

Quadrant Online

Breaking a working economy

by Peter Smith

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‘If it ain’t broke don’t fix it’

What a tour de force! Support a destructive new tax; scapegoat the prime minister, decapitate him, take over, get promotions, put the largest miners over a barrel, hold instant rice pudding negotiations, get a bodgie work-around agreed, change the name of the tax from RSPT to MRRT, and hold a press conference claiming enormous credit for the outcome. Chutzpah is the word that comes to mind.

Most commentators gave the whole idea of the RSPT too much credibility. The most popular comment seemed to be along the lines of it being right in principle but that its parameters and details needed to be sorted out. *Au contraire*, it was wrong in principle; it is not a question of parameters or details. Based on a tax devised by a professor Brown in 1948, when socialist thinking was *de rigueur*; it has no respectable pedigree. It was purely a product of sloppy thinking and poor process, and the same quality of thinking and process has produced its heir, the MRRT.

Let us approach this in stages. Australia is as prosperous as it is because of the mining industry. This has benefited the whole economy, including the government’s bottom line. The then Labor opposition suggested that the Howard government was living off the largess of the mining boom. There was no talk of revenues being insufficient.

Before the government started on its ill-advised and extravagant spending spree, the budget was in surplus. Nothing was amiss. Nothing needed fixing up. Nothing justified a massive and discriminatory new tax on Australia’s leading and most profitable industry? This applies with equal force now to the MRRT, as it did to the RSPT.

The MTTR is better than the RSPT because it imposes less additional tax than would the RSPT. That is true. But has that now become the measure of success? It does less damage. Why do any damage at all? ‘If it ain’t broke don’t fix it’, should be stapled over the doorway of parliament house.

Company taxes on profits apply to the mining industry as to other industries. In addition mining companies pay royalties. As minerals belong to the States, they decide the extent and type of royalty charges. Why think they will not act in their own best interests? Do we think that the heads of their treasury departments have less wit than the head of federal treasury? On recent evidence they may demur.

Quite simply, the government has not made out a case for imposing additional taxes on the mining industry and has given every indication that it has not thought through the consequences. ‘A fairer share for all Australians’ is just empty sloganeering that could be applied to any industry at any time.

The process for conjuring the MTTR out of the RSPT was also deeply flawed. Having failed to consult before announcing the RSPT, Gillard and Swan compounded their

previous dereliction of good process by ‘negotiating’, and then only with the three largest miners.

There are two things wrong with this. First, the other 300 plus mining companies impacted by the revised tax were left out in the cold. Second, the government has no business ‘negotiating’ an outcome with selected public companies. Consulting is one thing; negotiating quite another.

Governments should to stand or fall on the taxation decisions they make. They should not enjoin private vested interests in those decisions through what amounts to making an offer that can’t be refused. This process is yet another sign of declining standards in public life matched, unsurprisingly, by an outcome that will damage Australia’s economy.

Imposing materially higher taxes on a particular industry, as the MRRT would do, if it were enacted, will adversely affect that industry. It can’t do otherwise. Hands up anyone who thinks the government’s use of the revenue it would gain from the MRRT would be applied as productively as it would in the hands of the mining industry. Thought so, only those on my far left have their hands up.