

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 12

**Topic: Resource Super Profits Tax –
Australian Stock Exchange**

Hansard Page: E75 (01/06/2010)

Senator BUSHBY asked:

Senator BUSHBY—This is my final question before we move on to some other stuff. You mentioned then and highlighted that when the shares started falling the materials sector, including mining stocks, fell less than some of the other things. What I am interested in is when did the ASX start falling.

Mr Gallagher—My recollections from looking at the series is that they began falling on about 15 April. The high point of the market was not close to 30 April; it was already falling.

Senator BUSHBY—It may well have been, but there was a marked increase in the level of that fall—and I do not have the dates in front of me—around mid-May when there were problems in Greece which led to—

Mr Gallagher—I do not want to speculate on causes. What we saw was the drama over Greece's debt getting higher and higher at the same time as the package was released.

Senator BUSHBY—I think there may well be some questions later for Revenue which address the timing of these falls and the variance between—

Senator Sherry—Perhaps Markets Group would be more appropriate. Macro are here tomorrow and Markets on Thursday, but I am more than happy to get comparative share market index movements over whatever time frames you want, both in Australia and internationally.

Senator BUSHBY—You might put them on notice that we will be looking at that.

Mr Gallagher—I can take that on notice and perhaps provide them to my colleagues.

Senator BUSHBY—My rough analysis of it indicates that mining shares started falling some days before the dramatic fall that was seen in the rest of the stock market and immediately following the announcement of the RSPT. I will hand over to someone else to ask questions.

Answer:

This question was answered by Dr Gruen at the Senate Economics Legislation Committee Estimates (Budget Estimates) Hearing in Canberra on Wednesday 2 June (Hansard - p E24).

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Senator Cameron – One of the other assertions is that the shareholder or superannuant says the mere announcement of the government's super tax on resources wiped billions of dollars off the value of those shares in just one week. Is there any evidence that that is a correct statement?

Dr Gruen – We have certainly had a look at resource prices in Australia and compared them with other countries, and the broad conclusion we draw is that resource price indexes in Australia have fallen pretty much in line with declines in commodity prices, as measured on the London Metal Exchange, and that if you take a broad aggregate of Canadian, US and Brazilian resource companies they have also fallen roughly the same, with a pattern that looks very similar. In other words, both indices have fallen roughly in line with declines in commodity prices as measured on the London Mental Exchange. I should add, these are simply broad patterns. One would expect some effect from the resource profits tax on share prices, but there are a lot of other things going on and those things are quire important. So declines in commodity prices have always had a very profound effect on resource share prices, understandably.