Arid Lands Environment Centre, Inc.

Office	90 Gap Rd, The Gap
	PO Box 2796 Alice Springs
Mail	NT 0871 Australia
Phone	+61 (08) 8952 2497
Fax	+61 (08) 8953 2988
E-mail	info@alec.org.au
ABN	50 100 640 918

Northern Territory Revenue Discussion Paper: ALEC Submission

The Arid Lands Environment Centre (ALEC) is central Australia's peak environmental organisation that has been advocating for the protection of nature and ecologically sustainable development in the arid lands since 1980.

ALEC welcomes the opportunity to contribute to the discussion on the economic future of the Northern Territory. The economy of the NT is unique in many respects, especially its significant reliance on natural capital for growth and opportunity. It is important to approach the issue of economic futures holistically, this means considering revenue issues in conjunction with expenditure issues, and economic issues with environmental and social issues.

Climate Change

Climate change has not been acknowledged in the discussion paper as a key variable in projecting economic forecasts. This is remiss as climate change is a pervasive economic risk that is already impacting every aspect of the economy from property prices, service delivery, agriculture and energy.

In order to improve the resilience of the NT economy, climate risk should be considered and quantified as best as current models allow. Climate change will increasingly impact on the commercial viability of the major revenue streams; this volatility must be factored into economic forecasts.

However, climate change mitigation and adaptation also provides opportunities for increasing resilience through carbon abatement and carbon trading schemes and reducing the costs of service delivery and infrastructure.

Reducing Duplication

Whilst the NT is undoubtedly facing revenue issues, it is important first and foremost to continuously look for opportunities to reduce operating costs in civil service, across departments and government owned enterprises. Significant savings could be achieved by increasing the focus on integrated service delivery. Reducing duplication across departments in service delivery could vastly improve efficiency and therefore reduce costs.

Improving cross-departmental collaboration and coordination could also reduce the high administrative burden in the NT. Reducing bureaucratic waste through inefficiency should be a priority, especially across the Government owned utility companies.

Pastoralism and agriculture

Several key mechanisms could be introduced to incentivise the efficient use of land and water resources while also increasing revenue. While not currently providing a significant revenue base, the use of natural resources, through pastoralism and industry is fundamental to the economy of the NT. There are potential opportunities for recovering the costs of the pastoral and mining industry that could also significantly increase the own source revenue for the NT.

First and foremost the water licencing exemptions for stock bores should be removed. Water use on pastoral properties should be monitored and regulated with appropriate pricing. Introducing a levy on water use would improve the efficiency of pastoral operations and provide important recognition of the value of water in producing natural capital. Water fees would effectively provide an extra financial return for the NT. This is appropriate considering water is a shared resource and is not owned by pastoral lessees.

We understand that the current revenue base from rent of the NT Pastoral estate is informally capped at $5 million. There is no justified policy basis to limit revenue to this amount. Considering that the Pastoral Estate occupies 45% of the Territory, the industry should provide a greater share of the total revenue base. Revenue from the pastoral estate should be revised with a view to increasing the $5 million cap by basing it on profits made by pastoral properties, or investigating other revenue streams.

Diversification of the pastoral estate provides additional revenue streams and is steadily demonstrating increasing returns. Climate change mitigation and adaptation will provide opportunities for diversification of pastoral properties while also increasing revenue. These include carbon abatement and conservation. Developing a carbon methodology for the desert should be a research priority as it is already demonstrating financial returns for the savannah regions.

Climate change is projected to significantly impact the profits of the pastoral industry through increasing temperature and the severity and extent of drought. It is therefore important that we look to reform the industry to improve resilience to warming while also maintaining economic viability.

A potential new industry worth investigating is medicinal and industrial hemp. State regulations around hemp production and manufacturing are quickly progressing as law makers begin to appreciate the commercial potential of the versatile crop. There is an international transition towards industrial hemp and regulated cannabis production that is providing significant returns for regions, especially Colorado and California. Hemp and cannabis products have great economic potential. There is a unique opportunity for the NT to take a progressive lead in Australia and develop an industry ahead of other states.

Mining

The water exemption for mining projects should be removed. Projects should pay for the huge volumes of water that they use. There is a strong public interest case for distributing the benefits gained by mining through the use of water. Introducing a price on water makes economic and environmental sense. It is also consistent with the principle of ecologically sustainable development that provides for the need to implement improved pricing and incentive mechanisms that recover environmental 'externalities'.

While mining provides economic opportunity and profit it can also be a significant cost to the taxpayer and a regulatory burden. Reducing the operational costs of the industry will alleviate revenue stress. Rehabilitation costs that are borne by the NT Government are a significant strain on the NT economy and taxpayer. These costs could be prevented and recovered by increasing the total amount held in environmental bonds through increasing the mining rehabilitation levy.

The NT has a history of companies escaping financial responsibility for closure and rehabilitation. Territory environmental laws have not proven capable of holding operators responsible for ongoing monitoring, maintenance and rehabilitation costs in the event of insolvency or indefinite care and maintenance. An effective way of remedying this situation would be to introduce Chain of Responsibility legislation like that introduced in QLD. The NT Treasury could be responsible for recuperating costs from proponents as liability would be attached to the individual executives of companies. Rehabilitation costs should be the responsibility of operators not left to the NT Government and taxpayers.

Central Australia is potentially about to experience a boom in resource activity with five projects in the assessment pipeline. Provided that the projects are commercially viable they should provide significant financial returns. However, a current flaw in the royalties framework means that in some years projects do not provide royalties. If a project is producing and selling a mineral they should provide a return. This could be guaranteed by introducing a hybrid profit/revenue based royalty scheme. This means that even in years of low profit the project still makes a return. Again this would reflect the public interest need to distribute the economic benefits of minerals that are collectively owned by the people of the NT.

The royalty framework needs to be revised so that no project is able to operate without returning a royalty, as has been the case with the McArthur River Mine. A hybrid system that ensures a minimum royalty return for a project would improve the financial certainty of the mining sector in the NT and reduce the inherent volatility of the boom and bust cycles.

Taxes
ALEC supports reviewing current tax arrangements and increasing total revenue by creating a more equitable system. Decreasing the pay roll tax free threshold is a positive move to bring the NT into line with other states and territories. There should also be a duty placed on foreign property buyers to restrict the movement of revenue out of the Territory. Restricting the cross border movement of revenue could also be achieved by introducing legislatively mandated maximums for FIFO workforces. Companies should be compelled to hire locals to ensure that salaries are spent in local economies and do not move interstate.

ALEC welcomes the opportunity to comment on the Revenue Discussion Paper. ALEC urges the NT Government to think holistically about the revenue issue and ensure an integrated approach that builds economic, social and environmental resilience into the Northern Territory. ALEC has made some suggestions here, the list is by no means complete and we hope to remain engaged on this issue going forwards.

Kind regards

Alex Read
ALEC Policy Officer