Hon Bill Johnston MLA  
Minister for Mines and Petroleum; Commerce and Industrial Relations;  
Electoral Affairs; Asian Engagement

Our Ref: 71-02086

Mr Simon Bennison  
Chief Executive Officer  
Association of Mining and Exploration Companies  
PO Box 948  
WEST PERTH WA

Dear Mr Bennison

MINES SAFETY AND INSPECTION LEVY RATE INCREASE 2017-18

On coming to office I was made aware that the previous Liberal National Government had failed to ensure that the Mine Safety Levy (MSL) was operating at full cost recovery. Decisions made by the previous Minister caused an operating deficit within the MSL of approximately $10 million in the 2016-17 financial year.

The former Minister’s failure to ensure full cost recovery for the MSL is another sign of the Barnett Liberal National Government’s financial recklessness.

Mines Safety costs are monitored on an ongoing basis and savings measures are continuing to be put in place where appropriate. However, despite the economic downturn, the number of operations required to be monitored by the Department of Mines and Petroleum (DMP) continues to increase. Between 2014-15 and 2015-16 there was an 8.5% increase in operations to be monitored, highlighting the increased demand on DMP’s resources.

The current arrangements for regulating mines safety were established on the basis that they would be fully cost recovered, something that I believe is well understood within the industry. Accordingly, in light of the above, the Government has made the difficult decision to increase the Mines Safety and Inspection Levy Rate from $0.15 to $0.20 per hour worked for the 2017-18 financial year. This will reduce the accumulated deficit not eliminate it.

While the increase in the MSL may be viewed as a cost imposition on the industry, Mines Safety costs in Western Australia continue to compare favourably with other jurisdictions. In 2015-16 the total mines safety administration cost per miner in Western Australia was $320, compared to $822 in Queensland and $374 in New South Wales.

Given the short time that the Government has been in office, it has not been possible to conduct the level of consultation that I would prefer in relation to a matter such as this.
Accordingly, I have asked DMP to develop, in consultation with industry, a process which seeks to;

- develop an industry-wide understanding of when and why increases to the levies are required prior to any increases being implemented; and
- keep all stakeholders informed of how funds raised through levies are used to administer the regulatory regime.

While I have no settled view as how this should be done in respect of the MSL the approach taken by NOPSEMA in relation to its cost recovery levies provides a useful starting point.

NOPSEMA sets levies through the preparation of a public Cost Recovery Implementation Statement (CRIS) that meets the requirements of full cost recovery. This CRIS is produced every three years and provides key information on how charging (on a cost recovery basis) for a specific government regulatory activity is implemented.

Further each financial year, NOPSEMA undertakes a review to assess the cost effectiveness of its regulatory operations, including its cost-recovery arrangements. The intent of the review is to ensure that funds are being used in accordance with the agreed policy, and provide a formal opportunity for stakeholders to raise questions regarding the financial aspects of NOPSEMA.

As mentioned I have no set position on the format of the proposed consultation process, and I value your input into the successful development of an improved framework which can provide a greater level of certainty for all stakeholders.

I look forward to working with you to continue to improve the resources sector, and the safety of all involved in it.

Yours sincerely

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