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HARWOOD: As we have heard, Julia Gillard, the Prime Minister, has announced the changes to the resources tax - reduction from 40 per cent to 30 per cent in the tax rate, not cutting in until the 12 or 13 per cent profit. So, it's rather than the five or six that was being talked about before, and applying only to some commodities now. So, some fairly significant changes there.

One of the people who is able to talk about that is Craig Emerson, who is – apart from being the Member for Rankin – is the Minister for Competition Policy, Consumer Affairs, Small Business, Independent Contractors and the Service Economy, and Minister assisting the Finance Minister on Deregulation. Goodness me! Where do you find the time to even spell all of that Dr Emerson?

EMERSON: Yeah, it's a bit of a title, isn't it? Quite a series of responsibilities there.

HARWOOD: It certainly is! It's a fair sort of a turnaround this morning in the Government's thinking.

EMERSON: It's a breakthrough agreement Tom, and the benefit of it is, while it does capture for the community a fair share of the increase in profits associated with the mining boom, it has the agreement of the major mining companies of Australia, which obviously

operate throughout Queensland. And you've already outlined some of the modifications: the cut in the rate from 40 per cent to 30 per cent; there's also an extra extraction allowance of 25 per cent, so that's an extra benefit to the mining companies.

HARWOOD: What does that mean?

EMERSON: Well it means that compared with the 30 per cent, there's a further deduction effectively. So that means that the effective rate of the tax is significantly lower than the 40 per cent that was first proposed. Julia Gillard has agreed to a compromise on that because we want to see a viable, strong mining industry; we want to see all the contractors and the small businesses associated with mining continue to have good work, and that's what this compromise is all about. It's a breakthrough agreement that actually has the support of industry.

HARWOOD: It's good news for most of the North-West of course, because most of the minerals that come out of the ground there have now been exempted from it. How has the decision been made to only have it on iron ore, oil, coal and gas, but not on things like copper and lead?

EMERSON: We did an analysis of that, Tom, and it turns out that most of the substantial profits are generated are in iron ore and coal. And yes, there are some profits in some of the other industries, but this is a profits-based tax and we wanted to get a fair share of the big increase in profits for the Australian community. And I'll explain to you in a moment, and your listeners, where that money will go. But, because it's a profits-based tax, and the big profits really are in iron ore and coal, it was decided to simplify the coverage and apply it to those, and to coal seam methane.

Now, in relation to coal seam methane, the existing Petroleum Resource Rent Tax that applies to offshore oil and gas will effectively be imported onshore to apply to coal seam methane.

Now, just quickly, the benefits of this: the money is going to boost superannuation savings of working people.

HARWOOD: Sorry, in what way?

EMERSON: This will help fund the increase from nine to 12 per cent because superannuation is taxed in a concessionary way. And if we didn't do that there would be a hole in the revenue if we didn't fund it – and we're funding it through the Minerals Resource Rent Tax to make sure there isn't a hole in the revenue. And that means we can return the budget to surplus in three years time, as scheduled in the budget.

It also means that, for all the small business owners listening, Tom, they'll still be able to write off the value of any asset they acquire from 1st July 2012 up to the value of \$5000. They can write it off immediately, instead of depreciating it over time. So that's a cash flow boost for small businesses, and an incentive to invest in productive assets.

HARWOOD: So it's part of the trade-off for the rest of the community?

EMERSON: This is why we're doing it: to benefit the community, to benefit small business, to benefit superannuation savers, and also there will be nation-building infrastructure investment – that will continue to be invested as foreshadowed. And finally, the company tax rate will come down from 30 cents to 29 cents. It was originally scheduled to go down from 30 to 28, but because of these modifications, we'll take it from 30 to 29.

HARWOOD: I imagine this does also give some sort of certainty to small businesses in mining areas. At least now they do know what's been agreed to.

