sizes of businesses? Please explain your answer.

6. Preferred option

6.1 Preferred approach

The MCA found that Option 1 – a flat increase of 234% to fees across all fee categories – was preferred. However, these scores are extremely close, suggesting that Option 2 may have some merit in principle. That said, any risk-based fee should ideally be based on a more detailed knowledge of the actual risks, and currently this data is not available. When the fees are reviewed prior to 2027, this data should be available.

Option 1, the proposed Regulations, would increase fee revenue by \$13.7 million per year (in 2024-25 dollars).⁵⁹

Table 16: MCA Assessment of Options 1 and 2 – weighted score summary

Criterion	Option 1 – Flat fee increase	Option 2 – Industry-based fee increase
Efficiency	2.45	2.10
Effectiveness	-0.15	-0.075
Equity	-0.30	-0.225
Simplicity	-0.0875	-0.0875
Net weighted score	+1.91	+1.71

With respect to the sub-options, offering an option for periodic (e.g., quarterly) payments for annual fees could potentially provide benefits to smaller operators by providing flexible fee remittance arrangements to better help with cashflows. This alternative would be optional and licence/authority holders could continue to pay annually should they so choose. However, these benefits were not large and it is uncertain how many businesses, if any, would pay fees quarterly. Second, resetting value thresholds for the work authority fee would appear to provide more equitable fee arrangements by matching gate value sales with regulatory effort, however added complexity of the fee categories results in only a small positive score. Finally, any benefits from not increasing exploration licence fees from the proposed increases appear to be offset by the unfairness of other licence/work authority holders from having to pay higher fees.

The MCA assessment of these options is shown in Table 17 below.

Table 17: MCA Assessment of Options A, B, and C – weighted score summary

Criterion	Option A Quarterly fee payment	Option B Re-setting fee thresholds work authorities	Options C Lower fees for exploration licences
Efficiency	0.00	0.175	-0.35
Effectiveness	0.0375	0.0375	-0.0875
Equity	0.075	0.0375	-0.175
Simplicity	-0.0875	-0.0875	0.00
Net weighted score	0.025	0.163	-0.6125

⁵⁹ This revenue estimate is calculated on the current number of businesses operating in the resources sector. The proposed fees, however, may reduce the number of businesses and fee revenue may be lower.

The Department explains that Options A and B were not incorporated into the preferred option and exposure draft given timing and resource constraints. Consultation with key stakeholders concluded in late January 2025 and subsequent dialogue extended into February 2025. The timing of finalisation of consultation, internal resource constraints, combined with the Government's request that the changes be in place for the 2025-26 financial year to meet Resources Victoria's resourcing requirements, and the fact that the MCA scoring was only marginally positive, all led the Department to conclude the most appropriate and expeditious way to test the proposals is through the public consultation process for the RIS. That being said, Option 1 alone is the Department's preferred option.

Fees in other jurisdictions do not directly align with the fee regime in Victoria and comparisons are difficult. For those that were similar, it could not be determined on what basis those fees are set or whether they fully or only partially recover costs. That said, the proposed changes will result in (generally) higher fees in Victoria compared to other jurisdictions (see Appendix 2).

6.2 Impact on competition

Victoria is party to the Competition Principles Agreement, which requires that any new primary or subordinate legislation should not restrict competition unless it can be demonstrated that the Government's objectives can only be achieved by restricting competition and that the benefits of the restriction outweigh the costs.⁶⁰

In some cases, legislation or regulation can affect competition by preventing or limiting the ability of businesses and individuals to enter and compete within particular markets. The primary cost of a restriction on competition is that it can reduce the incentives for businesses to act in ways that benefit consumers, which can result in lower innovation and productivity, reduced choice of products and/or higher prices. Ways in which legislation or regulations may restrict competition include creating barriers to entry for new firms, controls on the amount, quality or price of products or services, increases in business costs for some firms but not others or otherwise advantaging some firms over others in the same market. In the case of fees, fee levels should be set at a level to avoid economic distortions or economic inefficiencies.⁶¹

For the purposes of the competition test, a measure is likely to have an impact on competition if any of the questions in the table below can be answered in the affirmative.

Table 18: Competition test questions

Test question	Assessment	Reason
Is the proposed measure likely to affect the market structure of the affected sector(s) – i.e. will it reduce the number of participants in the market, or increase the size of incumbent firms?	Possible	<p>It is unlikely that the fee proposal will increase the size of incumbents. It is possible, however, that some operators will leave the sector. The increased cost of fees may particularly affect inactive work authority/licence holders who are not generating cashflow. In addition, smaller operators are likely to feel the impact of higher fees more than larger operators.</p> <p>Incumbent firms may also be well placed to take over inactive leases, thus increasing the concentration of the industry.</p> <p>Increased business costs, based on efficient cost recovery, do not directly 'restrict' competition, nor are they anti-competitive by nature; they can however impose financial burdens, which can have indirect impacts on competition.</p> <p>Despite the level of fee increases, fees are likely to represent a small part of overall business costs, and to</p>

⁶⁰ This is the 'competition test' to be applied to legislation. It is noted that the competition assessment does not preclude any option being preferred, but requires that any decrease in competition should ensure that the benefits outweigh the costs and that the desired outcomes can only be achieved by affecting competition.

