

# WESTERN AUSTRALIAN JANUARY 2009 SUBMISSION

## CGC2008/10 MINING REVENUE

### Key Points

- Western Australia supports the Commission's proposal to assess capacity based on the value of mining production.
- We agree that ABS data best reflects the value of mine-gate production.
- Western Australia does not support the special treatment of domestic coal in assessments of the revenue base.

### DATA

#### *Basis of assessment*

- We support the Commission's proposal to assess capacity based on value of production. This closely reflects 'what States do' and is the most practical way of measuring the mining revenue base.

#### *Source of data*

- Western Australia supports the use of ABS mining data (as opposed to ABARE data) on the basis that the former better reflects the 'mine-gate' value of production. This use of mine-gate data will ensure a high level of comparability across the States.

### TREATMENT OF DOMESTIC COAL

- Western Australia does not support the inclusion of domestic coal in the non-energy component of the revenue base.
  - Including domestic coal in the non-energy component would seem counter-intuitive to an outside observer, and conflict with the objective of improving the simplicity and transparency of the assessment process.

- Moreover, we are concerned about the reliability of data on domestic coal, especially given the significant discrepancy between prescribed royalty rates<sup>1</sup> and effective domestic coal rates (as outlined in the Commission's paper following the October 2008 meeting).
- Splitting the energy component into different sub-groups would add to the complexity of the adjustment process, and as the Commission has demonstrated, is only 'marginally material' in the case of Queensland (when the energy component is split into domestic coal and other energy). We agree with the Commission's assessment that the differences are not sufficient to justify another mineral component.

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<sup>1</sup> See Commonwealth Grants Commission (2008), Working Paper – Mining Revenue (Table 3) p.3 and also Commonwealth Treasury (2008) *Architecture of Australia's Tax and Transfer System*, Section 2.11, Table 2.19, [http://taxreview.treasury.gov.au/content/Paper.aspx?doc=html/publications/papers/report/table\\_2\\_19.htm](http://taxreview.treasury.gov.au/content/Paper.aspx?doc=html/publications/papers/report/table_2_19.htm)