

# Budget Revenue from Minerals

## Honesty charter tests Swan

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It is to be hoped that the Charter of Budget Honesty report, required within 10 days of election writs being issued to provide an assessment by the Secretaries of Treasury and Finance of the pre-election economic and fiscal outlook, will contain more information than Treasurer Wayne Swan's economic statement last week.

If the report is to supply the information needed to effect adequate public scrutiny (as required by the charter) it must better explain the basis of the upwards revision in commodity prices since the May Budget when relevant prices in the basic market (China) have fallen sharply.

Since May prices of iron ore in China have fallen by 40 per cent, of steel by 20 per cent and the Baltic Dry Index (reflecting costs of shipping to China) has slumped to its lowest level for 14 months.

At present, the economic statement (attachment C) explains the estimated revenue from the controversial mineral resource rent tax as reflecting, inter alia, upwards revisions to commodity price forecasts "taking into account information from ABARE, industry sources and the outcome of the most recent commodity price negotiations".

However it appears that this upwards revision relates to the short term as the attachment also says "commodity prices are still expected to decline over the latter part of the forecast and through the medium term projection".

Given the recent sharp price falls, why would overseas buyers be agreeing now to higher prices than in May? These upward revisions add \$6 billion to revenue over the forward estimates and presumably underpin the surplus of \$3.1 bn now projected for 2012-13 (it was previously only \$1 bn) that the Gillard Government is flaunting as part of its budgetary policy

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