⁶¹ See for example *Assessment against the Competition Test*, guidelines published by the New South Wales Department of Finance, Services and Innovation, 2017, and *Legislation Impact Assessment Guidelines* published by Tasmanian Department of Treasury and Finance December 2016.

Test question	Assessment	Reason
		<p>that extent would likely have relatively small competition impacts. (For example, for a quarry with \$5 million gate sales, the proposed work authority annual fee would represent around 0.49% of this amount.)</p> <p>The fees apply to all operators equally. The thresholds levels in some fees treat similar businesses in a similar way.</p>
Will it be more difficult for new firms or individuals to enter the industry after the imposition of the proposed measure?	Possible	<p>The proposal imposes the same amount of fees on new entrants as industry incumbents. That said, the higher fees for applications and explorations licences may impose cost barriers and make it more difficult for new businesses to enter the market. However, such fees are likely to represent only a small proportion of business entry costs.</p> <p>Notwithstanding this, higher application fees may make it more difficult for some firms to enter the market by placing a larger hurdle that incumbents did not face.</p> <p>If the fees deter some businesses from entering the market, then this may raise competition issues.</p>
Will the costs/benefits associated with the proposed measure affect some firms or individuals substantially more than others (e.g. small firms, part-time participants in occupations etc)?	Possible	As discussed, smaller operators will feel the impact of higher fees more than larger operators because the fees will represent a larger proportion of costs measured against their turnover. (Also see section 6.3 below which discussing small business impacts in greater detail.)
Will the proposed measure restrict the ability of businesses to choose the price, quality, range or location of their products?	No	The proposed fees will not affect the ability of operators to choose prices (the commodities industry is characterised by price-taking), quality, or range of products. Location is determined by the source of stone or minerals, not the fee level.
Will the proposed measure lead to higher ongoing costs for new entrants that existing firms do not have to meet?	No	While application fees for new entrants will be higher, the largest fees, namely annual rent and annual work authority fees, apply to all operators equally. Once an operation has commenced, there will be no difference between the fees charged between a newer versus more established operator.
Is the ability or incentive to innovate or develop new products or services likely to be affected by the proposed measure?	No	Higher fees will not negatively impact on incentives to innovate or develop new products or affect service delivery.

When costs are fully recovered this promotes allocative efficiency; however, improved economic efficiency does not preclude business impacts, especially on smaller businesses. Such impacts arise from higher business costs and may cause some businesses to exit the industry. This in turn may result in industry consolidation if new businesses do not enter the market which could restrict competition. Notwithstanding this, the proposed fee increases are likely to form a relatively small proportion of total business costs, and to that extent would likely have relatively small competition impact.

The proposed fee levels may impinge upon competition indirectly since they increase business costs. As far as there are impacts on competition, the Department considers that these impacts are necessary to achieve

the Government's objectives and the benefits of the restrictions outweigh the costs (i.e., recovering costs from the beneficiaries of regulatory services so that the burden does not partly fall on the broader community).

6.3 Impact on small business

This section considers whether the proposed Regulations are likely to have a disproportionate impact on small businesses. There is no fixed definition of small business, however, it is generally considered to refer to businesses with fewer than 20 employees⁶² or turnover of less than \$10 million per year. Around 96% of the extractives would be considered small business (small business⁶³), while the number in the minerals sector is around 94%. (That is, with an annual turnover of less than \$10 million as per the ATO definition of small business.)

Small businesses may experience disproportionate effects from regulatory requirements for a range of reasons, including the cumulative effect of other regulatory changes in their sector. In particular, the amount of the fee increases, while treating all business in a similar manner (i.e., horizontal equity), are likely to be felt more by smaller operators (i.e., vertical equity).

With this in mind, the current fee structure for mining rents does take the size of operations into account (which tends to be correlated with business size). Annual rent fees and annual work authority fees, which are based on the size of operations/production value, account for the majority of fee revenue collected (at around 88%), whereas the (flat) service fees collect less than one-third of the total fee revenue: therefore, the current fee structure is broadly set to avoid a disproportionate impact on small business. Further, the fees for lodging or varying work plans differ according to a range of factors, including the number of locations and the types of activities, which may correlate with business size.

