



Minerals Resource Rent Tax Bill 2011 & Cognate Bills

House of Representatives

21 November 2011

Sharon Grierson MP

Ms Grierson (Newcastle) (11.55 AM) — I rise to speak in support of the Minerals Resource Rent Tax Bill 2011 and associated cognate bills that will implement the minerals resource rent tax and extend the petroleum resource rent tax.

Clearly, the mining boom will not last forever. The non-renewable resources extracted from our economy can only be dug up once. It is only right that the profits from those finite resources are shared with all Australians.

While mining profits have increased by 262 per cent in the last decade, the Australian people's share in the profits of our natural resources has declined. Fortescue Metals' tax manager conceded to a parliamentary committee earlier this month that they have not paid corporate tax for seven years, despite the company being valued at \$16 billion. That is socially irresponsible at best and obscenely greedy at worst. As a government, we cannot justify a taxation framework in which the proceeds from the mining of iron ore, coal, oil and gas are not equitably distributed but benefit only a privileged minority.

Mining is clearly an important part of the Australian economy. Entrepreneurs and miners are important to Australia. I am the granddaughter of a miner, and most people in my electorate have a mining history somewhere in their genealogy. In the Hunter, 5.1 per cent of the workforce are employed in mining, with flow-on effects for other sectors and the entire community. There is already a \$430 billion pipeline of investment flowing to mining projects throughout the nation. Much of that is in the Hunter, and that will continue to grow. Australia is a good place to do business, despite the hype and hysteria from the ranks of the opposition.

Mining remains important to Australia in the future, but the economy of the past will not be the economy we need in the future. Our priority as a government is to build the long-term foundations for a stronger and fairer economy that matches our strategic goals for this nation—a strong economy and a fair Australia. That is why the Minerals Resource Rent Tax Bill provides for the taxation of the above-normal profits from mining iron ore and coal. Collectively these bills are designed to restructure our economy and future-proof it against international market volatility by

strengthening our domestic industries and distributing the proceeds of our mineral wealth to every Australian via a sustainable and internationally competitive taxation framework.

Although our economy has not suffered as most economies worldwide have for these past years, our economy is a patchwork economy and we have a responsibility to manage the resultant competing pressures. As rising interest rates and the high terms of trade push up the Australian dollar and decrease export demand, we must ensure that our manufacturers and small exporters outside the resource sector do not suffer. The MRRT is an indicator of this government's efforts to manage our patchwork economy and distribute the proceeds more equitably. The tax replaces the previous royalty tax and directs the revenue towards vital investment in infrastructure—roads, rail and ports—tax breaks for businesses struggling with the pressures of a patchwork economy and an increase in the superannuation guarantee to boost national savings and provide secure retirement incomes for future generations.

The MRRT will apply at a rate of 30 per cent to all new and existing iron ore and coal projects, subject to an extraction allowance that reduces its effective rate to 22.5 per cent. Small miners with annual profits below \$75 million will not be affected by the MRRT, while miners with profits between \$75 million and \$125 million will benefit from a partial reduction in their MRRT liability. Interestingly, the Minerals Council has admitted that there is a strong argument to reform the basis of determining royalty payments to a profits-based criteria from a revenue one. Of course, that is exactly what we are doing

What is clear to the Minerals Council, clear to economists and clear to those on this side of the House is that a profits-based tax is far better and more efficient than a tax levied on either the volume or value of production.

A royalty-based system can actually deter mineral development. But those opposite do not seem to understand that. The Leader of the Opposition has said:

'... if people feel that the mining industry is under-taxed, there's nothing to stop the states increasing royalties.'

But unfortunately the states are not prepared to do the heavy lifting for the nation's economy and, sadly, the opposition just do not seem to do fiscal policy anymore.

The MRRT is expected to raise an estimated \$3.7 billion in 2012-13, \$4 billion in the following year, and \$3.4 billion the year after. Over 10 years, the tax is expected to deliver an extra \$38.5 billion in government revenue to the Australian people. The MRRT will allow for an increase to superannuation contributions, gradually lifting the mandatory superannuation rate from nine per cent to 12 per cent, beginning from 1 July 2013. In New South Wales, this will boost the savings of over 2.5 million people, including 170,000 working people in the Hunter.

The former leader of the Liberal Party in New South Wales, now CEO of the Investment and Financial Services Association, John Brogden, said:

'This is a visionary policy. It's visionary for Australia's retirement outcomes and it's visionary for the Australian economy.'

He subsequently counselled his former colleagues to reconsider their position because:

'Twelve per cent superannuation we think sees more than half of the Australian population have an adequate retirement, and that's the difference between heavily relying on the pension and having part pension or no pension.'

The former federal leader of the Liberal Party, Dr John Hewson, likewise, has said that despite posturing from the mining industry, in policy terms, this tax is right. Fortunately, it is right.

There have been major concerns in communities regarding coal seam gas, and I for one am very pleased to see that we have taken on that challenge in this legislation. We have improved the governance arrangements for coal seam gas to ensure that future decisions about coal seam gas projects and large coalmining developments are based on the most rigorous scientific evidence available in order to maintain community confidence, especially in regard to impacts on water. In my electorate that is particularly important as we have Eastern Star Gas. Santos are now looking at exploration at Fullerton Cove near my electorate, and that sits right next to the Tomago Sandbeds. We are blessed in our region with a water supply that is natural and persistent, and we would hate to see that compromised.

