Coalition Senators' Additional Comments

1.1   Coalition Senators support the proposed legislation to convert to a profit based royalty system for all future uranium mines in the Northern Territory.

1.2   Coalition Senators are aware that, apart from uranium, a wide variety of minerals are mined in the Northern Territory including gold, bauxite, manganese, iron ore, lead, and zinc. It is further noted that the royalties system applied to mines other than the Ranger Uranium Mine is on a profit basis. Accordingly Coalition Senators support the position of the Northern Territory Government that it would be more consistent to apply a profits based royalty system to any future uranium mines which may be established.

1.3   During the hearings, quite a lot of discussion centred around the possibility that Indigenous communities might receive both less money in gross terms and a less consistent payment of those monies under a profit based system rather than a volumetric or turnover system of paying royalties. However Coalition Senators were persuaded by the evidence given in the Northern Land Council submission that overall there was no real difference in the sum of royalties which would be paid to Indigenous communities if a profit based system were to be adopted.

> Under existing NT laws compensatory payments negotiated between traditional owners and miners do not affect the calculation of royalties, and thus do not affect the quantum of royalty equivalents paid into the Aboriginal Benefits Account under the Aboriginal Land Rights (Northern Territory) Act 1976 (Cth).

> While both an ad valorem regime and a profit based regime may deliver a similar quantum of royalties over the lifetime of a mine, the latter is advantageous to mining because the cost of paying royalties does not arise during non-profitable periods…[1]

1.4   Coalition Senators believe it is important to understand that the majority of ongoing funding received by Indigenous communities is derived from the Commonwealth and Territory Governments under various programs provided by those governments including provision of services such as various forms of social security, unemployment benefits, training programs and for education and health programs.

> Senator EGGLESTON — "…the funding to Indigenous people in general and communities is not dependent on royalties from mining. It generally comes from government in various forms—from social security to payment for health services, art centres and many other things—doesn't it"

> Mr Vukman — "Yes, I presume it does"

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1.5   In light of this fact, Coalition Senators regarded as potentially misleading, evidence which implied that Indigenous communities and people would suffer a substantial loss of income if a profits based royalties system were adopted for future uranium mines in the Northern Territory. There is no doubt that all Indigenous people who currently receive funding from Government programs will continue to do so as will the minority who receive the additional funding represented by royalties.

1.6   Coalition Senators had some concerns about remarks in the NLC submission relating to decision making practices which referred to senior and authoritative Aboriginal persons as the main decision makers of Indigenous communities. The point was made by the NLC that such senior persons, who can be taken as elderly males, are concerned that given their age, they themselves may not benefit personally under a system were the system payments changed. Coalition Senators can understand such concerns however trust that the change to the profits based system of royalty payments will mean that future decisions relating to the expenditure of royalties will be based on consideration of the long term benefit of all people within the Indigenous communities receiving such royalties.

1.7   Another matter of concern which was raised by several witnesses was that mining companies, particularly if owned by an overseas based parent company, could avoid paying any royalties based on profit by use of creative accounting methods which has been referred to in the Chair's report. Coalition Senators wish to specifically express their concurrence with the Chair's view and were satisfied by the evidence given that the Northern Territory Government has the legal means to determine what royalties a mining company (of any kind) should be paying based on production and sales. Given this evidence Coalition Senators do not accept that actual profits on sales can be concealed by creative accounting leading to avoidance of royalty payments. Accordingly the Coalition Senators are of the view that the concerns that were expressed regarding the concealment of actual trading profits as a means of avoiding the payment of profit based royalties were unfounded.

> Mr Vukman- …In relation to the second part of your question on the sorts of processes the Territory Revenue Office goes into to ascertain whether royalties are correctly paid, the Mineral Royalty Act has a process whereby royalty payers pay two estimated payments at six monthly breaks and at the end of the year they file an annual return and every one of those annual returns is audited by our office-that is, we have compliance officers who attend and satisfy themselves that the royalty payment is correct.[2]

1.8   Coalition senators believe it is important to emphasise in the context of this new legislation that the one existing uranium mine in the Northern Territory on Indigenous land, namely the Ranger Mine, is exempt from the new legislation and the income stream from royalties derived from that mining operation to the Indigenous land holders would not be effected by the legislation.

1.9   In conclusion, Coalition Senators are of the view that the measure will provide for administrative consistency in the generation of royalties across all mineral

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mining in the Northern Territory and do not believe that any convincing case was made for uranium mining to be administered under a separate regime.

Senator Alan Eggleston
Deputy Chair