Overall, the proposed fees increase will likely make up only a small proportion of business costs, although the Department does not have access to full business costs. In terms of business revenue, the proposed fees will represent around 0.45% of gate sales from the extractives industry and 1.2% of production value for the minerals industry (excluding coal).^{64,65}

Therefore, it is assessed that the proposed Regulations overall do not have a disproportionate impact on small businesses.

⁶² Australian Bureau of Statistics:

<https://www.abs.gov.au/ausstats/abs@.nsf/DOSSbyTopic/297DB51F08B97920CA256BD000281897?OpenDocument>

⁶³ That is, with an annual turnover of less than \$10 million as per the ATO definition of small business.

⁶⁴ Earth Resources Regulator Annual Statistical Report FY 2023–24, pp. 5 and 12:

<https://resources.vic.gov.au/legislation-and-regulations/regulator-performance-reporting/annual-statistical-reports>.

⁶⁵ *Ibid.*, in 2023–24 extractives industry gate sales were \$1.3 billion and the production value for the minerals industry was \$1.2 billion.

7. Implementation and Evaluation

7.1 Implementation

Implementation of the proposed fees will be relatively straightforward. The Department has existing payment systems in place and work authority and licence holders are familiar with these.

The Department will write to all authority and licence holders to notify them of the proposed changes. Information concerning these changes will be posted on the Resources Victoria's website and be distributed via email to all relevant industry bodies and e-newsletter subscribers.

The proposed fees will come into effect on 1 October 2025. In practical terms, non-annual fees will be payable from 1 October 2025 at the proposed rates, while annual fees will be calculated on the proposed rates at the end of the 2025-2026 financial year.

The Department issues Compliance Orders for businesses that are late in paying fees, with the potential use of the cancellation of licences to enforce payment, although this is extremely rare.

This RIS will be released for public consultation on 23 May 2025 for a period of 31 days. Following publication of the RIS with a draft of the proposed Regulations, all comments and submissions on the proposed Regulations must be considered before the Regulations are made. A Statement of Reasons will be published following the making of the Regulations, explaining how the comments and submissions have been addressed in the final Regulations.

7.2 Evaluation

Consistent with the Victorian Government's commitment to better regulation and a culture of continuous improvement, departments must evaluate all regulations.

Amendments contained in the Mineral Resources (Sustainable Development) Amendment Act 2023 have been passed to introduce a duty-based model in 2027, which, among other things, will remove the need for work plans. Fees will need to be reviewed prior to these changes coming into operation. In addition, there is evidence that the extractives industry, particularly the sand and gravel segments, are undergoing a consolidation process, which may have implications for future fees.

Therefore, the Department commits to reviewing all fees prior to July 2027. This process will commence later in 2025. It is important to review the current fee structure and levels to better reflect regulatory effort and risk. Much of this data is currently not available.

A comprehensive review is important because:

- the 2019 RIS committed to reviewing of *all* fees and royalties after 1 July 2020 (other reforms, notably the introduction of the duty-based model, have made this difficult in the current review), and
- this RIS only considered a limited range of options because of data limitations, timing considerations, and because a further review of fees will be conducted. This data will be collected, and as mentioned earlier, the Department is currently developing a detailed risk model that will apply risk tiers to individual firms.

The future review of the fees will consider qualitative and quantitative data, as well as the effectiveness of the proposed fees, including compliance issues and industry impacts.

The revenue from the proposed fees will fully fund regulatory activities undertaken by Resources Victoria and ERR. It is intended that government delivers a best-practice regulatory regime for the resources sector. To measure performance of Resources Victoria publishes its performance indicators on its website, Regulatory Performance Indicators.⁶⁶

The Department will be responsible for ensuring that future fees review is completed, and for liaising with the Commissioner for Better Regulation about its adequacy and transparency. The evaluation is expected to occur over a period of at least 12 months, in order to allow sufficient time for stakeholder consultation, data collection and analysis.

⁶⁶ <https://resources.vic.gov.au/legislation-and-regulations/regulator-performance-reporting>

8. Consultation

In January 2025, several workshops were held with key parties in the resources sector to discuss the proposed changes and to help identify options to improve the structure of the current Regulations. These included the:

- Association of Mining and Exploration Companies (AMEC)
- Cement Concrete & Aggregates Australia (CCAA)
- Construction Material Processors Association (CMPA)
- Minerals Council of Australia (Victoria) (MCA)

The key themes raised by these parties were:

