13 September 2013

Economic Regulation Authority
Level 4 Albert Facey House
469 Wellington Street
Perth WA 6000

Dear Sir/Madam

AN INQUIRY INTO MICROECONOMIC REFORM IN WESTERN AUSTRALIA: IMPROVING THE EFFICIENCY AND PERFORMANCE OF THE STATE'S ECONOMY

CME appreciates the opportunity to provide comment on microeconomic reform with the aim of improving productivity and efficiency and the streamlining of unnecessary regulation.

CME has focused our commentary on practical and relatively simple to administer items which we consider will bring about the greatest impact to business and efficiencies in Western Australia.

These ideas centre on the:

- Removal of regulatory approvals duplication to encourage economic activity and increase the amount of productive time businesses spend generating wealth rather than complying with government legislation;
- Removal of inefficient fees and charges to remove deterrents to economic investment;
- Privatisation of electricity assets which would lead to efficiency gains and improved consumer choice;
- Public Private Partnerships to reduce burden on the state's finances and see services/infrastructure delivered more efficiently than if delivered by government alone; and
- A more flexible training system to ensure people are up-skilled more quickly so as to deliver gains in productivity.

Further details surrounding the concerns identified are expanded upon below. CME has sought to provide detailed recommendations that are straight forward to implement for government and should deliver significant benefit relative to the cost and time involved in implementation.

Please refer to Appendix 1 for the recommendations summary table.

Appendix 2 contains data relating to approvals process times and Appendix 3 details tax impost, charges and some international comparisons.

CME and the WA resources industry

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia.

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Having been in operation since 1901, the role of CME is to champion the Western Australian resources sector and assist it to achieve its vision to lead the world in sustainable practice through innovation and to underpin Australia's position in the global economy. CME strives to be a persuasive industry voice, adding value to our member companies in a dynamic and increasingly complex operating environment.

In order to achieve this, CME aims to:

- Lead policy development on issues impacting on the resources sector;
- Promote the value of the sector to the community;
- Represent the views and advocate the needs of our members; and
- Provide an avenue through which members and stakeholders are able to collaborate.

With policy expertise spanning industry and research activities, occupational safety and health, education and training, the environment, exploration, Indigenous affairs and workforce development, infrastructure, economics and tax, CME provides stakeholders and members with an avenue for undertaking extensive collaboration on all industry matters.

The Western Australian resources sector is diverse and complex covering exploration, processing, downstream value adding and refining of over 50 different types of mineral and energy resources. The sector is also a significant generator of power, predominantly for its own use, and identifier and developer of water resources. Besides being the largest private employer in regional and remote Western Australia, the sector is also the largest employer of Indigenous Australians.

CME represents companies directly involved in the resources sector (including mining, oil and gas) or those providing services to it. CME's member companies generate 95 per cent of all mineral and energy production by value and employ more than 80 per cent of the resources sector workforce in the state.

Background

For a number of years now, the cost of doing business in Western Australia and Australia has escalated. The increase can be attributed to a number of factors such as a tight labour market, an increase in red and green tape, push for cost recovery of government services and the Federal Government's policy position of "spreading the benefits of the boom".

Recent studies show Australia's cost competitiveness is declining and that our positive terms of trade (gained through high commodity prices and significant capital investment) has predominately been the driver of income growth since 2005.

When combined with decreasing ore grades and the emergence and development of new minerals rich regions around the world, the level of competition in the global resources sector is increasing for Australia, and particularly effecting Western Australia. This is both in the attraction of investment capital and the capture and maintenance of market share. Falling commodity prices and Australia's reducing terms of trade have now placed an even greater spotlight on the increasing costs of developing mining and energy projects in Australia.

Australia's resource sector is heavily reliant on foreign investment, more so than any other industry. Rising costs for both project development and operations pose a threat to attracting this foreign investment as it can impact significantly on returns. These rising costs have significant implications when comparative costs and returns for investing in different jurisdictions are considered by resources companies. Western Australian resources companies need to remain cost competitive in order to attract investment for new projects and to ensure sustainable operations that can compete against our global rivals.

Recent CME research into the cost of doing business shows that this is an increasing challenge for many energy and mining companies as they grapple with global market dynamics, increasing input costs and policy and regulatory settings that are volatile, complex and at times costly.

Additional increases in costs in Western Australia include:

- Imposed business costs including the uncertainty of the settings of the introduction of new and changing federal taxation imposts such as MRRT and the carbon pricing regime;
- Productivity challenges for the sector;
- Project approval processes, duplication, time delays and complexity;
- Increasing cash costs for gold companies, capital costs for iron ore development in the Pilbara, non-Pilbara and emerging regions, and LNG projects already sitting at the higher end of the international cost curve;
- Increasing salaries and labour shortages; and
- Increasing energy demand and rising energy costs for resource projects.

While the Western Australian resources sector has an important foothold in the global industry, it does not dominate any one market. Therefore it remains susceptible to changes in policy that alter its attractiveness against resource sectors in other jurisdictions that compete for market share.

Minerals Council of Australia research estimates if Australia can maintain market share through the next 20 years, the nation's mineral revenue could increase by $121 billion per annum by 2031 – a 65% increase for a sector already twice the size it was in 2006[1]. Recent work CME has undertaken with KPMG highlights that just a 10% growth in Western Australian resources exports would deliver a $2.7 billion increase in Western Australia's standard of living (GSI) and an additional 20,353 jobs in Western Australia over 5-10 years.

