



Queensland

Mineral Resources Amendment Regulation (No. 2) 2005

Explanatory Notes for SL 2005 No. 11

made under the

Mineral Resources Act 1989

General Outline

Short title

Mineral Resources Amendment Regulation (No. 2) 2005.

Objective of the legislation

The objective of the *Mineral Resources Amendment Regulation (No. 2) 2005* is to update the royalty rates and arrangements for bentonite, kaolin, manganese, rare earths, silica and tantalum to provide an appropriate financial return to the State for the exploitation of these minerals.

Authorising law

Section 417 of the *Mineral Resources Act 1989*.

Reasons for the subordinate legislation

The Department of Natural Resources and Mines (NR&M) administers mineral commodity royalty regimes under the *Mineral Resources Act 1989*. The *Mineral Resources Regulation 2003* sets out the royalty regimes for various mineral commodities.

In 2003-04 NR&M examined the royalty regimes for bauxite, mineral sands (ilmenite, rutile and zircon), silica, limestone, clays (bentonite, kaolin and structural clays), manganese, tantalum, rare earths and diamond. These mineral commodities had not been reviewed for some time.

Although manganese, tantalum, rare earths and diamond are not currently mined in Queensland, they were examined in terms of future potential exploitation and downstream processing within Queensland.

As a result of the 2003–04 mineral commodity royalty review, the royalty rates and/or arrangements for bentonite, kaolin, silica, manganese, rare earths and tantalum are being amended by this regulation.

Consistency with authorising law

The proposed regulation is consistent with the authorising law.

Achieving the objectives

The objectives of the legislation will be achieved by increasing the royalty rates for bentonite, kaolin, manganese, rare earths, silica and tantalum to a level that provides an appropriate financial return to the State.

Administrative costs

No additional administrative costs will result from these amendments.

Fundamental legislation principles

The regulation is consistent with fundamental legislative principles.

Consultation

The Department of Natural Resources and Mines prepared a Regulatory Impact Statement (RIS) on the proposed royalty rate increases as required by the *Statutory Instruments Act 1992*. The RIS was made available for public comment from 30 April 2004 to 4 June 2004. Comments were sought on three options outlined in pages 5 to 6 of the RIS.

Notification of the RIS was posted in the *Queensland Government Gazette* and the *Australian Financial Review*. Copies of the RIS were also

forwarded directly to the Queensland Resources Council as well as known participants in the exploration and production of the relevant minerals in Queensland and other parts of Australia. A copy of the RIS was also posted on the Internet sites of the Department of Natural Resources and Mines and the Department of State Development and Innovation.

Seven responses were received to the RIS. Most respondents were primarily concerned about the size of the royalty rate increases. Others also expressed concerns about the method of indexation proposed under Option 3.

As a result of consultation, Option 4 was developed and approved by Cabinet. Option 4 removed indexation from the royalty arrangements for bentonite, kaolin and silica. In addition, the royalty rates were further reduced from Options 2 and 3 presented in the RIS and provisions have been made to introduce the increases over two financial years.

Notes on provisions

Section 1 provides for the short title of the regulation.

Section 2 outlines the regulation to be amended.

Section 3 provides that the regulation is to commence on 1 July 2005.

Section 4 provides that a royalty free threshold will apply to manganese, rare earths and tantalum.

Section 5 changes the heading of part 9, division 2, Sub-division 5.

Section 6 amends part 9, division 2, Sub-division 5 to include royalty discounts for manganese and tantalum processed in Queensland. For manganese processed to at least 75% metal content and tantalum processed to at least 95% metal content, the discount will be 35 per cent.

Section 7 provides for royalty rate increases to apply between 1 July 2005 and 30 June 2006, and 1 July 2006.

For bentonite the royalty rate payable from 1 July 2005 to 30 June 2006 will be \$1.40 per tonne. From 1 July 2006 the royalty rate will be \$1.80 per tonne.

For kaolin the royalty rate payable from 1 July 2005 to 30 June 2006 will be \$0.75 per tonne. From 1 July 2006 the royalty rate will be \$1.00 per tonne.

For silica, the royalty rate payable from 1 July 2005 to 30 June 2006 will be \$0.70 per tonne where \$0.50 per tonne is higher than 5% of the value of the silica. If 5% of the value of the silica is higher than \$0.50 per tonne, the rate will be the lower of \$0.90 cents per tonne or 5% of the value of the silica plus 50% of the difference between 5% of the value of the silica and \$0.90 for each tonne of silica.

For royalty returns that are lodged on a yearly basis commencing other than 1 July 2005, the interim royalty rate increase will apply to the portion of the royalty return that pays royalty for a period occurring between 1 July 2005–30 June 2006.

For example if a company lodges a yearly return on 1 December, then for a return that covers 1 December 2004 to 1 December 2005, the existing royalty rates would apply to the months from 1 December 2004 to 30 June 2005. For the period covering 1 July 2005 to 1 December 2005 the interim royalty rate increase would apply. In the company's following return for the year 1 December 2005 to 1 December 2006, the interim royalty rate increase would apply from 1 December 2005 to 30 June 2006. For the period relating to 1 July 2006 to 1 December 2007, and thereafter, the new full royalty rate would apply.

Section 8 includes a definition of rare earths.

ENDNOTES

- 1 Laid before the Legislative Assembly on . . .
- 2 The administering agency is the Department of Natural Resources and Mines.