- Industry representatives were generally not in favour of the proposed fee increases, and some arguments were made for partial cost recovery concerning the wealth created and downstream benefits to the economy.
- Resources Victoria needs to demonstrate that its cost base was efficient, and that any such fee increases should lead to it being a best-practice regulator (the time required to assess approvals was cited as an area for improvement). Alternatively stated, stakeholders wanted to know what service return they would receive for paying higher fees.
- There was concern about the size of the fee increases and it was suggested that industry has time to adjust to any such increases by phasing in the proposed fees.
- The current fee structure in the extractives industry placed a disproportionate burden on small operators, while some fees such as 'quarry with some blasting' fees pay a similar amount to much larger mine operators with potentially higher risks.
- Some stakeholders considered that the level of fee increases would reduce investment, in particular expenditure on exploration, in the resources sector, and may cause some operators to exit the industry.
- Some stakeholders suggested that fees for exploration licences should not be included in the fee increases to encourage investment and lower barrier of entry to the industry.
- Fees in Victoria were already high in the resources sector, and the proposed increases would exacerbate this situation.
- Stakeholders considered that quarterly payment of annual fees would help smaller operators manage cashflows.
- The resources sector is currently subject to other regulatory changes, in addition to changes from other regulators (e.g., WorkSafe, EPA, Traditional Owner groups), and the effects of these are cumulative on the industry.

As a result of stakeholder consultation, several options were explored in this RIS; namely, an option to make quarterly payments of annual fees, resetting the value threshold amounts for work authorities, and keeping exploration fees lower than full cost recovery in order to encourage investment in Victoria's resource sector.

Consultation also occurred within the Victorian Government between the Department, the Earth Resources Regulator, and Department of Treasury and Finance.

Publication of the proposed Regulations and this RIS forms another important step in the consultation process.

Appendix 1: Revenue by fee type

Fee		Number (average per year)	Revenue in 2024-25 based on current fees	Revenue in 2024- 25 based on proposed fees ⁶⁷
Application fees				
Exploration licence application	MI	88	\$209,519	\$699,838
Mining licence application	MI	2	\$8,567	\$28,613
Prospecting licence application	MI	8	\$6,532	\$21,817
Retention licence application	MI	5	\$11,905	\$39,764
Additional fee for mineralisation report	MI	5	\$5,389	\$17,996
Additional fee for native title assessment	MI	71	\$85,221	\$284,639
Application fee for work authority	EI	9	\$13,007	\$43,444
Fee for grant of licence				
Grant of exploration licence	MI	63	\$149,997	\$501,020
Grant of mining licence	MI	1	\$4,283	\$14,307
Grant of retention licence	MI	5	\$11,905	\$39,764
Annual rent/fee				
Rate of rent for exploration licence (per 10 graticules)	MI	5,799	\$653,510	\$2,177,979
Rate of rent for mining licence (per 10 hectares)	MI	5,820	\$1,358,853	\$4,542,702
Rate of rent for prospecting licence	MI	34	\$3,941	\$13,158
Rate of rent for retention licence (per 10 hectares)	MI	22,013	\$862,897	\$2,874,854
Extractive annual fee based on gate value of total sales:				
\$0 to \$100 000	EI	496	\$225,978	\$754,912
\$100 001 to \$500 000	EI	73	\$66,518	\$222,205
\$500 001 to \$1 000 000	EI	103	\$187,542	\$626,374
\$1 000 001 to \$5 000 000	EI	31	\$225,878	\$754,435
\$5 000 001 to \$10 000 000	EI	36	\$393,408	\$1,313,971
More than \$10 000 000	EI	37	\$505,483	\$1,688,284
Application for renewal				
Renewal exploration licence	MI	27	\$33,642	\$112,344
Renewal mining licence	MI	14	\$17,535	\$58,572
Renewal retention licence	MI	3	\$3,738	\$12,483
Fees for lodging work plan				
Prospecting licence or mining licence area 5 hectares or less	MI	1	\$2,015	\$6,731
Mining licence no sensitive locations (SE)	MI	2	\$10,072	\$33,643
Mining licence no sensitive locations (EES)	MI	1	\$20,148	\$67,294
Mining licence one or more sensitive locations (SE)	MI	-	\$0	\$0
Mining licence one or more sensitive locations (EES)	MI	-	\$0	\$0
Mining licence blasting no sensitive locations (SE)	MI	1	\$5,036	\$16,822
Mining licence blasting no sensitive locations (EES)	MI	1	\$20,148	\$67,294
Mining licence blasting one or more sensitive locations (SE)	MI	-	\$0	\$0
Mining licence blasting one or more sensitive locations (EES)	MI	1	\$40,294	\$134,584
Mining licence declared mine (SE)	MI	1	\$12,089	\$40,378
Mining licence declared mine (EES)	MI	-	\$0	\$0
Extractive industry work authority area less than 5 hectares (SE)	EI	1	\$2,015	\$6,731
Quarry no sensitive locations (SE)	EI	5	\$25,181	\$84,108
Quarry no sensitive locations (EES)	EI	-	\$0	\$0
Quarry one or more sensitive locations (SE)	EI	1	\$6,044	\$20,186

⁶⁷ Revenue under the proposed fee amounts shown in the table is based on the value of a fee unit in 2024-25 (\$16.33). The value of fee units increases from 1 July each year in line with a rate determined by the Treasurer. When the proposed Regulations come into effect, the value of a fee unit will be higher, resulting in higher revenue in nominal terms.

