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E&OE

Subjects: Resource Super Profits Tax, David Murray, ETS, Kevin Rudd.

EMERSON: I thought I'd just make a really quick opening statement and then take questions.

The Resource Super Profits Tax is an investment in the nation's future. It's an investment for the mums and dads of Australia and for their children. It's an investment in superannuation for working Australians. It's an investment in small business tax breaks and it's an investment in nation-building infrastructure.

I urge, and the Government urges, the mining industry to be calm, to accept the invitation of the Government to engage in constructive consultation with the Government on the particular transitional and related issues in relation to the Resource Super Profits Tax. So my message, the Government's message is to the mining industry leaders: be calm, engage constructively with the Government. The Prime Minister, the Treasurer and the Minister for Resources and Energy have all indicated that they are quite prepared to engage in constructive discussions on this matter.

The Resource Super Profits Tax, as I say, is a good investment in the nation's future so let's have a constructive engagement with the industry on the particular design features and the transitional issues in relation to the Resource Super Profits Tax.

QUESTION: Minister, David Murray says that the tax needs to be drastically reworked or completely abandoned. Can that happen?

EMERSON: Well we've laid out what we see as the essential design features of the Resource Super Profits Tax, but what we have said is that we're open to discussion on particular features of the Resource Super Profits Tax. We've repeated the invitation many times to engage in constructive consultations. But I want to make this point. The mineral resources of Australia are owned by the people of Australia, the mums and the dads and the children of Australia. And they deserve a reasonable return on the development of those resources. That's what the Resource Super Profits Tax is all about.

It is a better tax than the existing royalties because existing royalties pay no regard to the cost of production. They are basically a tax on every ton of resource extracted, whereas the Resource Super Profits Tax is a tax based on profits and therefore is a better designed tax.

And I'll make this point. The Resource Super Profits Tax, being a tax on profits, is more likely to be stable over time, as the Petroleum Resource Rent Tax, also a profits related tax, has proved to be. And that's important in terms of perceptions about the stability of the tax regimes in this country.

The practice has been, in relation to these royalties, for state governments to increase royalties when profits are high and then come under pressure to change them when profits are not high, and it's that chopping and changing that itself creates perceptions of instability in the taxation regime. A profits-based tax is more stable and therefore is better for those perceptions of stability.

QUESTION: But that tax on the petroleum based industry was not retrospective. This one is going to be. David Murray says that it should not be retrospective, that it shouldn't even apply to any projects that are currently on the table. It should be for future projects only. Can that be...

EMERSON: Well that's an interesting perspective, because the royalties apply to existing projects, increases in royalties apply to existing projects and state governments have increased royalties on existing projects. So that argument would suggest that state governments shouldn't be increasing royalties on existing projects and state governments have been increasing royalties on existing projects as perceptions of profitability, associated with the mining boom, have risen.

So if we're going to have a discussion about the application of mining related taxes to existing projects, you need look no further than the existing royalty regime where state governments have, and no doubt will continue, to increase those royalty rates.

QUESTION: Shouldn't the Government be listening to people like David Murray though, a former head of the Commonwealth Bank, now head of the Future Fund? Should the Federal Government be taking concerns like his on board?

EMERSON: Well we respect David Murray. We respect the responsible elements of the mining industry and that's most of them. That's most of them.

And we say to the mining industry, be calm, talk to the Government, engage constructively with the Government, but the Australian people are entitled to a fair share, to a fair share of the returns from the development of our non-renewable mineral resources. The mums and dads of Australia, and their children, are entitled to such benefits as increased superannuation, small business tax breaks, investment in nation-building infrastructure and a general cut in the company tax rate. All of these are investments in the nation's future. They are the benefits that flow from the application of Resource Super Profits Tax.

QUESTION: The Government says there's no issue of sovereign risk here, but David Murray says the reason there's an issue of sovereign risk is that there globally is an increased fear of sovereign risk, and that because a government in a stable country like Australia is implementing a new tax out of nowhere like this one, it does create an element of sovereign risk. Shouldn't that be considered when you're implementing this tax?

EMERSON: Well our argument is this: that by increasing royalties on both existing and future projects then any perceptions of instability in the tax regime must apply to royalties, whereas if you have a profits-based tax, rather than a production-related tax, that is far more likely to be stable over time, as has been demonstrated with the Resource Rent Tax that has been applied to petroleum. It's been there for 25 years as a stable taxation regime because it does collect for the community a fair share of the profits from the development of our petroleum and gas resources.

It has led to an extension of the life of Bass Strait by up to 30 years. It has led to a go-ahead for the Gorgon project. It has led to a go-ahead for the Pluto project. So it's proved to be stable because it's based on profits rather than on production.

QUESTION: Should issues that are of importance, big policies that the Labor Party has and then decides to abandon, such as the CPRS, should they go through Cabinet before a decision is made? Or should, as we've been told by Peter Garrett, senior ministers, Cabinet ministers, only learn about it through the media?

EMERSON: Well I don't have any particular insight in relation to the ETS and those processes. Some matters go to full Cabinet, some matters go to Cabinet committees. This has been the situation for as long as I've been associated with politics, which I can tell you is more than 25 years – under the Hawke and Keating Governments, under the Howard Government and under the present government. Some issues have gone to full Cabinet, some issues have gone to Cabinet committees, some issues have gone to the wider ministry, some issues have gone to the full caucus or the party room. There's nothing new about that.

QUESTION: This is the greatest moral challenge of our time, according to Kevin Rudd. It was pretty much the big ticket item of the Labor Party getting into office. Should that not have gone to Cabinet for a discussion and the ultimate decision?

EMERSON: Well as I say there's been a variety of forums in which decisions have been made by many governments over many years, including Cabinet, Cabinet committees and the party room more generally. That's been the case in the past and obviously is going to be the case in the future.

QUESTION: So you obviously weren't consulted, I'm guessing then, on the ETS decision.

EMERSON: Oh well I'm not going to go into internal processes. What I will say is that, depending on the issue and the circumstances at the time, from governments going back as far as I can remember, which includes the Hawke Government of 1983, some issues have gone to Cabinet, some issues have gone to Cabinet committees, some issues have gone to the broader party room.

Okay, thank you very much.

QUESTION: Sorry Minister, I walked in late.

EMERSON: Sure.

QUESTION: Sorry if you've already addressed this but David Marr's appraisal of the Prime Minister and - as a black-hearted person with chaos surrounding him. Is this latest admission by Mr Garrett symptomatic of that?

EMERSON: Well I haven't seen David Marr's comments and though I respect David Marr as a commentator, I'm sorry but I don't have anything to add to that.

QUESTION: And so you had some things you wanted to say regarding the mining tax...

EMERSON: Sure.

QUESTION: ...and reports today.

EMERSON: And what I'm saying is that industry leaders - we are urging industry leaders to remain calm, to be calm, to engage constructively with the Government. That offer has been made. The responsible elements of the mining industry, and that's most of them, are doing exactly that. Let's continue that constructive process of engagement.

Okay. Thank you. Thanks very much.

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