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Transcript
2CC Breakfast with Mark Parton
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Subjects: Resource Super Profits Tax, ACT supermarket competition.

PARTON: Craig Emerson always joins us on a Wednesday morning. Minister for Small Business, Consumer Affairs and Competition Policy. I'm just scanning through trying to find - I had a tweet come through in the last 10 minutes or so, Craig, quoting some Liberal politician in Western Australia who's again talking about the state seceding [laughs], about them breaking away over the super profits tax. What are we going to hear next in this debate, do you think, Craig?

EMERSON: Who knows? It's, you know, it's a debate that's moving on a bit though I can say, Mark, and that is that there's some now genuine and constructive engagement with the mining companies.

PARTON: So what you're saying is there wasn't genuine and constructive...

EMERSON: I'm saying that there was a lot of heat and there was a lot of light and there was a lot of arm-waving and carry-on, and I suppose in one sense that's not a complete surprise. Many in the mining industry believe that they shouldn't pay any more tax. Some actually concede that they should. The Mining Council actually supports the concept of a profits tax, but it was pretty emotional there for a while. I'm not saying all the emotion has gone out of it, but what I am saying is that Kevin Rudd, Wayne Swan and Martin Ferguson are genuinely now being able to be engaged

with the mining companies, because the mining companies are sitting down and talking.

PARTON: Craig, look, we all hope that - in fact, we probably don't all hope - I'm sure Tony Abbott hopes that there's not...

EMERSON: No, he'd be a wishin' and a hopin', and thinkin'...

PARTON: ...some common ground found.

EMERSON: ...and prayin' that there's no settlement whatsoever.

PARTON: [Laughs] But I think most of the country actually hope that you do find some common ground here. One of the things that worries me, Craig, is that the BIS Shrapnel report out earlier in the week on something completely different which showed that the median house price in Canberra has increased 16 per cent in the last 12 months and I sat and looked at it and I thought, 16 per cent, that sounds like a super profit to me. Don't you guys dare look at taxing that in that fashion. [Laughs]

EMERSON: Not a problem. Not a problem. The unique feature of our minerals is that the Australian people own those minerals. They're non-renewable and they've got a legitimate right to have a fair share of the surge in profits from mining in this country associated with the China boom. And that China boom is not the result of Federal Government policy or of mining industry policy directly, but of the rapid industrialisation of China. That's generated big profits and the community, as resource-owners, are entitled to a fair share of that increase.

PARTON: I was listening a bit to Parliament yesterday and I think it was George Brandis who came out with those stats about the average profit for mining companies as opposed to the average profit of publicly listed companies on the stock market and it clearly showed that there are obviously a lot of mining companies that aren't making great - great profits at all.

EMERSON: Well, I certainly can tell you in iron ore and coal production there are big profits. The - I had a look yesterday, actually, at the budget papers for Australia's terms of trade, which is really our export prices compared with our import prices, and they're expected to return to the highest levels in half a century. So I don't know how George could work out - George is a really good lawyer - I don't know how he could work out that mining companies are not making big profits if they're producing coal and iron ore in this country.

PARTON: But when you have a look at the overall stats from the whole mining sector, it's clear that there are some mining companies that aren't making profits at all.

EMERSON: And if companies aren't making profits, then they would not be paying a profits-based tax but they would be paying royalties which are based on the quantity of the ore extracted. And that's why a profits-based tax is superior to royalties. And it is true that state governments, whenever there is an appearance of an increase in profits, tend to jack up the royalties. Where if you've got a profits-based tax, in good times that profits-based tax gets a good share of the profits for the community and if there is a downturn then it automatically adjusts downwards. Whereas royalties are just so many dollars per tonne or so many dollars, you know, per value of the tonne and that means that it doesn't adjust, it doesn't adjust to the changing profitability.

PARTON: Craig Emerson's with me, Minister for Small Business, Consumer Affairs and Competition Policy.

Craig, I know you've been watching with great interest what's been going on with supermarkets in the ACT and we were intrigued, as I'm sure you were, with this report that came out earlier in the week from the Institute of Public Affairs which suggested that ACT Treasury data shows the Government's supermarket policies will force up grocery prices faster than inflation and make them nearly 10 per cent more expensive than necessary.

And, of course, we're talking about the ACT Government excluding, well, the big two and, in some instances, just Woolies from some of these new sites. What have you got to say about what's going on here?

EMERSON: We don't agree with the ACT's policy. I have to say that. You asked me a straight question, I've given you a straight answer. We believe in competition. We believe competition is good, more competition is better. And when you knock competitors out of the market then the others that remain in the market know that they don't have to face that stiff competition. And the potential losers from that are the supermarket customers in the ACT. So we don't support the policy of the government here in the ACT.

PARTON: Have you placed any pressure on the ACT Government on that? Or are you just letting them...

EMERSON: We have.

PARTON: Yes?

EMERSON: Yes, we've written to Jon Stanhope indicating that it's our view, and my view as Competition Policy Minister, that this is the wrong way to go, that picking winners, restricting competition, is not good for the customers of the ACT.

PARTON: There are those who do suggest that, you know, this is going to diversify the supermarket market here in the ACT and that that can't be a bad thing.

EMERSON: Yeah, it's a bit like the old infant industry arguments of the 1950s and 1960s where companies said look, we can't compete now but we will be able to compete if you give us about 15 or 20 years of protection from competition. And, you know, very often they never did emerge from behind that protective shield. And that's my concern - that businesses that say they can't compete out in the marketplace and need protection from competition often never emerge from that competitive shield - from behind the shield that protects them from competition. And who loses out of that? The consumers.

PARTON: Craig Emerson, thanks for your time this morning.

EMERSON: Righty-oh, Mark, good to talk to you.