Western Australia

The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Australia has extensive reserves of coal, iron, copper, gold, natural gas, and uranium. The extractive industries make up a large and growing segment of the national economy, accounting for 10 percent of gross domestic product in 2010. The country’s largest state, Western Australia, also has the largest mining industry, producing 58 percent of Australia’s mineral and energy exports. In 2011, mining and hydrocarbon royalties made up 20 percent of Western Australia’s government revenue. Considering the state’s outsize role in the extractive sector and the importance of state authorities under Australia’s federal system, the RGI has focused its assessment on Western Australia alone.

Responsibility of governing the extractive industries. States regulate mining operations and collect royalties and other fees; only the federal government has the power to tax company profits.

Australia’s Freedom of Information Act requires disclosure of information on the mineral sector, and environmental and social impact assessments are mandatory before mineral rights can be awarded. In 2011 the government announced that Australia would join the Extractive Industries Transparency Initiative, beginning with a pilot project in July 2012.

Reporting Practices

(Rank: 4th/58 Score: 87/100)

Western Australia publishes data on most important indicators, earning a “satisfactory” score of 87. However, it fails to provide comprehensive information on government subsidies to the mining industry or social payments made by extractive companies.

Western Australia’s Department of Mining and Petroleum (DMP) publishes information on the licensing process, contracts, and environmental and social impact assessments. It produces audited annual financial reports and maintains an online searchable database with information on reserves, prices, the value of exports, estimates of investment in exploration and development, production by company/block, production stream values, royalties, license fees, and lease income. The Australian Bureau of Statistics publishes some information on mining revenue, but less systematically than the DMP.

Safeguards and Quality Controls

(Rank: 20th/58 Score: 65/100)

Western Australia’s “partial” score of 65 is due to the poor quality of some government reports, incomplete oversight of the licensing process, and a lack of robust conflict-of-interest disclosure requirements.

The licensing process is intended to be open and competitive, but the first-come, first-served system may ultimately reduce competition by allowing companies to stall the approval process or lock out competitors once exploration licenses have been granted. Parliament has no specific role in the approval of mining licenses, which can be appealed on environmental or public interest grounds.

Western Australia’s Performance on the RGI

Western Australia received a “satisfactory” score of 85, ranking 4th out of 58 countries. An excellent Enabling Environment score was countered by only “partial” implementation of Safeguards and Quality Controls.

Institutional and Legal Setting

(Rank: 2nd/58 Score: 88/100)

Western Australia’s “satisfactory” score of 88 reflects comprehensive laws governing the extractive industries, an independent licensing process, and transparent budgetary policies.

In Australia, state and national authorities share the responsibility of governing the extractive industries. States regulate mining operations and collect royalties and other fees; only the federal government has the power to tax company profits.

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The DMP’s revenues are audited by an independent authority and reviewed by the state legislature. There are no requirements that government officials with an oversight role in the sector disclose their financial interests in extractive projects.

**Enabling Environment** (Rank: 2nd/58 Score: 96/100)

Australia performed extremely well on rankings of overall governance, accountability, democracy, and the rule of law, receiving a “satisfactory” score of 96.

**Natural Resource Fund**

In May 2012, Western Australia became the first state to announce plans to establish a Future Fund to be managed by the state treasurer. According to proposed legislation, the fund would receive at least 1 percent of the state’s annual royalty revenue. Interest would be reinvested and spending prohibited for a period of 20 years.

**Subnational Transfers** (Rank: 6th/30 Score: 86/100)

Western Australia has established a “Royalties for Regions” program that allocates 25 percent of state mineral royalties for local development. Both the state and local governments publish information on these transfers, which are typically used to maintain community infrastructure.

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**Australia's Composite, Component and Indicator Scores**

<table>
<thead>
<tr>
<th>Rank</th>
<th>COMPOSITE SCORE</th>
<th>Score (out of 58)</th>
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<tbody>
<tr>
<td>4</td>
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<td>2</td>
<td>Institutional and Legal Setting</td>
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<td>Freedom of information law</td>
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<td>Comprehensive sector legislation</td>
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<td>EITI participation</td>
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<td>Independent licensing process</td>
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<td>Clarity in revenue collection</td>
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<td>Comprehensive public sector balance</td>
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<td></td>
<td>Fund rules defined in law</td>
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<td>Subnational transfer rules defined in law</td>
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<td>Enabling Environment</td>
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<td>Rule of law (WGI)</td>
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**Safeguards and Quality Controls** (Rank: 20 Score: 65/100)

- Checks on licensing process | 78 |
- Checks on budgetary process | 100 |
- Quality of government reports | 61 |
- Government disclosure of conflicts of interest | 0 |
- Quality of SOC reports | - |
- SOC reports audited | - |
- SOC use of international accounting standards | - |
- SOC disclosure of conflicts of interest | - |
- Quality of fund reports | - |
- Fund reports audited | - |
- Government follows fund rules | - |
- Checks on fund spending | - |
- Fund disclosure of conflicts of interest | - |
- Quality of subnational transfer reports | 50 |
- Government follows subnational transfer rules | 100 |