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Schofield, Shelby

From: Bartley, Scott
Sent: Monday, 10 May 2010 7:30 PM
To: Jacobs, Martin
Cc: Davis, Graeme; Francis, Geoff; Dickinson, Howard; McDonald, Hamish
Subject: RE: Fax from BHP Billiton [SEC=PROTECTED]

Attachments: Slides.ppt; AFR data response.doc; Royalties and profits chart.xls

Security Classification:

~~PROTECTED~~



Slides.ppt



AFR data
response.doc



Royalties and profits
chart.xls...

Martin

Charts and proposed data for release are in the attached documents.

respect of the hypothetical mine chart (AFR data response), we have been asked for the underlying data. I am not inclined to release the underlying spreadsheet as its construction could be misinterpreted.

In respect of the resource royalties and profits chart, we have been asked (separate to BHPB) for the data so that the chart can be reproduced. I am inclined to release the data points for the plot, given it is a public chart.

In response to the BHPB request, the profits data are not derived from a specific ABS series as implied in their letter. Rather, it is derived from a model based on the RSPT framework, which itself requires the derivation of a range of data. We could provide the data points underlying the plot and construct a response along these lines. We will need to think a little more about how to handle this issue should they take up the offer to meet with the Secretariat. Perhaps we could describe or take them through the model without releasing it (?).

Regards

Scott Bartley
Senior Adviser
Business Tax Division
The Treasury
(02) 6263 3829
Scott.Bartley@treasury.gov.au

-----Original Message-----

From: Jacobs, Martin
Sent: Monday, 10 May 2010 3:50 PM
To: Bartley, Scott
Cc: Davis, Graeme; Francis, Geoff; Dickinson, Howard; McDonald, Hamish
Subject: RE: Fax from BHP Billiton [SEC=UNCLASSIFIED]

Hi Scott,
Can we have a look at the data that has been requested.
Thanks, Martin

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-----Original Message-----

From: Bartley, Scott
Sent: Monday, 10 May 2010 2:13 PM
To: Jacobs, Martin
Cc: Davis, Graeme; Francis, Geoff; Dickinson, Howard
Subject: RE: Fax from BHP Billiton [~~SEC=UNCLASSIFIED~~]

Martin

We have had two separate requests for the data behind several charts. One of those is the resource tax chart referred to by BHP. I was proposing to release the data points for the charts.

Regards

Scott Bartley
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Business Tax Division
The Treasury
(02) 6263 3829
Scott.Bartley@treasury.gov.au

-----Original Message-----

From: Dickinson, Howard
Sent: Monday, 10 May 2010 2:05 PM
To: Jacobs, Martin
Cc: Davis, Graeme; Francis, Geoff; Bartley, Scott
Subject: RE: Fax from BHP Billiton [~~SEC=UNCLASSIFIED~~]
Importance: High

Hi Martin,

BHP is already scheduled and confirmed to meet the Panel on Friday the 21st of May.

Do you still want a letter, one will automatically issue from David Parker as Chair, later this week.

Re the Fax, do you not want us to respond to it.

Howard Dickinson
Resource Tax Consultation Panel Secretariat Treasury
0401 717 040

-----Original Message-----

From: Francis, Geoff
Sent: Monday, 10 May 2010 2:01 PM
To: Bartley, Scott
Cc: Dickinson, Howard; Davis, Graeme
Subject: FW: Fax from BHP Billiton [~~SEC=UNCLASSIFIED~~]
Importance: High

Scott

I think this is one for you. Not the timing.

Geoff

-----Original Message-----

From: Jacobs, Martin
Sent: Monday, 10 May 2010 12:34 PM
To: Rueckert, Michelle
Cc: Davis, Graeme; Francis, Geoff; McDonald, Hamish
Subject: FW: Fax from BHP Billiton [SEC=UNCLASSIFIED]

Hi Michelle,
A further urgent request. Can you prepare a letter to BHP encouraging them to participate in the consultation process. It should talk about the Panel and the consultation process.
It doesn't need to refer to their fax or respond to the issues in that fax.
Can you send this up electronically to me for signature today.
Thanks, Martin

