

## 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](http://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.

Australia	2000	2005	2011
Population (million)	19.15	20.39	22.62
GDP (constant 2011 international \$ billion)	530.7	784.0	
GDP per capita, PPP (constant 2005 international \$)		32,523	
Oil and gas revenue (% total government revenue)	...	1%	1%
Extractive exports (% total exports)	39%	47%	67%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. Oil and gas revenues 2011 data from 2010

### Western Australia's Performance on the RGI

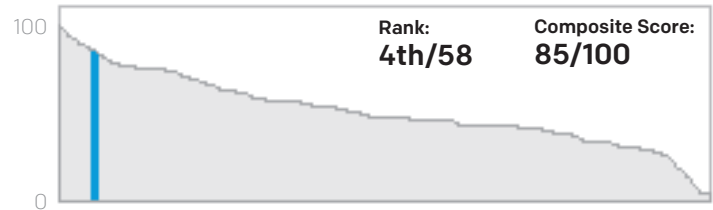
Western Australia received a "satisfactory" score of 85, ranking 4th out of 58 countries. An excellent Enabling Environment score was countered by only "partial" implementation of Safeguards and Quality Controls.

#### 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.

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.

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 an-

nounce 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.

## Australia's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
<b>4</b>	<b>COMPOSITE SCORE</b>	<b>85</b>
<b>2</b>	<b>Institutional and Legal Setting</b>	<b>88</b>
	Freedom of information law	100
	Comprehensive sector legislation	100
	EITI participation	33
	Independent licensing process	100
	Environmental and social impact assessments required	100
	Clarity in revenue collection	67
	Comprehensive public sector balance	100
	SOC financial reports required	..
	Fund rules defined in law	..
	Subnational transfer rules defined in law	100
<b>4</b>	<b>Reporting Practices</b>	<b>87</b>
	Licensing process	100
	Contracts	100
	Environmental and social impact assessments	100
	Exploration data	100
	Production volumes	100
	Production value	67
	Primary sources of revenue	100
	Secondary sources of revenue	100
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	..
	SOC production data	..
	SOC revenue data	..
	SOC quasi fiscal activities	..
	SOC board of directors	..
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	100
<b>20</b>	<b>Safeguards and Quality Controls</b>	<b>65</b>
	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
<b>2</b>	<b>Enabling Environment</b>	<b>96</b>
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	96
	Open Budget (IBP Index)	..
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	96
	Government effectiveness (WGI)	96
	Rule of law (WGI)	95

<span style="color: green;">■</span>	Satisfactory	<span style="color: orange;">■</span>	Weak
<span style="color: yellow;">■</span>	Partial	<span style="color: red;">■</span>	Failing