Western Australia's existing investments in mining and oil and gas are the culmination of significant project development processes. These investments cannot be taken as an indicator or guarantee of future development. The global resources sector will always assess other locations, which have significant potential, and Australia must remain internationally competitive in order to attract resources investment, economic development and employment growth into the future.

CME considers real efficiencies can be realised through the identification and recommendation of practical solutions to policy and guideline duplication, uncertainty, transparency and communication. The comments below provide a high level indication of CME's main concerns; please refer to the attached tables for CME's detailed responses.

Infrastructure

Currently, the state government is unable to fund all multi-user infrastructure due to the high upfront capital input required and the current state debt limit. This lack of funding will impede the continued growth and investment in exploration and mine development, removing incentive to expand if the railways and ports do not have the capacity to handle the extra load. The government should use a capital recycling method and encourage joint investment with private companies. Flexible financing arrangements including public private partnerships will reduce the burden on the state and have the potential for infrastructure to be delivered more efficiently.

[1] Port Jackson Partners/MCA *'Opportunity at risk: Regaining our competitive edge in mineral resources'* September 2012.

The Western Australian government's decision to merge government-owned electricity utilities will decrease competition and increase risk in the electricity market, potentially diminishing the appetite for greater private sector investment. The government, as a priority, needs to remove anticompetitive barriers and encourage greater competition from the private sector. Privatisation of electricity assets would give consumers choice and enable government to invest in, a range of infrastructure which further encourages economic activity.

The government does not have a longer term coordinated process for planning and prioritising infrastructure projects which is independent of the political cycle, resulting in planning inefficiencies. CME recommends that the government establishes an independent, arm's-length infrastructure planning agency to coordinate, develop and report on infrastructure planning. A transparent, coordinated infrastructure prioritisation body would reduce duplication and inefficiencies across government agencies.

Environmental and Land Access Approvals

A significant portion of industry costs are expended in meeting the requirements of approvals and application processes related to the environment and land access matters. Recently industry has reported that tenement approvals are increasingly taking longer to process. Often processes are complex and overly prescriptive, duplicated and cumbersome, introducing additional cost pressures and a higher degree of uncertainty for applicants. These all act as disincentives to exploration and development.

An efficient and effective approvals system for both land access and environmental requirements is vital to the continued international competitiveness of the resources sector in Western Australia. Minimising duplication in assessment and approvals of resources sector projects is the most significant way this can be achieved.

A number of reform areas have been identified through Reforming Environmental Regulation (RER) process led by the Department of Mines and Petroleum. These have the potential to reduce delays and other costs to industry. The current inefficiencies in environmental approvals to a large extent would be improved through the implementation of RER recommendations. CME encourages the government to focus on progressing these reforms.

The expansion of the DMP's approvals tracking system across the Departments of Water, Environment Regulation and the Environmental Protection Authority so that timetables are enforceable and departmental accountability is strengthened, should be an immediate priority. The current "stop the clock" mechanism used across agencies creates unclear and ambiguous timelines that have not been adequately explained and impact upon resources companies costs.

The removal of regulatory approvals duplication, implementation of the RER and expansion of the approvals tracking system will enable stronger economic activity, increasing the amount of productive time businesses spend generating wealth.

Taxation (imposed cost, inefficient charges and royalties)

CME encourages the government to review "dead weight" fees and charges (stamp duty, payroll tax) to assess their impact on efficiency in revenue collection for the state. While we understand the need for state driven revenue, CME considers there should be a state wide review into the state tax system to ensure that broadly accepted tax principles of simplicity, predictability, equity and efficiency are maintained.

Western Australian resources companies compete on an international level with both established and emerging markets for capital investment, it is critical that Western Australian taxation and imposed costs are internationally competitive.

While it is difficult to make direct comparisons between regions due to different taxation and imposed cost structures, CME has provided data from our *Cost of doing business* report that assesses the major taxes for resources companies including royalties, carbon pricing mechanisms and resource taxes around the world. The international comparison table provided does include taxation and costs that are imposed by the federal government and therefore outside the scope of this review, but the table provides a broader comparison of the international market in which Western Australia is competing.

There has also been significant change in taxation legislation in Australia impacting the resources sector over the last 5 years including the:

- Introduction of MRRT for iron ore and coal following debate around the original proposed Resource Super Profits Tax.
- Introduction of the carbon pricing regime following several years of debate and uncertainty about its introduction and dimensions.
- Uncertainty regarding the longevity of the carbon pricing mechanism.
- Increased royalty rates for iron ore in WA.
- Royalty review currently being undertaken in WA.

These significant changes cause uncertainty detracting from Western Australia as a safe, stable and attractive place in which to invest and our ability to attract of capital for exploration and future development.

CME will work closely with the government to ensure industry views are factored into the current review of Western Australia's royalty rates. The growing importance of royalty and broader resources sector revenue to the state budget (approximately 25% of state revenue in 2012-13) underscores the importance of ensuring a royalty regime which takes into account the broader economic conditions in which the industry operates and the importance of a continuing strong and internationally competitive sector.

Training

Currently inefficiencies in the public provider training network result in overall higher delivery cost for vocational education and training. CME encourages the government to further de-regulate the training market and allow further competition in this sector. A more flexible training system will ensure people are up-skilled more quickly and increasing the number of quality training providers will deliver important productivity gains across the Western Australian economy.

