

## **4 Future development scenarios and their implications**

4.1 A view that has been expressed during the course of the KRSIS by some Aboriginal participants is that regional development has not benefited Aboriginal people. This is a view that has been challenged by other Aboriginal people (APC 1997). Such a diversity of views is not unusual; it suggests that development has had a variable regional impact and that different views about the meaning and desirability of development may exist. Rather than focus on missed opportunities in the past, of which there have been some, the SAG believes that it is preferable to briefly consider future regional development options and some of their implications.

4.2 In considering future development scenarios, an underlying assumption that is made and that received considerable support from the APC (1997) is that Aboriginal people in the Region want enhanced socio-economic status (in a western sense), especially if regional economic growth occurs. Accepting this, it is the view of the SAG that any serious consideration of any anti-mining scenario is somewhat inconsistent and unrealistic. Irrespective of the specific nature that regional development takes and the speed of regional economic growth, there is no ready means to return to some pristine pre-uranium mining, pre-national park regional state that is independent of government. The more realistic broad options for improved socio-economic status available to Aboriginal people vary along a spectrum from ordered development, with appropriate Aboriginal inputs and controls, to rampant, unordered and externally-driven developmentalism. The former end of this spectrum is most consistent with Aboriginal aspirations for an improvement in standards of living, economic empowerment and a degree of independence from government. However, such aspirations are largely contingent on regional development.

4.3 While the future development scenarios for the Kakadu Region are circumscribed from an economic perspective, they are nonetheless far superior to those in many other indigenous contexts. This is primarily because Aboriginal people own much of the land, have control over the Kakadu Board of Management, enjoy locational advantage and commercial concessions in terms of access to a ready, and somewhat captive, tourist clientele and are guaranteed financial benefit from mining. This is not to suggest that the regional Aboriginal population does not have to bear the real and potential social and environmental costs associated with high tourist visitation and mining and the uninvited presence of a mining town.

4.4 It is the SAG's aim to highlight some of the direct and indirect, regional and local impacts of development and their inevitable inter-linkages. This exercise is primarily undertaken because during the course of the KRSIS many of these issues have not been addressed at all; the discussion here is cursory, rather than comprehensive, but nevertheless attempts to highlight some of the inevitable implications of several different development scenarios.

4.5 The two key sectors that have most potential to expand in the immediate future are mining and tourism. Expansion of either or both would generate wider regional economic impacts: for example, with increased mining the size of the town of Jabiru will increase, with associated increased requirements for services; with tourism growth, the potential for increased employment would expand; and so on. It is important that Aboriginal interests in the Region are not only aware of potential growth sectors, but that they are positioned to implement strategies to take advantage of economic opportunities. In the past, the Gagudju Association has responded strategically to regional opportunities, establishing contracting

services, a construction company, and so on. Owing primarily to management difficulties a number of these initiatives have been commercially unsuccessful: the Gagudju Association has, and is, doing many of the right things, some badly (Altman 1996). The Djabulukgu Association has similarly, and on a smaller scale, responded positively to commercial opportunities in the tourism and in ancillary accommodation sectors.

4.6 As the KRSIS has highlighted, at this historical juncture there is considerable uncertainty about precisely what direction regional development could take and when. The two forms of development that the KRSIS Terms of Reference focused on most specifically, mining and tourism, can be articulated as follows:

- the potential for concurrent mining development, initially at Ranger (No. 3 ore body) and then possibly at Jabiluka and/or Koongarra. There is also the possibility of new mineral discoveries in western Arnhem Land; and
- the potential either for continued tourism growth to KNP or the possibility of maintenance of visitation at current levels (about 230,000 to 240,000 visitors per annum); and

4.7 Both these broad options require a note of caution. In the late 1980s there was a collapse in world demand for uranium, with repercussions of this being experienced in the Region with a downsizing of the Ranger operation and an associated decline in mining royalty equivalents flowing to the Region. Even without adjustment for inflation, royalty equivalents paid to the ABTA by the Commonwealth with respect to the Ranger uranium mine declined from a peak of \$12.5 million in 1986–87 to a low of \$3.6 million in 1994–95. Similarly, in the aftermath of the 1989 pilots' strike and the recession of the early 1990s, visitor numbers to Kakadu declined from 237,000 in 1990 to a low of 205,000 in 1992: it is only since 1994 that numbers have stabilised back at the 1990 level. It is important that Aboriginal interests are realistic about future development prospects for the Region and take steps to assess what they might be, both points emphasised by Lea in his report to the APC (Kesteven & Lea 1997). Market vagaries in demand for uranium and tourism are not uncommon; the Region is, after all, very much a part of the world economy.

