

Dear Valued Chamber Member and Friend,

2008 is well underway and here in the Northern Territory business conditions remain sound.

The recent Bureau of Statistics report shows the national CPI figure increased by 1.3 per cent over the March quarter, while the Territory came in at 0.9 per cent.

As CEO Chris Young told the ABC, one explanation is the rest of the country is catching up with the Territory's high cost of living.

Even though local inflation is low, we have been subjected to rises in interest rates imposed on the country by the Reserve Bank and by the commercial banks passing on the costs of sourcing credit from financial markets.

The higher cost of credit adds to our other challenges of skills / labour shortages and affordable land and housing.

Regarding labour shortage, an article titled "Labour shortage threatens to delay many LNG projects" (*The Australian*, 17 April 2008), informs us that there are "more than \$US100 billion of liquefied natural gas projects in Australia, Papua New Guinea and the Timor Sea are planned over the next decade, but a severe labour shortage and surging costs mean many projects will not go to schedule, keeping global supply tight." Mark Greenwood, JP Morgan energy analyst is quoted as saying "there's more projects than there are people to build them."

Aside of this, at a national and global level, well known columnist of the New York Times Paul Krugman wrote an opinion on 21 April 2009 titled "Running Out of Planet to Exploit". Mr Krugman's article was reproduced by the Australian Financial Review.

Mr Krugman noted nine years ago oil was selling for \$US10 a barrel. As at the date of his article, it "hit \$US117". It has topped \$130 a barrel. He also observed: "Food prices have also soared, as have the prices of basic metals. And the global surge in commodity prices is reviving a question we haven't heard much since the 1970s: Will limited supplies of natural resources pose an obstacle to future world economic growth?"

What is driving the rise in resource prices? Are we facing a commodities bubble or something else?

Given Mr Krugman does not "expect growth in China to slow sharply anytime soon" and "meanwhile, resources are getting harder to find", Mr Krugman thought the explanation was somewhere between "rapidly growing demand" from China and "that the era of cheap resources is over for good — that we're running out of oil, running out of land to expand food production and generally running out of planet to exploit."

Regarding food, Mr Krugman said "the bad weather hitting agricultural production this time is starting to look more fundamental and permanent than El Niño and La Niña, which disrupted crops 35 years ago. Australia, in particular, is now in the 10th year of a drought that looks more and more like a long-term manifestation of climate change."

What does this mean? Mr Krugman thought “rich countries will face steady pressure on their economies from rising resource prices, making it harder to raise their standard of living. And some poor countries will find themselves living dangerously close to the edge — or over it.”

Mr Krugman thinks “the good times may have just stopped rolling.”

We will need to wait and see. It appears to me, with the right policies and partnership between government and business, these issues provide opportunity for the Territory as we should be well placed to meet the demand for food and resources.

Climate change focus group

As another respected NY Times respected, Mr Thomas Friedman (author of “The World is Flat – A Brief History of the 21st Century) said: “if we want to continue to be who we are, enjoy the benefits and be able to pass them on to our children, we do need to fuel our future in a cleaner, greener way.”

The Chamber has been invited to participate in the Northern Territory Government Climate Change Focus Group, which held it’s first meeting on 2 April 2008.

On 17 April 2008, the Chief Minister provided a briefing to business and industry on Climate Change. Chris Young and I represented you at that Briefing.

The Chamber congratulates Chief Minister Paul Henderson and his government for the leadership on this issue.

Why is this issue important? As I advised the audience at that Briefing:

- (i) We need to avoid the “boiling frog” syndrome. If you place a frog in hot water, it will instinctively jump out. However, if you place a frog in lukewarm water and turn up the heat, the frog will inadvertently remain there until it is too late. This story is a commonly used analogy. You can get used to anything, even if it might harm you. If the adverse change (such as the heat building up in the pot) seems gradual, people adapt like the frog. Global warming may seem gradual in the context of a human lifetime but in the context of the Earth’s history those in the know tell us it is advancing at speed.
- (ii) This is an issue of risk management. If we take action, as recommended, and the experts are wrong about climate change, then we would have done something of benefit to the environment, we would have saved some money and learned to use resources efficiently. If the experts predictions about warming and other adverse changes to our environment are correct, then by taking action now, we would have been fortunate to have done so.
- (iii) As businesses, we have a responsibility to engage with government and the community and do our part. At a national level, recently, Peter Anderson, Chief Executive of the Australian Chamber of Commerce and Industry, the peak Australian business body (of which the Northern Territory Chamber was a founding member)

nominated climate change as the most significant issue for engagement between the business community and government.

- (iv) There are business opportunities for us in the Northern Territory. These were identified by Mr Jon Stanford, the climate change expert engaged by the Northern Territory government. Mr Standford said that the NT economy makes a big contribution to reducing emissions. Mr Stanford says that by "substituting for coal in electricity generation, the NT's exports of uranium and LNG lead to the avoidance of around 200 million tonnes of CO2 emissions annually around the world." Mr Stanford says that here in the Territory we could "focus on increasing energy efficiency, generating carbon credits and bringing low emissions technologies to market."

On 20 March 2008, the Garnaut Climate Change Review established by the Federal Government issued a discussion paper setting out a set of principles and design features for the delivery of an efficient and effective Emissions Trading System (ETS). The ETS is the main policy instrument to deal with climate change.

In the near future, your Chamber intends to hold information sessions in Darwin, Alice Springs, Gove and Katherine regarding the climate change issue and the emissions trading scheme currently being examined by Professor Ross Garnaut for the Federal Government.

I would be very pleased to receive your feedback on any or all of the above. You can call me on 08 8943 0441 or email me care of the Chamber.

Sincerely

George Roussos