



NORTHERN TERRITORY GOVERNMENT SUBMISSION TO

THE SENATE STANDING COMMITTEE ON ECONOMICS

INQUIRY INTO THE URANIUM ROYALTY (NORTHERN TERRITORY) BILL 2008

BACKGROUND

1. The consideration of uranium royalties is part of the Commonwealth Government's Uranium Industry Framework (UIF) initiative announced in August 2005. The broad objectives of the UIF initiative include the reduction of impediments to the development of Australia's uranium.
2. One of the impediments identified was the absence of a set regime for determining the royalty payable on uranium mined in the Northern Territory (the Territory). Currently, royalties are determined on an individual basis as in the case of the Ranger mine, where the royalty is set by contractual arrangements between the operator and the Commonwealth.
3. A sub-group of the UIF Steering Group comprising representatives of the Commonwealth, State and Territory governments and Indigenous and industry groups was established to consider options for a suitable royalty scheme for new uranium mines in the Territory. The sub-group recommended that the most appropriate scheme for determining royalty for uranium mined in the Territory would be to apply the Territory's existing profit based royalty scheme under the *Mineral Royalty Act (NT)* (the MRA) to any new uranium mine.
4. On self government in 1978, ownership of prescribed substances (including uranium) in the Territory was retained by the Commonwealth Government. The Territory currently has one uranium mine (Ranger), and the consequence of this arrangement is that when uranium is extracted from Ranger, the Commonwealth receives the royalty. A Memorandum of Understanding between the Commonwealth and the Territory provides that the Commonwealth will make grants to the Territory of amounts in lieu of uranium royalties. In comparison, all other states own and can derive royalties from uranium deposits in their jurisdiction.
5. For projects on Aboriginal Land as defined by the *Aboriginal Land Rights (Northern Territory) Act 1976* (the ALRA) the Territory receives royalties for all minerals except prescribed substances. The Commonwealth makes payments equivalent to the royalties received, into the Aboriginal Benefits Account (the ABA) for the benefit of affected indigenous groups.
6. The *Uranium Royalty (Northern Territory) Bill 2008* (the Bill), proposes to establish a uniform royalty scheme for new uranium mining projects on ALRA and non-ALRA land in the Territory by applying the profit based royalty scheme for other minerals mined in the Territory; as set-out in the MRA. The royalty arrangements for Ranger are fixed by pre-existing contractual arrangements and will not be affected by the new scheme. The new royalty scheme will only apply to new uranium projects.

OVERVIEW OF THE NORTHERN TERRITORY GOVERNMENT POSITION:

7. The Territory considers that the current case by case approach of negotiating royalty arrangements lacks consistency and does not provide prospective miners with certainty in determining the royalty arrangements if a new uranium mine were to commence in the Territory.

8. The establishment of a defined profit based royalty scheme for uranium under the MRA is considered appropriate and would address a range of administrative and royalty apportionment issues that might arise if different royalty schemes applied where a future uranium ore body were found to coexist with another mineral body.
9. The provisions in the Bill allowing the Territory to administer the royalty scheme, in effect as agents for the Commonwealth relating to the collection and payment of royalty amounts under the scheme are supported.
10. The Territory acknowledges the provision in the Bill providing for it to receive a grant in lieu of royalties that is equivalent to the amount received by the Commonwealth, as if the ownership of the uranium was vested in the Territory. This provision will act to place the Territory in a similar fiscal position as other states.
11. However, it would be expected that when the Territory achieves its objective of Statehood, that ownership of uranium and the royalties derived from uranium deposits will revert to the Territory.
12. In relation to other minerals mined on ALRA land for which the Territory receives royalties, current Commonwealth policy is that a payment of an amount equivalent to the royalties the Territory receives from these mines is paid into the ABA. The Commonwealth's proposal to extend its policy to uranium royalties from mines on ALRA land is supported.

SUMMARY

13. The Territory supports the Bill as it establishes a consistent royalty scheme applying to all types of minerals mined in the Territory and provides clarity of the royalty requirements for future uranium projects in the Territory.

Signed for and on behalf of the
Northern Territory Government
By the Chief Minister



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The Hon Paul Henderson MLA
Parliament House
Northern Territory
4 February 2009