

Policy Transition Group Issues Paper Submissions Cover Page

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Signed:Megan Anwyl..... Date:5 November 2010.....



5 November 2010

PTG Secretariat
GPO Box 1564
Canberra ACT 2601

To the Members of the Policy Transition Group

Magnetite Network "MagNet" Submission on Proposed MRRT

Thank you for the opportunity to make a submission on the proposed Minerals Resource Rent Tax (MRRT).

This submission has been prepared by MagNet, an industry body representing the interests of three member companies and the wider emerging Australian magnetite industry. The three member companies, CITIC Pacific Mining Pty Ltd, Atlas Iron Limited and Extension Hill Pty Ltd are currently developing, financing and constructing separate greenfields magnetite projects in regional Western Australia with an expected collective capital investment in excess of AUD\$13 billion for the first stages alone. These projects each have a life span best measured in decades rather than years and represent a significant, new, long term, value adding industry for the nation.

The diversification of the iron ore industry in Western Australia is especially significant given that DSO or hematite ore is going to decrease in quality in the medium to long term. The investment in new magnetite projects presents huge opportunity for our nation with flow on economic and social benefits for many regional communities as illustrated below.

Economic benefits of MagNet member projects - estimated

Company	Mine Life	CAPEX (\$A)	Employment (construction)	Employment (ongoing)	Royalties p.a. (A\$)	Annual Export Revenue (A\$)
CITIC Pacific Mining	+25 years	6.4b	4,500	+800	+125m	3.0b
Atlas Iron Ridley	+30 years	2.8b	1,100	+750	75m	1.25b
Atlas Iron Balla Balla	+26 years	1.9b Phase 1 & 2	1,650	+ 530	95m	1.1b
Extension Hill	+50 years	2.0b Phase1	2,000	+500	50-150m	1.0 b
TOTAL		\$13.1b	10,150 jobs	2,330 jobs	+\$300m	\$6.3b

SUMMARY

The members of MagNet do not support the proposed MRRT and the provision of this submission should not be construed as support for the tax. However, MagNet does wish to thank the PTG for the opportunity to present in Perth on 7 October, 2010 and to supply this submission.

MagNet is still seeking to supply some further information as suggested during the sessions on 7 October, 2010 but has found the timeline for provision of this information challenging. It is also important to note that member companies are not yet in production and data is therefore provided as projected rather than actual.

MagNet has liaised with a range of other resources industry peak bodies and its members belong to at least one or more of these. It is aware of various submissions to the PTG from other mining industry representative bodies such as the Minerals Council of Australia, Association of Mining and Exploration Companies, Chamber of Minerals and Energy WA and the Geraldton Iron Ore Alliance. These submissions, together with submissions from individual members of MagNet, outline numerous concerns about the proposed design of the MRRT including transitional and implementation concerns.

MagNet does not intend to reiterate those concerns in this submission. It is also important to note that the design of the tax and the number of variable factors to be applied, many of which are not able to be defined on the basis of the information contained in the current issues paper have made it difficult to prepare concise modelling around individual projects – this imprecision makes it difficult to provide an emphatic preferred position on any one design issue let alone an entire project.

The primary purpose of this submission is to present further information in support of the case for the exclusion of magnetite concentrate from the MRRT regime.

MagNet's analysis of the proposed MRRT design has identified six key issues that support this case, namely:

1. Magnetite concentrate can be readily distinguished from other iron ore products and this provides a simple method by which magnetite concentrate may be excluded from the MRRT;
2. Excluding magnetite concentrate from the MRRT regime is consistent with the Government's stated policy intent to tax the value of the resource, rather than the value added by the miner and to attribute a value to ore at the mine gate or point of extraction where possible;
3. To include magnetite concentrate in the MRRT regime, while excluding all other mineral concentrate from the MRRT regime, is inequitable and inconsistent as it is discriminatory against one mineral processing sector as against others;
4. The emerging magnetite concentrate industry is unlikely to generate significant if any new taxation revenue under reasonable assumptions surrounding the design features of the proposed MRRT regime;
5. Including magnetite concentrate in the MRRT regime will impose a significant compliance burden on magnetite concentrate producers and the public sector for a minimal if any net gain; and

6. Including magnetite concentrate in the MRRT regime will have an adverse impact on this fledgling industry by deterring investment and jeopardising the significant regional development, economic and social benefits that might otherwise occur.

