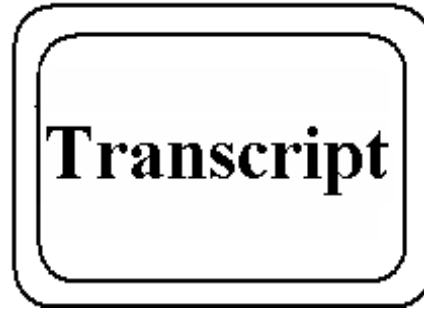




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Transcript
of
Senator Nick Sherry
Assistant Treasurer

ABC Radio 936 Hobart Statewide Mornings

Interviewer: Tim Cox

2 July 2010

9.30am

E&OE – PROOF ONLY

SUBJECTS: Minerals Resource Rent Tax

TIM COX: Another listener says: the new tax will pay for the difference between nine and 12 per cent for super contributions, at what stage do businesses have to start footing this bill?

Very good and germane questions, as you'd appreciate. Perhaps the Assistant Treasurer, Nick Sherry, can answer a couple of those. Nick Sherry, of course, the Labor Senator from Tasmania. Good morning to you. Good morning.

NICK SHERRY: Good morning, Tim, good morning to your listeners.

TIM COX: May I - just before we get into some of the - some of the machinations here - they're good questions. The new tax, which will lead to higher super contributions as outlined in the Budget, as we discussed the day after the Budget, at what stage do businesses start footing the bill?

NICK SHERRY: Well, it will phase up over eight years from nine to 12 per cent but could I say, there is a substantial cost to the Budget because of the tax concessionality of superannuation so it is a cost to employers but it is also a cost to government and to the Budget and that's one of the measures that is funded by the - the tax on resources that's been announced this morning, in this case iron and coal.

There are a range of other tax reforms: a reduction in company tax, Infrastructure Investment Fund, new superannuation tax concessions for low income earners, a standard write-off of assets up to \$5000 for small business, so most of the tax reform package that is funded by the tax on profits of iron ore and coal will still proceed.

The proceeds from the mineral resource rent tax that was announced today do not go to bringing the Budget back into surplus. It was never intended that the tax revenue would go towards bringing the Budget back into surplus in three years' time and three years earlier.

TIM COX: All right. Can I play you a little bit of what Wayne Bould from Grange Resources had to say? He was obviously listening to the announcement this morning and there's a Minerals Council meeting in Hobart today. Here's a little bit of what Wayne Bould said earlier and then back to the Assistant Treasurer, Nick Sherry.

WAYNE BOULD: Certainly sounding more amenable. The other - the other level of taxing was just horrific in terms of our business.

TIM COX: Yes. What sort of negotiation has Grange been in? Any direct negotiation with Mr Swan or Mr Ferguson?

WAYNE BOULD: None at all. In fact, it appears that the Australian mining industry is limited to BHP, Rio and Xstrata.

TIM COX: Is that - now how will this tax work? I realise that they're still announcing the details but it'll only apply - and I'm curious as to if you think this is fair and equitable - only to iron ore, gas, coal and oil resources companies.

WAYNE BOULD: Well, they're probably the largest exporters of resource from Australia and if that's the target then that would seem fair. The issue for me is that all iron ore businesses aren't, in fact, the same and that's the argument we've been progressing with Martin Ferguson and just about anybody else in the world that's willing to listen.

TIM COX: Does the outcome today suggest to you that they've heard the case Grange has been putting?

WAYNE BOULD: Well, I doubt that they would have. If they've been talking to BHP and Rio, they don't mine magnetite and they don't do the downstream production that we do...

TIM COX: They just ship out the raw...

WAYNE BOULD: ...nor do they...

TIM COX: The raw product, don't they?

WAYNE BOULD: That's right and so the critical issue for us again is where the taxing point is. If they tax the value-add that actually creates jobs in this country then we won't be able to be competitive internationally. We compete with - with product from South America, from Russia and India and we're just tenuous at the moment so any more tax in that downstream processing would make us uncompetitive and we don't control the price in the world.

TIM COX: So what - just in what you've heard this morning, what would Grange look to be doing and I know you've already expressed some concerns at a local level to federal politicians and also at a larger level. What would you be telling them after today?

WAYNE BOULD: It's the same discussion that we've been having. Please tell us where you intend to apply this tax in our business so that we can understand what it is that we need to do to adjust our competitiveness [sic] in order to compete on the world market.

