

# Julia runs rings around miners while they celebrate tax backflip

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**COAL and iron ore today, copper and gold tomorrow. That's how Dryblower sees the new Minerals Resource Rent Tax which was hailed last week as an Australian government backflip but which will eventually achieve the objectives of the original super tax – by stealth.**



All that remains after Friday's dramatic dropping of the resources super-profits tax is for the government to decide when it will slide minerals other than coal and iron ore into the MRRT regime.

Obviously, with an election in the wind, nothing will happen immediately. But, happen it will because no government has ever been able to resist raising taxes when presented with the opportunity – especially when the tax hits a class enemy.

Last week's replacement of the RSPT with the MRRT was far more than a game of letter shuffling, or some particularly difficult version of Scrabble when you have to form a word without a vowel.

It was actually a brilliant demonstration of how desperate people will do anything to avoid severe punishment, and while both sides claim they have arrived at a mutually acceptable solution we all know the government has won.

In fact, it's even more specific than that. We all know that a very smart woman has just outfoxed a large group of men who thought they were smarter.

Julia Gillard, Australia's first female prime minister, has run rings around the miners just as they thought she was doing a tax backflip – a rather cute way of saying that the miners were playing a game called business, and the PM was playing a game called politics.

What Gillard did on Friday was as subtle as any bomb-defusing operation. She took an utterly hopeless piece of proposed tax law and used it to deliver for herself a remarkable victory.

Next trick for the PM is to defuse the illegal immigrant issue, and then it's off to the polls where she will steal victory from the jaws of what once looked like a certain Labor party defeat.

Following this chain of events is not difficult, so long as you recognise the way the game of politics is played.

It's all about winning government, and doing whatever is necessary to stay in power, and if that means the occasional step backward then that's part of the game.

Last week was back-down time for Gillard, the woman who slew the once invincible Kevin Rudd.

Tomorrow will be all about cementing her position at the top of the totem pole – a position from which she can dispense rewards to friends, and punish enemies.

First heads to roll after Gillard's election win will be the men who designed the RSPT, and almost cost Labor the levers of government – Treasurer Wayne Swan and his principal adviser, Treasury Secretary Ken Henry.

Henry must go because of the way he concocted a tax regime that could easily have destroyed Australia's most important industry. Swan has to go because he didn't understand how the RSPT threatened the entire resources sector.

Once Gillard has got staff matters sorted out she can turn to her primary objective – retention of political power, a process that will involve taxing rich industries, such as resources, and distributing the loot to urban Australia where the votes are found.

Essentially, that means milking the high-growth resources sector in remote Australia, and providing hand-outs, subsidies and artificial stimulus to people in low-growth urban Australia.

Where better to start that process than to broaden the base of the MRRT. First step could be to include “other bulk” minerals such as manganese and bauxite.

After roping in all the bulks, why not find a way to slip minerals processed into a metallic form, such as copper and gold?

How easy it will be to make small changes once the tax is rubber-stamped by Parliament. Copper might slide in once the price of the metal rises above \$US3.50 a pound, or some other politically chosen number.

Gold, too, becomes an easy target if it stays above its current level of \$US1200 an ounce, or nickel at \$US15 a pound.

Rather than try to “king hit” all mining industries at the same time, the game will be played with such feminine subtlety that the smart men running mining will only notice when it’s too late.

Deft manipulation will be the hallmark of a Gillard government – with the odd spot of beheading as befits the new queen of Australian politics.