Amalgamated Prospectors and Leaseholders Association of W.A. Inc.
PO Box 2570 Boulder WA 6432.

Representing Prospectors Since 1904

24/3/2019

Re: The current imbalance in mining tenement rents and rates vs other land users.

To: Minister for Mines, Minister for Regional Development, Minister for Local Government, Minister for Lands, Local Government Review.
CC: Assistant Director General DMIRS

Abbreviations:
EL – Exploration Licence
PL – Prospecting Licence
PLH – Pastoral Leaseholder or Pastoral Lease-holding

Ministers and Department Executives,

This submission is based on clear and factual evidence of the gross disparity between mining tenement rents and Local Council rates and those charged on pastoral lease-holdings (PLH). It is clear evidence that successive State Governments have allowed disgraceful price gouging in what has been so far, this State's best kept secret.
Over recent months APLA asked various government depts for both the rent and rates formula method for regional towns and cities along with actual rents paid by pastoral leaseholders across Western Australia. We were continuously told that such information was not publicly available. It was only by using Freedom of Information (FOI) applications that the relevant data was obtained. Conversely, mining tenement rents are readily and publicly available. This cover-up is an emblematic example of the esoteric power of the landholding lobby in this State that has lived off the back of the resource industry for far too long, whilst enjoying the right to compensation for mining activity. Added to that is the opportunity to operate earthmoving and transport businesses under the cheap rents of a pastoral lease; an opportunity that is often taken up. Similarly, we face the situation where many of the pastoral leases are held by mining companies to reinforce the exclusion of competitive exploration.

Method used in WA to achieve rents and rates values on PLH and mining areas.

Reference – attached Excel spreadsheet and FOI data.

The base or source point in the calculation is the rent applied to each pastoral lease and mining tenement. This sum is an essential component of the eventual rates calculation applied by Local Councils. Hence the importance of obtaining the data that provides the rent dollar amount.

1. The rent value of a PLH is levied by the WA State Government's DPLH

1a - The rent value of a mining tenement is levied by the WA State Government's DMIRS

2. Once given the rent value, the Valuer General then uses that figure to determine the overall rateable value of the lease as a whole "footprint" area of that PLH or mining tenement as the case may be.
3. From there, that valuation on each pastoral lease or mining tenement is then given to the local councils that apply their own "cents in the dollar" rates calculation.

So, we can clearly see that a low rental dollar sum per hectare of land area is the very source of the council rates applied to a pastoral leased area. In a similar manner, DMIRS provides the rental levy figure for mining tenements. In both cases, that figure is then given to Local Councils who use "Differential Rating" to levy their council rates. But mining tenements have a much higher dollar rent applied per leased footprint area in hectares. Therefore, a higher council rates can be levied on mining tenements collectively for a given land area than can be levied on a pastoral lease that has a far higher land footprint and owned by one lease-holder. Whereas a similar land area leased as mining tenure has many.
The area of a pastoral lease is many multiples of that of a mining tenement of any type. But, the rental dollar value of such mining tenements, though with a much smaller footprint, is many multiples of that applied to a pastoral lease. It's then simple to see how local councils accumulate much higher dollar amounts from mining tenements. i.e it's the rent dollar value that starts the accumulation multiples. E.g. For a 200 hectare Prospecting Licence the DMIRS rent is $2.75 per hectare. (Refer – attached Fees and Charges PDF from DMIRS).

The rent gouging unfairness of the current rent system in WA's land estate.

By referring to the attached Excel spreadsheet, the average rent per hectare levied on PLH's is 0.034 cents per hectare (CPH). Whereas, the rent levied on a Prospecting or Exploration Licence is $2.75 per hectare and $8.20 per hectare respectively. The argument is often provided that a PLH Is a passive venture and not intended to make a serious profit. Therefore, higher rents are not warranted. But a similar argument can be provided in the case of Prospecting and Exploration Licences in that the majority make a loss on expenditure outlay as it is often the case that little or nothing of any value is discovered. The licence is often handed back, known as "surrendered" or on sold for a pittance, if a buyer can even be found. PLHs on the other hand are often sold for millions in today's current beef export boom.
The discrimination here is clear. In both instances, little or no profit is made. But one party pays a miniscule amount compared to the other when both are achieving a similar negative outcome. So basing rent values and the ensuing rating values is unjust and smacks of favouritism and discrimination. It also indicates the government departments, including DMIRS are either unaware or choose to ignore this imbalance or the impact it has on small mining operators and resource explorers.

