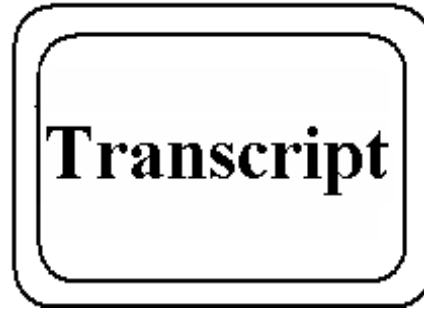




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Senator Nick Sherry
Assistant Treasurer

Radio 5AA Adelaide
Interviewer: Leon Byner

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E&OE – PROOF ONLY

SUBJECTS: Resource super profits tax, foreign investment in agriculture

LEON BYNER: From Hugh Sheridan very talented performer, from Packed to the Rafters to the Cabaret Festival to the Assistant Treasurer Nick Sherry. Nick tell us why you are in South Australia?

NICK SHERRY: Well it is part of my overall responsibilities visiting areas like South Australia and local communities to explain the benefits of the tax package.

BYNER: You are here to sell the super tax?

SHERRY: Well for example that is obviously a major area, a major focus at the moment. The one specific benefit from the tax package that I have highlighted while I'm here in South Australia is that we are going to introduce a standard deduction so instead of having to go through and keep receipts and complex red tape you will be able to claim a standard \$500 deduction at tax time, going to \$1000. There will be about 460,000 South Australians who will benefit from that standard deduction.

BYNER: Ok, can I ask you this? When Hawke and Keating did things that were controversial and structurally different in tax, before announcing anything they sat down with all the major players and natted it out and then they made their announcement, seems to me Nick that from a strategic point of view the Federal Government have got themselves into a corner because they announced the tax and a lot of people didn't exactly know what it meant and you see for an investor getting a 6 per cent return and I think you would agree wouldn't be regarded as a super return, it's modest but 10, 11 or 12 maybe but not 6. So you guys because of the way this was done, you guys have found yourself behind the eight ball and now you

have polls in Queensland which would suggest you are in a bit of trouble primarily because of this tax.

SHERRY: Let me briefly explain the process. Looking back to that Hawke-Keating era and I came into that government late in the piece in 1990, but I can recall a similar type debate that we are having on the resource super profits tax which involved the taxation of the oil and gas industry and it was very controversial at the time. The oil and gas industry were claiming the world would come to an end.

BYNER: But they weren't running to sort of campaigns we are seeing now.

SHERRY: They ran a pretty tough, strong campaign, not quite as significant as the current one, but it was certainly very controversial at the time. There was a lot of talk, a lot of publicity about doom and gloom, the world was going to come to an end and then I think about a year in after the initial announcement when the details were finalised and it was implemented. Now in this case, on the resource super profits tax, we've had the Henry Tax Review actually examining all aspects of tax and the Australian economy over the last year including, and they publicly raised if from time to time, the concept of an additional tax on resource super profits. So I don't think it is reasonable to say there hasn't been consultation, there has been a lot of debate and discussion about this.

BYNER: Well, put it this way – a lot of the mining sector are saying that they don't know the detail and in fact even your own side are saying that has to be thrashed out. But don't you agree though that if you are going to have a super profit tax you would start it at much higher than 6 per cent, surely?

SHERRY: If you look at the overall design features of the tax that is one aspect of it, an important aspect of it, but the Treasury advice was that that was the appropriate figure, particularly given the rebate.

BYNER: So the consultations you are having now with the mining sector were either going to change the way you are going to do it or not.

SHERRY: Well there's a panel involved in detailed consultation, looking at specific implementation issues because there is always a lot of detail in anything of this significance in size. As well as that, as a Minister I know the Prime Minister and the Treasurer etc, we've all had representations and discussions.

BYNER: Well right, what would you say to those people who have superannuation investment and there are many who do, who will say that my shares are down because of the fact you have announced this tax at a time when there is a lot of global financial doubt and money from a business perspective is very hard to borrow, you can get it, but the rates are much higher. What do you say to them?

SHERRY: Well I would say that is wrong – that argument is wrong. Let me give you some figures because I've got them here. The Australian stock market and super is diversified, including a large part of the stock market. The Australian stock market in

the last five weeks is down 7.4 per cent, the London stock market is down 7.7 per cent, the US stock market is down 9.7 per cent, the Japanese market is down 10.6 per cent because of the financial crisis in Europe. That is the reason the markets are down.