### **Mining and its development implications**

4.8 One development scenario for the Region could see the concurrent and/or sequential development of the Ranger No. 3 ore body, the Jabiluka prospect and possibly the Koongarra prospect. These three known uranium deposits are located on mineral leases that were not included in Kakadu National Park. Each of these resource developments will result in very significant financial flows to regional Aboriginal interests, both from agreement payments and from areas affected payments. A signed agreement already exists for a mine at Jabiluka, while a draft agreement dated 1990 exists for Koongarra. The financial provisions in these agreements between the resource developers and the NLC are confidential. The fundamental question of how much money will flow into the Region from these commercial agreements over the next 30 years from possible mining activity was not addressed in any detail during the KRSIS. It is the view of the SAG that for effective economic planning to occur some further discussion of this issue is warranted.

4.9 Estimating the payments that might flow from mining to Aboriginal interests in the Region is currently extraordinarily speculative, for a variety of reasons: first, it is unclear what production regime might prevail. ERA has recently increased the size of its milling operation at Ranger to an output capacity of 5,500 to 6,000 tonnes of uranium oxide per annum. This expansion indicates that the company anticipates processing ore from Jabiluka at

Ranger as per its preferred option in the EIS (ERA 1996). According to the company, in the period 1997–98 to 2004–05, most ore processed will be from No. 3 ore body; from 1999–2000 onwards an increasing amount of ore from Jabiluka will be processed at the Ranger mill, and from 2005–06, after the No. 3 ore body has been fully exploited, only ore from Jabiluka will be processed to the year 2021–22.

4.10 Second, both the extended Ranger and Pancontinental Agreements are very likely to pay royalties on an *ad valorem* basis. This means that the royalty amount will be dependent on the world price of uranium, the exchange rate, the inflation rate and production levels, all unknowns. Third, if the extant (Pancontinental) agreement between the NLC and ERA is to be amended, this will open up the opportunity for renegotiating financial provisions. Furthermore, an extension of the Ranger Agreement (to allow mining to continue beyond the year 2000) is currently being negotiated and this too could see a change in financial provisions.

4.11 Taking all these caveats into account and after extensive discussions with ERA, the following broad financial parameters can be estimated. It is on the public record that, if Jabiluka proceeds, under the Pancontinental Agreement Aboriginal interests will receive a royalty of 4.5% *ad valorem* during its first 10 years of operation, with this amount increasing to 5% after year 10. Of this, 4% will be paid to the ABTA and 0.5% and 1.0% respectively will be paid direct to Aboriginal interests, with 50% earmarked for the Djabulukgu Association, 25% to Gagudju and 25% to the now non-existent Kunwinjku Association. The Pancontinental Agreement also makes provision for the payment of substantial upfront payments, a high proportion of which would be offset by deductions from future royalty streams. All told, ERA estimates that in total \$125 million in mining moneys would flow to Aboriginal interests from Ranger and \$210 million from Jabiluka. These figures are based on a net present value model of the two ore bodies.

4.12 These sorts of projections have limited meaning to regional Aboriginal interests and an alternative calculation in 1997 dollars has been undertaken by the SAG based on the following assumptions:

- similar financial arrangements irrespective of ore source from Ranger or Jabiluka;
- output of 5,500 tonnes or 12.1 million lbs uranium oxide per annum;
- price per lb of SUS14 and an exchange rate of \$A1 = \$US0.75; and
- production over 27 years.

Under this scenario, total mining payments in years 1–10 would be \$10.2 million per annum and from year 11–27, \$11.3 million per annum. Of this, \$3.8 million per annum would flow to the Region (\$1.1 million in agreement payments and \$2.7 million as areas affected moneys via the ABTA and NLC) for ten years and \$4.9 million per annum (the increase being a doubling of agreement payments to \$2.2 million) for 17 years. According to these calculations a total of \$294 million (in 1997 dollars) would be paid to Aboriginal interests, with \$121 million of this flowing to the Region. (This figure is slightly lower than ERA's estimated \$335 million, but is based on lower output and other different assumptions.) These are very significant financial flows, with some (for example \$4.8 million in year 1 of Jabiluka) to be paid upfront (Altman 1983: 64). There is an urgent need for regional Aboriginal interests, and especially the Djabulukgu and Gagudju Associations (named in the Agreement) to be ready to effectively utilise (or invest) such fiscal flows.

