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Transcript
SKY NEWS SATURDAY AGENDA WITH PETER VAN ONSELEN
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E&OE

Subjects: Resources Super Profits Tax, superannuation changes and small business.

VAN ONSELEN: This is Saturday Agenda, I'm Peter van Onselen, and we're joined first up, in our Canberra studio, by the Minister for Small Business, Dr Craig Emerson. Mr Emerson, or Dr Emerson, I should say, thanks for being there.

EMERSON: Mister Emerson is fine, hello Peter.

VAN ONSELEN: (laughs) I ah, look, you wrote something yesterday that actually relates to your PhD, in *The Australian*, where you talked about your role as a staffer, in something similar to the resource rent tax that we're seeing being proposed now by the Rudd Government. Can you take us through what it was that was the essence of what you were on about there.

EMERSON: Sure, I joined Senator Peter Walsh's office from the Australian National University. I think that Professor Ross Garnaut might have had something to do with that, because he was working as economic advisor to Bob Hawke at that time, but he'd just finished supervising my PhD at the ANU, which was on minerals policy, including resource rent tax. So I was asked to come over and join the Hawke government, and advise Peter Walsh and the Prime Minister on the implementation of the petroleum resource rent tax, which I did. It was a great privilege, and that tax has been in place now for around a quarter of a century,

and collected a fair share of the revenue for the Australian people. In addition, it's exte... been associated with the extension of the life of Bass Strait oil and gas fields for several decades. And indeed, Peter, recently you will have noticed the announcement of the go-ahead to the Gorgon gas project and the Pluto project, well, both of those are proceeding, by the private sector, under the petroleum resource rent tax, at the same rate that the Government is proposing for the resource super profits tax for the mining industry.

VAN ONSELEN: I guess one of the things, though, that did catch my attention on this, when I was reading the opinion piece yesterday, was the line here where you said, 'We were able ...' and this is talking about what you did in the 1980s with Bob Hawke, 'We were able to get rid of the ridiculous crude-oil levy, and royalties as well.' And you went on and said, '... avoiding the waste of resources associated with royalties.' Well, I guess my question out of that is, that is a difference, isn't it, from what Kevin Rudd is doing, because he has chosen not to get rid of royalties, but to let the states continue to collect that ...

EMERSON: Ah, no ...

VAN ONSELEN: ... And simply rebate it at a later point.

EMERSON: Well if you're rebating the royalties, the royalties wouldn't have an economic impact on mining investment decisions. So it's the same economic effect to rebate a royalty - it's like saying, well, we're applying a tax but we'll give you all the revenue back. Ah ...

VAN ONSELEN: But there's a delay period ...

EMERSON: There wouldn't be ...

VAN ONSELEN: ... there's the red tape attached with all the collection ...

EMERSON: I think, I think, um, BHP and Rio can handle a bit of red tape. The economic impact is such that there would be no adverse economic consequences from the royalties, and they can have a negative effect - not only on investment decisions, but more likely on the sorts of things I was talking about in relation to petroleum resource rent-tax - and that is, leaving deposits of iron ore and coal in the ground that otherwise would be extracted to the benefit of both mining industry and community. That's why, Peter, this resource super-profits tax is an efficient tax. It's based on profits, rather than on the volume or value of production. In addition, I'd make the point that, um, with royalty

regimes, when profits go up, around the world governments tend to ratchet up these royalties, and provide a lot of uncertainty. The petroleum resource rent tax has been in place for twenty-five years, one of the most stable taxes in the world, because when profits are high it gets a reasonable share of those, but automatically adjusts when profits are not high. This is one of the great features of the petroleum resource rent tax, and the resource super-profits tax. They are efficient taxes, sharing for the community in the benefits of the development of Australia's natural resources, but also being sensitive to the profit levels of the companies.

VAN ONSELEN: But they are also, aren't they - you'd have to concede - much higher than the taxes that those mining companies are currently paying. Peter Costello made the point, during the week that - when he was being addressed by reporters - that, none of you - when he was talking to them - would want to be taxed by more than half you're income. And that's what we're talking about here. Mining companies are going to incur a tax somewhere in the order of 57, 58%, in total, of their profits, as a result of the combination of the company tax and this new tax that's being looked at out of the Henry Review. I guess my question in that is, is that, do you think that that's fair, to target one industry with that, as a so-called super profit tax, when there are plenty of other industries - banks for example - that also have very high profits above the government bond rate.