MagNet urges the PTG to recommend to the Federal Government that there be adoption of a definition of "iron ore" that acknowledges and distinguishes between hematite or direct shipping iron ore "(DSO)" (Fe_2O_3) and product derived from the extensive processing of magnetite ore (Fe_3O_4) that is only saleable as magnetite concentrate. Such terms already exist in Western Australian legislation in the royalty regime and adoption of such a definition of iron ore provides a simple and effective means to exclude magnetite concentrate from the MRRT regime.

Preference is also given to the taxing point being at point of extraction rather than at the mine gate given that significant beneficiation will occur at the mine site in most projects.

Background

Geoscience Australia notes¹ that:

Iron (Fe) is ranked fourth in abundance in the Earth's crust and is a major constituent of the Earth's core. Iron rarely occurs as the native metal and is almost always found combined with oxygen as iron oxide minerals such as hematite (Fe_2O_3), magnetite (Fe_3O_4), goethite and limonite. Iron ores are rocks from which metallic iron can be economically extracted.

Iron ore is one of the raw materials used to make pig iron, the main raw material in steel making. Almost all (98%) of iron ore is used in iron and steel making with small amounts used in areas such as coal washeries and cement manufacturing. When iron is alloyed with elements such as carbon, manganese, vanadium and nickel, harder and stronger steels are produced. Steel is used in many areas of manufacture including motor cars, ships, railway lines and rolling stocks, buildings, pipelines, white goods and heavy equipment.

Whilst Geoscience Australia notes that "iron ores are rocks from which metallic iron can be economically extracted", this is a simplistic definition in that it fails to distinguish between, on the one hand, the so called DSO that, when mined, crushed and screened, are of suitable quality to be fed directly into ironmaking furnaces, and on the other hand, lower quality ores that require extensive processing after mining, crushing and screening to yield mineral products that are of suitable quality to be able to be fed into iron making furnaces.

Direct Shipping Ore (DSO)

Rocks are comprised of discrete grains of different minerals fused together to form a solid mass. In the case of DSO, the iron oxide minerals hematite, goethite and limonite predominate and there is no requirement to separate individual mineral grains to produce acceptable quality iron making feedstock and the ore can be sold to steel makers in its "as mined" form.

¹ Geoscience Australia 2009. Australia's Identified Mineral Resources 2009. Geoscience Australia, Canberra

The only significant processing of DSO involves crushing and screening and possibly washing to separate the ore into “lumps” – typically particles of ore between 6mm and 32 mm in size – and “fines” – typically particles of ore less than 6mm in size.

The iron content of DSO is typically in excess of 58% Fe, though impurities such as silica, alumina, sulphur and phosphorous which have adverse impacts on iron making and steel quality are also present as these minerals are not removed from DSO during the crushing and screening process.

Magnetite Ore

In contrast, magnetite ore is not of suitable quality for ironmaking furnaces. The iron content of magnetite ore as mined is typically less than 40% Fe, and the impurity content is high (eg silica > 40% compared to < 8% for DSO). Magnetite ore must be processed to separate iron rich magnetite mineral grains from the contaminant minerals – predominantly silicates – to produce a high quality iron making feedstock.

The processing of magnetite ores exploits a unique characteristic of magnetite – it is the most strongly magnetic mineral in nature. Magnetite ore processing requires the constituent mineral grains in the rock to be liberated from one another, then separating the magnetite mineral grains by crushing and grinding the magnetite ore into very small particles (typically less than 100 µm and as small as less than 30 µm), followed by the separation of magnetite mineral grains from the other undesirable minerals with magnets. The resulting concentrate of almost pure magnetite grains is then agglomerated to form magnetite concentrate or pellets, which are sought after as feed for ironmaking furnaces or other direct reduction iron making processes. The magnetite concentrate typically comprises only 25% to 45% of the tonnage of ore mined – the balance of unsaleable waste product is stored on site in a waste storage facility.