Occupational Safety and Health

There have been notable improvements in efficiency gains in occupational safety and health in the Western Australian resources sector with electronic reporting, the administration regarding safeguarding of machinery and plant codes of practice and the ability to see and use audit tools prior to inspections. Further efficiencies could be gained through a reduction of onerous equipment inspections, batching of audits with early follow up of recommendations and a reduction of duplication which is detailed in tables attached.

CME is concerned that uncertainties surrounding harmonised legislation is impacting on the ability of businesses to plan safety strategies. Certainty regarding timing of legislative change would alleviate costly difficulties with safety planning. The uncertainty regarding the future of the model legislation in Western Australia is causing businesses to incur costs as they are forced plan for the introduction of legislation that may never eventuate, or may be heavily changed from its current form.

Conclusion
CME appreciates the opportunity to contribute to the Economic Regulation Authority's microeconomic reform to improve the efficiency and performance of the Western Australian economy. We look forward to continued consultation and the opportunity to represent the views of our membership further once the discussion paper resulting from the initial submissions has been prepared.
Please do not hesitate in contacting Sarah Hooper (s.hooper@cmewa.com) or Shannon Burdeu (s.burdeu@cmewa.com) if you have any further queries.

Yours sincerely,

Reg Howard-Smith
Chief Executive

Att: Recommendations summary table and Appendices.

1. Appendix 1 – Issues identification and recommendations table

Infrastructure Issue	Recommendation	Likely net benefit of recommendation
• The government does not have a longer term, coordinated process for planning and prioritising infrastructure projects, which is independent of the political cycle, resulting in planning inefficiencies.	• Consider establishing an independent/statutory infrastructure planning agency, required to coordinate, develop and report on infrastructure planning. • CME considers a transparent process should be established for planning and prioritising infrastructure.	• Reduction of duplication and inefficiencies across government agencies for infrastructure planning.
• The government is unable to fund economic, multi-user infrastructure required to support resources sector projects due to high capital costs and state net debt limitations.	• Consider a strategy of capital recycling and identify target projects for recycling. • Consider a strategy to encourage private sector identification of innovative models to fund projects.	• Government access to capital for new infrastructure projects. • Improved efficiencies for users through private sector operation of projects.
• The government's decision to merge government-owned electricity utilities will decrease competition and increased risk in the electricity market, diminish the appetite for greater private sector investment.	• Consider options and establish a clear timeframe for the recycling of government owned energy utilities, particularly the new Synergy and Western Power. • Consider options and establish a clear timeframe for the elimination of anti-competitive barriers in the non-contestable market. • CME considers the substantial market share of the new utility a move away from competition and transparency in the sector. While the merger decision is acknowledged, the government must now define objectives and timeframes and establish the process by which is could ultimately sell the utilities.	• Increased private sector investment and efficiency in the state's electricity market and competitive prices for end consumers.
Environmental approvals Issue	Recommendation	Likely net benefit of recommendation
• Duplication of across project approvals process requirements, regulations and conditions.	• Review key resource project development legislation, regulations and approvals processes to remove unnecessary duplication and overlapping requirements. • An efficient and effective environmental approvals system is vital to the continued international competitiveness of the resource sector in Western Australia. CME acknowledges there has been progress in the implementation of approval reform to date, however, further reforms targeted at removing unnecessary duplication and regulatory burden is required.	• The removal of duplicative, unnecessary and overly prescriptive requirements will increase efficiency and reduce cost impost on industry. The focus should be streamlining assessment, compliance and administrative processes, without compromising the standards of approvals.

• Lead Agency Framework (LAF) benefits have been minimal and limited to Level 3 (significant) projects.	• Undertake a review of the effectiveness of the Lead Agency Framework, with industry involvement to ensure the process is effective in delivering a clear gateway and streamlined process for proponents, as well as whole of government benefits. • While the current lead agency model has resulted in positive cultural change in some agencies, administrative improvements including around front-end scoping, communication, escalation and the effective and efficient use of the framework within agencies is needed to meet the expectations of the resources sector.	• An improved LAF has the potential to provide much needed assistance to proponents in navigating the approvals process. • Improved coordination and assistance from lead agencies will streamline the approvals process and reduce the cost impost on industry without compromising effectiveness.
• An approvals tracking system including transparent statutory timeframes across all approvals processes and agencies is not currently available	• Implement a cross-agency approvals tracking and reporting system. • Implement statutory timeframes and transparent 'stop the clock' provisions. • CME supports the development of an approvals tracking system across all lead and approvals agencies, enabling Industry to access information on projects and approvals applications from a single location.	• Tracking and reporting across approval agencies and implementation of statutory timeframes will assist in identifying process bottlenecks (where further efficiency gains can be made) and hold agencies accountable to timeframes.
Imposed costs and charges Issue	Recommendation	Likely net benefit of recommendation
• Royalty rate analysis	• Royalty rates should be kept within the principle of returning to the state10% of mine head value. Where this is not the case, there must be caution taken in assessing a commodity sectors economic viability before any increases are recommended. • CME encourages ongoing consultation with industry prior to recommending any adjustments to the current royalty rate system.	• Reduce uncertainty and continuation of capital investment attraction for the medium to long term.
• Broad and complex range of state based taxation, charges, levies and imposed costs	• Review taxes and imposed costs in an international context to determine streamlined methods of implementing charges or fees. • A full state taxes and charges review should occur to remove any inefficient taxes which do not confirm to basic good tax policy principles. • CME encourages tax reform in close consultation with industry based on solid tax policy principles.	• Attraction of greater market share for exploration and investment capital. • Increase in efficiencies for businesses more easily able to comply with simplified tax system.

