



Levy Information

Guidance Note

Guidance Note on exclusion of the Northern Territory Construction Industry Long Service Leave and Benefits Act (the Act) on resources work (Guidance Note)

1. Preamble

On 25 February 2015 (the Adoption Date) the NT Build Board (Board) endorsed Policy Number 01-2015 which adopted this Guidance Note.

This Guidance Note will only apply to projects that commence after the Adoption Date.

NT Build does not seek to levy operational work on, metalliferous or hydrocarbon fields and tenements. The levy only applies to building and construction work undertaken by workers in the building and construction industry. Some illustrative examples of works in the mining and hydrocarbon industries are set out below.

2. Purpose and nature of this guidance note

Consistent with the objectives of the Act the Board has developed the following guidance notes to assist in determining the nature of work that is likely to fall within section 6 (1) and 6(2)(a) and (b) of the Construction Contracts (Security of Payments) Act.

This Guidance Note is consistent with the objectives of the Act and does not override the Act. This Guidance Note provides general information and does not constitute legal advice or a definitive list of situations where the law applies.

- a) This Guidance Note is provided by the Board to assist persons for whom work is performed to determine whether the work is leviable under the NT Build long service leave scheme (the LSL Scheme) in the resources industry.

This Guidance Note represents the Board's assessment on work that is included and excluded from the levy.

- b) If after considering this Guidance Note, a person remains uncertain whether the work is leviable under the Act they should consult with NT Build and if necessary request a specific ruling. Such a ruling will take account of the substantial character of the work being undertaken, this Guidance Note, the location or locations at which works are performed and whether such works are directly connected with the day-to-day resources work.
- c) If that does not resolve the question, a person

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may apply to the Board for reconsideration of that decision under Part 5, Division 4 of the Act. Where, following the Board's reconsideration of its decision, a person remains unsatisfied with that decision or any subsequent decision made by the Board, a person may apply to the Local Court for a review of the Board's decision.

- d) In this Guidance Note any reference to a tenement/tenancy is a reference to a title granting rights to undertake exploration activities or produce materials from a quarry, a metalliferous/hard rock mine or a petroleum/gas/hydrocarbon field.

3. Application to the mining industry

3.1 Overarching Principles:

- a) All mineral exploration activities are not leviable. These activities include but not limited to: access roads; land clearing for exploration; temporary camps; sampling; drilling; trenching; bulk sampling; metallurgical testing; ground and aerial surveys.
- b) Construction activities associated with the installation of semi-permanent or permanent infrastructure directly related to a mine production facility are leviable. These activities include, but are not limited to, the following: land clearing for processing infrastructure; construction of hardstands; offices; workshops; weigh bridges; primary access road; mine camp; airstrips (FIFO); fuel farms; crushing plants; processing plants; headframes and winders; power stations; primary power transmission lines; water storage dams and tailings dams.
- c) Operational activities associated with the development or day to day operational activities of a mine or production facility are not leviable. These activities include, but are not limited to, the following: land clearing for operational activities; access roads and haul roads within the mine project area; drainage works; establishment and operation of open cut pits; establishment and operation of underground workings (including drives, declines, adits, shafts, stopes, ventilation shafts); waste rock storage facilities; safety, health & environment monitoring activities; and rehabilitation works.
- d) Shutdowns of fixed plant and equipment for maintenance, repairs or refurbishment are leviable, if the shutdown occurs for a period in excess of 30 days.



3.2 Examples

Example 1: Contractor providing earthmoving and haulage services

ABC Pty Ltd is an earthmoving and haulage contractor who since 1998 has been engaged in earth moving services across several industries. It has 60 workers engaged removing overburden, maintaining and repairing access roads and hauling iron ore on an open cut mine in the Northern Territory over a 3 year contract.

Conclusion:

The work would not be covered by the NT Build Scheme and would not be leviable. This is ongoing work performed on a mine tenement and is directly connected with the day to day operation of a mine.

Example 2: Labour Hire

123 Pty Ltd provides supplementary labour services to a number of companies in a range of industries, including a bauxite mine. Workers of 123 Pty Ltd are assigned to a bauxite mine on an ongoing basis and work within the mine operator's mining plan for the extraction and treatment of the bauxite and any by products.

Conclusion:

The work is not construction work and is not leviable. It is performed on a bauxite tenement for the extraction of and treatment of bauxite.

Example 3: Heavy Mining Machinery Supplier

DEF Pty Ltd is engaged in the business of manufacturing, sales, transporting and servicing heavy earthmoving and mine haulage equipment that is used in gold mines. DEF Pty Ltd has a contract with the mine operator that includes three main components:

1. The supply and assembly of heavy machinery on the mine site.
2. The provision of a roving quality control/ assurance service that is conducted out of its regional headquarters located some distance from the mine. The workers engaged in providing this service are predominantly based in the regional workshop.
3. The provision of a permanent onsite maintenance crew consisting of diesel fitters, welders, mechanics and auto-electricians to repair and maintain the equipment it has supplied.