Fee		Number (average per year)	Revenue in 2024-25 based on current fees	Revenue in 2024- 25 based on proposed fees ⁶⁷
Quarry one or more sensitive locations (EES)	EI	-	\$0	\$0
Quarry blasting no sensitive locations (SE)	EI	1	\$5,036	\$16,822
Quarry blasting no sensitive locations (EES)	EI	-	\$0	\$0
Quarry blasting one or more sensitive locations (SE)	EI	1	\$12,089	\$40,378
Quarry blasting one or more sensitive locations (EES)	EI	-	\$0	\$0
Fees for varying work plan				
Prospecting licence or mining licence area 5 hectares or less (SE)	MI	1	\$1,868	\$6,240
Prospecting licence or mining licence area 5 hectares or less (Other)	MI	-	\$0	\$0
Mining licence no sensitive locations (SE)	MI	1	\$4,981	\$16,635
Mining licence no sensitive locations (EES)	MI	1	\$18,678	\$62,386
Mining licence no sensitive locations (Other)	MI	1	\$1,556	\$5,198
Mining licence one or more sensitive locations (SE)	MI	1	\$6,227	\$20,796
Mining licence one or more sensitive locations (EES)	MI	-	\$0	\$0
Mining licence one or more sensitive locations (Other)	MI	1	\$1,868	\$6,240
Mining licence blasting no sensitive locations (SE)	MI	1	\$4,981	\$16,635
Mining licence blasting no sensitive locations (EES)	MI	-	\$0	\$0
Mining licence blasting no sensitive locations (Other)	MI	-	\$0	\$0
Mining licence blasting one or more sensitive locations (SE)	MI	1	\$12,452	\$41,589
Mining licence blasting one or more sensitive locations (EES)	MI	1	\$37,355	\$124,766
Mining licence blasting one or more sensitive locations (Other)	MI	-	\$0	\$0
Mining licence declared mine (SE)	MI	-	\$0	\$0
Mining licence declared mine (EES)	MI	-	\$0	\$0
Mining licence declared mine (Other)	MI	1	\$3,736	\$12,479
Extractive industry work authority area less than 5 hectares (SE)	EI	1	\$1,868	\$6,240
Extractive industry work authority area less than 5 hectares (Other)	EI	-	\$0	\$0
Quarry no sensitive locations (SE)	EI	6	\$29,884	\$99,812
Quarry no sensitive locations (EES)	EI	-	\$0	\$0
Quarry no sensitive locations (Other)	EI	2	\$3,112	\$10,396
Quarry one or more sensitive locations (SE)	EI	5	\$31,133	\$103,982
Quarry one or more sensitive locations (EES)	EI	-	\$0	\$0
Quarry one or more sensitive locations (Other)	EI	1	\$1,868	\$6,240
Quarry blasting no sensitive locations (SE)	EI	2	\$9,961	\$33,271
Quarry blasting no sensitive locations (EES)	EI	-	\$0	\$0
Quarry blasting no sensitive locations (Other)	EI	2	\$3,112	\$10,396
Quarry blasting one or more sensitive locations (SE)	EI	1	\$12,452	\$41,589
Quarry blasting one or more sensitive locations (EES)	EI	1	\$37,355	\$124,766
Quarry blasting one or more sensitive locations (Other)	EI	1	\$3,736	\$12,479
Fees for other services				
Fee for transfer of licence	MI	23	\$5,371	\$17,954
Fee for variation of licence	MI	213	\$94,955	\$317,221
Fee for amalgamation of licence	MI	1	\$379	\$1,266
Fee for submitting an impact statement	MI	-	\$0	\$0
Fees for information and copies	MI	-	\$0	\$0
Certificate of information	MI	-	\$0	\$0
Fee for request to vary a work authority	EI	56	\$18,290	\$61,085

Fee		Number (average per year)	Revenue in 2024-25 based on current fees	Revenue in 2024- 25 based on proposed fees ⁶⁷
Fee for transfer of work authority	EI	14	\$3,132	\$10,471
Recreational prospectors				
Miner's right application	MI	9,965	\$277,027	\$927,742
Tourist fossicking authority application	MI	2	\$209	\$699
New fee				
Fee for plan for rehabilitation of declared mine land	MI	0.3	\$0	\$40,375
Fee for variation of declared mine rehabilitation plan	MI	0.3	\$0	\$37,430
TOTAL			\$5,832,961	\$19,554,817
CHANGE IN REVENUE PER ANNUM (2024-25 dollars)				\$13,721,856