4.13 These financial flows, while extremely significant, still represent a poor financial deal compared to other post-land rights mining agreements from the regional perspective (Altman 1983: 65). This is because there would be limited negotiated payments going directly to the Region, and so a large proportion (70%) of statutory royalties would flow outside the Region to the ABTA. When the Pancontinental Agreement was signed there was governmental concern about the perceived concentration of mining moneys in the hands of too few. There are restrictions in the Agreement on discretionary spending by individuals (limited to 20% of income); there is also an attempt to distribute agreement payments to several royalty associations, with overlapping memberships.

4.14 What is of some concern about the Pancontinental Agreement is that it condones and encourages the financing of a range of government services with agreement moneys, thus encouraging the maintenance of mining moneys as a substitution funding regime created by mining company and government directives. This is an underlying issue that was addressed in Chapter 2, and commented on specifically in Chapter 3.

4.15 Little can be said about the draft Koongarra Agreement because its financial provisions are also confidential and it is unsigned. It is interesting to note though that when negotiations were under way for Koongarra's development in the 1980s, the price of uranium oxide was \$US30 a lb and it was estimated that this would increase at 10 per cent per annum; this provides a clear indication of the vagaries of the market. It is estimated that this mine will produce 1,500 tonnes uranium oxide per annum for ten years; royalty flows to the Region from this much smaller mine at 1997 prices would be an estimated \$1.7 million per annum, with \$1.3 million per annum flowing to the ABTA, with 30 per cent of this, or \$0.4 million, being paid back to the area affected. (These estimates are based on similar assumptions as those above about price, exchange rate and royalty rate.)

4.16 The Koongarra Agreement which was first drafted in 1980 was very progressive for its time on a number of counts. First, it provided indigenous interests with an option to buy 25% of the project with repayments for this equity being carried by future agreement payments. Second, it provided options for fixed annual payments to reduce risk of uranium price fluctuations and it also provides for optional advances on royalties. Third, the Koongarra Agreement included options for Aboriginal employment. Interestingly, traditional owners of the mine site also requested that the company provide in-kind benefits as an option, with a request being made for the provision of eight outstations and an educational and health centre in lieu of agreement payments. In this case, it was Aboriginal people who requested bricks and mortar rather than cash and who were the potential instigators of substitution. In discussions between traditional owners and the mining company the prospects for joint ventures both in mine construction and service delivery (for example, providing the fly in/fly out service) have been discussed.

4.17 While the emphasis in this discussion has been on the financial benefits that may benefit regional interests, it should be emphasised that negotiating higher agreement and royalty payments are not the only, or necessarily best, way to generate regional spin-offs to Aboriginal people. For example, in the agreement between Zapopan and the Jawoyn Association for gold mining at Mt Todd, the Jawoyn Association receives no royalties or agreement payments as such. What that agreement provides is educational scholarships, employment and training opportunities and contracting and joint venture options. It could be argued that the Jawoyn have a greater stake in the operations at Mt Todd because their economic well-being is directly affected by the profitability of the mine.

4.18 Similarly in the Kakadu Region there are options for Aboriginal interests to gain a number of employment, training, educational and other commercial concessions from ERA in negotiating for new production options. One of the problems in the Region has been the divisions within the Aboriginal polity identified in Chapter 2. Another problem has been the at times acrimonious and litigious relations between traditional owners and ERA.

### **Tourism and its development implications**

4.19 While the KRSIS Terms of Reference refer to the need to identify the major impacts of tourism and conservation, this topic has received little coverage in the APC Report (1997). While it is irrefutable that the non-Aboriginal presence at Jabiru is associated directly with the Ranger uranium mine, there is also a significant non-indigenous presence associated with the requirements for staff to manage a World Heritage national park; and there is a high non-indigenous tourist presence that totals in the region of 235,000 visitors per annum. As noted in this report's introductory vision statement, many tourists are attracted to Kakadu by the fact that it is an Aboriginal owned and managed national park with a living Aboriginal heritage. Whilst there may be social costs for both traditional owners and long-term residents from tourism, especially during seasonal peaks, and some loss of amenities, there is also potential for significant economic benefit from active engagement with this sector.

4.20 The commercial opportunities that tourism presents have long been recognised by Aboriginal interests: as noted above the Gagudju Association owns the Coominda Lodge at Jim Jim and the Crocodile Hotel in Jabiru; it also owns and operates the Yellow Waters boat tours, the Border Store, a retail outlet at the Warradjan Cultural Centre, a cafeteria at the Bowali Visitor Centre and a production/wholesale/retail screenprinting enterprise Daluk Daluk catering for tourists. The Djabulukgu Association is similarly involved in tourism enterprises running the Guluyambi cruises on the East Alligator, the Magela Cultural and Heritage Tours and the Marrawuddi Gallery at the Bowali Visitor Centre. In the past this Association was also a part-owner of the Kakadu Holiday Village at the South Alligator. While not all these enterprises are commercially successful, these efforts need to be acknowledged especially because they demonstrate a strategic and acute understanding of the options available for Aboriginal people to benefit from tourist visitation to the Region.