Figures gleaned by APLA from Council Annual Reports reveal the huge disparity between PLHs and prospecting and mining licenced areas. (See attachments A and B, "FOI pastoral lease rents supplied by DPLH" and "Excel spreadsheet, rent comparison by APLA".

The revenue that could be generated on pastoral leases by a using a comparison rent rate to that of a current Prospecting Licence is $237,776,756.25. The revenue that is actually generated presently is $2,593,250.17

So, if we assume that all Prospecting Licences sit on just 40% of WA Pastoral Lands then the revenue raised from potentially non profit-making Prospecting Licences alone is $95,110,702.40. Whereas the revenue raised on the same footprint area, that of the underlying Pastoral Land, remains at $2,593,250.17.

Examples from Local Councils in the WA Goldfields:

1. **Wiluna Shire Council, showing the disparity of council rates charged on PLHs and Prospecting Licences and Exploration Licences as a direct consequences of land rental values charged by government departments.**

SHIRE OF WILUNA
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30TH JUNE 2017

22. RATING INFORMATION - 2016/17 FINANCIAL YEAR

RATE TYPE	Rate in $	Number of Properties	Rateable Value $	Rate Revenue $	Interim Rates $	Back Rates $	Total Revenue $	Budget Rate Revenue $	Budget Interim Rate $	Budget Back Rate $	Budget Total Revenue $
Differential general rate / general rate											
Gross rental value valuations											
GRV Wiluna Townsite	8.6700	69	1,078,928	140,430	0	0	140,430	93,543	0	0	93,543
GRV Wiluna Mining	17.1430	6	6,380,000	1,093,723	0	0	1,093,723	1,093,723	0	0	1,093,723
Unimproved value valuations											
UV Rural/Pastoral	11.6950	27	1,209,951	141,504	0	0	141,504	141,504	0	0	141,504
UV Mining	15.3490	202	11,726,761	1,799,941	0	0	1,799,941	1,799,941	38,000	0	1,837,941
UV Exploration and Prospecting	22.6820	205	1,999,252	453,470	0	0	453,470	453,470	0	0	453,470
Sub-Total		**509**	**22,394,892**	**3,629,068**	**0**	**0**	**3,629,068**	**3,582,181**	**38,000**	**0**	**3,620,181**
Minimum payment	**Minimum $**										
Gross rental value valuations											
GRV Wiluna Townsite	410	19	8,018	7,790	0	0	7,790	7,790	0	0	7,790
GRV Wiluna Mining	310	3	60	930	0	0	930	930	0	0	930
Unimproved value valuations											
UV Rural/Pastoral	310	2	1,695	620	0	0	620	620	0	0	620
UV Mining	310	192	73,247	59,520	0	0	59,520	59,520	0	0	59,520
UV Exploration and Prospecting	310	42	30,270	13,020	0	0	13,020	13,020	0	0	13,020
Sub-Total		**258**	**113,290**	**81,880**	**0**	**0**	**81,880**	**81,880**	**0**	**0**	**81,880**
		767	**22,508,182**	**3,710,948**	**0**	**0**	**3,710,948**	**3,664,061**	**38,000**	**0**	**3,702,061**
Total amount raised from general rate							3,710,948				3,702,061
Totals							3,710,948				3,702,061

2. **Kalgoorlie City Council, showing the disparity of council rates charged on PLHs and Prospecting Licences and Exploration Licences as a direct consequences of land rental values charged by government departments.**