Local Government

Issue	Recommendation	Likely net benefit of recommendation
• Commitment to gross rental valuation KPI's as agreed	• Department of Local Government to begin collating local rates information, when reported by local governments. • Where anomalies or outliers are identified, local governments must be held to account for unnecessary increases in rates against agreed policy trials.	• Clarity and assurance amongst the resources sector of existing government agreements and processes. • Increases in stability of projects as costs clearly identified and outlined from outset providing project assurance and certainty.
• Local government differential rates have seen significant increases targeted at the resources sector. Concern exists other regions of the state may seek to propose increases in differential rates for future financial years, primarily targeted at the resources sector, without addressing any inefficiencies in operations.	• State government and ministerial oversight is important to ensure local rates rises are justifiable and do not impact upon the viability of projects and future investment opportunities in regional and rural Western Australia. • CME opposes blanket increases in taxes that are targeting the resources sector. The resources sector plays a significant part of rural communities and the voluntary community contributions made by resources companies is not factored in to or acknowledged when arbitrary increases to charges occur with little warning.	• An equitable and efficient local rate regime which does not impose unbudgeted for and additional burden upon resources projects.
• A number of projects delivered through Royalties for Regions have flow on impacts on the budgets of local governments through the need to cover operating expenses. •	• The state government Royalties for Regions projects should include maintenance and operational expenses in initial costings, planning and final project funding. • Consideration needs to be given to the full contribution to local community funding.	• This will reduce the budgetary burden on local governments and recourse to differential rate rises penalising the resources sector.

