



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

BILLS

Minerals Resource Rent Tax Bill 2011, Minerals Resource Rent Tax (Consequential Amendments and Transitional Provisions) Bill 2011, Minerals Resource Rent Tax (Imposition—General) Bill 2011, Minerals Resource Rent Tax (Imposition—Customs) Bill 2011, Minerals Resource Rent Tax (Imposition—Excise) Bill 2011, Petroleum Resource Rent Tax Assessment Amendment Bill 2011, Petroleum Resource Rent Tax (Imposition—General) Bill 2011, Petroleum Resource Rent Tax (Imposition—Customs) Bill 2011, Petroleum Resource Rent Tax (Imposition—Excise) Bill 2011, Tax Laws Amendment (Stronger, Fairer, Simpler and Other Measures)

Bill 2011, Superannuation Guarantee (Administration) Amendment Bill 2011

Second Reading

SPEECH

Thursday, 3 November 2011

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner
Speaker Hayes, Chris, MP

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Mr HAYES (Fowler) (12:03): I thought that the member for Groom would have been tempted to apply for an extension of time so that he could concentrate on speaking on the minerals resource rent tax legislation before us. That was probably the only thing he did not concentrate on. I hope I can assist his contribution, and I firstly indicate that I welcome the opportunity to contribute to this debate. This is legislation clearly designed to address Australia's current patchwork economy. I know that phrase rolls off the tongues of all of those opposite. They talk about a patchwork economy and a two-speed economy et cetera. That is fine as rhetoric, but sooner or later it falls to us to do something to address this issue.

These bills are designed to encourage industry, investment and development, to assist small business and to promote national savings by locking in the benefits of the mining boom and also paving the way for increases in the superannuation guarantee. Superannuation can be increased, thereby providing a more realistic retirement income for Australians. Madam Deputy Speaker Bird, the benefits of the mining boom, as you would appreciate in your own electorate, are not evenly spread throughout the economy and are certainly not evenly spread throughout our respective communities.

In what could be seen as a once-in-a-lifetime mining boom, which we are now experiencing, resources companies are competing for skilled labour across the globe at a time when in this country we have very low unemployment. That in itself is creating significant pressures. Clearly these companies are in a position to provide generous wages and conditions well beyond the capacity of most other sectors in the economy. I know that firsthand. My youngest son, Nicholas, has spent some time working both in Blackwater in Queensland and in Port Hedland. I am certainly aware of what he was paid there, having helped him to do his tax returns, and I can assure members that, compared to what a 25-year-old earns in the mining industry—and no doubt they work very hard there—a politician's salary pales into insignificance.

As I said, they do work hard and good luck to them. My son is there as an electrician. He works cheek to jowl with other electricians not only from Sydney and where we live but from Launceston and South Australia. All of those young people are up there. That is why you would probably struggle—and people in the gallery would probably know this—to get someone to put an electric light pole or a power point in. It is because under this patchwork economy we are competing for those skills throughout our economy. That is the patchwork nature of the economy that we are now operating under. As a consequence, there are many businesses outside the resources sector that are struggling to attract and retain skilled labour.

I also note that there are many households across the country that do not see the benefits from the mining boom and which are struggling to keep their heads above water given the cost of housing, paying a mortgage and raising and providing for a family in today's environment. The government does not want to slow the mining industry, but the challenge is to ensure that the benefits of this boom do not simply leave our shores as excess profit for the benefit of foreign owners of our largest companies. Clearly the challenge is to ensure that there is an overall collective benefit for all Australians from Australia's mineral wealth. I do emphasise that this is wealth that is owned by all Australians.

The minerals resource rent tax is an opportunity to deliver tax breaks for small business and to provide them with the assistance and incentive they need to develop their enterprises. We know that through their diverse small businesses there will be sustainable employment, because they are the driving force for employment in this country, and it is through small business that we will see sustainable employment—not, quite frankly, through the ebbs and flows of the mining and resources industry.

This tax will also help us to fund the critical infrastructure development that the member for Hunter was talking about. That in itself will assist in enhancing the economic productivity of our nation, particularly through streamlining structures such as port facilities, export facilities and those things which will go to enhance the nation's productive capacity not only now but into the future.

This tax also paves the way to build on the superannuation guarantee by increasing superannuation from nine per cent to 12 per cent, which will be transitioned over the next decade, enabling more Australians to better enjoy a retirement income in their senior years and increasing the pool of national savings in superannuation by \$500 billion by the year 2035, from \$1.3 trillion as it stands at the moment. This money can be invested in capital and social infrastructure to benefit all Australians.