4.21 As with the articulation with the mining sector, to meet their aspirations for higher socio-economic status Aboriginal interests need to determine the role that they may wish to take in benefiting from tourism growth to the Region. Some of the structural barriers that Aboriginal people may face in participating competitively in this industry have been discussed in Chapters 2 and 3 and elsewhere (Altman 1988; RAC 1991; Knapman & Stanley 1991). Nevertheless, there is no doubt that this industry can potentially provide Aboriginal people in the Region with employment and small business opportunities, especially if they strategically capture a proportion of the industry through investment and ownership. Certainly the environment is right for Aboriginal investment and direct participation in this industry especially given the power that the Aboriginal-dominated Board of Management can exercise in allocating commercial concessions in the Park. The issue is to what extent do indigenous people want to directly engage with the tourism sector; and alternatively, if engagement is only indirect, what income can be generated for the betterment of the regional Aboriginal population?

4.22 As with mining, there is no doubt that Aboriginal interests are well placed to establish joint ventures in the tourism sector; even non-involvement would generate some regional income from park rentals and from existing financial provisions in lease agreements which

need to be renegotiated every five years. However, also as with mining, one must question whether such passive participation is preferable to active engagement as stakeholders in the industry.

### **Jabiru town and its development implications**

4.23 Jabiru has since its establishment in the early 1980s developed into a regional centre: it is the retail, service and governmental centre for the Kakadu Region. It is also likely to grow either with expanded mining or expanded tourism. As noted earlier, it remains somewhat paradoxically and anomalously a company town owing to the very significant stake that ERA has invested in its establishment. As Lea notes though, while there is periodic speculation about the growth of Jabiru into a major regional centre, it is important to objectively differentiate boosterism from economic reality (Kesteven & Lea 1997). While there is some validity to the argument that the 'closed' nature of the town and the current 42-year limit on the town lease are disincentives to investment, there is little evidence of external pressures for a stake in the township.

4.24 Issues associated with the residential marginality of Aboriginal people in Jabiru and their limited political power in the town context have been discussed earlier. As in other arenas, it is arguable that there are opportunities for Aboriginal interests to take a significant economic stake in the town that extends beyond an already important role as owner of the Crocodile Hotel, the Mobil Service Station and other businesses such as the caravan park under development. In particular, Aboriginal interests could, either independently or in joint ventures, look to owning and operating more businesses in the town. One particular option that might be worthy of consideration is the acquisition of serviced town sites from ERA, especially as an in-kind benefit in the context of financial negotiations for mining.

### **Living in, and off, a national park**

4.25 Through the KRSIS, Aboriginal people have been asked for their views of the impact of the national park and its management. Their views have also been sought separately through the process of preparing the fourth Plan of Management of Kakadu. (A draft was released for public comment in 1996 and the Plan is expected to be finalised in August 1997.) The question of impacts on Aboriginal people from the national park and its management did not receive a great deal of attention during the KRSIS, although a number of contentious issues were raised including fire management, recreational fishing and the future of Jabiru. The draft Plan of Management addresses a wide range of management issues for the Park, and explains more clearly than previous plans the lease agreements for the Aboriginal land and the involvement of Aboriginal traditional owners and the Board of Management in managing the Park.

4.26 An important feature of KNP is the significant Aboriginal population located at a number of outstations throughout the Park (figure 2). This Aboriginal presence is quite legitimate; these are people living on Aboriginal land and the Park lease agreements provide for the rights of relevant Aboriginal people to have the right to reside in the Park subject to specifications in the Plan of Management. While PAN is supportive of developing appropriate living areas in the Park, it is not directly responsible for establishing and managing Aboriginal living places. As noted in Chapters 2 and 3, service provision to these communities is an issue requiring improved arrangements beyond those provided by the royalty associations (Gagudju and Djabulukgu). Another issue is that there may be increasing demand to establish additional outstations. This is an issue which the Kakadu Board of

Management and servicing agencies will need to address, giving particular consideration to the long-term viability of outstations, the views of the traditional owners, and the implications for park management and the environment.

4.27 It is important that residential areas in the Park are developed and managed so that they reflect what is appropriate in terms of Aboriginal tradition. Kakadu is resource rich and hunting, fishing and gathering activities remain a vibrant part of contemporary Aboriginal life. An Aboriginal presence dotted throughout the Park can also provide PAN with a very cost-effective land management option. A priority articulated by the APC (1997) is for flexible employment options for Aboriginal people with PAN, especially on a casual day-labour basis. Consideration should be given to tailoring employment opportunities to such aspirations, so as to provide traditional owners with the appropriate incentives to 'care for [their] country' that is being increasingly utilised by visitors. PAN needs to carefully consider the potential advantages of traditional owners living on the land in this role.