Conclusion:

1. The work of DEF Pty Ltd to deliver and assemble the heavy equipment being supplied to the mine operator and the roving quality control work is not construction work, and therefore is outside the scope of the NT Build Scheme and is not leviable.
2. The work of DEF Pty Ltd to maintain the mine operator's equipment is not construction work and is not leviable.

Example 4: Conveyor construction work

789 Pty Ltd is a well known heavy engineering contractor. It is engaged in engineering construction work in a range of industries including mining, gas

processing, oil refining, smelters and power stations. 789 Pty Ltd obtains a contract to construct a new above ground conveyor system at a mine. The project will take approximately 8 months and will involve more than 40 workers at its peak.

Conclusion:

The work of 789 Pty Ltd is classified as construction work and is leviable.

Example 5: Construction of underground conveyor system

JKL Pty Ltd is a mine services company that provides mining services to a number of customers in hard rock mining industries.

The company has 40 workers engaged in mining activities including driving the drift and the erection of an underground conveyor belt, extending beyond the portal to a stockpile area. It has 10 workers who are engaged at various times in surface erection of that conveyor belt from the portal to a stockpile.

Conclusion:

The work is operational work and is not leviable. Further, the majority of the work is carried out substantially beyond the portal and so the work is not construction work.

Example 6: Construction of a quarry

QRS Pty Ltd has recently constructed, and now operates, a number of permanent and temporary quarries in the Northern Territory including:

1. a large, permanent quarry for quarried stone at a site in the Mary River region; and
2. a temporary borrow pit used to supply a railroad contractor engaged to create railroad embankments for the Darwin to Alice Springs railway.

Conclusion:

In relation to the permanent quarry:

1. Construction of the infrastructure, such as weigh bridges, office and crib facilities etc, is construction work and is leviable.
2. Pit development and the operation of the permanent quarry is not construction work and is not leviable.

In relation to the temporary borrow pit, construction of the borrow pit and its operation is construction work and is leviable.

Example 7: Accommodation for a new mine

XYZ Pty Ltd is a camp services company that provides preparatory work, temporary and permanent accommodation and mine services to a number of customers in the mining industry.

XYZ Pty Ltd obtains a contract to construct and then operate site offices and camp facilities at a new mine. The project will take approximately 6 months and will involve 90 workers at its height.

Conclusion:

The work of XYZ Pty Ltd on erection of the camp is classified as construction work and is leviable. Operation of the camp is operational work and is not leviable.

Example 8: Mine maintenance

ERB Pty Ltd operates a manganese mine which requires regular maintenance. ERB Pty Ltd enters into a 3 year maintenance contract with MCA Pty Ltd to perform routine maintenance of the facility. Maintenance or breakdown of the equipment can cause the mine to temporarily shut down (for periods less than 30 days).

Conclusion:

Regular, programmed operational maintenance of fixed plant and equipment and unplanned breakdown work including where that involves shutdowns of less than 30 days are classified as operational work and are not leviable.

Example 9: Fixed plant shutdown

ERB Pty Ltd is required to do OEM and/or statutory shutdowns on the processing facility on a periodic and planned basis. These shutdowns are scheduled to continue for a period in excess of 30 actual worked days. ERB Pty Ltd has contracted GNS Pty Ltd to carry out a planned OEM shutdown on the processing facility.

Conclusion:

As this is a shutdown scheduled for a period in excess of 30 days performed on fixed plant and equipment, it is construction work and is leviable.

Example 10: Land clearing for infrastructure construction

MNO Pty Ltd is developing a mine and enters into a contract with PQR Pty Ltd for the clearing of an access road, construction pad and the mining and industrial area in preparation for construction.

Conclusion:

If the land clearing is in connection with leviable work on a resource tenement, such as in this example, then it is leviable.

Example 11: Land clearing for mining activities

LC Pty Ltd has been engaged to carry out clearing and grubbing of vegetation ahead of mining activities at a mine.

Conclusion

If land clearing is in connection with operational mining work, then the land clearing is not leviable. Land and/or vegetation clearing and grubbing ahead of mining activities is regarded as an operational activity associated with extraction and is therefore considered resources operational work and is not leviable.

4. Application to petroleum industry**4.1 Overarching Principles:**

- a) All upstream petroleum operations are not leviable.
 - i. Upstream petroleum operations are defined as being all activities and infrastructure related to the exploration, development and production of hydrocarbon products, upstream of but not including processing facilities which convert raw gas and petroleum liquids into sales products ready for transport to markets.
 - ii. The point at which upstream petroleum operations cease is defined as being the first

control valve located within the perimeter of the processing facility.

- iii. Upstream petroleum operations include activities and infrastructure that are ancillary to, or are undertaken or installed in connection with, exploration and production activities.
 - iv. The operation, repair and maintenance of facilities forming part of the upstream petroleum operations are not leviable.
- b) The construction of petroleum processing facilities downstream of the upstream petroleum operations and semi-permanent or permanent infrastructure required for the construction or operation of a processing facility are leviable. However, the operation, repair and maintenance of processing and other petroleum facilities downstream from the upstream petroleum operations and associated infrastructure are not leviable other than shutdowns. A shutdown means carrying out substantial maintenance or repair work that results in the cessation of petroleum production if:
 - i. the cessation is for at least 30 days; and
 - ii. at least 30 days is required to complete the maintenance or repairs not including the time required to complete preparatory and post-maintenance activities (including isolations and decontamination and testing for start-up readiness).

