



# MEDIA RELEASE

## MINERALS COUNCIL OF AUSTRALIA

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9 MAY 2006

### BUDGET 2006-07: MINERALS INDUSTRY RESPONSE

STATEMENT BY MINERALS COUNCIL OF AUSTRALIA  
CHIEF EXECUTIVE, MITCHELL H HOOKE

The Australian minerals industry is buoyed by the focus in this year's Federal Budget on investment in future wealth generation. Though, this is somewhat moderated by the prospect of a fiscal stimulus to domestic consumption which may prompt a response from the Reserve Bank, and that the Government could have done more to address capacity constraints likely to limit the scale and longevity of the current expansion in the minerals industry.

We welcome the Government grasping the opportunity to invest the proceeds of the current boom in the minerals sector for the longer term benefit of the nation and the minerals industry. The minerals industry is pivotal to Australia's current economic fortunes, contributing to vastly increased export income, taxation revenues, and improved terms of trade, the like of which have not been seen since the wool boom of the 1950s.

We are encouraged that the Government has maintained the integrity of the macro economic position, sought to address some capacity constraints, and improve the international competitiveness of Australia's taxation regime. Specifically, we welcome:

- > that the budget will be in surplus over the economic cycle – maintaining the medium term fiscal strategy;
- > improved depreciation arrangements for business capital investments critical to the hi-tech, capital intensive minerals sector;
- > clarification of the policy intent of the depreciation arrangements for mining rights, which has been a major concern of the industry since the release of the Commissioner's Draft Taxation Ruling;
- > investment in critical transport infrastructure in the Auslink road and rail network, and local roads;
- > that the Government will not increase charges for heavy vehicle users, saving the transport industry \$1.2 billion;
- > an injection of \$500 million for capital works and improvements in the Murray-Darling Basin;
- > \$7.3 million over 4 years to rehabilitate abandoned uranium mine sites in Kakadu National Park;
- > funding for the National Energy Market regulatory arrangements;
- > confirmation of \$100 million over 5 years for the Asia Pacific Partnership on Clean Development and Climate; and
- > specific initiatives to improve the portability of skills and trade qualifications throughout Australia, increased resourcing for the National Skills Shortages Strategy incorporating the minerals industry's initiatives, increased incentives for employers of new apprentices in key growth areas, and additional funding to new apprenticeships centres in regional areas.

We are nevertheless, disappointed that the Government has not:

- > made greater provision to improve Australia's education and training systems to address chronic skills shortages;
- > addressed the structural impediments to exploration for junior explorers; and
- > provided an increase in resourcing for the effective operation of the native title system.

Added to this, we are concerned at the prospect of a fiscal stimulus to domestic consumption on account of personal tax cuts. The response of the Reserve Bank may be to further tighten monetary policy to dampen domestic activity, which not only flows into our cost structure but also inflates the Australian dollar beyond the underlying economic fundamentals eroding Australian dollar returns on US dollar denominated commodity exports.

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