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Exempt - section 22

From: Davis, Graeme
Sent: Sunday, 20 June 2010 4:24 PM
To: McDonald, Hamish
Subject: RE: Costing [~~SEC=PROTECTED~~]

Sure

If we do as you suggest we get something that is the market value of the assets plus resource at the time of the last consolidation or acquisition

GCD

From: McDonald, Hamish
Sent: Sunday, 20 June 2010 4:21 PM
To: Davis, Graeme
Cc: Barrett, Chris (Treasurer's Office)
Subject: RE: Costing [~~SEC=PROTECTED~~]

If it is a valuation of the resource I don't think it is useful.

I think we would be thinking something more like market value uplifted at something like CPI or such – ie so that it generates a measure that excludes the increase in the market value of the resource due to the commodity boom...

Are you happy if I forward this email chain to Tracey to get her views on what we are trying to get?

From: Davis, Graeme
Sent: Sunday, 20 June 2010 4:18 PM
To: McDonald, Hamish
Cc: Barrett, Chris (Treasurer's Office)
Subject: RE: Costing [~~SEC=PROTECTED~~]

I will see what I can do but I am not clear what this is trying to achieve - it sounds like trying to get a valuation of the resource ...

GCD

From: McDonald, Hamish
Sent: Sunday, 20 June 2010 3:41 PM
To: Davis, Graeme
Cc: Barrett, Chris (Treasurer's Office)
Subject: FW: Costing [~~SEC=PROTECTED~~]

Also for you to have a look at, please

From: Winters, Tracey [mailto:Tracey.Winters@ret.gov.au]
Sent: Sunday, 20 June 2010 2:52 PM
To: McDonald, Hamish; Barrett, Chris (Treasurer's Office)
Cc: Charlton, Andrew
Subject: RE: Costing ~~[SEC=PROTECTED]~~

Hamish, if it works, it would give us a sound basis to work from, so I would appreciate if you could get them to run the numbers with a much longer depreciation timeframe.

Tracey Winters
Chief of Staff to the Hon. Martin Ferguson, AM, MP
Minister for Resources and Energy
Minister for Tourism

From: McDonald, Hamish [mailto:Hamish.McDonald@TREASURY.GOV.AU]
Sent: Sunday, 20 June 2010 2:47 PM
To: Winters, Tracey; Barrett, Chris (Treasurer's Office)
Cc: Charlton, Andrew
Subject: RE: Costing [~~SEC=PROTECTED~~]

I spoke to Tsy about the 2003 consolidation figures – they said they were done on a project basis ie market value of physical assets plus underlying resource. That put me off it a bit.

But typing that sentence now, the valuations of the resources in 2003 might be somewhat different to those today, given it was before the big price increases..

From: Winters, Tracey [mailto:Tracey.Winters@ret.gov.au]
Sent: Sunday, 20 June 2010 2:40 PM
To: McDonald, Hamish; Barrett, Chris (Treasurer's Office)
Cc: Charlton, Andrew
Subject: RE: Costing ~~[SEC=PROTECTED]~~

Folks, I know I'm late responding to this, but can we also do a case (maybe for late Monday or Tuesday) that looks at similar model, but with key changes being immediate expensing going forward, longer depreciation of existing capital, and no exploration rebate. See also query re suggestion on starting base from Roy K and query re what transferability actually means.

- Three commodity model: haematite iron ore, coal, petroleum
- Uplift rates at CBR plus 5 and CBR plus 11
- Immediate expensing of all new investment

- Starting base at historical cost at time of investment uplifted from time of investment to today (Roy K suggested to us on Friday grossing up the 2003 consolidation figures to today - would something like that work in conjunction with post-2003 acquisitions treated separately?)
- Starting base depreciation at flat 10% over 10 years (or as balancing item to roughly deliver existing revenue over forwards)
- Royalties creditable against RSPT with uplift, rather than refundable
- Petroleum in PRRT
- Low value minerals excluded
- No exploration rebate
- All other design elements as per existing (rate, transferability - does this mean wider deductability on an entity basis as per PRRT just so we are clear, etc).

Tracey Winters
Chief of Staff to the Hon. Martin Ferguson, AM, MP
Minister for Resources and Energy
Minister for Tourism
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Ph: 02 [illegible] | Fax: 02 [illegible] | Mob: [illegible]

From: McDonald, Hamish [mailto:Hamish.McDonald@TREASURY.GOV.AU]
Sent: Friday, 18 June 2010 4:25 PM
To: Barrett, Chris (Treasurer's Office); Davis, Graeme
Cc: Ray, Nigel; Charlton, Andrew; Winters, Tracey
Subject: RE: Costing [~~SEC=PROTECTED~~]

I presume "Starting base at historical cost at time of investment uplifted from time of investment to today" means "uplifted" to reflect both price increases and economic depreciation (or similar)?

From: Barrett, Chris (Treasurer's Office)
Sent: Friday, 18 June 2010 3:18 PM
To: Davis, Graeme
Cc: Ray, Nigel; Charlton, Andrew; McDonald, Hamish; 'Winters, Tracey'
Subject: Costing [~~SEC=PROTECTED~~]

Graeme,

As per your call just now, I think what we need costed for Monday is as follows:

- Four and five commodity model: iron, coal, oil/gas, plus uranium
- Uplift rates at CBR plus 5 and CBR plus 11
- Accelerated depreciation of all new investment over 3 years
- Starting base at historical cost at time of investment uplifted from time of investment to today
- Starting base depreciation at flat 20% over 5 years (or as balancing item to roughly deliver existing revenue over forwards)
- Royalties creditable against RSPT, rather than refundable
- Oil and gas in PRRT
- Low value minerals excluded
- Low profit mines among the four/five commodities excluded
- Cap exploration rebate at $15m
- All other design elements as per existing (rate, transferability, etc).

I imagine we'll need to discuss this, as I know bits of it are hard to model! Happy to do so with Andrew post-teleconference if you like.

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Regards,

Chris

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