4.2 Examples**Example 1: Exploration and production of petroleum products**

TMI Pty Ltd has several petroleum tenements over an area of land in the Northern Territory. Petroleum exploration activities are being undertaken on the tenements. In addition petroleum production facilities and pipelines transporting hydrocarbons to a processing plant and liquids terminal are being developed. The activities include:

1. seismic surveying and the civil works required to clear access tracks and survey lines;
2. the construction, operation and maintenance of work camps for use by exploration, upstream construction and production crews (including the associated civil works);
3. purchasing, contracting and mobilising mobile plant and equipment for use in exploration and production activities and the development and operation of associated infrastructure required to support those activities (such as access tracks);
4. maintaining or repairing mobile plant and equipment used in exploration, production and decommissioning activities and in the maintenance of infrastructure;
5. ancillary or incidental generation, supply or transmission of electric power required for exploration and production activities and associated infrastructure;
6. site works and the installation and operation of well drilling and well stimulation equipment;
7. construction of water storage tanks and evaporation ponds; for use in exploration and production activities

8. installing petroleum production facilities including wellheads, oil and gas gathering pipelines, pipeline compression facilities and liquids storage tanks and load-out facilities;
9. the construction and maintenance of roads and tracks in and around the tenement that are required to provide access to exploration sites, production facilities and associated infrastructure, and;
10. land clearing and rehabilitation work on areas disturbed during exploration and production activities.

Conclusion:

All of these activities and infrastructure form part of upstream petroleum operations so are not leviable.

Example 2: Electrical contractor on shutdown

456 Pty Ltd is an electrical contractor based in a major regional centre working across several industries on time based contracts. One such contract involves electrical shutdown repairs to a gas processing plant located on a gas tenement and operated by the owner. The contract involves approximately five weeks of work for 60 workers while the plant is shutdown.

Conclusion:

This is construction work and is leviable as the work consists of a shutdown of fixed plant involving in excess of 30 days actually worked.

Example 3: Land access and clearances

TUV Pty Ltd has a gas tenement over an area of land outside of Katherine. TUV Pty Ltd engages 202 Pty Ltd to do all cultural and historical heritage surveys and clearances for the site.

Conclusion:

This is not construction work and is not leviable.

Example 4: Exploration camp

PQR Pty Ltd is a camp services company that installs and manages temporary and permanent office and accommodation facilities for resources projects and other clients.

PQR Pty Ltd obtains a contract to install and operate temporary site offices and accommodation facilities for use by workers undertaking petroleum exploration activities. This includes the provision of site works and services such as electricity, water and sewerage.

Conclusion:

PQR Pty Ltd is installing and operating infrastructure required for upstream petroleum operations so this work is not leviable.

Example 5: Construction camp for a gas plant

PQR Pty Ltd is also engaged to construct and operate offices and camp facilities for use by workers building a new gas processing plant from which LNG is exported and domestic gas is sold into the NT gas market. RUF Pty Ltd is contracted to build a service road from the nearest public road to the construction camp and gas plant.

Conclusion:

PQR Pty Ltd and RUF Pty Ltd are building infrastructure required for the construction of downstream hydrocarbon processing facilities so construction of the offices, camp and road are leviable. Operation and maintenance of the offices, camp and roads are operational so are not leviable.

Example 6: Hydrocarbon extraction maintenance

GHI Ltd are installing wells and gathering pipes to extract gas from their tenement near Tennant Creek in the Northern Territory. They undertake a 2 year contract with HD Pty Ltd to carry out routine maintenance, repairs and upgrades on all wells, pipelines and other related facilities at well sites.

Conclusion:

The ongoing routine servicing, maintaining, repairing and upgrade (including structural, mechanical, electrical, fabricating or engineering) of fixed facilities, plant and equipment used to extract hydrocarbons form part of upstream petroleum operations so are not leviable.

Example 7: Integrated oil and gas project

LNG Pty Ltd is developing hydrocarbon production facilities in offshore waters, an onshore oil and gas processing plant and a pipeline to transport hydrocarbons from the offshore facilities to the onshore plant. The onshore plant is located as close as possible to the coast so as to access shipping facilities. A pipeline operator, APG Pty Ltd is building a gas transmission pipeline to transport gas from the processing plant to customers in Darwin.

Conclusion:

Construction of the onshore processing plant and the gas transmission pipeline taking gas from the processing plant to markets, are subject to the levy. The offshore production facilities and the pipeline to the onshore processing plant, including those parts that pass through NT coastal waters and over land, are not leviable as the point at which activities become leviable is the first control valve within the perimeter of the processing facility.

5. Contacts for further information and enquiries

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