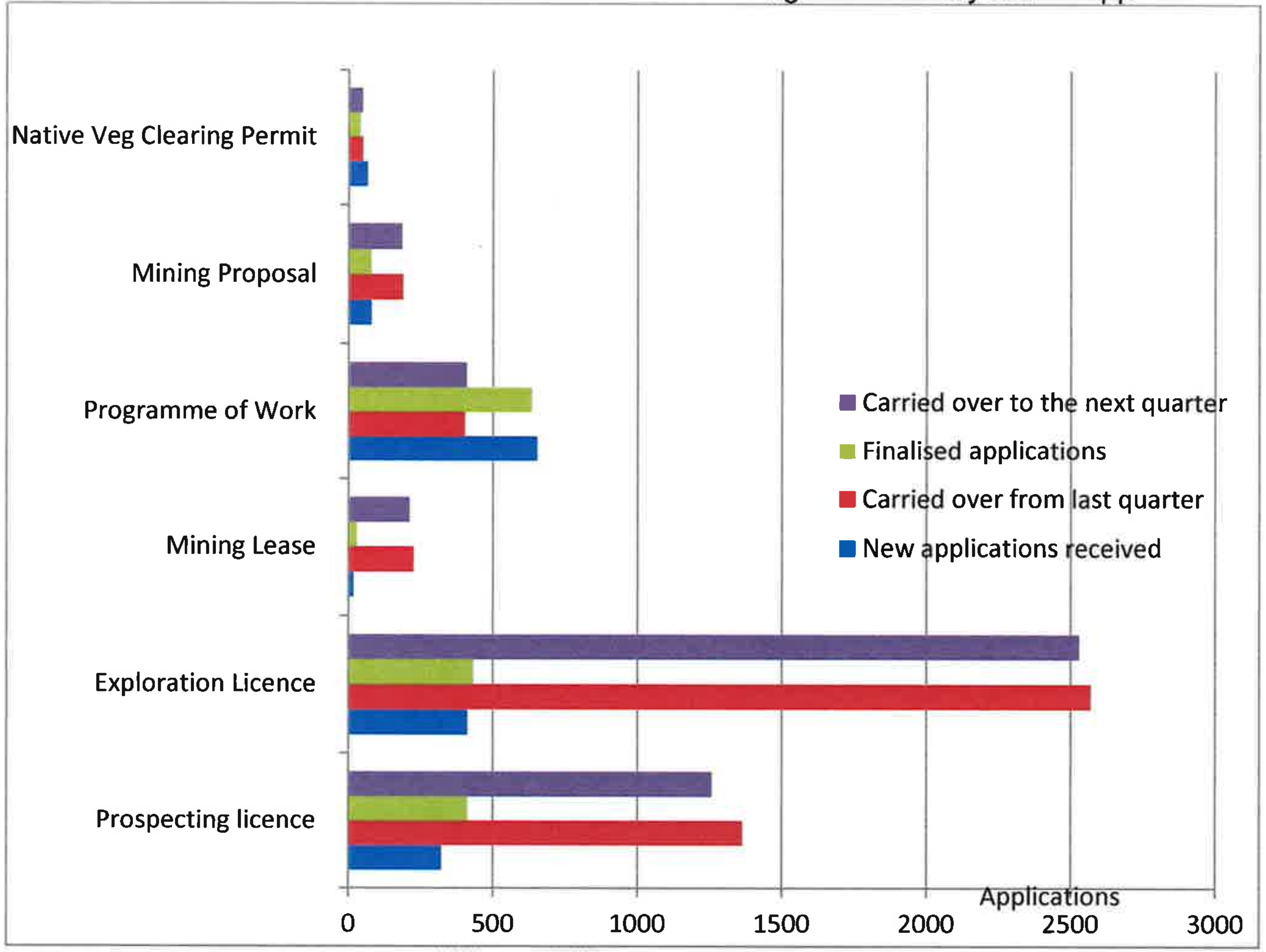
Land Access

Issue	Recommendation	Likely net benefit of recommendation
• Perceived land use conflict and need for land use planning.	• The state government to develop clear, consistent and sustainable policies addressing the requirements of multiple land users within the state	• Clarity regarding land use planning is essential to provide certainty about future development, minimise land use conflicts and to identify economic, environmental and social opportunities.
• Local prohibitions on resource development as a result of decisions made outside of land use approvals process	• Land use decisions should be based on economic, social and environmental evidence on a case-by-case basis. • Land use decisions should not be made outside of the current approvals process.	• The approvals process maintains the integrity to assess individual projects on their merits, and does not result in a trend to sterilise land from resource development outside of standard processes.

• Future developments require significant forward planning and consideration of specific regional factors.	• State approvals/assessment processes should be facilitated by strategic planning based on consultation, coordination and comprehensive information, including scientific, regarding the conservation, heritage, social, and economic values of a region. This planning should be coordinated with public sector investment in regional infrastructure.	• An increase in the investment attractiveness of regions as a result of forward planning, infrastructure investment and land releases. Planning effectively identifies and manages population growth in regional centres, enabling economic and social developments.
• A significant portion of industry costs are expended in meeting the requirements of approvals and applications processes related to land access. These processes are complex and often overly prescriptive, duplicated and cumbersome, introducing additional cost pressures and a higher degree of uncertainty for applicants.	• Approvals and application processes are streamlined to reduce duplication, and complexity, and its overly prescriptive nature.	• An increase in certainty for applications and a reduction in cost pressures. This will reduce the cost of doing business in the state and increase its investment attractiveness.
• High costs and extended timeframes associated with native title and Aboriginal heritage.	• Land policies be formulated to provide better protection of Aboriginal heritage, certainty for proponents, and minimise cost and administrative burden. Timely and transparent resolution of claims.	• An increase in clarity, certainty, timely and transparent resolutions, and a reduction in the administrative burden. These benefits will result in increased investment attractiveness.
Training Issue	Recommendation	Likely net benefit of recommendation
• Utilisation of Government's investment in public training infrastructure	• That public training providers commit to strengthened third party access arrangements that allow greater use of existing public training infrastructure	• Better utilisation of existing public training infrastructure. Increased quantity of training delivered and improved quality in delivery and assessment
• Inefficiencies in public provider network result in overall higher delivery cost for vocational education and training	• That government further de-regulate the training market and open it to greater competition.	• Reduction in overall delivery cost and increase in delivery for same government investment
• The increase of the education fees of the children of 457 visa holders to $4000 per child pa.	• Removal of the fee. • Consultation with industry going forward prior to the implementation of levies or charges that will impact the sectors ability to retain skilled workers.	• Greater attraction and retention of vital highly skilled professionals and reduction in costs borne (in most cases) by industry in order to secure a high-skilled workforce.

2. Appendix 2 - Approval application times

Department of Mines and Petroleum WA Third Quarter 2012 – showing level of carryover in approvals from one quarter to the next.



In 2010/11, the Department of Mines and Petroleum WA approved 350 mining proposals up from 241 mining proposals in 2006/07. This represents a 45% increase over 4 years. This growth has placed added stress on an approvals and regulatory system already pushed to its limits and has resulted in increased delays across the board. This leads to uncertainty and significant downtime for project proponents often already time poor and under strict time and financial deadline.

3. Appendix 3 - Resources sector taxes major imposed taxes

Imposed costs are an important aspect of a company's licence to operate in WA and are a necessary and recognised aspect of resource development. There are currently a wide range of varying imposed costs that are paid by the resources sector as part of its licence to operate in WA and Australia.

These costs are imposed from different levels - Federal Government, State Government and Local Government and State corporations and authorities. They can be incurred at different times, as one-off payments or throughout the lifecycle of a project. The costs also have highly varying mechanisms for collection and charging including taxes, levies, bonds, fees and other charges.

There has been an increasing concern over a number of years at the complexities and sheer volume of regulatory framework that applies to resource projects in WA. In order to comply with the framework, organisations at a minimum are required to:

- Have skilled labour with the ability to understand, assess, measure and monitor costs (i.e. carbon emissions).
- Manage the interactions required with government and other bodies in relation to both costs and consultation on regulatory changes.
- Maintain processes and business systems to keep track of the requirements.
- Have financial and taxation expertise to understand the accounting, taxation and other commercial implications of the costs and changing legislation.
- Understand the reporting requirements to shareholders, stakeholders, Australian Stock Exchange (ASX), Australian Securities and Investment Commission (ASIC), etc. in relation to the costs.
- Respond to variances, changes and analysis of the impact of the changes on company financials, operations and key stakeholders.

The following table outlines the major current imposed costs relating to resource development. Please note that this is not an exhaustive list but seeks to provide a broad picture. It should be noted that depending on the activity of a company there may be more or less imposed costs relating to developing infrastructure, supporting energy requirements and other activities.

