

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 137

Topic: Compare RSPT and the MRRT

Hansard Page: E 25 – E 26

Senator Corman asked:

Senator CORMANN—The argument in the *Fin Review* today, which I think is a legitimate argument, is that, if you want to compare the impact of the mining tax deal of 2 July to what former Prime Minister Kevin Rudd put forward, you really have to compare the RSPT and the MRRT based on the same assumptions. Given that you revised your assumptions for the MRRT, to really test the fiscal impact you have to apply the same commodity price and other assumptions to the RSPT model. Have you gone through that exercise in Treasury?

Dr Henry—I am not aware of it myself. I would have to take it on notice.

Senator CORMANN—If you have done it, now that you have taken it on notice, could you provide us with information about the outcomes of that—

Dr Henry—As with all of these matters, I will of course be referring the question to the Treasurer.

Senator CORMANN—Of course. But just to put on record that, if the Treasurer was inclined not to respond to these things, given that the information has otherwise been provided under FOI requests to media outlets—

Dr Henry—No. Actually, I do not think information on this matter that we have just been discussing has been provided under FOI to anybody.

Senator CORMANN—If I also can then put on notice the \$7.4 billion estimate, the modelling that was done for that. Could I obtain on notice the equivalent information to the one that was released under FOI for the MRRT model but under revised estimates that happened for the purposes of MYEFO? Just looking at the MRRT model, over the 10 years there has been \$38.5 billion worth of MRRT revenue, with \$25 billion of it coming from iron ore. That is about 65 per cent. It is fair to say that the iron ore share of the MRRT revenue is a proxy for the Western Australian share of the MRRT revenue, is it not?

Dr Henry—That is probably a reasonable proxy, I would think.

Senator CORMANN—I see people behind you sort of nodding.

Dr Henry—That is encouraging.

Senator CORMANN—It is encouraging for you and it might be encouraging for the federal Labor government but it is not encouraging for those of us from the great state of Western Australia, because it

means that over the forward estimates 80 per cent of the MRRT revenue would come from Western Australia: 87.5 per cent in the first year, 76.9 per cent in the second year and, of course, 64.93 per cent over 10 years. It sort of makes it a tax on Western Australia, does it not?

Senator CAMERON—So it should.

Senator CORMANN—I am pleased to hear you say that.

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Answer:

The policy change from the RSPT to MRRT was expected to reduce estimated revenue by \$7.5 billion over the then forward estimates. This was offset by higher commodity price forecasts increasing revenue from the resource tax arrangements by \$6 billion over the same period. At the time new tax arrangements (MRRT) were expected to generate \$10.5 billion over the forward estimates to 2013-14. This is \$1.5 billion lower than the 2010-11 Budget forecast for revenue from the RSPT.

The equivalent information for the MRRT revenue estimates are detailed on page 32 of the MYEFO 2010-11. Since the release of the Economic Statement, the MRRT was revised down by \$3.1 billion over 2012-13 and 2013-14 due almost entirely to the appreciation of the Australian dollar. Further estimates are not available as 10 year profiles were only produced for the original RSPT and the revised MRRT.