MI = fee is prescribed in the Mineral Resources (Sustainable Development) (Mineral Industries) Regulations 2019

EI = fee is prescribed in the Mineral Resources (Sustainable Development) (Extractive Industries) Regulations 2019

SE = a work plan or variation to a work plan for which a planning permit is required

EES = a work plan or variation to a work plan for which an Environment Effects Statement is prepared under the Environment Effects Act 1978

Other = a work plan where a planning permit or EES is not required

Note: The revenue estimates contained in this table are calculated on the current number of businesses operating in the resources sector. The proposed fees, however, may reduce the number of businesses and fee revenue may be lower.

Appendix 2: Interstate comparison of mining and extractives fees

Note: It is unknown how fees in other jurisdictions are calculated and what proportion of regulatory costs are recovered.

	Victoria (proposed)	NSW ⁶⁸	SA ⁶⁹	Queensland ⁷⁰ (excludes GST)	Tasmania ⁷¹	NT ⁷²
Application fee – exploration	Minerals: \$7,952.70	Minerals: \$1,000 <i>plus</i> \$12.50 for initial minerals group; \$6.25 for each additional minerals group	Minerals: \$983	Minerals: \$360.93-\$1,078.02 (excluding coal)	\$1,608.20	Minerals: \$493 <i>plus</i> \$352 administrative fee Extractives: \$282 <i>plus</i> \$352 administrative fee
Application fees – retention/renewal	Minerals: \$7,952.70	Minerals: \$2,000 <i>plus</i> \$12.50 for initial minerals group; \$6.25 for each additional minerals group	Minerals: \$983 <i>plus</i> \$1,307 assessment fee (capital costs less than \$1 Million)	Minerals & coal: \$2,887.44	\$1,608.20	\$282
Application fees – mining	Minerals: \$14,306.70 Extractives: \$4,827.10	Mineral: \$10,000 <i>plus</i> \$85 per hectare or part hectare of land of the lease	Minerals: \$3,023 <i>plus</i> 0.125% of the capital cost up to a max of \$500,000	Coal – \$5,053.02 Corundum, gemstones and other precious stones, eluvial, colluvial and alluvial gold and eluvial, colluvial and alluvial tin – \$ 899.94 Any other minerals – \$ 1,800.94	\$1,608.20	Minerals: \$1,057 <i>plus</i> \$282 administration Extractives: \$705 <i>plus</i> \$282 administration

⁶⁸ Mining Regulation 2016 fees, Schedule 9: <https://www.resources.nsw.gov.au/mining-and-exploration/applying-to-explore-and-mine-nsw/mining-act-fees>

⁶⁹ Mining Act 1971: https://www.energymining.sa.gov.au/__data/assets/pdf_file/0020/1010738/Mining-Fees-Schedule-Effective-1-July-2024-FINAL.pdf

⁷⁰ Mineral Resources Regulation 2013: <https://www.nrmr.qld.gov.au/about-us/fees-and-charges>

⁷¹ Mineral Resources Regulations 2016: <https://www.google.com/search?client=firefox-b-d&q=Tasmania+mining+fees>

⁷² Mining in the NT: <https://nt.gov.au/industry/mining/applications-and-processes/mineral-title/mineral-title-fees-and-rents>

Appendix 3: Estimating recoverable costs

Earth Resources functions by group

Minerals and extractives functions

Branch - Divisions -Groups	Function
Rural and Regional Victoria – Resources - Earth Resources Regulator (all teams)	The Earth Resources Regulator is entirely focussed on administering the regulatory requirements of the MRSD Act and associated regulations. Its activities are almost exclusively focussed on generating social benefits through the regulation of relevant industries.
Rural and Regional Victoria - Resources - Earth Resources Policy and Programs	<p>Earth Resources Policy and Programs is largely focussed on developing and implementing policies and strategies for the resources sector, focussed on generating public benefits.</p> <p>Two teams within Policy and Programs, the LaTrobe Valley Mine Authority and the Mining Warden, undertake regulatory oversight activities and are independent of the Earth Resources Regulator.</p>
Rural and Regional Victoria - Resources - Geological Survey of Victoria	<p>GSV is responsible for understanding the State’s geological framework through regional geoscientific investigations, to enable the informed and responsible management of State-owned resources.</p> <p>It provides evidence-based knowledge and information to government, industry, academia and the community. GSV’s mandate is to use this geological information to generate net social benefits through better understanding of Victoria’s subsurface.</p> <p>Some of GSV’s activities in pre-competitive research may benefit companies prior to the exploration phase of activity, and activities related to reviewing mineralisation reports confer benefits to the shareholders of companies issuing those reports.</p>
Rural and Regional Victoria – Resources – Regulatory Transition Taskforce	<p>The Regulatory Transition Taskforce (RTT) is responsible for addressing urgent and priority regulatory issues, assisting in the development and implementation of new regulations.</p> <p>Although the focus of the Group is on regulatory improvements, it is involved in regulatory change, rather than the delivery of regulation. It is not appropriate to charge regulated companies for the cost of developing and implementing regulatory change. The benefits of this group’s work accrue to society in general.</p> <p>RTT is also managing the development of the replacement to the Resource Rights Allocation Management portal (RRAM) and the Resources Management System Victoria (RMSVic). RMSVic will be used to record regulatory activity and tenement information and the development costs of this IT platform will be capitalised and recovered through an annual asset charge over the life of the asset. In addition to this asset charge there will be annual maintenance charges and costs of hosting the software on the Salesforce platform.</p>
Rural and Regional Victoria - Resources - Commercial	The Commercial division is responsible for attracting and facilitating investment in coal, gas, and mineral resources