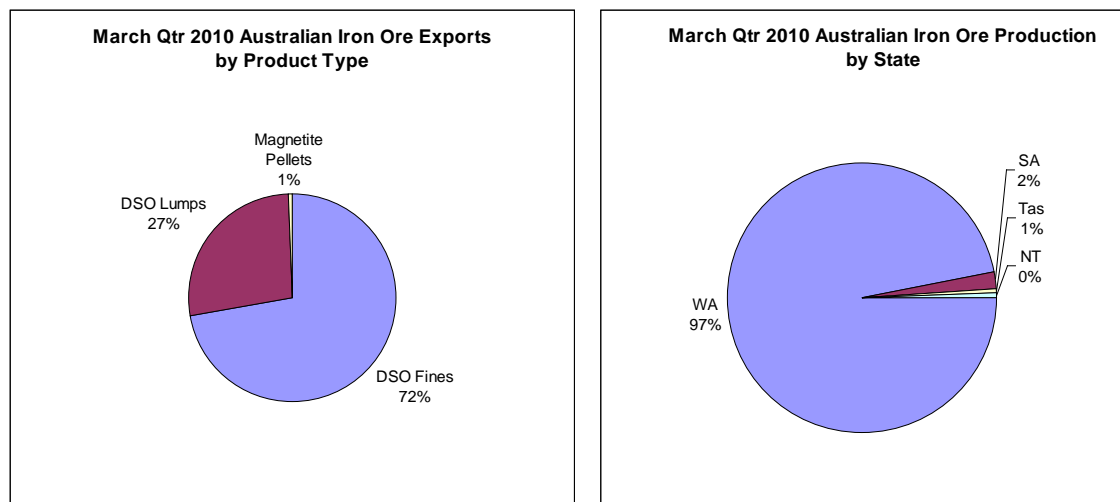
This value adding processing of magnetite ore to extract a saleable magnetite concentrate from deleterious contaminant minerals in the mined ore requires significant investment in plant and equipment and consumes significant energy in the grinding process at the mine site and requires a lot of water. However the resultant concentrate attracts premium prices from steel makers due to its high iron content (typically >68%), its low impurity content (typically <5% combined silica, alumina, phosphorous and sulphur) and its superior smelting characteristics. The use of magnetite concentrate as feedstock to blast furnaces results in significant reductions in energy inputs and greenhouse gas emissions for steel makers.

The Australian Iron Ore Industry

Geoscience Australia ² reported that in 2008, Australia produced around 15% of the world's iron ore and is ranked third behind China (35%) and Brazil (18%). Currently, the Australian iron ore industry is dominated by the production of DSO from the Pilbara region of Western Australia, which hosts one of the world's greatest known DSO provinces.

² Geoscience Australia 2009. Australia's Identified Mineral Resources 2009. Geoscience Australia, Canberra

ABARE³ reports that Australia produced 103 Mt of iron ore in the March quarter of 2010, of which 100 Mt was produced from Western Australia. Of the 94 Mt exported during the same period, 93.5 Mt was DSO lumps and fines.



Grange Resources Savage River project in Tasmania and OneSteel's Whyalla Magnet project in South Australia have been the only Australian magnetite producers to date with a very small percentage of the overall export total – less than 2%.

Industry Trends

ABARE⁴ expects world steel consumption and iron ore demand to continue to grow in the coming years and notes:

Over the next 18 months, consumption and production of steel is expected to continue growing, but at a slower rate compared with the first half of 2010. Associated with continued growth in steel production, demand for iron ore and metallurgical coal is also expected to remain strong, underpinning growth of Australian exports in the short term.

In 2010, world trade of iron ore is forecast to increase by 9 per cent to 1 billion tonnes. This growth reflects increased steel production in China outpacing growth in domestic iron ore supply, and increased imports supporting recovery in steel production in many developed economies. In 2011, world trade of iron ore is forecast to increase by a further 7 per cent to 1.1 billion tonnes. The majority of increased trade in 2010 and 2011 is expected to be supplied by Australia and Brazil.

Although China is the world's largest importer of iron ore, it is also the world's largest producer. Because of China's significant domestic production and consumption, small changes in domestic iron ore production capacity utilisation, and therefore import demand,

³ Australian mineral statistics for March quarter 2010, ABARE, Canberra, June 2010

⁴ Australian commodities, vol 17 no 2, June quarter 2010 ABARE, Canberra, June 2010

have the potential to significantly affect the world seaborne market. Over the outlook period, China's production is expected to respond quickly to changing iron ore prices. If iron ore prices remain high, growth in China's domestic production is expected to offset growth in consumption, thereby reducing its reliance on imports. However, if iron ore prices decline significantly, China's production is expected to decline, increasing its reliance on imports from low cost producers in Australia and Brazil.