So the government has listened to community concerns and will provide \$150 million to establish a new, independent, expert scientific committee to provide scientific advice to governments about relevant coal seam gas and large coalmining approvals where they have significant impacts on water. They will oversee research and they will establish a new national partnership agreement with the states through COAG, agreeing that the Commonwealth and states have to take into account the advice of that committee in their assessment and approval decisions. I have to say that it is very much the case that in most states we are not confident in the state planning processes. We are not confident that those approvals are based on rigour and not just financial outcomes. This legislation takes that into account and I hope we will see much better outcomes. The coal seam-methane gas industry is important to this country but so are our quality of life, the quality of our environment and our water security. The federal government are now bringing about an intervention that I think will give us much more confidence that this will be done in a scientifically evidence-based way.

Critical for my region, there will be investment in mining-related infrastructure through the Regional Infrastructure Fund and Regional Development Australia Fund, and I would like to put some of my little wish list on the table. In my city of

Newcastle we export over 100 million tonnes of coal every year. That is a massive amount of coal coming through our city. What we have noticed is that as NCIG and PWCS terminals expand the quality of our air has decreased. It has become more evident in Newcastle since the Orica spill into our atmosphere, and now we have an industrial area where, when you look at the developments, there is an cumulative impact. When development approvals are granted, they are done one-by-one. We do not look at the cumulative impact on air quality, water quality or the environment of these combined developments. It is time we did that.

In my city much of that coal—not all of it, but some of it—comes right through the suburbs. People open their back fences and look at coal wagons that are 50 to 80 carriages long, all uncovered. It is not right that coal goes through the middle of a city like Newcastle. It is time that new infrastructure was built, with separation of freight and passenger from Fassifern to Hexham and then through along Steel River and into the Port of Newcastle. I know that people have an expectation that this will be mining-related infrastructure and of course we have seen a great deal of expenditure by ARTC on improving the coal chain. We have made that investment and we will continue to make that investment, but it is now time to think about what the community is paying in terms of their quality of life for the impact of mining. We in Newcastle have certainly been a resilient community. We like our industrial history, we like our industrial present, but we want our future to be one that is not compromised by it.

Fortunately, this legislation does offer those opportunities to better manage the impact of mining through its infrastructure needs for communities and certainly for the mining industry, but I think this sort of investment will ensure that the mining boom remains strong, as mining projects can draw on the benefits of the local infrastructure while the negative impacts of mining can be addressed to keep our communities strong and safe. I must say that as a result of the Orica spill the community are strongly determined to see the introduction of a 2.5 microns measure for air quality and they want to see it publicly assessable 24/7. We want to know about the air we are breathing. We want to know about the quality of the water we are gaining our fish stock from and that people are depending upon. In the *Newcastle Herald* Michael Pascoe wrote:

'The immediate test of whether a party is fit to govern is the minerals resources rent tax (MRRT). In economic terms, it's a no-brainer'

And, yes, it is. The benefits are not just great: they are diverse, they prop up the future of our economy, they invest in Australians and they also make sure that this mining boom is well managed and can continue in a good and balanced way.

We know that the Leader of the Opposition once said that he found economics boring. We know that those opposite preach an irrational market fundamentalism—voodoo economics, we would call it. We know that they do not understand these bills. They do not understand economic management and they undoubtedly do not understand the exigencies of life for many Australians. For 12 years they sat indolent at the helm of our nation, comforted by their market extremism.

On Sky News last year the Deputy Leader of the Opposition said that mining companies 'are paying a fair amount of tax'. The following day the Shadow Treasurer said that he thought that mining companies 'pay a fair share'. Then the Leader of the Opposition told 2GB listeners that mining companies 'are paying more than their fair share'. It seems that they want miners to pay less tax than the public would expect. So, we do disagree.

Mining profits for the year ending 30 June 2011 were approximately \$93 billion, or more than two-thirds the size of the New Zealand economy. Twiggy Forrest's Fortescue Metals Group had a net profit of \$985 million; Xstrata had an operating profit of \$4.25 billion; Rio Tinto had a first-half profit of \$7.6 billion; and BHP Billiton had a yearly profit of \$22.48 billion. Apparently they are paying quite enough tax, according to the opposition.

The opposition leader tried to tell us that this tax is 'almost guaranteed to kill the mining boom stone dead'. That is not true; that is just self-serving rhetoric. The opposition opposed the petroleum resource rent tax with the same approach when it was introduced by the Hawke government in 1986 but happily collected the revenue throughout the Howard years. In the headlines we hear from those with the money and we see the scare campaigns. We have seen the advertising campaigns from the mining companies of the past, and that certainly grabs a lot of headlines. But what we do not see on the front pages of the newspapers or hear on the evening news are stories about the hardworking Australians who will benefit from this legislation, like the small businesses that dominate the economy of most regional communities.

The government will use the revenue from the MRRT bills to reduce the tax rate for all companies to 29 per cent, effective from 1 July 2013. They will give Australia's 2.7 million small businesses a \$6,500 instant asset write-off from 1 July next year. Almost 890,000 small businesses in New South Wales will benefit from this legislation, including almost 50,000 small businesses in the Hunter. These bills are part of a new deal; they are a new compact with the Australian people. They deliver on our mission to deliver a strong economy and a fair Australia. I commend these bills to the House.