

DECISION NO.

CABINET MINUTE

DECISION NO.

BRISBANE, 4 / 3 / 1985

45467

CIRCULATION RECORD

DEPARTMENT OF FORESTRY - SUNROCK QUARRIES PTY. LTD.

SUBJECT:

(Submission No. 40920)

Copies Made

30

Mr. Glasson

CIRCULATION DETAILS

1	GOVERNOR		21	Decision File	
2	SIR JOH BJELKE -PETERSEN	A/c	22	Forestry	
3	MR. GUNN	A/c	23	Perm 30	Copy of relevant Submission attached
4	MR. HINZE		24	Treas 29	Copy of relevant Submission attached
5	MR. WHARTON		25	PSB	
6	MR. GIBBS		26		
7	MR. AHERN		27		
8	MR. LANE		28		
9	MR. GLASSON	A/c	29		
10	MR. AUSTIN		30		
11	MR. POWELL		31		
12	MR. GOLEBY		32		
13	MR. TURNER		33		
14	MR. LESTER		34		
15	MR. TENNI		35		
16	MR. HARPER		36		
17	MR. MUNTZ		37		
18	MR. McKECHNIE		38		
19	MR. KATTER		39		
20	Master File		40		

CABINET SUBMISSION NO. 40920

30 Copies received at 3.00 ^{a.m.} _{p.m.} 28 / 2 / 19 85

Copy No.		Copy No.	
1		15	
2		16	
3		17	
4		18	
5		19	
6		20	
7		21	
8		22	
9		23	
10		24	
11		25	
12		26	
13		27	
14		28	

C O N F I D E N T I A L

20

C A B I N E T M I N U T E

Copy No. _____

Brisbane, 4th March, 1985

Decision No. 45467

Submission No. 40920

TITLE: Department of Forestry -
Sunrock Quarries Pty. Ltd.

CABINET decided:-

1. That from 1st January, 1985 the royalty rates for all grades of quarry material purchased by Sunrock Quarries Pty. Ltd. from their quarry site on part of State Forest 611, parish of Beerwah, be reduced temporarily to the standard quarry material royalty rates levied by the Department of Forestry (currently set at \$0.65 per cubic metre from 1st January, 1985).
2. That the temporary royalty relief granted to Sunrock Quarries Pty. Ltd. be reviewed at 1st January, 1987.

CIRCULATION: Department of Forestry and copy to Minister.
Premier's Department and copy to Premier and Treasurer.
Treasury Department and copy to Deputy Premier and
Minister Assisting the Treasurer.
All other Ministers for perusal and return.

Certified True Copy



Secretary to Cabinet.



DEPARTMENT OF FORESTRY

Submission No. _____

40920

Copy No. _____

FOR CABINET

21

SUNROCK QUARRIES PTY. LTD.

1. In April 1980 propositions were called for the development and operation of a total quantity of 2 000 000 cubic metres of quarry material from a site on State Forest 611, parish of Beerwah, some three kilometres north of Beerburrum township.
2. Propositions were received from six firms. An analysis of these propositions indicated that the three proposals which would provide the greatest benefit to the State were as follows:-

<u>Firm</u>	<u>Nett Annual Benefit to Crown*</u> (1980 money values)
Roche Bros. Qld. Pty. Ltd.	\$137 000 to \$146 000 (depending on proportion of different grades produced)
Sellars Quarries Pty. Ltd.	\$75 000
Boral Resources Qld. Pty. Ltd.	\$55 000

* Includes an assessment of the relative cost saving in supplying the Department of Forestry with up to 15 000 cubic metres of road base material per annum free of charge.

Roche Bros. Qld. Pty. Ltd. proposition was clearly the most attractive, and by Cabinet Decision No. 33161 of 17 June 1980, this firm's proposal was accepted. Roche Bros. Qld. Pty. Ltd. subsequently established the quarry under the name of Sunrock Quarries Pty. Ltd.

3. In 1982, Sellars Quarries Pty. Ltd. obtained a major equity interest in Sunrock Quarries Pty. Ltd. Sellars now provide a major outlet for the Sunrock Quarry aggregate material to its chain of concrete plants which stretch from Caboolture - Bribie Island to Nambour and west to Kilcoy. The rock produced from this quarry is reported to be particularly valuable as a source of aggregate for high quality concrete, (e.g. as used in high rise construction).
4. The Sale Agreement provided for an annual review of royalties based on movements in the Consumer Price Index for the preceding twelve months.

The current royalties payable to Sunrock Quarries compared with the standard Crown quarry material royalty are as follows:-

<u>Sunrock Royalty</u>	<u>Standard Royalty*</u>
Screenings \$3-35 per cubic metre	\$0-65 per cubic metre
Aggregates \$1-19 per cubic metre	\$0-65 per cubic metre
Road Base \$0-65 per cubic metre	\$0-65 per cubic metre
Rail Ballast \$0-65 per cubic metre	\$0-65 per cubic metre

* The standard royalty increased from \$0-60 to \$0-65 from 1 January 1985. The prices payable by Sunrock Quarries are also due for review.