-----Original Message-----

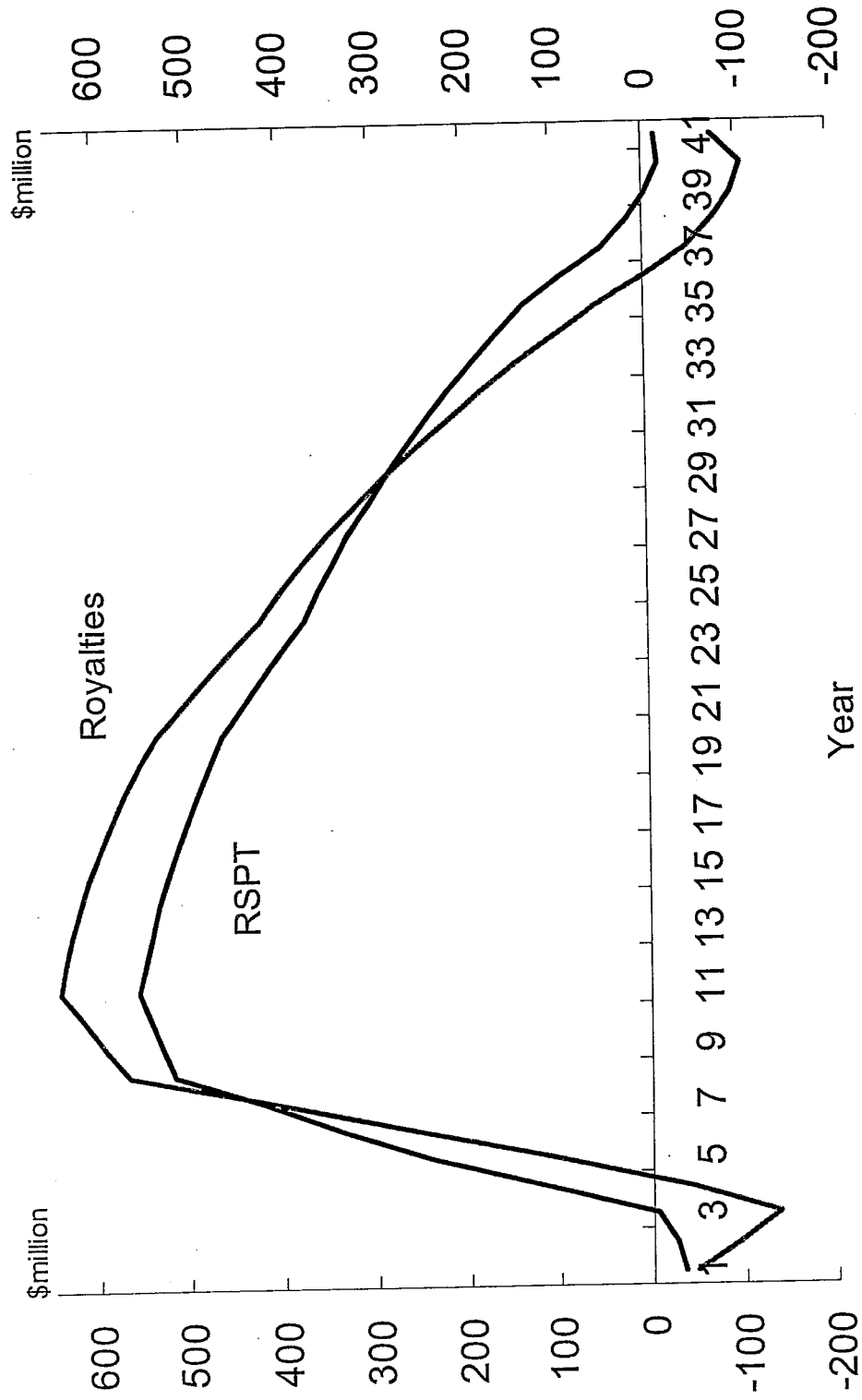
From: Hawkins, Adam
Sent: Wednesday, 5 May 2010 5:21 PM
To: McDonald, Hamish; Jacobs, Martin
Cc: Barrett, Chris (Treasurer's Office)
Subject: Fax from BHP Billiton [SEC=UNCLASSIFIED]

Attached is a fax received from BHP Billiton today. Let me know if you want me to forward to Treasury.
Thanks,
Adam