Demand for Australian iron ore is therefore expected to continue to grow and Western Australia's Pilbara region is expected to continue to dominate the Australian iron ore industry. Geoscience Australia ⁵ notes that Australia's Economic Demonstrated Resources (EDR) of iron ore increased by 18% to 24 gigatonnes (Gt) in 2008, and that Western Australia has 98% of Australia's EDR with about 86% occurring in the Pilbara district.

However, the quality of Western Australia's DSO is declining as the highest grade DSO orebodies are depleted and increasing proportion of production is derived from lower grade DSO orebodies. The average iron content of DSO reserves reported by the three major Pilbara producers⁶ are:

Rio Tinto	61.2%Fe
BHP Billiton	61.0%Fe
FMG	58.5%Fe

This downward trend in Australia DSO quality is expected to continue in the future, driving demand for higher quality magnetite concentrates and attracting investment to the sector.

The Australian magnetite industry

Australia is well endowed with magnetite resources and Geoscience Australia⁷ notes that magnetite ore currently constitutes 24% or 5.7 Gt of Australia's EDR. Yet less than 2% of Australia's iron ore production is currently derived from magnetite iron ores.

Notwithstanding the continued growth in output of DSO ores from the Pilbara, MagNet expects that high quality magnetite concentrate and pellets will comprise an increasing proportion of Australia's total iron ore exports partly in response to the declining quality of Pilbara DSO.

The Australian magnetite industry is currently attracting significant interest from steel makers keen to secure long term, reliable, high quality feedstocks.

In Western Australia alone, two large scale magnetite projects with a combined investment value of more than \$8 billion are currently under construction in the Pilbara and MidWest regions. These committed projects will account for approximately 6,000 construction jobs and 1,300 ongoing operational jobs with additional projects forecast to provide approximately 9,180 new jobs in construction and 3,610 in operation.

⁵ Geoscience Australia 2009. Australia's Identified Mineral Resources 2009. Geoscience Australia, Canberra

⁶ 2009/2010 Annual reports

⁷ Geoscience Australia 2009. Australia's Identified Mineral Resources 2009. Geoscience Australia, Canberra

At least one other Western Australian magnetite project has entered the front end engineering and design phase and a \$2.0-\$2.5 billion final investment decision is expected in 2011. These projects are distributed right across Western Australia from north to south.

Numerous other magnetite projects in Western Australia are under assessment and consideration, with the potential to secure in excess of \$15 billion worth of investment and in some cases provide multi-user access with the building of new port, rail and other infrastructure.

In Queensland and South Australia, at least a further six magnetite projects are currently under investigation, in addition to the OneSteel Magnet project already in production and one under construction.

In Tasmania, Grange Resources Savage River magnetite concentrate and pellet project has operated continuously for over 40 years and recent capital investment has extended its life by a further 10 – 15 years.

A. THE CASE FOR EXCLUSION OF MAGNETITE

MagNet urges a full consideration of the circumstances surrounding this important new industry and support for its development by excluding magnetite concentrate from the MRRT regime.

1. Magnetite concentrate can be readily distinguished from other iron ore products and this provides a simple method by which magnetite concentrate may be excluded from the MRRT

The Issues Paper notes that:

“To efficiently administer and comply with the MRRT, it will be important for taxpayers and the Tax Office to understand the scope of the MRRT, and this will require them to know what coal and iron ore are.”

It follows that if magnetite is to be excluded from the MRRT, then it will be necessary to clearly define and distinguish magnetite from DSO or other iron products.

Magnetite concentrate is distinguished from DSO or other iron products by its chemical and physical characteristics, including:

1. Magnetism
2. Powder form
3. Chemical composition
4. Weight gain when heated in air (negative loss on ignition)

MagNet contends that these distinguishing characteristics can be routinely monitored and assessed during the normal course of business, providing a simple and transparent basis for compliance.

At worst, it is necessary to provide a definition of iron ore that clearly acknowledges that there are two types of ore – DSO and magnetite ore. MagNet urges the PTG to recommend to the Federal Government that there be adoption of a definition of “iron ore” that recognises and distinguishes between hematite or direct shipping iron ore (“DSO”) (Fe_2O_3) and product derived from the extensive processing of magnetite ore (Fe_3O_4) that is only saleable as magnetite

concentrate. Such terms already exist in Western Australian legislation in the royalty regime and adoption of such a definition of iron ore provides a simple and effective means to exclude magnetite concentrate from the MRRT regime.

