



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

**TAXATION LAWS
AMENDMENT BILL (NO. 8) 2002**

Consideration in Detail

SPEECH

Wednesday, 10 September 2003

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Page 19644	Proof No
Questioner	Responder
Speaker Cox, David, MP	Question No.

Mr COX (Kingston) (10.43 am)—by leave—I move opposition amendments (1) to (4):

- (1) Schedule 5, items 2 and 3, page 23 (lines 11 to 18), omit the items.
- (2) Schedule 5, item 6, page 23 (line 27) to page 25 (line 11), omit the item.
- (3) Schedule 5, item 13, page 26 (lines 18 to 32), omit the item.
- (4) Schedule 5, item 20, page 28 (line 1) to page 29 (line 15), omit the item.

These amendments simply remove from the bill those parts of the schedule which relate to the infrastructure licence proposal. There is absolutely no doubt that this is an enormous and unjustified concession to PRRT taxpayers. Those PRRT taxpayers who convert a production facility to a processing facility, under an infrastructure licence, derive an enormous financial benefit from being able to continue to use that platform for another economic purpose. There is no justification for attaching to that event a notional cost of completely decommissioning and removing that platform and allowing it, at that time, to be offset against PRRT tax. The problem is compounded by the government's total inability to properly cost this measure.

We went through this in great detail at the Senate Economics Legislation Committee. The industry was unable to shed any light on these costings. Treasury were unable to shed any light on these costings and in fact passed the buck to the Australian Taxation Office, who were not present at the hearing. The government subsequently produced a supplementary explanatory memorandum which admitted that what had been written in the first explanatory memorandum was in error and that costings which had been \$280,000 to \$56 million per event were in fact the estimate for the total costs of decommissioning and not the effect on revenue of bringing forward those decommissioning costs to offset against PRRT receipts.

I spoke about this in the second reading debate last night and suggested that it would not have been beyond the bounds of possibility for Treasury at least to have come up with some estimates of the cost per million dollars of decommissioning cost brought forward—for each year that it will be brought forward—as an indication of the cost of this measure. We still do not know when this measure will be utilised by any present production licensee. We do not know how often it is going to be used by production licensees. But at least we would have had some indication of the value of this concession if Treasury had dealt with it in a generic way like that. They have not, and I think that the government, for its obfuscation and its incompetence on this issue, does not deserve to have the measure get up.

The measure does not deserve to get up on any merit. The parliamentary secretary said in his summing up that somehow we were denying a tax concession or a tax treatment and that that would discourage companies from properly cleaning up environmental issues associated with the decommissioning of a platform. The reality is that, if you bring forward the tax concessions associated with doing that and they are separated by years or perhaps even decades from the time that those events take place, you have a situation where the company at the time that it is actually required to decommission will have less financial capacity to do so and, because it has less financial capacity to do so, will be encouraged to defer that decommissioning and clean-up process. (*Extension of time granted*) So it is bad law in terms of tax principles, it is bad law in terms of practice and it is bad law in terms of ensuring that there is financial capacity at the end of the project for proper environmental clean-ups. I can see absolutely no reason why the government can expect the opposition and the minor parties in the other place to support this measure.

The Australian Petroleum Production and Exploration Association have discussed this with me. They do not believe that this matter is urgent. They say that they are expecting the government to bring forward a whole package of PRRT legislation towards the end of this year. I have said that the opposition will get all the relevant

shadow ministers who have an interest in this area together and have a discussion about all of the issues that they want to address, and we will consider all of those things with a completely open mind.

The Australian Petroleum Production and Exploration Association say that they want this measure that we are now opposing brought back and discussed in that context if it is defeated in the Senate on this occasion. I am quite relaxed about having a look at it again. It would certainly give Treasury and the tax office an opportunity to clean up their act on the subject of the costings. The industry might decide, if they feel that this measure is really important, that they should give the parliament and the public the benefit of some indication of what projects this might pertain to, when it might pertain to them and how often there might be projects that this measure might pertain to so that we can all have a clear understanding of the financial implications of something that may have a significant cost to the taxpayer. I commend the amendments to the House.