

Intierra Spotlight: The Senate and the mining tax

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THIS week *Spotlight* moves a little off-script to look at the implications of the next election and specifically the introduction of the mining tax on the industry.

That tax is an additional tax on miners and not a super tax as the government would like to suggest. It seems that the government's only real argument for an additional tax is that in the current market the miners can afford it.

Worryingly, the government is assuming miners will always be able to pay the tax because in its world, production equals super profits. No real thought has been given by government as to whether the tax is fair or whether it should be applied to other industries, like banks, which pay less tax. After all, a banking licence, granted by the Australian government, is a licence to print money.

There is a more serious consideration in what is happening right now for all Australians and Australia's prosperity. That issue is not just the next election but the control of the Senate.

As miners, and in planning any strategy to combat the tax, we must assume that Rudd is re-elected despite any recent opinion polls. Australia has only ever had a one-term government once. This assumption is unpalatable but safe. If that is the case, the election is about the Senate.

At every election there are 36 senators up for re-election, six from each state. Senators have six-year terms. The next election will see more senators from the Coalition up for re-election than Labor and, importantly, it will see Senator Fielding from Victoria, who was instrumental in blocking the emissions trading scheme, up for re-election too.

It is highly likely that the Senate result in 2004 will not be repeated, as Coalition control of the Senate is very rare. The way election to the Senate works is that for every 14.8% of the vote after preferences, a party is entitled to one senator.

One of the large parties always gets 44% of the vote and therefore three of the six senators in each state. The other large party always gets two because it always gets more than 30% of the vote and the sixth Senate seat always falls to preferences, which provides an opportunity for parties that get a small percentage of the primary vote to get a Senate seat after the allocation of preferences.

In recent times the Greens have been the main beneficiaries of preferences and in some states, smaller parties like Family First have succeeded.

Now if the 2004 election result in the Senate isn't repeated and if recent voting trends continue, it is likely the Coalition will lose one or possibly two seats in the Senate and these seats are likely to go to the Greens. Further, the Greens are deliberately targeting Senator Fielding, who represents Family First, for the sixth Senate seat in Victoria, and already have increased resources in that state to improve their profile and chances of winning.

If the targeting of Senator Fielding succeeds, another Senate seat may go to the Greens. That would mean three new Greens senators. So the Senate's composition on a worst case basis would be 33 Coalition, 31 Labor, eight Greens and one independent (Senator Xenophon).

Assuming that Rudd sneaks in, the mining tax will be passed as the Greens are firm supporters of the tax. This will mean an anti-mining Senate which could last for 12-18 years, which means five or six elections will be needed to repeal this anti-mining tax. Even if the Coalition wins an election in the next three to five years, it won't be able to repeal the tax.

Rudd has said he will take his time negotiating the tax, as he may believe the threat of an anti-mining Senate post-election is his weapon to force miners into a compromise early. The big miners should resist this as frankly any deal negotiated now will not necessarily be honoured by the Greens

later.

So what should we as an industry do? We must use our votes and our preferences well. We should be telling our friends to support or preference Family First or parties that have an ability to get to 14.8% of the Senate vote which are not anti-mining.

If the Senate is lost and urban Australia puts Rudd before its prosperity, the tax will probably lead to a mining industry that has greater ownership from foreign and sovereign-owned companies which will, because they have an extended value chain and downstream interests, minimise commodity prices at the mine gate.

This ownership structure will not create the profits the government believes are there. The taxing of the mining industry will achieve nothing.

We must secure the Senate at the next election.

Next week we will return to our usual *Spotlight* stories, but in the meantime if you agree with this analysis, please forward this article to your friends.