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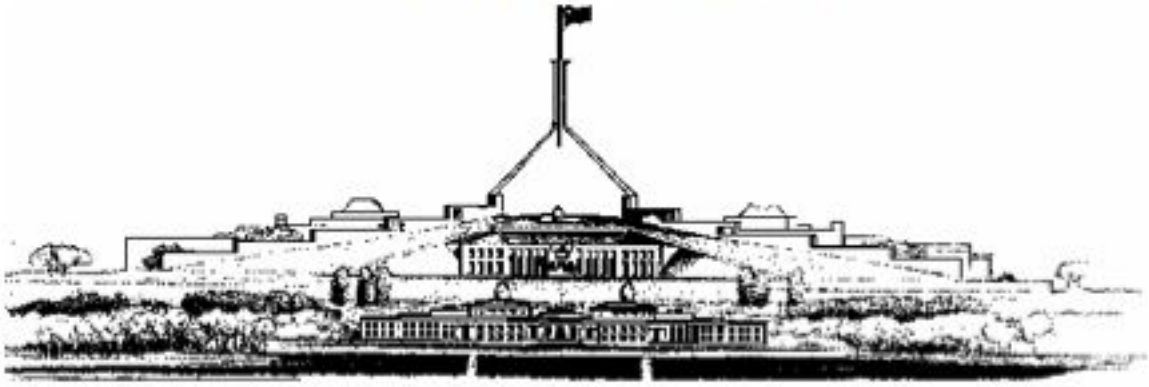

HOUSE OF REPRESENTATIVES

BILLS

Minerals Resource Rent Tax Repeal and Other Measures Bill 2013

Second Reading

SPEECH

Tuesday, 19 November 2013

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

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Questioner		**Responder**	
Speaker	Leigh, Andrew, MP	**Question No.**	

Dr LEIGH (Fraser) (20:39): It is my pleasure to rise on the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013, which repeals a profits based mining tax in Australia. It is useful to step through some of the history as to how Australia came to this point. In the late 1980s a profits based petroleum resource rent tax was put in place. It was criticised by many of the same voices that criticise this mining tax on the grounds that it did not raise very much revenue in the early years, but the petroleum resource rent tax has now raised millions of dollars and is an established part of the Australian taxation system.

When the Henry review called for submissions it was the Minerals Council of Australia that put forward a submission to the Henry review arguing in favour of a profits based mining tax. The Minerals Council of Australia did so because profits based taxation is just a more efficient way of taxing resources. If we compare the early part to the late part of the mining boom—say, 2000 to 2007—we will see that the Australian taxpayer in the early period was getting one dollar in three in taxes from mining and in the late period was getting one dollar in seven. That is because under a royalties regime when the world price goes up taxpayers get none of that benefit. They get the volume effect but not the price effect. If the increase in that world price was somehow due to the ingenuity of Australia's miners then that might be defensible, but it turns out that world prices are out of the hands of our miners. They are ingenious in many ways but they do not control the world price.

So just as the Eureka Stockade, as the member for Bass referred to, was a revolt for fairer taxation of miners, taking the view that royalties would be fairer than mining licences, so too this Labor government put in place a fairer scheme of taxing resource revenues. A profits based tax is a fairer approach than a royalties based scheme. This is not something that ought to be a Labor versus coalition divide. Indeed, Sarah Palin made her name as the Governor of Alaska championing profits based resource taxation. It is just a smarter way of taxing resources and its impact comes not only in the boom when taxpayers see a larger share of the revenue but also in the lean times when the effective burden of taxation falls.

We have seen over recent years benefits of the boom flowing to Australians. The member for Bass, the previous speaker, was quite right to note that there have been benefits to Australians of the mining boom flowing through, such as cheaper prices for many of our imports, but the mining boom has also placed pressure on the Australian economy, particularly on the manufacturing sector and the higher education sector, which is the sector I worked in before coming to parliament, where a high Australian dollar has made it tough to attract international students.

It is certainly true that previous mining booms and the resource shocks of the 1950s and 1970s pretty much blew the place up. We saw high inflation and the risks of unemployment that were with that. The Australian economy did not suffer those sorts of shocks in this mining boom but it did suffer some considerable stresses and I think many Australians felt it would be fair if mining firms paid a larger share of their revenue in tax.

The House economics committee held an inquiry into the MRRT bill when it came before the parliament. As part of that inquiry we interviewed Mr Julian Tapp from Fortescue Metals Group. I asked Mr Tapp about the corporate tax paid by FMG, which was then a $20 billion company. I asked:

But, in terms of corporate tax paid, it would not be correct to describe Mr Forrest as a taxpayer, would it?

The response was:

Mr Forrest is not a company; Fortescue Metals Group is the company.

I then asked:

But, as things currently stand, it would not be correct to describe—

The reply was:

We have not cut a corporate tax cheque to date, no.

So FMG, despite describing itself as a taxpayer, was not at that point a corporate taxpayer. I think this raised a concern in the minds of many Australians as to why immensely profitable firms should not be making a contribution to the broader Australian good.

We heard, when the MRRT bill came before this parliament a little over two years ago, from the member for North Sydney. The member for North Sydney foresaw it as follows:

This is a bad tax. It will reduce investment and jobs. It will reduce the wealth and retirement incomes of everyday Australians. It will hamper Australia in global competition for scarce capital and jobs. It will reduce investment and jobs. It will reduce the wealth of retirement incomes of everyday Australians. It will hamper Australia global competition with scarce capital of jobs.