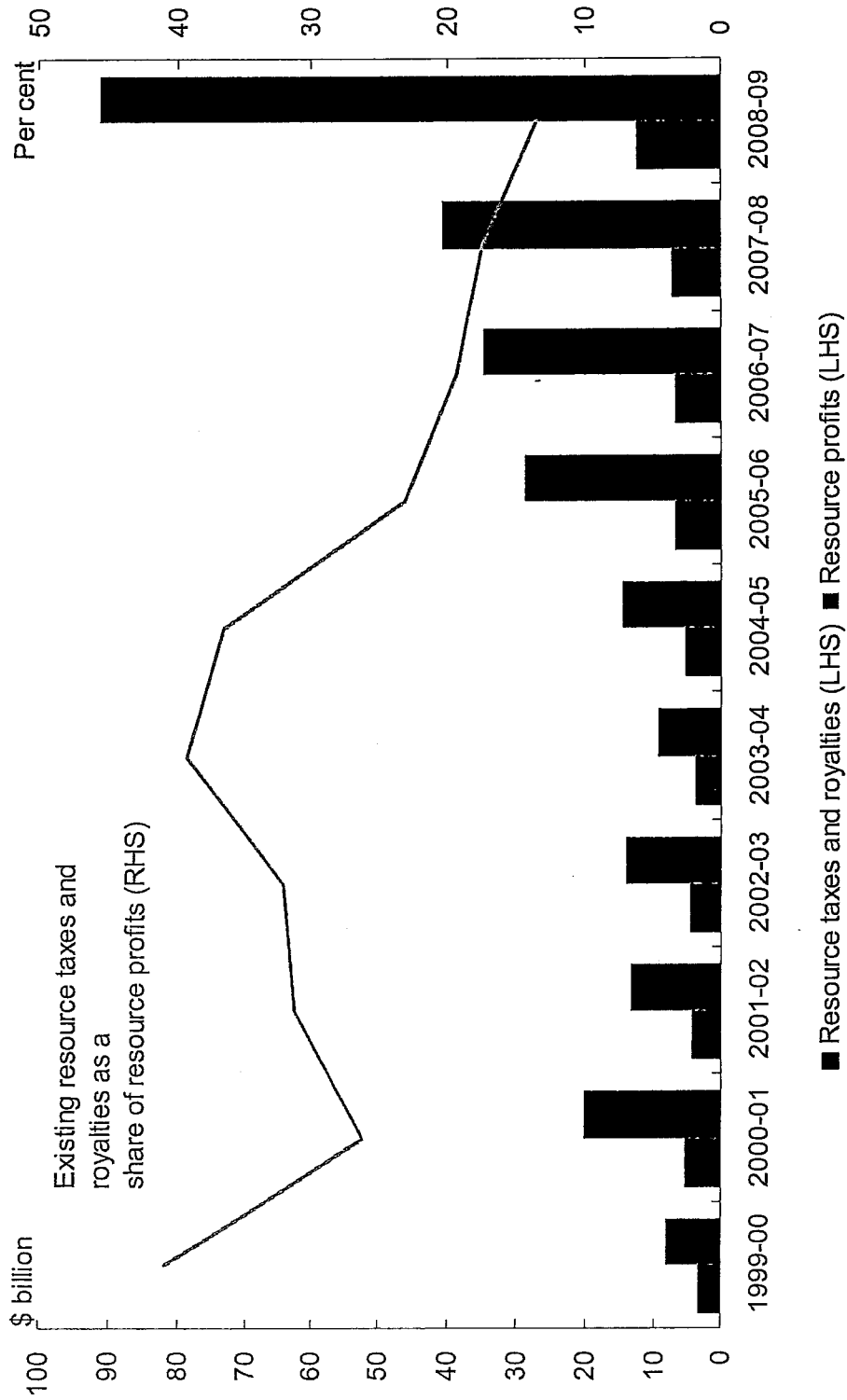
Tracking:	Recipient	Read
	Jacobs, Martin	Read: 13/05/2010 12:21 PM
	Davis, Graeme	
	Francis, Geoff	Read: 11/05/2010 12:01 PM
	Dickinson, Howard	Read: 11/05/2010 8:09 AM
	McDonald, Hamish	

Impact on a hypothetical project

Net Profit After Tax



Resource taxes have fallen as a share of profits



Dear,

Thank you for your email.

This response is in regards to your inquiry into accessing the information pertaining to the chart presented on page 71 of the *Australian Financial Review* for 5 May 2010.

The chart describes the impact of royalties and the RSPT on a hypothetical mine. It is a stylised example intended to illustrate how the RSPT can affect mine profitability over the mine life.

The underlying assumptions used in the modelling are as follows:

General

- The project commences after the commencement of the RSPT.
- Mineral prices and unit operating costs are assumed constant in real terms.
- The project takes a few years to begin production. Production plateaus for approximately 30 years, after which production gradually declines. Operating expenses increase from year 12 to reflect declining resource quality.
- Capital expenditure is depreciated using an average asset life of 20 years.
- The company has other projects against which it can fully offset RSPT and income tax losses.

Royalty line

- A royalty of 5 per cent applies to mine revenue.
- The corporate tax rate remains unchanged at 30 per cent for the life of the project.