TIM COX: Well, maybe this is the time and place for Wayne Bould there, just before the news at nine o'clock this morning, to organise to have a chat to the Assistant Treasurer, Nick Sherry, who I've got on the phone. Good morning again and thanks for - thanks for listening through that. Why hasn't anyone spoken to Wayne Bould?

NICK SHERRY: Well, that's not my understanding. I understand that Wayne Bould and Grange Resources' views have been heard. He was in Canberra I think a fortnight ago. Martin Ferguson spoke to me last night and my advice is Grange Resources will not be affected by the tax.

They will not be affected. That's the advice I have received.

TIM COX: So what, what...

NICK SHERRY: And...

TIM COX: So will the old regime remain in place for companies like Grange?

NICK SHERRY: Well, well, the new regime that's been announced this morning, which is the long term government bond rate, the uplift rate, which - the long term government bond rate is approximately six per cent plus seven per cent, that's 13 per cent, means that Grange Resources will not be affected by the tax. The tax doesn't cut in at a level that affects Grange Resources.

Now, I will obviously speak to Martin Ferguson again this morning but the advice I received last night, and the Resources Minister and I specifically discussed Grange Resources, they will not be affected. That's the advice I have. They can continue to expand and continue to employ Tasmanians.

TIM COX: All right. Now what will it mean for the way this government and let's say Julia Gillard is re-elected, for now, the next government will set financial and taxation

policy - will everything be up for negotiation as the resources profit super tax has been?

NICK SHERRY: Well, there's always a range of consultations and discussions on any tax changes in our economy. I mean, as Assistant Treasurer, I've completed a round of reforms on an area called managed investment trusts - and I won't go into the detail.

So our approach is always to maximise consultation but, look, the bottom line is the sort of breakthrough agreement that's been announced this morning in respect to a minerals resource rent tax, the bottom line is it delivers a fairer share to the broader Australian community, it provides for much broader tax reform, the lowering of company tax, improved superannuation benefits, improved write-off for small business, et cetera. So that will continue to be our approach.

TIM COX: Do you think though that fair-minded people listening to you now, Senator Sherry, would listen to you and say, well, you know, the resources industry came out with a big stick and the Government cowered at the sight of the big stick?

NICK SHERRY: But the bottom line is that we have obtained through this breakthrough agreement a fairer share of the nation's wealth. The mining industry, the mining resources are owned by the Australian people and there will be a fairer share flow to the entire community through reduced company tax, superannuation, additional write-offs for small business and a range of other tax reforms. That's the bottom line.

The bottom line is that there's been a minor adjustment, relatively minor adjustment down in revenue as a result of this breakthrough agreement but, as I say, the bottom line is the Australian community obtains a fairer share of the nation's wealth.

TIM COX: Except it will be getting a smaller share than it would have been under the 40 per cent regime.

NICK SHERRY: Not much smaller.

TIM COX: But smaller nonetheless.

NICK SHERRY: Smaller but not much smaller. I mean, the bottom line is there will be billions of dollars that is collected in revenue which will be reallocated to superannuation, to reduce company tax, so it's a substantial reform on which there's been a breakthrough agreement achieved.

TIM COX: All right. To look forward, and taking this as an experience, would you imagine that there will be more negotiations with, if you were to tax the - I don't know, the retail sector or what have you - that there would be negotiation before an announcement rather than it being done in this very public, very - very unattractive way?

NICK SHERRY: Look, when I reflect on this debate and discussion around the resource tax issue, I'd have to say I look back in history and when we introduced a petroleum resource rent tax on the oil and gas industry over 20 years ago, I have to say it was a pretty rough and tough debate. These debates tend to be pretty rough and tough and when - when tax was introduced on the gold mining industry, for example, again it was a rough and tough debate. I think that's the nature of these discussions.

There was a lot of consultation on the taxation of the mining sector through the independent Henry Tax Review that went over a period of a year so there was a lot of discussion and consultation. There'll be a lot of argy-bargy but the bottom line is we've got a breakthrough agreement, there'll be a fairer share of the nation's wealth from the mining sector, which is - which is owned by the Australian people, flowing through to the broader economy...

TIM COX: And only Kevin Rudd as a casualty.

NICK SHERRY: Well, the bottom line is, again, Julia Gillard has overseen this breakthrough agreement. That's testimony to her - her skills, her determination, her strength.

TIM COX: Great to talk to you this morning. Many thanks.

NICK SHERRY: Morning.

TIM COX: That's the Assistant Treasurer, Labor Senator from Tasmania, Nick Sherry and we have asked for the Shadow Treasurer Joe Hockey for a comment on that this morning.