Activities by group

Earth Resources Regulator

ERR is exclusively focussed on ensuring that the requirements of the MRSD Act and the Petroleum Act, are met by both government and industry. Furthermore, ERR works to attract and facilitate investment for resources and technological development as well as manage access to earth resources for current and future use.

Licensing

This function involves all aspects of regulating the minerals industry through licencing.

A number of different licences are applicable to the minerals industry, namely exploration licences, retention licences, mining licences and prospecting licences. For mineral search activities undertaken by the general public or for recreation, Miners Rights or Tourist Fossicking Authorities apply.

Key activities undertaken within this function include:

- Processing and determining applications for new, renewed, varied, transferred, amalgamated, cancelled or surrendered licences – includes dealing with objections, native title issues, the Tenement's Committee and the Minister/Delegate process
- Processing applications for a Miner's Right or Tourist Fossicking Authority
- Processing payments for fees/rents, including following up any outstanding debts
- Processing annual activity and expenditure returns
- Processing licence retentions when no activity is being undertaken on sites
- Processing rehabilitation bond transactions
- Providing copies of licences or work plans etc and access to the Mining Register.

Work plan approvals

This function involves all aspects of regulating the operations of the minerals and extractives industries through the work plan process. Work plans contain all relevant information necessary to operate a mine/quarry on a particular site. If implemented as intended, all community and/or environmental risks should be minimised.

Key activities undertaken within this function include:

- Approving work plans or variations to work plans
- Providing advice on the operational aspects of work plans
- Consulting with other government departments or agencies, including referring work plans to other agencies (e.g. Department of Environment, Land, Water and Planning or the Environment Protection Agency) to obtain input prior to endorsement
- Ensuring work plan applicants have completed all requirements of the MRSD Act, other agencies and any relevant legislation – requirements include completing an Environmental Effects Statement or applying for a planning permit where required, meeting the requirements of native vegetation offset management and environmental remediation.

In some instances, work plan approvals also involve assessment of 'impact statements' that can be requested by the Minister under Section 41A of the MRSD Act if the Minister is of the opinion that proposed exploration work under a work plan or an application to vary an approved work plan lodged with the Department Head by a licensee will have a material impact on the environment.

Auditing, inspections and enforcement

Inspectors from the Compliance unit visit project sites to ensure recipients of licences and work authorities are complying with their approved work plan. Inspectors are located in five key districts throughout Victoria and have Power of Entry to enter sites when following up issues or for other reasons.

Inspectors undertake audits to check compliance with work plan requirements generally as well as random targeted audits relating to specific high risk issues such as dust or noise. Site inspection frequency might vary from a yearly inspection for high risk sites, to every two-five year for lower risk sites, or only in response to a complaint for very low risk sites. This includes monitoring that requirements of the site's rehabilitation plan are being met, including compliance with progressive rehabilitation requirements.

Managing rehabilitation bond liabilities

This function involves bond liability management activities, including review of rehabilitation bonds on a regular basis to ensure that liabilities are reflected in bonds held by the Government.

Complaints

This function involves responding to specific complaints lodged by community or other stakeholders in relation to a specific exploration, production, mine or quarry site.

Community engagement

This function involves engaging with the community on specific issues associated with the operation of mines/quarries (e.g. convening Environmental Review Committees and public information sessions on coal seam gas).

Industry guidance

This function involves the provision of guidance to industry on work plan processes/requirements and associated regulatory obligations. The focus is on providing guidance on how to comply with work plan requirements and industry best practice approaches.

Policy, legislative and project work

This function involves contributing to policy or legislative processes (such as ministerial briefings) where the need arises. It also involves contributing to special projects, such as current work in Declared Mines and mine rehabilitation.