The Minister for Climate Change has recently approved an activity definition of magnetite concentrate that refers to processed magnetite ore (Fe_3O_4).

2. Excluding magnetite concentrate from the MRRT regime is consistent with the Government's stated policy intent to tax the value of the resource, rather than the value added by the miner and to attribute a value to ore at the mine gate or point of extraction where possible

When the RSPT was amended to the current MRRT as announced on 2 July 2010, the government noted⁸:

"The new resource tax arrangement will apply to the value of the resource, rather than the value added by the miner. It will do this by setting the taxing point at the mine gate where possible, and using appropriate pricing arrangements to ensure only the value of the resource is taxed."

To achieve this policy objective, MagNet notes that the PTG has articulated a view that beneficiation processes would be beyond the taxing point and that the Issues Paper states that:

Establishing the taxing point as a stage early in the production value chain (prior to beneficiation) would provide a consistent, competitively neutral point for mining. The PTG is inclined to set the taxing point after initial crushing and screening.

However, MagNet contends that exclusion of magnetite from the MRRT regime is also consistent with the stated policy intent and that exclusion of magnetite from the MRRT regime provides a more effective and efficient mechanism to achieve this policy objective.

Preference is also given to the taxing point being fixed at the point of extraction rather than at the mine gate given that significant beneficiation will occur at the mine site in most projects.

3. Inclusion of magnetite in the MRRT regime is inequitable and inconsistent with the treatment of all other mineral concentrate producers

MagNet notes that when the MRRT was announced on 2 July, 2010 the accompanying fact sheet stated:

"Commodities other than iron ore, coal, oil and gas will not be included, which reduces the number of affected companies from 2,500 to around 320. These commodities were not expected to pay significant amounts of resource rent tax, and excluding them will allow many companies to remain in their existing taxation regimes."

Magnetite is produced following significant processing of low quality, low value "as mined" ores. Other commodities requiring significant processing of low quality, low value "as mined" ores,

⁸ Joint media statement PM Gillard, Deputy PM Swan and Minister for Resources Ferguson - 2 July 2010 – Agreed Principles attachment

such as base metal concentrates, copper, nickel, gold and alumina have been excluded from the MRRT and the inclusion of magnetite concentrate in the definition of iron ore is inequitable.

MagNet contends that magnetite is a commodity that is not expected to pay significant amounts of resource rent tax. Reference is made to the MagNet confidential MRRT Model Example supplied with this submission.

Therefore, MagNet contends that to maintain consistency and equity without compromising policy intent or taxation revenues, magnetite should be treated the same way as all other mineral concentrate producers and be excluded from the MRRT regime as a matter of equity.

4. The emerging magnetite concentrate industry is unlikely to generate significant if any new taxation revenue under reasonable assumptions surrounding the design features of the proposed MRRT regime

Given the very low value of magnetite ore prior to its very capital intensive processing, MagNet contends that a properly designed MRRT should result in no MRRT liability for magnetite projects.

In order to model the likely impact of the MRRT on a magnetite project, MagNet has used the PTG's MRRT Consultation Template to model the likely impact on a "conceptual" greenfields magnetite project with the following parameters:

CAPITAL COSTS		NOTES
Mining	AUD \$ 400 million	Assumed
Processing	AUD \$ 1,200 million	Assumed
Transportation	AUD \$ 500 million	Assumed
Port	AUD \$ 300 million	Assumed
TOTAL	AUD \$ 2,400 million	
OPERATING COSTS		per tonne of product
Mining	AUD \$ 11 per tonne	Assumed
Processing	AUD \$ 19 per tonne	Assumed
Transportation	AUD \$ 7 per tonne	Assumed
Port	AUD \$ 4 per tonne	Assumed
TOTAL	AUD \$ 41 per tonne	
PRODUCTION		
Output	10 million tonnes per annum	Assumed
Quality	68% Fe	Assumed
Project Life	>25 years	Assumed
Construction Commence	2012/13	Assumed
Production Commence	2014/15	Assumed
REVENUE		
Market Price Fines	USD\$1.20 per dmtu	Long Term Forecast
Magnetite Premium	10%	dmtu = %Fe in product
AUD:USD	0.85	Assumed
SELLING PRICE	AUD\$106 per tonne	Long Term Forecast