We on this side of the House are very proud to be further enhancing superannuation; after all, it was a Labor government back in 1984 that took the first steps and allowed award based superannuation to be developed. Those members of the House who, like me, have grey hair, might recall that the union movement forwent wage increases at that stage to productivity increases to enhance superannuation development through award based superannuation and then in 1988 the superannuation guarantee came into effect and applied to all Australians. This is something that we on this side of the House are proud of.

For those Australians on low incomes or working part time, many of whom are below the tax-free threshold, this will enable their superannuation contributions to be made effectively on a tax-free basis, not providing the 15 per cent entry fee for superannuation contributions and therefore providing a much fairer taxation and superannuation benefit for them.

The MRRT is a tax on profit. It is not a tax based on commodity price, size of a mine, or the actual extraction of ore. It is a tax on the profit that is made by a particular mining project. And it is important to note that the MRRT is not a tax on operating costs but one that applies to the net profit from mines that have an after-tax profit in excess of \$50 million. It seems to me that we are talking about major companies if we are talking about after-tax profit, to be divided amongst shareholders, of \$50 million. Further, the MRRT will not apply to the mining industry in general. It will be levied only on the major iron ore and coal projects that enjoy an after-tax profit in excess of \$50 million.

It is important also to note the objective and independent assessments of the value of the MRRT to the Australian people. For instance, the OECD in its 2010 economic survey of Australia said:

The proposed Mining Resource Rent Tax (MRRT) on coal and iron ore operations, along with the extension of the Petroleum Resource Rent Tax, are justified on both equity and efficiency grounds.

It goes on to say:

This Resource Rent Tax is more efficient than the current royalties system, as it raises taxation on finite and immobile resources.

It concludes by saying:

This will improve the efficiency in the resource sector.

Economic commentator Saul Eslake, who I understand is these days at the Grattan Institute, said in relation to the principles of resource rent tax:

The return to Australian people from the exploitation of mineral and energy resources should be based on the profits derived from the extraction and sale of those resources, rather than on the volume of resource production—is one that I and most other Economists strongly support.

The minerals resource rent tax was developed in consultation with the industry. Those major companies that will be paying the tax were engaged in the discussion and have acknowledged their capacity to make a greater contribution to this country.

Despite the objective and authoritative positions and assessments of the OECD, the International Monetary Fund and most mainstream economic commentators, the Leader of the Opposition's position is that he will oppose this legislation and, if given the opportunity to occupy the treasury bench, will get rid of it. He will turn it over.

Mr Champion: Give the miners a tax cut.

Mr HAYES: Yes, give the miners a tax cut. Give it back. In doing so, the Leader of the Opposition and his party will be not only squandering the potential benefits to the Australian people of this once in a lifetime boom but

also turning their backs on small businesses and destroying the hopes of 8.4 million Australians who are seeking to have better opportunities in their retirement. Once again he is happy to put politics ahead of the community, and he maintains his rhetoric that the MRRT would force the likes of BHP Billiton and Rio to close their projects in Australia, to vacate to South America or other places, despite the enormous investment programs currently underway by those very companies. Despite making all that rhetoric and playing it out in the popular media, you might recall that it was not all that long ago that a Western Australian Liberal government decided without notice to unilaterally increase the mining royalties on the iron ore industry. You would expect at least some protestation about that. There was not even a peep. There was not one line of criticism from Mr Abbott and his supporters. It was okay to raise revenues over there but not to raise revenues on the basis of doing something for the Australian people. That is a different issue.

In contrast to the Liberal Party, the Gillard government will be locking in the benefits of the mining boom for all Australians, including the less economically fortunate Australians. They will see that they have a government that is prepared to invest not only in this nation but in this nation's people. The Leader of the Opposition and those at the table have the opportunity to explain why it is that the Liberal Party is lining up with some of the richest companies in the world instead of the Australian people, who see that their resources are being dug up and shipped overseas for foreign companies' enhanced profit. This is about doing something to ensure that those excess profits are redistributed through our economy to make sure that we do address the issue of the patchwork economy.

This is not for people to come into this place and simply wax on about a two-speed patchwork economy and multispeed drivers in the economy. This is a matter of people coming in here with an ability to do something about it. This Labor government is standing up and doing something about it. I commend this legislation to the House.