Reporting and expenditure compliance

This function involves activities necessary to ensure tenement and expenditure compliance and includes the processing of warning letters, enforcement actions etc.

Earth resources information systems support

This function involves maintenance and configuration of ERR resources information systems and applications, including geological systems such as GeoVic. A key objective of such systems is to make spatial information available to industry with the intention of attracting further investment to the State.

Data management

Key activities undertaken within this function include:

- Data extraction – involves the extraction of both industry and internal DEECA data (ensures earth resources datasets are kept up to date)
- Archiving – includes cataloguing, storage, maintenance, transcription and conversion to public record of industry data
- Data management – involves support for internal and industry data collection activities and work around new products or marketing/communications potential
- Management of DEECA's library of geological core samples.

Earth resource information compliance

This function involves ensuring that required data is provided as part of the reporting obligations for exploration and mining licence holders. The overall aim is to ensure the Government continues to gain knowledge of State-owned resources.

Client services

This function involves responding to internal and external data requests and includes general public or industry requests for online data, publications, GeoVic content updates, data packages, maps or other geological data (requests mainly relate to petroleum data). This service includes responding to rural conveyancing land information requests (e.g. provision of information about mine hazards or existing licences applicable to a particular property or properties nearby).

Day-to-day internal support functions

This function involves internal finance activities (accounts payable and budgeting etc), preparing Budget and Expenditure Review Committee bids, expense management (travel, conferences etc), maintaining the training register and managing office stationary and equipment etc.

Project-level facilitation

This function involves assisting companies during approval processes, either for new mining projects or the expansion of existing projects by providing guidance or strategic advice and ensuring an efficient process with minimised delays. When a mining company is going through an Environmental Effects Statement process, this involves assisting in coordinating internal DPI stakeholders and acting as the lead liaison between the proponent and the Government generally. The unit is currently assisting industry with four projects, but expects there to be more in the future – particularly those involving coal seam gas, mineral sands and newly allocated coal.

This service is provided at the discretion of DPI and is restricted to mining projects at a size that is of strategic importance to the State. This service is provided in recognition that the approvals process for large projects is complex, particularly given the need to deal with multiple agencies, thus requiring facilitation by DPI to ensure any associated investment barriers are minimised.

Industry-level facilitation

This function involves assisting the Government to think about industry needs. For example, the unit recently undertook an exercise which involved mapping the approval process to enhance industry's understanding of the process. These actions are generally focussed on mining and extractives industries.

This function includes working to ensure that the processes developed as part of other government initiatives (e.g. a change in Environment Protection Agency guidelines for noise reduction) are the most efficient and effective for industry. This includes the review of relevant legislation and regulations.

Data analysis and technical input

This function involves technical analysis and engagement with resource development companies around Victorian geology with the aim of identifying and exploiting unknown resources.

Key activities undertaken within this function include:

- Updating Geographic Information Systems – includes the input of data captured in mineralisation reports submitted by exploration licence holders
- Resource planning and management (stewardship) – assisting to understand the earth resources endowments and geology of the State, including what resources exist, where resources are located, what can be done with them by the State, how they have and should be managed, and how that might impact mining communities etc. The unit also inputs into considerations of issues such as strategic actions required to develop resources, e.g. freeway planning
- Industry investment – using the knowledge gained to develop prospectivity analyses and presenting prospective resources to industry to encourage exploration work.

Assessment of mineralisation reports

This involves the assessment of, and provision of advice in relation to, mineralisation reports under Production Licences or Retention Leases.

Investment attraction

This function involves working with development companies around known State resources with the aim of attracting investment to further develop those resources. Activities undertaken by the unit include targeted and general marketing and the development of strategies for different commodities.

Assessment of feasibility studies

This is a new function and involves the assessment of, and provision of advice in relation to, feasibility studies under Mining or Retention Licences.

Mining Warden

The MRSD Act (section 96) enables the Governor in Council to appoint a mining warden for a term not exceeding three years. The mining warden is an independent statutory office holder not part of DEECA. The Act confers wide-ranging powers to assist a mining warden in performing the statutory functions. Administration of the office of the mining warden is attended to by a Registrar and Deputy Registrar.

There are currently three functions conferred by the MRSD Act on a mining warden.

Under section 97 (1) of the MRSD Act, disputes can be referred to a mining warden for mediation. The mining warden must then investigate the dispute, attempt to settle, or arbitrate in relation to, the matter in dispute and, where appropriate, make recommendations to the Minister concerning those matters.

Under section 98 of the MRSD Act, the Minister or the Department Head may refer a matter to a mining warden for investigation, report and recommendation.

Under section 25A of the MRSD Act, certain applications for waiver of an exploration licence holder's consent must be referred by the Minister to a mining warden for a recommendation as to whether a waiver should be granted.

