

Correspondence to ECNT from Hon. Syd Stirling, NT Treasurer, 26 June 2006.

**Re: Economic costs associated with McArthur River Mine**

Dear Dr Scott

Thank you for your letter of 5 April 2006 raising a number of queries regarding the economic costs associated with the McArthur River Mine (MRM).

The following responses are provided in the context that some of the information you have requested is commercial-in-confidence, some falls within the secrecy provisions of taxation laws and some relates to matters where the Northern Territory Government does not have any information.

You have the opportunity of pursuing the requested information through a formal application under the Territory's *Information Act*. However, aspects of the information you have requested would more than likely be excluded from the provisions of the Act or subject to release on agreement of those parties to which the information relates to.

*1. How much is paid annually to the NT Government by MRM in these other taxes?*

Under the secrecy provisions of *Taxation (Administration) Act* and the *Pay-roll Tax Act*, Government may not legally disclose information regarding taxes paid by an individual or company without their consent. Similar provisions are contained in the Mineral Royalty Act. However, MRM may provide you with the requested information.

You may also wish to consider the implications of the McArthur River Project Agreement Ratification Act in relation to mineral royalties payable by the mine.

*2. Why does McArthur River Mine have to pay for the transportation and smelting costs?*

The Mineral Royalty Act states that the amount of royalty payable for a mine is 18 per cent of the net value of a saleable mineral commodity sold or removed without sale from that mine in a given year. The amount of transportation and processing costs allowed as deductions from the assessed value of the commodity depends upon the point at which the mineral becomes a saleable commodity.

The specific issues in this case relate to the commercial considerations of affiliated companies occupying various stage of the mineral development process. As long as there are no breaches of corporations, mining, taxation, competition or environmental laws, Government has minimal insight into, or influence over, such decisions. Again, you may wish to take this matter up with MRM.

*3. Why was MRM helping to prop up unprofitable overseas zinc smelters for years and therefore not paying mineral royalties to the NT Government?*

See above.

*4. How much in annual energy subsidies has MRM received from the NT Government since the mine started operating?*

Provision of electricity to MRM is subject to contractual arrangements which are commercial-in-confidence.

5. *Can this table, which was prepared for the then Office of Territory Development, be made publicly available?*

The MRM Economic Impact Assessment final report produced by ACIL Tasman, was delivered to the Territory Government in October 2004. The report is now dated and its examination was limited to the economic impact of MRM as it existed in 2004. It is therefore not relevant to the proposed conversion to open cut.

6. *Have there been any additional economic assessments by the NT Government of McArthur River Mine, apart from the ACIL Tasman report? If so, have they looked at all of the economic impacts of the existing and proposed mine, including the loss in mineral royalty payments over the preceding decade, the total cost of the electricity subsidy and the rehabilitation cost risks posed by the open cut proposal? If so, ECNT requests that a copy of the study be made publicly available in the interests of transparency and informed public debate.*

In addition to the ACIL Tasman report, the Territory Government commissioned Brook Hunt to undertake an analysis of global zinc and lead markets and a comparative assessment of MRM. This report was delivered to the Territory Government in August 2004.

As is the case for the ACIL Tasman report, the Brook Hunt report is now dated and contains potentially sensitive commercial information. The copyright conditions of this report prevent its disclosure to third parties.

7. *Is there a current estimate of probable NT Government liability for the long-term rehabilitation costs of the McArthur River Mine open cut should the project eventually proceed?*

The *Mining Management Act* requires a mineral lease holder to lodge a security bond to cover the rehabilitation cost for a mining site upon cessation of mining activities. It is current policy for the amount of security to be 100 per cent of the estimated cost to the Territory Government to rehabilitate a site if a miner fails to do so.

It is not considered that the Territory Government will be subject to any additional liability should the proposed conversion of MRM to open cut proceed.

The primary objective of the Territory Government is to ensure that the MRM open cut conversion only proceeds if in the interests of the Territory community overall. As such, the decision on the open cut conversion will be subject to stringent environmental and economic assessment processes.

Yours sincerely

SYD STIRLING  
Deputy Chief Minister  
Treasurer

26 June 2006