# MEDIA RELEASE
## MINERALS COUNCIL OF AUSTRALIA

### 2010-11 BUDGET: MINERALS INDUSTRY RESPONSE
STATEMENT BY BRENDAN PEARSON, DEPUTY CHIEF EXECUTIVE

The 2010-11 Budget relies on strong commodity prices and exports, a mining-led recovery in private investment and higher company tax receipts to accelerate deficit reduction and to fund new spending initiatives.

Treasury is relying on a 14.4 per cent boost in the terms of trade in 2010-11, an 8 per cent rise in commodity exports and a 20 per cent lift in engineering investment driven by the mining sector to improve the budget bottom line.

The Budget Papers directly contradict the Rudd Government's claim that the Australian community is not receiving a fair return from its natural resource endowment. It states that:

> "*As the increase in commodity prices translates into company profits, this is expected to have a positive impact on company tax collections from 2010-11*"

The return to surplus by 2013-14, three years ahead of previously forecast, is built largely on the higher Commonwealth revenues from higher commodity prices.

The Budget shows the mining industry is already delivering a strong dividend for Australia and there is no need for a new tax, especially one set so high that it threatens the competitiveness of Australia's most important export sector.

Treasury states that the largest contributor to high national investment in the past has been the mining sector. More than any other sector, mining ensured Australia weathered the global economic crisis and is primed for recovery.

New business investment is expected to recover strongly over the forecast period "led by a surge in mining investment". Investment is expected to grow 7 per cent in 2010-11 and 12.5 per cent in 2011-12.

*Mining tax threatens the growth story*

It is a mining-led growth story that has benefited all Australians over the last decade.

The taxes (both royalties and corporate tax payments) have bolstered Commonwealth and State revenues, the profits have been re-invested to underpin new mine and infrastructure expansions, strong jobs growth has strengthened and revitalised regional communities, while suppliers and service providers have seen their businesses in all States and Territories expand to cater for a growing industry.

The expansion in the sector has increased the net wealth of hundreds of thousands of average shareholders, including self-funded retirees and underpinned the growth in the superannuation returns of millions more Australians.

But the new tax on mining jeopardises that growth story. Tax rates at 57 per cent will put a hand brake on industry growth that will slow investment, reduce new job opportunities and weaken export growth. While the benefits of the mining boom has built roads, schools and hospitals around Australia, the deadweight impact of the new tax will be felt far beyond the Pilbara, the Bowen Basin and the Illawarra.

The Federal Budget papers confirm the Government has locked in the key features of its super tax on mining including the 40 per cent rate, the definition of profit and other critical, but flawed design elements.

This raises the obvious question: what is the purpose of the Government's consultation process for the super tax?

If the key design features of the super tax are locked in, the consultation appears to be little more than window dressing. There can be no consultation or `negotiation' over the design of the tax if the main elements of the super tax are not on the table.

*Specific Budget Initiatives*

The MCA welcomes the greater focus on skills and training in areas of shortage such as resources.

Minerals Council Contact:
Ben Mitchell – Director, Public Affairs
T: 0419 850 212 E: ben.mitchell@minerals.org.au W: www.minerals.org.au D: 11 May 2010

The $661 million training and education package will help underpin business in their effort to create a more skilled workforce. Minerals companies are committed to training, and government co-investment of 50 per cent of the costs of training (up to 90 per cent for small firms) will help deliver on that commitment.

The estimated 39,000 training places, as well as the Numeracy, Literacy and language course for 140,000 Australians will help improve productivity.

The MCA also welcomes the Government's commitment ongoing reform of the Vocation and Education Training sector through the promotion of transparency via the MySkills website – benchmarking the performance of training providers - and the guaranteed funding for a national regulator despite the ongoing opposition of two State governments.

The $1 billion equity injection into the Australian Rail Track Corporation will assist in the ongoing expansion of Australia's productive capacity.

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