STATE ROYALTIES		
	5%	Ad valorem FOB Sales

Assessment of the impact of the MRRT on any given project is difficult due to the lack of detail in the government's statements to date and a variety of applications being possible with consequential permutations and combinations that are difficult to quantify. Even for a "simple" project without consideration of starting base, transferability of losses or other transitional issues, significant uncertainties abound with respect to:

1. The boundaries of a project;
2. The beginning and end of a project;
3. The taxing point within a project;
4. The determination of revenue at the taxing point;
5. The deductibility of expenditure at the taxing point;
6. Treatment of any carbon tax liability; and
7. The allowable return on capital expenditure.

Nevertheless, MagNet has made the following assumptions in relation to the design parameters of the MRRT for use in the PTG's Minerals Resource Rent Tax (MRRT) Consultation Model.

PARAMETER	RATE	COMMENT
MRRT Rate	30%	As per factsheet
Extraction Allowance	25%	As per factsheet
MRRT Allowance rate (pa)	13%	LTBR + 7%
Tax Liability Threshold (\$m)	\$50 million	As per factsheet
Company Tax Reduction Year (FY)	2014	As per factsheet
Long Term Bond Rate (pa)	6%	Assumed
Inflation (pa)	2.5%	Assumed
Investment Rate of Return/Discount Rate (pa)	13%	LTBR + 7%
Year of project commencement (FY)	2015	For simplicity
Commodity Price Inflation (pa)	0%	Assumed
Taxing point	After Mining	PTG inclination
Valuation Method	Resale Price	For simplicity
Mining Infrastructure Rate of Return (pa)	13%	LTBR + 7%
Processing Infrastructure Rate of Return (pa)	13%	LTBR + 7%
Transportation Infrastructure Rate of Return (pa)	13%	LTBR + 7%
Port Infrastructure Rate of Return (pa)	13%	LTBR + 7%
Closing Down and Rehabilitation expenditure	Nil	For simplicity
Starting base at 30 June 2012	Nil	For simplicity
Exploration Expenditure	Nil	For simplicity
MRRT Non-Deductible Project Expenditure	Nil	For simplicity

Under these assumptions, the Minerals Resource Rent Tax (MRRT) Consultation Model yields the following results:

PARAMETER	RATE
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Capital Expenditure	10% of revenue
Operating Expenditure	54% of revenue
MRRT Liability	nil
State Royalty Liability	5% of revenue
Company Tax Liability	10% of revenue
Cash Surplus	21% of revenue
IRR	13.9%
Effective Tax Rate	37.0%

MagNet contends that this analysis demonstrates that the magnetite industry is unlikely to generate significant if any MRRT revenue for the government in the long term, and so the exclusion of magnetite from the MRRT regime to achieve its policy intent will be revenue neutral to the government and will actually save money in that it will not be required to administer this portion of the new MRRT regime.

5. Including magnetite concentrate in the MRRT regime will impose a significant compliance burden on magnetite concentrate producers and the public sector for a minimal if any net gain

The MRRT regime is an entirely new and additional tax on the minerals industry. It will require an entirely new set of books and records to be maintained to determine MRRT liabilities and it will not replace or simplify any existing compliance burden.

This will create a significant additional compliance burden on owners of MRRT projects, which is acknowledged by the PTG in the Issues Paper, which states:

“Some degree of complexity, compliance and administration costs will be an unavoidable feature of the new resource taxation arrangements. The PTG aims to minimise these consequences, particularly for smaller miners.

Given that it is unlikely that the magnetite industry will generate significant if any MRRT revenue for the government, MagNet contends that the inclusion of magnetite within the MRRT regime will create an unnecessary compliance burden for both magnetite producers and the Australian Taxation Office (ATO) and other relevant Federal agencies.

6. Including magnetite concentrate in the MRRT regime will have an adverse impact on this fledgling industry by deterring investment and jeopardising the significant regional development, economic and social benefits that might otherwise occur

The large scale nature of magnetite ore processing facilities is such that they will be developed where there are large economic mineral resources sufficient to support long project lives, which will typically span many decades.

As a stable nation with mature mining laws, large magnetite resource endowment, proven specialist development expertise and proximity to Asian markets, Australia is well placed to capture investment capital and significantly expand and develop its magnetite industry to ensure many decades of production.