5. In a letter to the Conservator of Forests in October 1984, Sunrock Quarries Pty. Ltd. requested reduction of all royalties payable by their firm to standard Department of Forestry rates. The grounds put forward for this request were that their competitiveness and therefore their economic viability is eroding because of the relatively higher royalty being paid by the firm compared with their competitors.

In support of their application Sunrock Quarries Pty. Ltd. submitted the following information:-

- (a) They are paying royalties well in excess of those paid by their competitors operating both from Crown and private lands.
- (b) Their main markets are the Sunshine Coast (north from Caloundra) and Caboolture areas.

The quarry can compete with their main competitors, Readymix Farley at Bli Bli and the Maroochy Shire Council at Image Flat on a haulage distance basis only to Caloundra on the Sunshine Coast. The northern quarries have a haulage advantage on all points further north.

In the south, B.G.M. Resources at Moodlu and Roadsurface at Narangba have distinct haulage advantages. South of Caboolture, the Readymix Farley quarry at Petrie also enjoys a distance advantage.

- (c) The viability of the project to date has only been achieved due to the participation of Sellars. Over 95% of aggregates are sold to Sellars concrete plants.

- (d) They have operated approximately 400 000 cubic metres of quarry material to date and therefore consider that they have clearly demonstrated their bona fides.
 - (e) At the time that the original proposal was submitted (May 1980) by Roche Bros. Pty. Ltd., the market for quarry material on the North Coast was very buoyant and products were being brought from Brisbane and Maryborough. Since then, however, local quarries have stepped up production and there has been a decided downturn in the market.
 - (f) The Department of Forestry is provided with 15 000 cubic metres of road base material per annum free of cost.
 - (g) The Company has become frustrated in achieving a satisfactory rate of return on funds and efforts employed. (In excess of \$1 000 000 has been invested in the enterprise).
6. The matters raised by Sunrock Quarries Pty. Ltd. are factual and warrant consideration.

In view of the quality of the resource, and its location relative to Sellars concrete plants, the firm no doubt does not wish to relinquish its rights. It also seems likely that without this major outlet for aggregates the quarry may have closed.

The average royalty paid by Sunrock Quarries Pty. Ltd. for the range of products produced in 1984 amounted to \$0-75 per cubic metre compared with the 1 January 1985 standard royalty rate of \$0-65 per cubic metre.

7. It is in the State's interest to see this enterprise does not fail. The provision of 15 000 cubic metres per year of road base material to the Department of Forestry free of charge is a major benefit in an area where the purchase price of alternative road base material is high. The supply of road base material at an estimated cost of \$80 000 per annum represents a heavy burden on Sunrock Quarries Pty. Ltd. involving the firm in an effective surcharge of about \$0-30 per cubic metre (based on 1984 removals).
8. There are clear indications that Sunrock Quarries Pty. Ltd. is operating under difficulty and some relief is justified.

There is scope for providing some relief, as the next most favourable proposal received in 1980 (from Sellars) represented a return to the Crown nearly 50% below that offered by Sunrock Quarries Pty. Ltd. Furthermore there is no other quarry sale administered by the Department of Forestry operating at royalty levels above the standard \$0-65 per cubic metre rate at the present time.

A number of options for the provision of temporary relief to Sunrock Quarries Pty. Ltd. have been considered, including:-

- (a) Reduce royalty to standard rates. The impact of this would increase as the proportion of aggregates and screenings sold increased (approximately \$20 000 reduction in royalty in 1985 based on annual removal of 200 000 cubic metres).
- (b) Take an administrative decision to reduce Departmental usage of road base to some level lower than 15 000 cubic metres per annum (e.g. 10 000 or 7 500 cubic metres).
- (c) Combinations of (a) and (b).

Reduction in the annual quantity of road base material supplied free of charge to the Department of Forestry is not favoured, in view of the extensive ongoing annual roadworks programme being undertaken in the plantation areas of Beerburum State Forest.

A temporary reduction in royalty rates to the standard level of \$0-65 per cubic metre subject to review after two years is submitted as being more appropriate.

RECOMMENATIONS

It is therefore recommended that:-

- 1. From 1 January 1985 the royalty rates for all grades of quarry material purchased by Sunrock Quarries Pty. Ltd. from their quarry site on part of State Forest 611, parish of Beerwah be reduced temporarily to the standard quarry material royalty rates levied by the Department of Forestry (currently set at \$0-65 per cubic metre from 1 January 1985).
- 2. The temporary royalty relief granted to Sunrock Quarries Pty. Ltd. be reviewed at 1 January 1987.

W.H. GLASSON
MINISTER FOR LANDS, FORESTRY
AND POLICE

Brisbane
28/2/85