



THE HON DR CRAIG EMERSON MP
MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND
THE SERVICE ECONOMY
MINISTER FOR COMPETITION POLICY AND CONSUMER AFFAIRS
MINISTER ASSISTING THE MINISTER FOR FINANCE ON
DEREGULATION

Transcript
ABC 612 Brisbane, Mornings with Madonna King
14 May 2010

E&OE

Subjects: Resources Super Profits Tax

KING: To the other side of this debate, Dr Craig Emerson, the Minister for Small Business, Independent Contractors and the Service Economy, and the Minister Assisting the Finance Minister on Deregulation, good morning.

EMERSON: Hello, Madonna.

KING: You're having real trouble selling this tax, aren't you?

EMERSON: Well, it's obviously a new concept as far as the hard mineral sector is concerned, that is coal and iron ore and other metals. It's certainly not a new concept as far as oil and gas exploration and development are concerned, and I heard Brendan talk about dire consequences. Well, under the petroleum resource rent tax, which is very similar to this tax, the massive Gorgon gas field has gone ahead. It's, I think, the biggest project in Australia's history or thereabouts. And the Pluto field as well.

KING: Are you prepared to change this or is it set in stone?

EMERSON: Well, I think Brendan reported on the discussions with the panel yesterday. That panel was set up in the documentation that was released in response to the Henry Review and the Government is prepared to work with the industry but we have said that the...

KING: But Dr Emerson, that's political-speak. I don't understand what you said.

EMERSON: No, it's not political-speak at all. It's not political-speak at all. I said that there was a consultation process set out in the Government's response to the Henry Review and that that process is underway.

KING: Yes, that is the resource tax consultative panel.

EMERSON: Yes.

KING: And that panel, in its terms of reference - am I wrong in saying it will not look at the 40 per cent rate, it will not look at the definition of super profit, it will not look at whether this tax applies to existing projects and it will not look at the differential application of the tax to different commodities?

EMERSON: Well, in fact that's not what Brendan just said. Indeed, we won't look at the 40 per cent rate. That part's correct. It will apply to existing projects. The detailed design features of the tax are up for discussion and that's what Brendan reflected in his discussions with you.

KING: All right, so...

EMERSON: But we have announced a 40 per cent rate and it will apply to existing projects.

KING: Okay. Is it fair to apply to existing projects, people made those decisions not knowing they would be taxed in this way?

EMERSON: Well, mineral prices are extremely high and are expected to be extremely high for a very long period of time under the China boom. The share of revenue, that is the benefits going to the Australian community from those huge increases in mineral prices, has declined as a result of those mineral prices rising. The companies are making good profits in areas like the Pilbara and it is the belief of the Rudd Labor Government that the people of Australia deserve a fair share of those profits...

KING: [Interrupts] So why, what...

EMERSON: ...a different view.

KING: Why was it set at 40 per cent? How did you come to that figure?

EMERSON: Well, 40 per cent happens to be the same rate as the petroleum resource rent tax that does apply to offshore oil and gas development, including Bass Strait, including Gorgon, including the Pluto field, and it was seen to be a reasonable rate of tax. And based on 25 years of experience in oil and gas exploration and development in Australia has been consistent, has been consistent with high levels of exploration and development in this country.

KING: You've made the point that the Government is consulting, they've set up the resource tax consultation panel.

EMERSON: Yes.

KING: That's to report on May 24 but this morning we read that it's not slated to meet BHP Billiton or Rio Tinto until May 28 or 24 - 28 or 29. How does that work?

EMERSON: There is - there will be engagement, there is engagement with those companies. The, from memory - I don't have the document in front of me but there's three stages to this consultation process so there's an initial consultation and then more detailed consultation based on, you know, the outcomes of those discussions. So that is set out in the response to the Henry Report.

KING: By having discussions...

EMERSON: It's not all over in, you know, in that short period. I wouldn't want to give that impression.

KING: All right, so having these discussions, are you signalling that you are listening to the mining companies and that you may make changes although it won't be to the 40 per cent level or to existing projects?

EMERSON: There is a capacity to work on the detailed design. We've said that all along and I think that from the feedback that I've got from some people is that these discussions are reasonably productive and promising. I've heard, even listening to Brendan, he said that the members of the panel said that there is opportunity beyond issues such as the 40 per cent rate and the application to existing projects. So that was all set out, as I say, in the response to Henry. I'd urge the mining industry to continue to engage. I heard Brendan saying, well, you know, under the CPRS there would have been tens of thousands of jobs lost. Well, this is, you know, I can understand why people are saying that sort of thing but, you know, it's a pity that the mining industry was therefore opposed to the CPRS, now opposed to this particular tax but in the meantime state governments, including in Western Australia, are going to continue to increase the royalty rates. Which they've just done, or just about to do, in their budget.

KING: Dr Craig...

EMERSON: And I think they should be a bit concerned about that. This tax is based on profits and therefore far better for the industry than one based on the volume or value of production.

KING: Appreciate your time. Thank you

EMERSON: Okay, thanks, Madonna.