However, many other countries also possess significant undeveloped magnetite deposits and investment capital can be diverted away from Australia to countries with more favourable investment regimes and lower sovereign risk.

Magnetite production is a new and emerging value adding industry for Australia with significant direct employment and infrastructure development opportunities for regional communities. Geographically some of these regions do not have other significant greenfields resource projects available. The ability to attract investment capital is critical if these opportunities are to be realised.

Undoubtedly, Australia's reputation as a desirable investment location has been damaged by the unexpected announcement of the RSPT and its subsequent replacement by the MRRT. Investment decisions of some of MagNet's members were taken well prior to this date.

Significant uncertainty surrounds the detailed design of the MRRT and its impact on investment returns for new projects, and that will continue for some time. MagNet acknowledges the desire of the Federal Government to conclude the consultation process quickly and hence provide certainty but also notes that a significant number of companies with magnetite reserves have not participated in the PTG process to date. A comprehensive analysis of all of these projects has not yet been undertaken.

MagNet contends that it is in the long term national interest to eliminate the current uncertainty by moving quickly to exclude magnetite from the MRRT regime to maximise the opportunity for Australian magnetite projects to attract development capital.

B. IMPLEMENTATION OF A MAGNETITE EXCLUSION

MagNet submits that the exclusion of magnetite from the MRRT regime can be readily achieved by modifying the definition of iron ore.

In its Issues Paper, the PTG notes that to efficiently administer and comply with the MRRT, it will be important for taxpayers and the ATO to understand what coal and iron ore are, and asks whether the terms 'iron ore' and 'coal' are sufficiently well understood that they could be used without definition.

MagNet contends that the term "iron ore" is not well understood and that there is no generally accepted definition. MagNet also contends that any definition must distinguish between ores and concentrates.

In this regard, Western Australian legislation provides some guidance and precedent. Although the term "iron ore" is not used or defined in the Western Australian Mining Act, the so-called Iron Ore Agreement Acts do provide some guidance. These acts undoubtedly represent the largest and most mature body of iron ore specific legislation in Australia.

For example:

The *Iron Ore (Mount Newman) Agreement Act 1964 (WA)* defines:

"beneficiated ore" means iron ore which has been concentrated or upgraded by the Company pursuant to proposals approved under this Agreement otherwise than by washing drying crushing or screening or a combination thereof;

"fine ore" means iron ore (not being beneficiated ore) which is sized minus six millimetres;

"iron ore" includes beneficiated ore;

"lump ore" means iron ore (not being beneficiated ore) which is sized plus six millimetres minus thirty millimetres;

"washing" means a process of separation by water using only size as a criterion;

The *Iron Ore (FMG Chichester Pty Ltd) Agreement Act 2006 (WA)* defines:

"beneficiated ore" means iron ore which has been concentrated or upgraded, otherwise than by washing, drying, crushing or screening or a combination thereof, by the Company in a plant constructed pursuant to an approved proposal or such other plant as is approved by the Minister after consultation with the Minister for Mines and "beneficiation" and "beneficiate" have corresponding meanings;

"iron ore" includes beneficiated ore;

"iron ore products" includes iron ore of all grades and all products from the processing of iron ore;

"washing" means a process of separation by water using only size as a criterion.

The *Iron Ore Processing (Mineralogy Pty. Ltd.) Agreement Act 2002 (WA)* defines:

"iron ore concentrates" means iron ore mined by Project Proponents pursuant to this Agreement and concentrated by them to at least 65%Fe;

"magnetite" means iron ore concentrates in the form of magnetite;

Accordingly, MagNet proposes that for the purposes of the MRRT, the term "iron ore" be defined as:

An 'iron ore commodity' means any ore from which Iron (Fe) is extracted; not being:

- (a) a product produced from an iron ore commodity; or***
- (b) magnetite which has been concentrated or upgraded by processing ore, otherwise than by washing, drying, crushing or screening or a combination thereof.***

CONCLUSION

MagNet thanks the PTG for the opportunity to present this submission in support of its case for the exclusion of magnetite from the MRRT regime. It submits that the case has been clearly made, and that a simple and practical mechanism to achieve this has been proposed.

MagNet trusts that this meets with your favourable consideration and refers to the individual submissions of our members for company specific issues that require attention.

5 November, 2010