27 March 2013

Briefing Document

Response to Senate Inquiry re the development and operation of the Minerals Resource Rent Tax (MRRT)

Background:

Following a massive shortfall in MRRT revenue compared to government projections, Council has been invited to make a submission to the Senate Inquiry established 26 February 2013.

The MRRT came into effect 01 July 2012, and was to be distributed back to Australian residents as tax breaks for small business, a decrease in the company tax rate, boosting superannuation and infrastructure development.

Areas for Comment:

a) the design of the MRRT and the extent to which the design of the tax as opposed to other factors such as commodity prices are responsible for the mismatch between actual revenue and revenue projections;

- The design of the tax allows for state based royalties to be deducted from the profits, effectively reducing the amount collected if states increase their royalties. Companies can also manipulate the tax by paying higher wages and contractor fees, causing a knock on effect with regards to minimum wages, affordability and employment.
- To be more successful, the MRRT must connect with and compliment the state's royalties systems.

b) the process by which the MRRT was designed, including the extent of the involvement of the Department of the Treasury and mining corporations who would be paying the tax;

- The MRRT was influenced in collaboration with the largest mining industry forces in Australia, whose essential common driver is to service shareholders by maximising profits and reducing costs. This process could well be viewed in a negative light, especially relating to the "double dipping" between state and federal government.

c) the extent to which, if at all, the Government took into account the views of communities affected or potentially affected by iron ore and coal mining when designing the tax;

- No formal consultation was undertaken with communities affected by mining. The introduction of the tax served to make it more difficult for local governments to negotiate with companies and the State Government to make effective mitigation strategies for social impacts, particularly cumulatively.

d) implications for the budget

- It is clear that the volatility of commodity prices and the cyclical nature of the resource industry on a global scale will continue to impact the capacity of the Federal Government's budget to effectively redistribute wealth.
- The introduction of the tax has effectively increased the cost of production for mining companies to extract coal in Australia. Rio Tinto has identified Australia as being the most expensive country to do business in due to the amount of taxes paid. It should be understood that further increasing the cost of production for the mining industry will potentially damage the industry as a whole, and may lead to major companies no longer choosing to develop projects in Australia.

e) Any other related matter.

- Isaac Regional Council supports the ongoing development and growth of the mining industry, however there are serious concerns regarding the sustainability of regional communities who are subject to current industry workforce models including Fly in Fly Out, Drive in Drive Out and Bus in Bus out. Council references the report released following the House of Representatives Parliamentary Inquiry into these workforce practices as an important first step towards the development of a coordinated Federal, State and Local government response to mitigate impacts on communities caused by the mining industry.

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