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Remote Area Tax Concessions and Payments
Productivity Commission
GPO Box 1428
CANBERRA ACT 2601

PRODUCTIVITY COMMISSION INQUIRY ON REMOTE AREA TAX CONCESSIONS AND PAYMENTS

Newmont Goldcorp Australia (Newmont Goldcorp) welcomes the Productivity Commission Inquiry into Remote Area Tax Concessions and Payments.

As noted in the Issues Paper, the Inquiry is the first opportunity to formally investigate the merits of the Zone Tax Offset, the Fringe Benefits Tax (FBT) remote area concessions and the Remote Area Allowance for some time. Newmont Goldcorp's response will cover the reasons why these practices are both practical for employees and economically efficient, the importance of the FBT remote area tax concessions to Newmont Goldcorp's investment in Australia and to the mining sector generally.

Please find below an outline of Newmont Goldcorp's business in Australia, the nature, scale and location of which drive our responses to the Issues Paper.

Newmont Goldcorp in Australia

Newmont Goldcorp owns and operates three mines in Australia:

- The Tanami Operation, in the Northern Territory, 540 kilometres north-west of Alice Springs;
- The Boddington Gold mine in Western Australia, 130 kilometres south-east of Perth; and;
- The KCGM Joint Venture in Kalgoorlie, Western Australia, which Newmont Goldcorp manages and has 50% ownership.

In addition, Newmont Goldcorp manages 2 legacy sites, the former Woodcutters lead/zinc mine 130km south of Darwin, and the former Mt Leyshon mine near Charters Towers in Queensland. More detail on each of the operating mines, their geographical context and the resulting approach Newmont Goldcorp takes to local employment in each case is below.

Newmont Goldcorp Australia has a range of policies in place to promote local employment where possible and provides financial incentives for employees to live locally that are relevant to each operation. Newmont Goldcorp also sets targets for local procurement for its operations, and identifies local economic contribution. In 2018 the Boddington and Tanami operations spent \$447 million on local procurement.

The Tanami Operations

The Tanami operation is an underground mine that produced 496,000 ounces of gold in 2018 and has around 1200 direct and indirect employees. Tanami is in a very remote location in the Tanami Desert, with the nearest community at Yuendumu some 260km away. For this reason, Newmont Goldcorp has no practical or viable alternative other than having a FIFO workforce, with employees flying direct to site from locations including Perth, Darwin and Alice Springs. Given the lack of a town or settlement in the near vicinity of the operation, Newmont Goldcorp treats employees resident anywhere in the Northern Territory as local.

Boddington

Newmont Goldcorp has a range of incentives in place to encourage employees to reside locally, including in Boddington and other nearby towns. The proximity of Boddington to Perth and other city centres such as Rockingham and Mandurah in the South West of Western Australia sees many employees choosing to Drive in Drive Out (DIDO) of Boddington, living on site while on roster but having permanent homes in the proximal regional centres. In 2018 the Boddington operation employed some 1900 employees and contractors and produced 709, 000 ounces of gold.

KCGM

Newmont Goldcorp manages the KCGM Joint Venture, which operates the famous Super-Pit, adjacent to the City of Kalgoorlie-Boulder. KCGM's workforce of around 800 is almost wholly resident, living in or around the regional centre. Due to ongoing skill shortages in Kalgoorlie-Boulder, KCGM works diligently to maintain its status as an employer of choice with competitive remuneration and significant involvement in the local community.

Factors impacting locational decisions of employees and firms

In recent years a political debate about the perceived demerits of FIFO/DIDO practices has obscured the reality that many employees prefer to live in metropolitan or major regional centres. Anecdotal evidence suggests our employees make residential choices based on factors such as family ties and social amenities, along with economic criteria. A key driver of FIFO arrangements then is employee preference.

At the same time firms such as Newmont Goldcorp will seek the efficient allocation of investment capital to develop and monetise resources sustainably: It is the case that many of Australia's largest and most economically significant mines, such as Tanami, are so far removed from existing population centres it is not practical to establish facilities for residential populations; even if employees would choose to live in those locations.

As noted above, Newmont Goldcorp Australia prefers local employment where local communities have the skills, capabilities and experience necessary for Newmont Goldcorp's complex and technically based mining operations. The preference to employ local reflects our experience that local employment is economically and socially preferable in the long run where possible. This preference is aided in part by the FBT remote area concessions currently available. However employing local residents is simply not possible in remote areas of small population, while even larger regional centres such as Kalgoorlie-Boulder and South West Western Australia are currently tight for skilled labour.

Policy issues arising from changes to FBT remote area tax concessions

In the long run, mining is considered a temporary use of land, and therefore major infrastructure investment required to permanently house mine workforces is unlikely to be

economically efficient. In very remote locations, permanently establishing communities would simply lead to dependence and stranded community assets in the long term.

The current FBT regime supports the mining industry in Australia by not imposing a heavy tax burden on transporting employees to work on operations in remote parts of the country. This aids the economic viability of developing resources in remote areas and increases the likelihood that yet to be monetised resources will be discovered and developed. The purpose of the FBT legislation is to align that tax treatment of salary and wage income with non-cash benefits provided by employers to employees. The costs of transporting employees to work in remote areas are a necessary business expense and should not be viewed as a 'benefit' provided to employees. As a result, it is appropriate that such costs are not subject to FBT.

It is also the case that FBT remote area concessions have influenced some employees to choose to reside in local communities near our mine sites. For example, whilst the majority of the workforce at our Boddington operation choose to DIDO, many employees take advantage of the financial incentives currently available within the FBT remote area concessions to live locally, which has a positive impact on local businesses as well as the wider community.

If existing FBT remote area tax concessions are wound back with the policy goal of decreasing FIFO practices to aid regional development, businesses would still have to significantly increase economic rewards at the employee level to overcome the key factors of social ties and amenity driving employee preference. In our view, locational decisions are best made by employees and employers as part of the employment arrangement and this practice will tend to produce the most economically efficient outcomes in the long run.

In this case, a change to FBT remote area tax concessions with the policy intent of reducing FIFO / DIDO practices, would significantly increase the direct and indirect cost of production for the mining sector, while not meeting the policy goal of enhancing regional development. It may in fact have the opposite effect, where employees currently residing locally lose access to current incentives and hence seek to return to larger towns. In addition, the long term consequence of such a change will be to shift some existing mine thresholds of profitability to uneconomic, stranding remote resources, and raising economic barriers to the monetisation of yet to be developed resources.

The Zone Tax Offset and the Remote Area Allowance

While noting these are matters for personal income tax, it is arguable that social amenity (with technology and social change) has generally improved in Australian cities and regional centres as well as in remote areas. In relative terms, it is likely that living in remote areas today presents similar trade-offs as when these concessions were originally introduced. Newmont Goldcorp believes these modest concessions are a small but important incentive for individuals to live in remote areas and should be increased and indexed in future to maintain value in real terms.

About Newmont Goldcorp

Newmont Goldcorp is the world's leading gold company and a producer of copper, silver, zinc and lead. The Company's world-class portfolio of assets, prospects and talent is anchored in favorable mining jurisdictions in North America, South America, Australia and Africa. Newmont Goldcorp is the only gold producer listed in the S&P 500 Index and is widely recognized for its principled environmental, social and governance practices. The Company is an industry leader in value creation, supported by robust safety standards, superior

execution and technical proficiency. Newmont Goldcorp was founded in 1921 and has been publicly traded since 1925

Should you have any queries in regards to above, please contact John Dagostino, Principal Advisor Government Relations, in the first instance.

Sincerely



Matthew Popham
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Newmont Goldcorp Australia