BYNER: Ok, next question and that is that we have an issue at the moment about the Chinese as an entity coming in and buying Australian agriculture, including cattle, now so far the foreign investment review rules do not require anybody who purchases agriculture unless it is to the trigger point of 230 million to actually tell anybody, it's an honour system so they might contact the review board. For most Australians, that seems wrong for us because every country wants to protect its bio-security, China certainly does, nothing wrong with that, but we've got to protect our own. Are you optimistic or are you in favour of re-looking at the situation where agricultural purchases do come under the radar of our foreign investment review?

SHERRY: Well depending on the size, if there is a very large investment as you have pointed out the foreign investment ...

BYNER: Well, can I give you an example and it is well published and known. The Chinese want to buy 8000 hectares of agricultural land in New Zealand and 17,000 cattle. They are looking seriously at whether they should even allow that. Now Tasmania is in its sights, we've got the Federal president of the Real Estate Institute, who has twice been on this program, who says he is going to make a submission to you guys because he doesn't think it is the right thing. Off the top of the head, what do you say?

SHERRY: Well, firstly, I would say Australia needs foreign investment. It's important for our development, it adds to our economic strength. Interestingly, particularly in rural and regional areas

BYNER: But when a country can come in and buy something and then employ its own people to come in and work under different conditions, that's a different scenario though isn't it?

SHERRY: If you are a foreign investor, it doesn't matter whether you come from China, US or UK - and by the way, in fact the vast majority of foreign ownership in Australia is US and UK - but they have to abide by Australian laws, whether it's labour standards, health and safety standards.

BYNER: Question though, but what about a country protecting its bio-security by moth-balling land like in WA it is being done where they will use it in the future for a purpose when they deem it appropriate which wires us out of the process entirely.

SHERRY: Well, I'm actually aware of a specific foreign investment in agricultural land cattle by a Middle East company for example. Their interest is not in moth-balling the land, they actually want to run the operation and make a profit and

contribute to the business and they are exporting the cattle to the Middle East for example.

BYNER: My question is are you comfortable with the concept of a sovereign country buying into Australian agriculture to protect its bio-security?

SHERRY: I'm comfortable with foreign investment flowing into Australia provided they add to our overall economic strength, they obey our laws, they follow all our laws because it will add to the overall economic strength. I don't know what the percentage of foreign investment is in agricultural land in Australia.

BYNER: You can't do what I'm telling you is happening here. We can't do that in reverse. Most countries don't allow us to do that – we do. You're comfortable with that?

SHERRY: I want to see foreign investment into Australia to add to overall strength of our economy and jobs because that's what it does, that's the bottom line. I don't know what the proportion of foreign investment in agricultural land is in Australia, I'd be happy to check for you. I suspect...

BYNER: You might not even know and be able to find out because under the rules.

SHERRY: I think we could find out, you just don't find this out from the Foreign Investment Review Board, the Bureau of Statistics keeps data.

BYNER: But the question is that we don't even have any regulatory powers that kick in here. A country can come in, buy agriculture, buy up cattle and do basically what it likes with it to protect its bio-security.

SHERRY: But what they are buying the business for, I don't know if it is to protect its bio-security, I think it is to actually own a business and make a profit out of it,

BYNER: China actually said that.

SHERRY: Whether it's China or the US or Japan, they are big investors right across the Australian economy and have been for a long time.

BYNER: We can't go into one of those countries and protect our bio-security in the same way as they can with us.

SHERRY: The important thing is, these investments that take place conform to Australian law and they have to follow Australian labour standards, they have to follow Australian environmental standards and we control that.

BYNER: So it would be impossible for a country to come in own an entity be it an agricultural one and work the land on its labour terms and not ours.

SHERRY: Correct. You have to conform to Australian industrial conditions, wages and conditions. They can't come to Australia and do what they like.

BYNER: So at this stage you are basically saying to me we don't need to review this, you are comfortable with it.

SHERRY: I just completed a review in real estate investment for example and announced a couple of changes about three or four weeks ago.

BYNER: Because it was forcing up the price of real estate?

SHERRY: Well that was the claim, but I thought it was...

BYNER: Well if it wasn't right then why did you change it?

SHERRY: Well because I thought that in terms of real estate, investment in real estate should be adding to the stock of housing in Australia and that wasn't what was happening.

BYNER: I know you have to go but thanks for coming in. Nick Sherry, the Assistant Treasurer on 5AA.