

## Terms of reference

### Background

The Western Australian Government is undertaking a consultation program as part of the State's Mineral Royalty Rate Analysis, in accordance with Budget commitments.

Current mineral royalty structures and rates in Western Australia reflect the outcome of a major review of mineral royalties concluded in 1981.

The State has conducted further reviews of royalties from time to time, including the Bradley Mineral Revenues Inquiry in 1984-86 and a further review completed in February 1994. However, no changes to royalty principles and structures resulted from either of these reviews.

Significant changes to royalties since 1996 include the introduction of a 2.5 per cent gold royalty in July 2000 and removal of a concessional rate for iron ore fines in July 2013.

The current review is restricted to mineral royalties (i.e. it does not include petroleum royalties) and aims to ensure that the Western Australian community receives a fair and reasonable revenue stream from mineral royalties.

The Western Australian Government will consult with industry to ensure that any reforms or adjustments are workable and achieve their aims without unintended consequences.

The Departments of State Development, and Mines and Petroleum are conducting the Mineral Royalty Rate Analysis. The Departments will make the Terms of Reference and a consultation paper available for comment.

### Terms of reference

The Mineral Royalty Rate Analysis will evaluate the structure of the State's mineral royalty rates and make recommendations to Government on possible improvements.

1. It will:
  - a. examine the ongoing efficacy and appropriateness of the policy that revenue returned from royalties is broadly equivalent to 10 per cent of the total mine-head value of the mineral;
  - b. if a benchmark based on 10 per cent of mine-head value is retained, examine the extent to which the current royalty rates structure produces revenue that differs from the benchmark, and identify appropriate adjustments that would take revenues closer to the benchmark;
  - c. if an alternative benchmark is proposed, examine royalty rate structures that would achieve the new benchmark;
  - d. address any anomalies identified in the royalty structure; and

- e. produce a report for Government, including recommendations.
2. In preparing the report for Government and shaping recommendations, the Review will take into account:
  - a. the equity and efficiency implications of any proposed changes to royalty rates;
  - b. the effect of any changes in royalty rates on State revenue;
  - c. royalty arrangements in other States and countries;
  - d. economic conditions in different industry sectors; and
  - e. the changing economic viability of commodity sectors.
3. The Royalty Rate Analysis will not:
  - a. consider major changes to royalty arrangements, but will focus on addressing any anomalies identified in the current royalty structure;
  - b. propose changes to the ad valorem basis of State royalties;
  - c. consider changes that could have detrimental effects on the State's revenue base; or
  - d. include consideration of magnetite.

### Process

The Royalty Rate Analysis invites written submissions from interested parties and organisations, and members of the community.

Following the receipt and consideration of submissions:

- a paper will be released publicly that summarises the issues raised in the submissions; and
- some stakeholders may be invited to discuss their views in targeted consultation meetings.

The Chamber of Minerals and Energy of Western Australia and the Association of Mining and Exploration Companies will be consulted through an Industry Reference Group. Senior representatives from the Department of State Development and Department of Mines and Petroleum will chair the group.

The Department of State Development and the Department of Mines and Petroleum, in consultation with the Department of Treasury, will prepare a report for Government by December 2014.