	Exploration	Development	Operations	Closure	Implementation	Types of Rates/Charges
Royalties			✓		State Government	Based on sales value.
Company Tax			✓		Federal Government	30% flat rate
Payroll Tax	✓	✓	✓		State Government	5.5% of taxable wages amount
Carbon Tax	✓	✓	✓	✓	Federal Government	$23 per tonne in 1st year
Transfer Duty	✓	✓	✓	✓	State Government	Levied on dutiable property. Rates depend on value of transaction.
Landholder Duty	✓	✓	✓	✓	State Government	Calculated at the general rate of transfer duty per the *Duties Act 2008*.
MRRT / PRRT			✓		Federal Government	Effective rate of MRRT is 22.5%. PRRT applied at 40% of a project's taxable profit .
Exploration Security Deposits	✓				State Government	A security bond of $5000 is required for each exploration licence granted
Aviation Charges	✓	✓	✓		Airport authorities	Landing fees charged by regional airports
Port User charges			✓		Port authorities	Charges imposed by regional ports vary with tonnage and commodity
Rail Charges			✓		Private rail or multi-user operator e.g. QR National	Tariffs are negotiated between the rail operator and the user
FIFO Charges		✓	✓		Airline operators	Charges for FIFO chartered flights privately negotiated with operators
High wide load charges		✓	✓		State Government	Charges for permits required from the Department of Transport for transport of high wide loads

					Implementation	Types of Rates/charges
LGA - rates		✓	✓		Local Government	Rates are based on the gross rental value of urban properties and unimproved value for rural land. Rates vary across councils
LGA – road charges		✓	✓		Local Government	Local councils may apply charges on heavy usage of roads within council areas
LGA - planning/building application admin. fees		✓	✓		Local Government	Fees charged by local councils on building application submissions
LGA – extraordinary charges		✓	✓		Local Government	Other special charges imposed by local councils
Native title approval costs		✓			State Government	Native title applications are administered by the Department of Mines and Petroleum. Costs are mainly related to legal fees and advice
LGA monetary contributions for development approvals		✓			Local Government	Co-pay principle for certain building developments which benefit wider community
LGA – provision of infrastructure		✓	✓		Local Government	Local councils may request companies to pay for the required infrastructure for an area
Environmental Offsets		✓	✓		State Government	Administered by the Department of Environment and Conservation. Costs vary as offsets include acquisition of land for conservation; revegetation of natural areas outside the project area; or improving scientific or community understanding.

					Implementation	Types of Rates/charges
Mining Tenement Fees		✓	✓		State Government	Depends on type of licence. For a mining lease, application fee is $406 and rental/year of $15.40 per ha, with a minimum annual expenditure of $5,000 if 5 ha or less
Concessional Road Charges (DoT)		✓	✓		State Government	Charged by Dept of Transport for concessional loading permits (allowing loads up to 23.5 t). Usually applies to iron ore road haulage
Immigration Visas		✓	✓		Federal Government	Fees are charged for various types of visa application. The fee for a 457 visa is $350
Construction Training Fund Levy		✓			State Government/ Local Government	Applied to all residential, commercial and civil engineering projects where the total value of construction is $20,000 or more(currently excluding exploration and extraction of minerals and petroleum). Rate is 0.2% of the total contract price (inclusive of GST) or $200 in every $100, 000 worth of project value. Paid to local government
Cultural Heritage Surveys	✓	✓			State Government	Administered by Dept of Indigenous Affairs. If a survey is deemed necessary, fees are paid to a consultant for doing the survey. Fees can vary significantly
Native Title Payments		✓	✓		Aboriginal Corporations	Payments are privately negotiated by companies with Aboriginal corporations representing native title holders
Resources Safety charges/levies		✓	✓		State Government	Administered by Dept of Mines and Petroleum (DMP). Charges vary. i.e. Fee for a dangerous good vehicle licence is $384
Mine Safety Levy (DMP)					State Government	Administered by Dept of Mines and Petroleum. The levy model uses the levy rate ($ per hour) multiplied by the total number of hours worked in a period at a mine site. For FY2011/12, the levy rate was $0.18 per hour

Mining Rehabilitation Fund (MRF) Bill 2012	✓	✓	✓	✓	State Government	The MRF Bill was passed by the WA Parliament this year. The bill proposes to charge a levy on holders of all mining tenements based on the rehabilitation (closure)liability estimate (RLE) of each tenement. Consultations between DMP and the mining industry are ongoing on how to implement this levy which is proposed to be at 1% of the RLE. The MRF Fund levy started from July 2013 and replaced the environmental bond system.

PROPOSED COSTS

					Implementation	Types of Rates/charges
Environmental Impact Assessments		✓			State Government	The WA State Budget 2012/13 contains a proposal for the introduction of fees for the provision of environmental impact assessments in the forward estimates of the Office of Environmental Protection Authority (OEPA). The OEPA budget Forward Estimates highlight an annual reduction in service appropriations of approximately $4 million per annum from the WA Government for environmental assessments and proposes these funds be cost-recovered from industry.
Reforming Environmental Regulations		✓			State Government	On 8 May 2012, DMP announced the implementation of the Reforming Environmental Regulation (RER) program to fully integrate a risk based approach to achieve best practice in regulatory services. Initial consultations with DMP highlighted potential for introduction of cost recovery services to fund environmental regulation with DMP.