He went on to talk about everything from locusts to the plague. To assess those claims we simply have to look at the numbers. Let us look at estimates of expenditure on annual private minerals exploration: 2009-10, $5.7 billion; 2012-13, $7.8 billion. If we ask ourselves if Australians are poorer now than they were when the mining tax was introduced, we find the answer again to be a resounding no. Australians' wealth levels have increased significantly.

In this debate the Treasurer would have you believe that this is the only tax whose repeal will make the public finances better off. Somehow the Treasurer has discovered magic pudding economics, through which he can repeal a tax and add money to the government coffers. The fact is the Treasury costings—this is the Treasurer, so they are effectively his costings—put the lost revenue from getting rid of a profits-based mining tax somewhere in the order of $4 billion. Now if the Treasurer wants to stand at the opposite dispatch box and disavow the costings of his own department, if he wants to say that in fact somehow this is a miraculous tax that will raise a negative amount over the forward estimates, I would be fascinated to hear that exercise. Frankly, like every other tax, if you repeal it you will leave the public finances worse off.

At the same time as the Treasurer is repealing a tax whose burden falls on some of the wealthiest shareholders in the world, he is cutting back the income support bonus, cutting away the schoolkids bonus, which is a means-tested program that helps Australian families with the cost of education. I agree with the member for Jagajaga on this: the government should have had the courage to introduce this bill not as the Minerals Resource Rent Tax Repeal and Other Measures Bill 2013, but as the 'Minerals Resource Rent Tax repeal and the schoolkids bonus repeal and the low income superannuation contribution repeal and the hit to small business and the hit to income support bill 2013'. Were this government to honestly name its bills, then that is what it would be.

This bill concerns me as somebody who is pretty passionate about inequality. I believe that, as I said in my first speech in this place, too much inequality strains the social fabric and threatens to tear us one from another. A bill which on the one hand delivers an effective cut to unemployment benefits, and on the other hand delivers a huge benefit at the same time to those at the top of the income spectrum is fundamentally against Australian values. Australians value the fair go. We believe that we are a people who ought to work together. That was the principle of the Eureka Stockade, which was invoked by the previous speaker in this debate, the member for Bass, and it is a principle which I believe runs through the Australian social compact. We are a country that does not like tipping, we sit in the front seat of taxis, we believe in the fair go, and we have a tradition of calling one another 'mate' and not calling one another 'sir'. And yet, this bill will probably do more to widen the gap between rich and poor than any bill that has been brought before the parliament over the past decade.

This is a bill which will take us backwards into a system of taxing mining and royalties, which we know not to be efficient. When Labor considered the issue of mining taxation, we listened to the experts. We looked around at best practice for tackling taxation, and it struck us that the approach taken in the PRRT, a profits-based approach, was a fair approach. That represents a rebalancing of the tax scale, and I do want to quote from an excellent new book, Ross Garnaut's *Dog Days: Australia After the Boom*, in which Professor Garnaut laments:

More and more of the load is carried by income taxpayers with limited opportunities for avoiding taxation, is economically distorting, unfair and probably politically unsustainable.

That is what we are seeing with this bill and with the carbon price repeal bill. Under Labor, we reduced the tax burden on workers, we increased the tax paid by polluters and we increased the tax paid in a profits-based way

by mining companies. But if you are to decrease the tax rates on mining companies, if you are to decrease the tax rates on polluters, then effectively the burden will be higher upon wage earners. This is a tax shift, but it is a tax shift in the wrong direction. It is a tax shift that sees Australians pay a higher burden of income tax because if you are not going to ask big miners and big polluters to pay their fair share, then Australian households will have to pay more.

It comes in the context of a confected budget crisis. The Treasurer has come into this House with all kinds of stories about spendthrift ways and spiders—I think some days he thinks he is still over this side of the table. But the fact is that, in the 2012-13 budget—we have seen the final budget outcome released recently—we saw a reduction in real spending of 3.2 per cent and a reduction in nominal spending of one per cent. Stephen Koukoulas has pointed out that a one per cent reduction in nominal spending has never happened before in Australia. That is an unprecedented reduction in government spending. So, when those opposite confect these budget crises—by giving $9 billion to the Reserve Bank that they do not need, by giving a tax cut to large mining companies that they do not need—they are effectively hurting future generations.

I spoke before about the politics of profits-based mining taxes. I have given you an egalitarian argument for it, as I would, as a member of the Labor Party. But there is a more conservative, Burkean argument for fair mining taxation too. As Burke said, we are not just here for those generations now alive; we are informed by the generations that have gone before us and by the generations to come. If we tax mining revenue unfairly, then we short-change the generations to come and we hurt the future generations of Australians who will not have the minerals and will not have the proceeds from fair taxation. So even a Burkean should oppose the bill before the House today.

The minerals resource rent tax is a tax which I am sure could be improved. If there were reasonable proposals coming forward from the government about ways of improving the operations of the tax, we on this side of the House would be happy to have those conversations about how to better integrate state and federal regimes. But to simply abolish the tax is to throw the baby out with the bathwater. It is to leave Australia a little less fair, a little less egalitarian and a little poorer than it was before we found it.