EMERSON: Well it's a good question, but the unique feature of mineral resources, Peter, is that, firstly they're owned by the people of Australia, and secondly, when there is a boom, they generate what is called resource rent tax. That's why we have a petroleum resource rent tax, and it is applied at the same rate as the rate of the resource super-profits tax. Now, Gorgon and Pluto have gone ahead under exactly the same rate of tax that Peter Costello is complaining about. And let's understand the Liberal position on this. The Coalition, when they were in opposition, Bob Hawke was in government, voted against the petroleum resource rent tax, said it was a bad tax, said it was too much, said it would have all sorts of devastating effects. When John Howard got into government in 1996, if he was true to his word he would have repealed the petroleum resource rent tax as an iniquitous, unfair tax, what did he do? Kept it in place for the entire period ...

VAN ONSELEN: In fairness ...

EMERSON: ... and generated \$16 billion for his government.

VAN ONSELEN: ... Just to interrupt, in fairness, you've been part of the Labor Party in opposition that for years railed against the GST that John Howard introduced. I haven't seen the Rudd Government doing anything to go back on that particular tax.

EMERSON: But we did not make a commitment that we would get rid of it. And what John Howard and the Liberals, and now Peter Costello ...

VAN ONSELEN: Previous oppositions did.

EMERSON: ... and Tony Abbott are saying. Well let's just ... They are saying this was an iniquitous tax. Would Tony Abbott make a commitment, would he make a commitment to repeal the petroleum ... ah, the resource super profits tax, would Tony Abbott make a commitment to repeal the resource super profits tax if he became the Prime Minister of Australia down the track? Now, that's a question I think that Tony Abbott should answer. If he hates this tax so much will he rip it out? Now, I'd be very interested in the answer to that question, because I think the Australian people would say, well there goes our small-business tax breaks, there goes the extra incentives for low-income earners to get involved in superannuation - another policy measure that the Liberals hate ...

VAN ONSELEN: I'd suspect ...

EMERSON: ... and that is, the spreading of superannuation to working Australians.

VAN ONSELEN: Dr Emerson, I suspect, were he here, Tony Abbott's response to that would be that he hopes it won't even come to that. He's planning to block it in the Senate, and try to ensure that it never becomes law in the first place.

EMERSON: Indeed, indeed, and if he is successful, if he's successful, then he will be ripping out, from small business, both a reduction in the company tax rate for those 720,000 small businesses who are companies, but for every small business in Australia, all 2.4 million, the instant write-off of assets valued at up to \$5000. Now Tony Abbott held his press conference announcing he was going to do everything he could to block these measures, and therefore block these tax breaks. So what he said on that was a complete untruth, and that's a nice way of putting it, another one, way of putting it, is a 'porkie' - he said, only companies, small business companies, will benefit from the tax breaks. Completely untrue. Now, if he wants to get in the debate he might start telling the truth, because every

small business in this country would benefit from those small business tax breaks, all 2.4 million of them.

VAN ONSELEN: One of Australia's richest men, mining magnate Twiggy Forrest, has characterised this tax as akin to a 40% nationalisation of the mining industry. How do you respond to that characterisation?

EMERSON: Well I didn't notice anyone in the last 25 years saying that the Rudd Government, sorry the Hawke government, and then the Howard government, have presided over a 40% nationalisation of the petroleum and gas industry. Why isn't, why didn't Twiggy Forrest say that Gorgon has been 40% nationalised by - and it was being developed under the Howard government - why didn't he say it was being 40% nationalised by the Howard government, and now it's got the go-ahead under the Rudd Government - why hasn't he said that the Gorgon gas project is 40% nationalised under petroleum resource rent tax? I'm just asking for a bit of consistency here.

VAN ONSELEN: (laughs) It's interesting though, I mean it's powerful enemies in what is an election year, though, isn't it Dr Emerson? Twiggy Forrest, Rio Tinto, BHP, and the rest of the mining world, a lot of dollars there for political donations perhaps. A lot of money coming into the economy, not a great look to be taking them on. Or is it a good look to be taking them on? Is that part of the strategy here, that your average Australian might like the idea of the Prime Minister, the man of the people, standing up to the mining magnates?