25. RATING INFORMATION

(a) Rates

RATE TYPE		Rate in $	Number of Properties	Rateable Value $	Rate Revenue $	Interim Rates $	Back Rates $	2018 Total Revenue $	2017 Rate Revenue $	Budget Rate Revenue $	Budget Interim Rate $	Budget Back Rate $	2018 Budget Total Revenue $
Differential general rate / general rate													
Gross rental valuations													
01	GRV Residential	0.063713	6,453	127,905,511	8,058,728	(113,493)	(19,341)	7,925,894	7,515,423	8,058,731	(573,664)	24,996	7,510,062
02	GRV Central Business	0.066894	240	24,124,983	1,613,817	12,985		1,626,802	1,739,025	1,613,817	312,167	0	1,925,984
03	GRV General Industry	0.072231	327	23,364,910	1,684,368	8,459	(4,142)	1,688,685	1,638,570	1,684,368	3,612	0	1,687,980
04	GRV Mining	0.045931	7	5,875,000	269,845	0		269,845	264,457	269,845	0	0	269,845
08	GRV Other Properties	0.071347	549	34,733,762	2,579,511	9,994	290	2,589,795	2,556,331	2,579,511	16,297	0	2,595,808
Unimproved valuations													
05	UV Pastoral	0.075658	45	2,206,482	166,938	0		166,938	163,604	166,938	0	0	166,938
09/11	UV Mining Operations	0.180424	521	16,657,762	3,022,424	105,868	(5,753)	3,122,539	3,022,765	3,022,424	73,813	0	3,096,237
10	UV Exploration / Prospecting	0.180400	1,080	3,442,014	678,280	190,993	10,688	879,961	774,808	678,280	212,776	0	891,056
	Sub-Total		9,222	238,310,424	18,073,911	214,806	(18,258)	18,270,459	17,674,983	18,073,913	45,000	24,996	18,143,910
Minimum payment		**Minimum $**											
Gross rental valuations													
01	GRV Residential	891	5,591	61,206,603	4,961,979	0	0	4,961,979	4,849,515	4,961,979	0	0	4,961,979
02	GRV Central Business	891	73	667,042	65,043	0	0	65,043	64,602	65,043	0	0	65,043
03	GRV General Industry	891	11	218,949	9,801	0	0	9,801	10,476	9,801	0	0	9,801
04	GRV Mining	891	6	5,020	5,346	0	0	5,346	5,238	5,346	0	0	5,346
08	GRV Other Properties	891	121	913,082	127,413	0	0	127,413	130,077	127,413	0	0	127,413
Unimproved valuations													
05	UV Pastoral	277	20	4,500	5,540	0	0	5,540	5,691	5,540	0	0	5,540
09/11	UV Mining Operations	386	345	747,247	133,556	0	0	133,556	131,544	133,556	0	0	133,556
10	UV Exploration / Prospecting	277	404	1,401,385	133,237	0	0	133,237	108,671	133,237	0	0	133,237
	Sub-Total		6,571	65,163,828	5,441,915	0	0	5,441,915	5,305,814	5,441,915	0	0	5,441,915
			15,793	303,474,252	23,515,826	214,806	(18,258)	23,712,374	22,980,797	23,515,828	45,000	24,996	23,585,825
Discounts/concessions (refer note 25(c))								(58)	(12,913)				(11,000)
Ex-gratia rates								0	(117,139)				0
Total amount raised from general rate								23,712,316	22,850,745				23,574,825
Totals								23,712,316	22,850,745				23,574,825

SIGNIFICANT ACCOUNTING POLICIES

Rates

Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

3. **Information supplied by Leonora Shire –**

"The amounts raised in the 2018-19 annual rates run for UV mining tenements (all types) and pastoral leases was" :-

Mining Tenement	**Pastoral**
$4,700,492.08	$141,405.17

The discriminatory environmental condition argument.

Having covered the "profit based" approach above, we now come to the "environmental controls" approach. Prospecting and Exploration Licence are now subject to stringent and expensive environmental control measures contained with the Environmental Protection Act which are in turn overseen and managed by DMIRS. Consequently, there will be little environmental legacy impact remaining after exploration activities have ceased. Furthermore, those exploration impact areas are then subject to the Mines Rehabilitation Fund Levy (MRF) which is another addition to the already unbalanced revenue raising system applied to Prospecting and Exploration Licences. Conversely, there are no corresponding controls, costs or oversight applied to pastoral activities, despite the pastoral industry having a damning and outrageous environmental record. Refer to Auditor General Report.

Reference 1 - https://audit.wa.gov.au/reports-and-publications/reports/management-pastoral-lands-western-australia/auditor-generals-overview/

Reference 2 - https://audit.wa.gov.au/wp-content/uploads/2017/10/repor2017_17-Pastoral.pdf

We are now seeing the exploration industry suffering the indignity of a rent and rates burden in an often loss-making situation, while paying highly for the privilege of trying to discover the mining operations of the future. Additionally, we are paying for areas that have been fully rehabilitated after exploration work has ceased. i.e exploration work done on Mining Leases are still costed at $20.00 per hectare MRF Levy.
Meanwhile, the protected pastoral industry continues to enjoy the blessing of an initial low rental that is increased only once every five years. Whereas the exploration and prospecting industries suffer increases of 6% per annum EVERY year. This incessant rent increase has a further detrimental flow on effect where local councils, basing their rates on rental values provided by the Valuer-General, are at liberty to increase their rates without justification, hindrance or scrutiny.

