



Premier of Western Australia

Senator M. Cormann
Chairperson
Senate Select Committee on Fuel and Energy
PO BOX 6100
Parliament House
CANBERRA ACT 2600

Dear Senator

COMMONWEALTH RESOURCE RENT TAX – WESTERN AUSTRALIA'S SHARE

I note that the Senate Select Committee on Fuel and Energy has this week sought information from the Commonwealth on the proportion of the proposed Minerals Resource Rent Tax (MRRT) that would be contributed by Western Australia.

The Western Australian Department of Treasury and Finance has done some preliminary analysis of this point and I provide this to you by way of information.

The Commonwealth has estimated that it will receive \$10.5 billion (net of credits for State royalties) over the period 2012-13 to 2013-14 from its proposed MRRT and expanded PRRT. In the absence of further detail from the Commonwealth it is difficult to estimate Western Australia's contribution to this figure with any precision, as there is no published historical data or projections on profitability or resources rents for the mining industry by commodity type and State. Nonetheless a range of 60-65% is considered justifiable, based primarily on value of production estimates for iron ore and export quality coal derived from State royalty projections and Grants Commission data.

Low quality coal has been excluded from this calculation as it is considered unlikely to generate significant 'above normal' profits. Allowance has also been made for iron ore royalty credits being proportionally lower than coal royalty credits (reflecting lower average royalty rates on iron ore), which significantly boosts our contribution (see Attachment for further details).

To our knowledge the Commonwealth has not yet reported how much of the estimated \$10.5 billion would come from the MRRT, as opposed to the expanded PRRT. However, in testimony to the Senate Select Committee on Fuel and Energy on 5 July 2010, the Commonwealth Treasury indicated that iron ore and coal had been expected to provide the "overwhelming majority" of the additional revenue under the previously proposed Resource Super Profits Tax.

Furthermore, our analysis indicates that the North West Shelf project is likely to comprise the majority of the additional production that will be brought under the expanded PRRT in the next few years (i.e. prior to any coal seam gas projects coming into production in Queensland).

I trust this information is of some assistance.

Yours sincerely

Colin Barnett MLA
PREMIER; TREASURER

09 JUL 2010

ATTACHMENT

PROJECTED VALUE OF IRON ORE AND EXPORT COAL PRODUCTION (\$m)

	Iron ore			Export coal			Iron ore and export coal		
	WA	Aust	WA %	WA	Aust	WA%	WA	Aust	WA%
2012-13	58,453	59,560	98%	-	54,573	0%	58,453	114,133	51%
2013-14	55,230	56,395	98%	-	53,865	0%	55,230	110,261	50%

PROJECTED TOTAL TAX CONTRIBUTION AFTER DEDUCTING ROYALTIES (\$m)

	Iron ore and export coal		
	WA	Aust	WA%
2012-13	2,519	4,000	63%
2013-14	3,858	6,500	59%

*Assumes for simplicity that MRRT makes up 100% of the \$10.5 billion revenue (however the result is not especially sensitive to this assumption)