

**Northern Territory Resources Council Submission to**  
**The Senate Standing Committee on Economics**  
**Inquiry into the Uranium Royalty (Northern Territory) Bill 2008**

**Summary**

- The NTRC believes that the Bill provides for a welcome alignment of uranium royalties to that imposed on other metals.
- This alignment solves the complex issue of assessing royalties on poly-metallic ores and provides a level of simplicity to royalty calculations that reduces compliancy costs.
- There is no identifiable economic disadvantage, the suggested profit based format provides less distortion than alternatives, and there are considerable compliancy cost savings with an aligned royalty system.
- By applying the Bill equally to Aboriginal and non-Aboriginal land potential complexity and cost are further reduced.
- The NTRC supports the Bill and has no suggested amendments.

**The Northern Territory Resources Council (NTRC)**

The NTRC is a not for profit, membership funded body that represents the interests of the resources industries in the Northern Territory. Included in the membership are uranium producers and several uranium explorer companies.

The NTRC also represents the vast majority of the producing mines in the Northern Territory and some one hundred service industry members who provide the logistic and supplier services to these companies. Energy Resources of Australia, operating the Ranger uranium mine in the Northern Territory produces approximately 10% of the world's uranium oxide, is a member of the NTRC.

Mining industry revenue represents approximately 25% of the Territory's economy.

**The Bill**

The NTRC notes that the Bill is primarily concerned with aligning uranium royalties with other royalties imposed in the Northern Territory while preserving effect in other matters such as payments to the Aboriginals Benefit Account.

We also note that the Bill is intended to apply equally to Aboriginal land, as defined by the *Aboriginal Land Rights (Northern Territory) Act 1976*, and non-Aboriginal land in the Northern Territory. We support this measure.

Further, we note that this Bill applies to new projects and excludes the Ranger mine.



## **Certainty and Simplicity**

The NTRC supports any regulatory schemes that treat Uranium similarly to other mining products and believes that it should not have special considerations other than those that satisfy proper control measures and international obligations.

A simple regime provides certainty to mining companies and reduces compliancy costs.

Much ore mined in the NT is poly-metallic with levels of uranium below regulatory reporting thresholds. Other ore has higher recoverable levels of uranium but contained as an unwanted contaminant in the desired production metal. A royalty regime that treats the uranium differently would add considerable complexity to the assessment process for these ores.

The NTRC also submits that a common royalty regime is necessary in order to avoid case by case arguments that might arise in the absence of common provisions.

The NTRC therefore supports the provisions of the Bill that provide for a royalty regime in common with other mined ore.

## **Royalties**

The NTRC recognises the right of Governments to impose taxes and charges and supports a transparent, sustainable and equitable taxation and royalty regime that increases the community wealth. It is the responsibility of Government on behalf of the people to ensure that these charges are beneficial in general and do not create a development and/or business disincentive.

Thus, while it is always a matter of balance, NTRC supports a royalty regime that both creates benefit in the wider community and is imposed in a fashion that allows national and regional economic advancement.

This paper is not concerned with detail of the arguments for and against various styles of royalty but does contend that royalty regimes should be aligned. This provides for the simplicity principle articulated above.

However we make the point that of the two royalty styles commonly applied; profit based and ad valorem, a profit based system provides the best balance between minimising disincentive and providing an equitable return to the Australian people in the current economic context. It is also less distorting than alternatives and although there may be difficulty in identifying levels of profit, is therefore more beneficial than alternatives.

The NTRC notes that the Bill allows for automatic alignment if at any stage the Northern Territory's *Minerals Royalty Act 1982* provides for a different system of royalty payments for other minerals.

## **Economic Effect**

The NTRC is aware of several economic studies into royalties, their economic effect and the benefits or otherwise of different application of rates. None could be called conclusive in the sense of unequivocal support for a particular regime.

This is primarily due to the many variables that differ from mine to mine; quality of ore body, commodity price, shipping, processing costs and more. It is therefore difficult, if not



impossible, to predict the direct economic effect of the Bill. We repeat our earlier observation that the simplified and aligned royalty system proposed by the Bill will reduce compliance costs.

The NTRC believes, therefore, that the immediate effect of the Bill will be to reduce administrative costs rather than effect broad economic advancement.

The general economic effect on the NT economy that arises from increased mining activity is easier to estimate. The NTRC is aware of a study into the economic impact of uranium mining expansion commissioned by the Australian Uranium Association. This report by Deloitte – Insight Economics concludes that there are considerable economic benefits to both the NT and Australian economy if advantage is taken of the current high cycle by expanding mining. In the NT these benefits could accrue to as much as \$2.3b in terms of additional GSP by 2030 given reasonable market projections.

The matter of economic effect of royalties in general was well explored in the lead up to Chile's introduction of a mining royalty in 2005/6, the argument centreing on creating a balance between attracting investment in order to create opportunity and development; and direct revenue raising acting as a disincentive for same. While not a matter for this particular Bill, general discussion about royalty levels should be undertaken in the context of potential decline in regional economic activity due to metals market conditions.

### **Designated Substance**

The definition of designated substance does not present any difficulty. Current reporting regulations provide for identification.

### **Administering Authorities**

The NTRC supports the provisions of the Bill in respect of administration of funds. Again, a simple and consistent regime will reduce compliance costs.

### **Further Comment**

The NTRC supports the provisions of the Bill. The intent is positive and we believe that the provisions will lead to a simpler and more cost effective royalty framework for uranium.

We have no suggested amendments to the Bill.

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