	Exploration	Development	Operations	Closure	Implementation	Types of Rates/charges
Aboriginal Heritage (AH) Act activities		✓			State Government	On 1 May 2012, the Minister for Energy; Training and Workforce Development; Indigenous Affairs released a discussion paper outlining seven proposals to amend the AH Act. One of the seven proposals states: "In common with other agencies, there should be a power in the Act for the Department to levy fees and charges for services".
Mining Act activities (Programme of Works and Mining proposals)		✓	✓		State Government	DMP has drafted a Mining Amendment Bill 2012 which is envisaged to be put before Parliament this year. The Government has allocated a high priority for the Bill. Many of the proposals in the Bill have been discussed by the Mining Industry Liaison Committee over a number of years. A proposal in the Bill includes the introduction of an application fee for a Programme of Works or Mining Proposal.
Safety Management Levy		✓	✓		State Government	The State Budget papers highlight an increase in income for DMP of $10.2 million from 2011-12 to 2012-13 resulting from increased fees and charges for major hazard facilities and explosive reserves and the introduction of fees for the regulation of offshore waters along with increases in petroleum permits and licence fees. An additional $9 million will be spent over five years from 2011-12 on the implementation of the dangerous good regulation reforms which mainly focuses on the alignment of the dangerous goods fee structure, and simplification and consolidation of the existing regulations, with the cost of regulation to be recovered from Industry. Additionally, fees are rising to near full cost recovery over two years.

					Implementation	Types of Rates/charges
EPBC Act 1999 – Cost recovered activities		✓	✓		State and Federal Government	In September 2011, the Department of Sustainability, Environment, Water, Populations and Communities (SEWPaC) released a Consultation paper on Cost-Recovery under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act) for public comment. SEWPaC has subsequently released an EPBC Act Cost-Recovery Impact Statement (CRIS) in May 2012 for public comment. The CRIS highlights projected revenue will increase from $4.1 million in 2012-13 to $13.8 Million in 2016-17. Cost recovered activities include Environmental Impact Assessments, Strategic Assessments and Wildlife Trade.

a. International tax comparison

WA resource companies are competing globally with a variety of established and emerging regions for the supply of our major mining commodities such as gold and iron ore.

Many of these regions have emerging and rich resource bases and are actively seeking to attract investment or support their local industry. This creates competition for capital with Western Australian projects and also increases uncertainty in market demand. Western Australia's major tax imposts of corporate tax, royalties, resources tax and carbon tax were compared to some of our major competitors for capital and international market share in a report prepared in January 2013

Meaningful direct comparisons across international regions are difficult due to the varied taxation and imposed costs regimes as well as practices in place in each of these regions. To provide a snapshot for illustrative purposes, we have looked at headline corporate tax rates for resources in the major regions of Western Australia, Queensland, Canada, Chile, Brazil, South Africa, Democratic Republic of Congo, Ghana and Tanzania.

Type of tax	Item	Australia		Canada			Chile	Brazil	South Africa	Democratic Republic of Congo	Ghana	Tanzania
		Western Australia	Queensland	Quebec[3]	BC[4]	Ontario[5]						
Corporate tax	**Level at which applied**	Federal	Federal	1. Federal 2. Provincial[6]			Federal	Federal	Federal	Federal	Federal	Federal
	Corporate Tax Rate	30%	30%	26.3% (comprises a 15.0% federal tax component and an 11.3% provincial tax component)			18.5%[7]	34%	28%	30%[10]	35.0% (applies to mining companies)	30%
Royalties	**Level at which applied**	State	State	-			-	-	-	-	-	-
	Basis for Application	Value of tonnes sold	Value of tonnes sold	-			-	Adjusted Revenue	Adjusted Revenue	Adjusted Revenue	Revenue (turnover)	Market value
	Gold	2.5%[1]	5%[1]	-	-	-	-	1.0%	0.5- 5%[9]	2.5%	5.0%	4.0%
	Iron Ore	5.0-7.5%[1]	N/A	-	-	-	-	2.0%	0.5-7%[9]	0.5%	5.0%	3.0%
Resources tax	**Level at which applied**	Federal	Federal	State			Federal	-	-	-	-	-
	Basis for Application	Adjusted Profits Before Tax (PBT)	Adjusted PBT	Adjusted PBT			Adjusted PBT	-	-	-	-	-
	Gold	N/A	N/A	16%	2-13%	5-10%	0-14%[8]	-	-	-	-	-
	Iron Ore	22.5%[2]	22.5%[2]	16%	2-13%	5-10%	0-14%[8]	-	-	-	-	-
Carbon pricing mechanism	**Level at which applied**	Federal	Federal	-	Province only	-	-	-	-	-	-	-
	Carbon emission	$23/ tonne for 1st year	$23/ tonne for 1st year	-	$28/ tonne	-	-	-	-	-	-	-

Notes for International Tax comparison

1. Royalties are imposed by each state government on various mineral resources. Royalty rates vary across each commodity and state. The tax base for which the royalty rate is applied on is the adjusted revenue or value of the commodity sold. Royalties are deductible for income tax purposes. For bulk commodities such as iron ore, the royalty rate is 7.5%. A lower rate of 5% applies to concentrates such magnetite and uranium oxide concentrates, while a 2.5% royalty rate applies for contained vanadium within magnetite concentrate.

2. Minerals Resource Rent Tax ("MRRT") is imposed by the federal government on iron ore and coal projects at a rate of 22.5%. MRRT is a project based tax and is in effect from 1 July 2012 onwards. Taxpayers who held an interest in the iron ore and coal projects prior to 1 July 2012 are eligible to a "starting base allowances". State royalties paid are deductible for MRRT purposes. Any unused losses or allowances carried forward to the next year can be uplifted. MRRT paid is deductible for income tax purposes.