### **Regional development strategies**

4.28 This chapter, as noted at the outset, has set out to explore some of the development options that are either available or are likely to occur in the Kakadu Region. The KRSIS Terms of Reference required a discussion of major proposed developments for the Region and their likely implications for Aboriginal people; and an identification of strategies and initiatives which could be employed to deal with recent and proposed future developments (Appendix 1).

4.29 In its response to the APC Report (1997), the SAG has outlined major underlying issues (in Chapter 2) that need to be addressed to ensure that Aboriginal people in the Region have opportunities to benefit from regional development; these underlying issues encompassed statutory, political and administrative issues in the non-Aboriginal domain, as well as political and cultural issues in the Aboriginal domain. In Chapter 3, a number of specific recommendations have been made in the context of a Community Action Plan. This chapter highlights that contemporaneously there are regional developments occurring, many of which have a momentum that could see them proceed because of historic decisions and largely irrespective of indigenous views.

4.30 The SAG is not recommending wholesale Aboriginal acquiescence to these developments or uncritical participation without appraisal. It notes though that if they eventuate then active Aboriginal participation and engagement would be essential if individual and community aspirations to benefit from regional development were to be achieved: it is only in this way that Aboriginal interests can ensure that significant spin-offs from development stay with them in the Region, rather than flow out of the Region, primarily to non-Aboriginal commercial interests. The development scenarios briefly outlined here indicate that there are many factors that could favour active indigenous participation in the future development of this region, including access to capital, land ownership and associated political and economic power and local and long-term residence. What is perhaps lacking is a clear and unambiguous vision for regional Aboriginal participation (in all its diversity) in the mainstream economy and appropriate strategies to facilitate such participation. Implementation of recommendations in Chapter 3 could see the institutional strengthening and development of a more effective Aboriginal participation in existing and new structures to both create and operationalise effective strategies to secure an expanding stake in the regional economy for Aboriginal people.

## **5 Making a difference: The action framework**

5.1 It is essential that the SAG do not lose sight of the need for a Kakadu regional approach to the implementation of the Community Action Plan; all traditional owners, residents, employees, governments and visitors are important players in the social contract.

### **Implementation**

5.2 Once this Community Action Plan is presented to governments and agencies in the Region, it is imperative that the recommendations do not fail for lack of effective implementation, monitoring and action. The SAG believes a small implementation team should be appointed immediately, responsible for working with all the agencies and industries in the Region to ensure the Community Action Plan is implemented, and adjustments are made to address any problems that arise, and that any new circumstances are accommodated.

5.3 It is essential that the commitments and undertakings given during the study, and the recommendations contained in this report, are more than mere rhetoric and empty words. An Implementation Team will ensure that there is commitment, motivation and incentives for action to ensure that outcomes are regionally beneficial and move all parties towards simultaneously meeting their specific goals and regional Aboriginal agendas, as outlined in Chapter 3.

5.4 The SAG notes that the APC has prioritised the major initiatives it considers important for the Region. The Aboriginal education centre at Jabiru Area School and the Outstation Resource Centre are considered equal first priority, followed by housing, Women's Resource Centre, pre-school/transition school, aged and disabled care hostel, and vehicles for various purposes.

5.5 The pace of change can be beneficially forced at this moment; it is now timely to extract commercial and political (decision-making) concessions from all parties, but this needs to be done (from the Aboriginal perspective) to a clearly articulated and progressive agenda. It is imperative, for example, that regional agendas are not confused.

#### **5.6 The SAG recommends that:**

- **the Commonwealth and Northern Territory Governments, Energy Resources of Australia and the Northern Land Council immediately establish a team to oversee the implementation in a holistic manner of all Government-endorsed recommendations in this Community Action Plan;**
- **the Implementation Team consists of senior personnel with decision-making authority appointed by the Commonwealth Government, Northern Territory Government, Northern Land Council, Energy Resources of Australia, Jabiru Town Council, Aboriginal and Torres Strait Islander Commission, and the Aboriginal Project Committee;**
- **the Implementation Team is independently chaired;**
- **the implementation process is jointly funded by the key participants: the Commonwealth Government, Northern Territory Government, Energy Resources of Australia and the Northern Land Council. Major resource commitments will be needed for a full-time regionally-based secretariat, with program commitments and team participation to be the responsibility of individual agencies;**