Royalty line

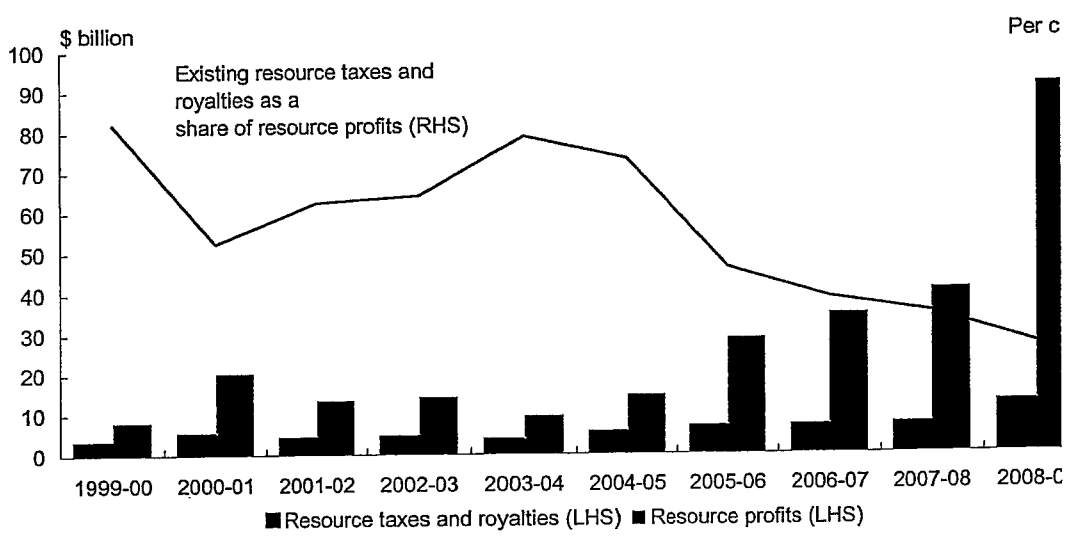
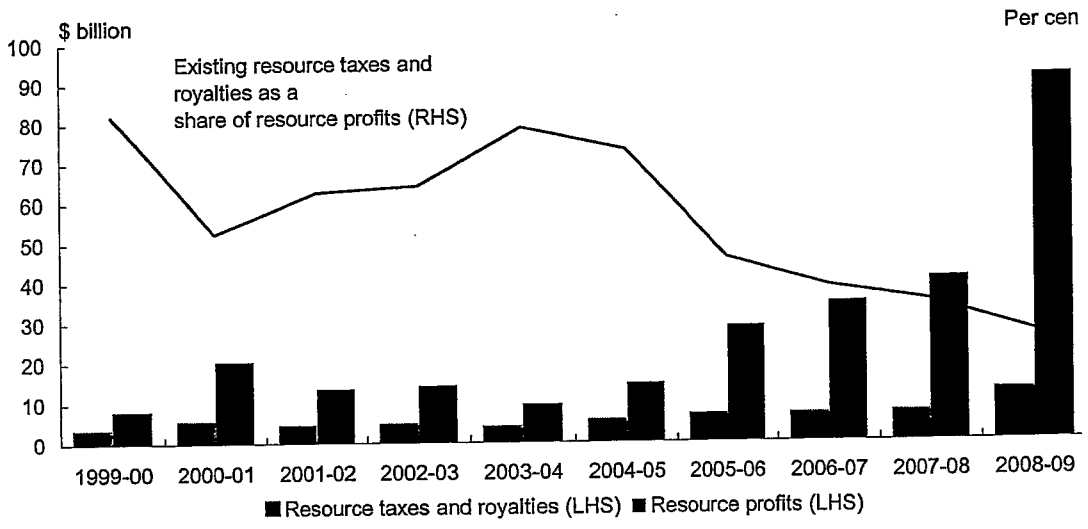
- All revenue and expenditure falls within the scope of the RSPT.
- The corporate tax rate decreases to 29 per cent in 2013-14 and to 28 per cent in 2014-15.

Kind Regards

Resource Tax Consultation Panel Secretariat
Australian Government | The Treasury
resourcetax@treasury.gov.au | 02 6263 2111

Year of Mine Life	(\$ millions)	
	NPAT (RSPT)	NPAT (Royalty)
1	-37	-48
2	-27	-94
3	-7	-138
4	111	-41
5	242	103
6	333	252
7	420	407
8	518	568
9	531	593
10	543	618
11	555	642
12	549	637
13	542	630
14	533	621
15	524	611
16	514	599
17	502	585
18	490	570
19	477	554
20	463	535
21	441	508
22	419	481
23	397	453
24	374	421
25	359	399
26	343	374
27	325	348
28	306	318
29	285	286
30	263	252
31	241	217
32	216	179
33	189	139
34	161	96
35	131	50
36	90	-3
37	45	-46
38	16	-77
39	-5	-98
40	-20	-108
41	-16	-77

	1999-00	2000-01	2001-02	2002-03	2003-04
Resource profits (LHS)	8.1	20.3	13.4	14.2	9.4
Resource taxes and royalties (LHS)	3.3	5.3	4.2	4.6	3.7
Community share (RHS)	40.96	25.15	32.21	32.09	27.11



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2004-05	2005-06	2006-07	2007-08	2008-09
14.6	28.7	34.7	40.7	91.2
5.3	6.6	6.7	7.1	12.3
16.55	23.04	39.39	17.45	19.53