3. A flat rate is levied on the annual profits from mining operations in Quebec. The 16% flat rate is for tax years starting after 31 December 2011.

4. British Columba ("BC") Mining taxes are imposed mine-by-mine in two stages: a 2% tax on "net current proceeds" (revenue less certain operating costs) and 13% tax on "net revenue" (net current proceeds less modified capital costs, exploration costs, pre-production development costs and an investment allowance). The initial 2% tax is a form of minimum tax, which is deductible in full, with an interest component, against the 13% tax. There are incentives to encourage new mine developments in British Columbia that begin commercial production after 31 December 1994 and before

5. Ontario mining tax is levied at a rate of 10% on taxable profit in excess of $500,000 derived from mining operations in Ontario. For a three-year period, the first $10 million of profits generated by a new mine or major expansion of an existing mine is exempt from tax. This period is extended to ten years for new mines opened in "remote" Ontario locations. Furthermore, a 5% tax rate applies to profits from the operation of a "remote" mine once the holiday period is over. Ontario diamonds royalty is excluded from the Ontario mining tax.

6. Provincial income rates vary between 10% to 16%. For major mining areas, this rate varies between 10% and 11.9%.

7. The corporate income tax rate (worldwide income regime) was raised from 17% to 20% during the fiscal year 2011. It has further increased to 18.5% for the fiscal year 2012 and will be back to 17% from 2013 onwards. There is a possibility that the corporate income tax rate will be fixed at 20%, following the Chilean Government's announcement of a tax reform and Congress pressures

8. Annual sales of less than 12,000 metric tonnes of fine copper are exempted from Mining Industry Tax. For annual sales ranging between 12,000 and 50,000 metric tonnes of fine copper, a marginal rate ranging from 0.5% to 4.5% is applied over the taxable operational mining income (equivalent to an effective tax burden of 0.04% to 1.93%). Annual sales over 50,000 metric tonnes of fine copper are subject to an effective tax burden ranging from 5% and 14% over the taxable operational mining income.

9. Calculation: the Mineral and Petroleum Resources Development Act ("MPRDA") applies variable royalty percentage rates based on whether the mineral is refined or unrefined. The royalty liability is equal to the tax base (gross sales) multiplied by the royalty percentage rate. Refined mineral resources are mineral resources that have undergone a comprehensive level of beneficiation and are listed in Schedule 1 to the MPRDA. The minimum royalty percentage in the case of refined minerals is 0.5% and the maximum royalty percentage is 5%. And, in the case of unrefined minerals, the minimum royalty percentage is 0.5% and the maximum royalty percentage is 7%.

10. The standard top rate of CIT is 40%, as set by tax laws. The income tax rate applicable for mining companies in exploitation phase is a reduced CIT rate of 30%, as set by the Mining Code.

Source: KPMG, relevant Australian and international federal and state/provincial department websites.

b. International tax comparison: Global ranking, PwC research 'Paying Taxes 2012 – The global picture'

Country	Rank	Total tax rate	Profit tax	Labour tax	Other tax
Timor-Leste	1	**0.2%**	0%	0%	0.2%
Qatar	6	**11.3%**	0%	11.3%	0%
United Arab Emirates	7	**14.1%**	0%	14.1%	0%
Saudi Arabia	9	**14.5%**	2.1%	12.4%	0%
Mongolia	25	**24.6%**	10.2%	12.4%	2%
Chile	27	**25%**	18%	3.8%	3.2%
Canada	39	**28.8%**	9.4%	12.6%	6.8%
South Africa	58	**33.1%**	24.4%	4.1%	4.6%
Ghana	61	**33.6%**	18.4%	14.7%	0.5%
Malaysia	62	**34%**	17%	15.6%	1.4%
Indonesia	67	**34.5%**	23.6%	10.6%	0.1%
Bangladesh	70	**35%**	25.7%	0%	9.3%
Zimbabwe	74	**35.6%**	20.4%	5.1%	10.1%
Norway	104	**41.6%**	24.4%	15.9%	1.3%
Tanzania	122	**45.5%**	20.2%	18%	7.3%
United States	131	**46.7%**	27.6%	10%	9.1%
Australia	**133**	**47.7%**	**26%**	**20.4%**	**1.4%**
Brazil	168	**67.1%**	22.4%	40.9%	3.8%
Congo	183	**339.7%**	58.9%	7.9%	272.9%

PwC research ranks Australia's overall tax rating at 133 out of 188 countries analysed. The overall ranking is defined as 'a simple average of the percentile rankings of each of the sub-indicators'.

The total tax rate measures the amount of taxes and mandatory contributions borne by a company (a fictional business scenario applied across all jurisdictions), expressed as a share of commercial profit. The total amount of taxes is the sum of all

The different taxes and contributions payable after accounting for allowable deductions and exemptions. The taxes withheld (such as personal income tax) or collected by the company and remitted to the tax authorities (such as GST) but not borne by the company are excluded.

The research found Australia has a total tax rate of 47.7% comprising of:

- Profit tax 26.0% (including corporate tax)
- Labour tax 20.4% (superannuation and payroll taxes)
- Other taxes 1.3%

Amongst resource rich countries identified, only Brazil and Democratic Republic of Congo had a higher total tax rate than Australia.