EMERSON: I think that's right. It's settled now. It settled in an amicable way. The major mining companies support it. It's a reasonable tax. You're right in saying that, because it now only applies to iron ore and coal, and the Petroleum Resource Rent Tax applying to coal seam methane, if people are involved in other minerals it won't involve them. And if they're involved in iron ore or coal, well, this is a very reasonable tax. It is a compromise arrangement that is supported by the industry.

HARWOOD: I had an analyst say to me this morning, 'you know this is about five years late because China's now pulling back on their manufacturing.'

EMERSON: Oh look, I think the China phenomenon will go on and on and on. I was just watching a presentation yesterday about how much more iron ore and coal they're going to need over the next 30 years. The population moving from country areas into the city is just phenomenal. They're going to have massive cities – I think it's something like 15 cities each the size of Australia by about 2020.

HARWOOD: That's scary isn't it?

EMERSON: It's hard to believe. It's just hard to get your mind around what's happening in China. And if you're building cities, you're needing lots of iron ore for steel-making, you're needing a lot of coal for steel-making and seaming coal to generate energy, and also that coal seam methane to produce liquefied gas. So, you know, we're really, really well placed. The China boom means that

we're going to have mineral prices, in about a year's time, the highest in 60 years. And the whole purpose of this tax is to gain for the community a fair share of those big increases in profits in iron ore and coal, and also oil and natural gas. And I've described to you the purposes to which that revenue will be devoted.

HARWOOD: Joe Hockey still says it's a bad tax.

EMERSON: Yeah, well, that's amazing isn't it? That even today they have confirmed that they would rescind this tax. Now what Joe Hockey is saying is that he will pull the plug on nation-building infrastructure investment, increases in superannuation savings for working Australians and small business tax breaks. They say they are the party of small business and have never supported – not once – our small business tax break policy.

So I guess now people will now be able to make a judgement: should the money now go back into the mining industry, which have said they are quite willing to pay this to the Commonwealth for these various good purposes; or should we press on with these good purposes? Joe Hockey is saying that the money should go back to the mining industry. We disagree. We've got a very good result here, a very good compromise.

HARWOOD: So despite all of the changes in the past week, you still think it's going to be an election issue?

EMERSON: Well, Joe Hockey and Tony Abbott want to make it an election issue. Tony Abbott has said that the mining industry pays more than its fair share of tax. They are committed to rescinding this tax and therefore denying small business these tax breaks, denying all of the working people who are listening to your program, Tom, an increase in superannuation entitlements.

We shouldn't really be surprised about that because the Coalition – the Liberal and National Parties – have never really supported superannuation for working Australians. And true to form, they are going to deny that superannuation boost for working Australians if they are elected, because they have, as you say, promised to rescind this tax.

HARWOOD: Just one last thing, it occurs to me, a week and a half ago you were having to try and sell the other version of this tax. Has the Prime Minister made this an easier job for you now?

EMERSON: Well, certainly Julia has adopted a more conciliatory approach, there's no doubt about that. And she wanted an agreement rather than a stand-off, and we've got an agreement. We've got an industry that has said for a long time, Tom, that it believes in

a profits-based tax to replace royalties. It has said as a whole that it agrees that it can pay more tax. It can pay some more tax. Now, what Julia Gillard has done is reach that agreement on a profits-based tax where industry pays more tax.

And yet, you've got the Coalition saying 'we want to give all that money back to the mining industry', even though they are quite prepared to pay more tax. Well that just shows their priorities: anti-small business, anti-worker, and anti-investment in infrastructure. And that's been their history.

They have not wanted to invest in infrastructure; they've said that's a state responsibility. They've always opposed increases in superannuation for working Australians. And on small business tax breaks – they've opposed those as well.

So I guess one thing is clear and that is that the people of Queensland will have a clear choice between a Government that wants to get on and do good things for people and an Opposition that just wants to return money to the mining industry that's quite happy to pay the tax.

HARWOOD: Federal Minister for Small Business, Craig Emerson, thank you for your time this morning.

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