EMERSON: It's not a political strategy, it's an economic reform strategy. We said that we would reform the tax system, and these are very important reforms, Peter. And of course the responsible elements of the mining industry have every right to express their views. They have every right to express their views. We have said that there's a consultation process, as set out in the response to the Henry Review. We're keen, and that consultation process has started, as I understand, but we're keen to engage those elements and those people and businesses involved in the mining industry who are prepared to sit down and discuss the detailed implementation of this tax. But look, it's a great big robust democracy. If Twiggy Forrest wants to say that we're all Communists, and everything, I just thought it might be an idea that he said that about the Howard government, with the petroleum resource rent tax.

VAN ONSELEN: It's interesting though, in that, this resource rent tax came out of the Henry Review initially, 138 recommendations.

The Opposition is saying only two and a half that were actually taken up. Is there any fairness, I guess, in that criticism? Ah, Ken Henry, when he recommended this tax, presumably did it as well as having it in line with a host of other measures, including a larger reduction in the company tax rate than you have committed to as a government, is there a concern here that the media is starting to pick up on a level of timidity from the Government, where it goes hard in some areas, but then it seems to shirk going hard in others, the ETS being another example?

EMERSON: Yeah, I understand that people in the media - and again they're entitled to their views - saying the government won't make hard decisions. We increased tobacco tax, and then they, oh, that's not a hard decision? Well I reckon most smokers in this country think that it is a hard decision. It's actually a very important health reform. It is a hard decision. The resource super-profits tax is a hard decision. It, too, is a genuine reform, a genuine reform of Australia's tax system. And providing tax relief for 2.4 million small businesses is a hard reform, and a genuine reform. And spreading superannuation, and increasing it, Peter, from 9% to 12% to every working Australian in this country, is a Labor reform, it is a genuine Labor reform, opposed when we took it to 9%, root and branch the Coalition, in opposition, said they would do every thing they could to stop it. And, indeed, Paul Keating lifted it, and budgeted for it to go from 9 to 12%, it was in the budget, John Howard ripped it out. They hate, the Coalition hates, superannuation being given to the working people of Australia, and Tony Abbott has again said they'll do everything they can to stop that.

VAN ONSELEN: Well, can I ask you about that as our final question, because we are almost out of time. As you say, the Opposition are opposed to the super guarantee increasing from 9 to 12% ...

EMERSON: Yep.

VAN ONSELEN: ... That in a sense is the attack from the Right. Can I put it to you, as an attack from the Left, that you're taking too long to do it? By only having it fully ...

EMERSON: (laughs) I didn't know you were an old Lefty, Pete?

VAN ONSELEN: Well, I've written about this during the week. To have it only coming into full effect as 12% by the ... by near to 2020, I would argue that with the ageing of the population that's too long. That a Labor government should be committed to

getting that 12% rate out much faster than that. What are the reasons you're not for doing that?

EMERSON: Well, the key reason is that we want to ensure that the transition from 9 to 12% is manageable by Australian business, including particularly small business. If you ... imagine ... it comes in, it starts being phased in, Peter, from 2013, right through, as you say, to 2020. So it's phased in over a decade. In the first year, in 2013, on a wage cost of \$30 an hour, you know how much it adds to that? Seven and a half cents, to \$30 an hour, and in the second year 15 cents. Joe Hockey says, that's it, that's the end of the world we know - this massive slug on small business. The people who are imposing a slug on small businesses, Tony Abbott, with his \$10.8 billion paid parental-leave scheme - great big tax on everything you buy, which would be passed by big businesses onto small businesses, and to consumers, in higher grocery prices, department store prices, petrol prices and bank fees. That's the great big new tax on everything you buy. This would be a very very modest impost, phased in over 10 years to the benefit of all the working people of Australia, to get their superannuation incomes up. And you know what this would mean for someone under the age of thirty? One-hundred and eight thousand extra dollars in their retirement income. I think that's really good for the Australian people.

VAN ONSELEN: Okay, well on that note, Dr Emerson, we are out of time, so I'm going to have to leave it there. Thank you very much for joining us on Saturday Agenda. Appreciate your time.

EMERSON: Thanks Peter, thanks.