



17 February 2017

Mr Michael Callaghan
PRRT Review
The Treasury
Langton Crescent
Parkes ACT 2600

Email: prrtreview@treasury.gov.au

Dear Mr Callaghan

I refer to your review on behalf of the Treasury into the Petroleum Resource Rent Tax (PRRT). In relation to this review, the Local Government Association of Queensland (LGAQ) would like to raise the issue of equity regarding the distribution of the revenue raised by this tax.

The LGAQ is the peak body for local government in Queensland. It is a not-for-profit association setup solely to serve councils and their individual needs. The LGAQ has been advising, supporting and representing local councils since 1896, allowing them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places that count; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and delivering them the means to achieve community, professional and political excellence.

Local governments in resource communities support the exploration and development of Queensland's mineral and energy resources. These councils understand that the resources sector is a substantial contributor to Queensland's economy, with an important role to play in generating local employment and business opportunities. However, the recent, rapid expansion of the resources sector in Queensland has highlighted significant deficiencies in managing the impacts of resource projects, including impacts on local council assets and service delivery capability.

The terms of reference for the PRRT review state that the purpose of this review is to *"advise the Government to what extent Commonwealth oil and gas taxes and royalties such as the Petroleum Resource Rent Tax (PRRT) are operating as intended **having regard to the need to ensure they provide an equitable return to the Australian community from the extraction and sale of these resources without discouraging investment in exploration and development**"* (emphasis added). The LGAQ believes that, consistent with the purpose of your review, the Federal Government needs to consider whether resource communities are receiving an equitable return from the revenue raised by Commonwealth taxes on the oil and gas sector.

All resource industries have significant positive and negative economic and social impacts including on employment, business, housing, roads, utilities and social services. These impacts differ over time (for example, according to whether a project is in the construction or operational phase) and according to the nature of the workforce (a fly-in, fly out workforce will have different impacts from a locally employed workforce). The cumulative impacts of resource projects are particularly complex and difficult to manage, as project approval processes and conditions relate to managing the impacts of individual projects, rather than the cumulative effects of a number of projects operating in the same area at the same time.



Local councils have significant legal, financial and moral responsibilities for sustaining their communities, including providing services (such as water and sewerage) and building and maintaining infrastructure (such as roads). In smaller communities, local councils are also increasingly being called upon to provide social and community services traditionally provided by the Federal and State Governments, including in the areas of childcare, education and health. At the same time as providing the infrastructure and services that communities need, councils must also remain financially sustainable and implement a responsible budget strategy.

Resource projects can make substantial demands on local council assets and services, as well as significantly affect land-use in and around towns. The dynamic and multidimensional nature of resource sector impacts – particularly the cumulative impacts of a number of projects operating in the same region – makes it difficult for councils to plan for and effectively manage these impacts. Resource councils recognise that they need to navigate the ‘boom and bust’ cycle that is characteristic of the resources sector; however the demands of these cycles are beyond local council resources to manage on their own. While there is Federal Government funding available for regional Australia, the competitive, short-term nature of this funding is inadequate to support the long-term planning and investment required by councils to manage the impacts of resource sector operations on their communities.

It is LGAQ policy that, as the main providers of key infrastructure and community services in resource communities, councils require additional financial support to meet the demands on infrastructure and services that flow from growth in resource sector activity. As with environmental impacts, the LGAQ believes that an adaptive management approach to managing social impacts is needed, one that sees the impacts of resource projects on communities managed throughout the life of a project. However, ensuring communities are supported in their efforts to adapt to the changing impacts of resource projects requires that some of the profits achieved by resource projects are reinvested back into regional communities.

In this context, the LGAQ supports the proposal put forward by Maranoa Regional Council in its submission to the PRRT Review for the establishment of federally-funded, locally-controlled “trusts” for resource regions. The purpose of these trusts would be to provide a reliable source of funding that facilitates long-term planning and investment by councils in infrastructure and services for their communities. Such funding would not only assist councils to better manage the impacts of resource projects, it would also support investment in infrastructure and services that can support future industry development and economic growth in the region.

The *Issues Note* prepared by Treasury for the PRRT Review observes that, “A finite supply of high quality, accessible petroleum deposits means that there are pockets of petroleum resource projects offering the prospects of very high returns, well in excess of the returns necessary to attract commercial investment. Those high excess returns represent pockets of economic rent” (p. 2).

The LGAQ asks that in your review you recognise that, at the same time as there are ‘pockets’ of very high returns from petroleum projects, there are also ‘pockets’ of Australians in regional communities who are experiencing high costs as a result of resource sector activities. These Australians deserve to see some of the revenue from the PRRT (and other taxes on resource projects) returned to their communities so that they can plan and invest in the infrastructure and services that will not only support the liveability of their communities, but also the economic development and sustainability of their region.



LOCAL GOVERNMENT ASSOCIATION
OF QUEENSLAND

We thank you for the opportunity to make a submission to this inquiry. If you have any questions regarding our submission please do not hesitate to contact Kirsten Pietzner, Principal Advisor – Resources and Regional Development on email kirsten_pietzner@lgaq.asn.au or by phone on (07) 3000 2295.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'SB', with a long horizontal stroke extending to the right.

Sarah Buckler
GENERAL MANAGER – ADVOCATE