



Government of Western Australia
 Department of Treasury and Finance
 Office of the Under Treasurer

Our ref : 7080400
 Enquiries: Ivan Basei
 Telephone :08 9278 6737

SECRETARIAT OFFICE

10 MAY 2010

Sec: _____
 Initial: _____
 To: Sec _____
 cc. Parker.

Dr Ken Henry
 Secretary to the Treasury
 The Treasury
 Langton Crescent
 PARKES ACT 2600

Dear Dr Henry

RESOURCE SUPER PROFITS TAX AND STATE ROYALTIES

I refer to the Government's announcement on 2 May 2010 proposing the introduction of a Resource Super Profits Tax (RSPT) from 1 July 2012, under which a "refundable credit" would be provided for State royalties "at least up to the amount of royalties imposed at the time of announcement, including scheduled increases".

As you are aware the Western Australian Government has expressed its opposition to the RSPT and is considering further its response. Without prejudice to those considerations there are some points on which some clarity of the Commonwealth's position is required.

To that end, I seek your urgent confirmation that "scheduled increases" in Western Australia would include the removal of existing iron ore royalty rate concessions, which would see both fine and lump iron ore royalty rates being levied at 7.5%, and beneficiated iron ore at 5%, by 1 July 2012.

I also seek your assurance that the Commonwealth will guarantee that there will be no change to the Grants Commission's classification of "high" vs "low" royalty rate minerals as a consequence of the changes in royalty rates proposed by Western Australia (and other States), pending the next full review of the Grants Commission's methods.

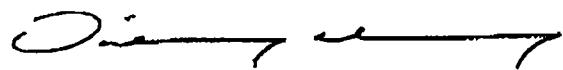
In this regard you may recall that an unintended consequence of the Grants Commission's late decision in its 2010 Review to base its assessment of mining royalty capacity on a high/low rate classification is that an increase in Western Australia's royalty rates on fine iron ore could lead to fine ore being reclassified as a high royalty rate mineral, reducing our GST by more than the additional royalty revenue we would collect.

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Thank you for your assistance.

Yours sincerely



Timothy Marney
UNDER TREASURER