The potential for profit argument.

It has been argued that a prospecting or exploration licence is a licence to explore for valuable resources such as gold, copper or iron ore etc. But as we have pointed out, such a vision is rarely the reality. Exploration often has poor results. Therefore the "potential to earn" is not realised. But the rent is still levied before that knowledge is apparent. We should not be applying the "potential for profit" argument until a profit is made. The current system penalises exploration before exploration has begun. But as we have pointed out here, that rent penalty is multiples higher than land users in a similar "no real profit" situation. i.e pastoral leaseholders. The question begged is why is the exploration industry being penalised while other land users are being subsidised by the extortionate rents paid by mineral explorers? Our stance is that rental values on Prospecting and Exploration Licences should be reduced to similar levels to those applied to the pastoral industry.

The benefits argument.

Many PL and EL holders do not live in the rateable area of regional towns. Therefore, they obtain little or no benefit from town facilities that are provided from rates revenues. As such, the "benefits test" fails miserably when applied to PLs & ELs. Indeed, it's arguable that a resident PLH stands to obtain far more from rates revenue than any mining tenement holder.

Recommendations.

1. The State of Western Australia and DMIRS gradually reduces the rents applied to Exploration and Prospecting Licences to match that of pastoral lease holdings (PLH)
2. The beneficiaries of the constant rate increases are certainly not the mining industry's explorers. APLA recommends that concessionary rent reductions be applied to bona-fide prospectors and exploration licence holders. In turn, due to the "knock-on effect" of the basis for calculation, this would facilitate a subsequent reduction in Council Rates on Exploration and Prospecting Licences.
3. Rates levied by Local Councils should be subject to justification audits and the "benefit test" when council rates are applied or increased on Exploration and Prospecting Licences.
4. That the State of Western Australia adopts similar rating principles that apply in other States where Exploration and Prospecting Licence areas are not subject to Council rates.

Summary.

The difficulty that APLA had in obtaining the data and the methods used for valuations is indicative of a seemingly deliberate lack of transparency in the case of pastoral leases. The opposite is true with mining tenements when DMIRS makes its fees and charges very clearly available to all. More openness and justification of vastly dissimilar rents and rates is required if we are to satisfy ourselves that fairness is part of the mix when valuing WA's land area and utilisation.

The current system of rents and rates on Exploration and Prospecting Licences is price gouging, discriminatory, unfair and not conducive to exploration of this State's mining and exploration industry. It encourages exploration to go elsewhere in Australia and globally. This contradicts the recommendations contained by the Federal "Resources Task Force 2030". It also acts as a barrier to entry for the exploitation of minor ore reserves that are uneconomic at the currently applied level of rents and rates. The principle of "corporate assistance" to what would otherwise be unviable projects is currently being applied to the fledgling "brine solution" industry. APLA believes that principle can be applied to small gold deposits that are attractive targets for small scale mining.

It is notable that the WA Mines Minister recently introduced legislation to offer a 50% reduction in Mining Lease rents to those that choose to mine "brine solutions" for materials such as potash. APLA has made rebutting submission of that legislation partly because of the unfairness of it and the reasons given here. APLA maintains all other resource explorers be given similar concessions instead of gouging rents to supply a concession to one small part of WA's mining industry.

Reference *-*

ttps://www.mediastatements.wa.gov.au/Pages/McGowan/2018/12/McGowan-Government-assists-development-of-new-potash-projects.aspx

APLA maintains that it's time the vexed issue of unbalanced government rents and council rates becomes the subject of full public enquiry and investigation. Fairness and balance should be introduced into exploration and small-scale prospective mining operations. That balance should match those rents applied to PLH land. Prospectors often suffer at the hands of confrontational PLHs while PLHs are paying a micro-fraction of the costs endured by those same resource explorers. A small fortune is spent on DMIRS publications explain the restriction, the rights and obligations applied to prospectors. However, we see little evidence of a similar education campaign to ensure that PLHs are made aware of the limits of their jurisdiction and superiority of access given by the WA Mining Act.

APLA would appreciate urgent and positive feedback on this matter as we are about to enter the annual phase of mining tenement rent increases.

Prepared and signed on behalf of the prospectors and small - scale miners of Western Australia,

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