

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 133

Topic: Royalties Statistics

Hansard Page: E118 (03/06/2010)

Senator ABETZ asked:

Senator ABETZ—...Do you keep any statistics on royalties paid to the various state governments in relation to mining?

Mr Ewing—In the government finance statistics we would collect that information.

Senator ABETZ—And I am sure you do not have in your back pocket the amount that may have been paid in 2008-09?

Mr Ewing—No, I would not have that.

Senator ABETZ—So it is in the government finance statistics?

Mr Ewing—Yes.

Senator ABETZ—All right. I will have a look there for that. The Commonwealth Grants Commission for whatever reason believes that, in 2008-09, \$8.3 billion was paid in royalties to the various states, which is an interesting figure. I have never been good at maths, but if you take the \$63.636 billion profit that is in your document and round that up to \$64 billion, and round down the \$8.3 billion to \$8 billion so it is easier to calculate, then the royalties represent about one-eighth of the profit before tax, which is around 13 per cent and, giving the averages, comes to about the 14 per cent figure which found its way into Mr Swan's pie chart. That would therefore seem to verify that top figure in Mr Swan's pie chart—when I say his 'pie chart' I am referring to the Treasurer's Economic Note from Sunday, 9 May 2010, just to identify the document—which I found of some passing interest. So, when we have in this document here the operating profit before tax, does that take into account profit before the payment of royalties or after the payment of royalties?

Mr Farrell—I will take it on notice.

Senator ABETZ—All right. Thank you.

Answer:

The ABS has no information about the source of information used in The Treasurer's Economic Note from Sunday, 9 May 2010.

With regard to the treatment of royalties in the calculation of Operating Profit Before Tax (OPBT) in the ABS *Australian Industry 2008-09* publication (ABS cat. no. 8155.0), royalties are covered under both the Income and the Expenses elements in calculating OPBT.

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Royalties paid to state governments in relation to mining are a particular form of royalty which are included in a data item titled 'Natural resource royalties expenses' which covers: royalties paid under mineral lease arrangements; royalties paid under timber and quarrying lease arrangements; resource rent tax; and resource rent royalty. It is not possible to split these sub-components from the single data item.

As these data are an Expenses item, they are deducted from Income in calculating OPBT, and are therefore not included in the OPBT number, i.e. OPBT applies 'after the payment of royalties (as defined)'.

Royalties income is collected as part of the Government Finance Statistics dataset. The ABS does not collect any breakdowns by royalty type, so is not able to identify royalty income from mining.