

Miners call on PM to revisit 'deal'

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MINERS are demanding Julia Gillard go beyond a deal on the RSPT that was reached with Kevin Rudd before he was removed as PM.

The industry wants a significant increase in the threshold at which the levy kicks in.

As cabinet yesterday considered a proposed deal to impose a lighter tax regime on the burgeoning coal-seam gas industry, Fortescue Metals Group chief Andrew Forrest said he had been in secret talks with Mr Rudd and Treasury officials on the release of an RSPT discussion paper until a day before Mr Rudd's removal.

He claimed the discussion paper, to have been circulated among the mining industry, would have included key changes to the RSPT, forecast to raise an extra \$9 billion a year from the sector. These would have included lifting the threshold at which the tax kicks in from about 6 per cent to as much as 15 per cent, and abolishing the government guarantee over 40 per cent of a mining project's losses.

The changes would have reduced the impact of the tax on existing projects - a key mining industry condition of any deal with the new Prime Minister.

Mr Forrest said Ms Gillard would need to improve on the key aspects of the negotiations with Mr Rudd to achieve any progress. "It would be a great shame if the finalised outcome of any negotiations between the Gillard government and the mining industry were anything less than what was achieved while Mr Rudd was PM, otherwise his departure will be recognised as futile," he said.

Ms Gillard is expected to announce a new deal for coal-seam gas projects, particularly in Queensland, as early as today before a \$5000-a head dinner for mining companies in Brisbane tonight. The deal would treat Australia's onshore coal-seam gas industry the same as the existing offshore oil and gas industry, putting both under the existing petroleum resources rent tax.

The government is also in talks with Australia's biggest mining companies, BHP Billiton, Rio Tinto and Xstrata, in an effort to work out a new process for "meaningful negotiations" over the proposed RSPT and ensure a continuing truce with the resources sector. Ms Gillard wants the two-month dispute with the mining companies to move by Friday into a new phase of negotiations and away from the advertising war and damaging name-calling. But

mining companies have not fully accepted the Prime Minister's deadline, with some warning their attack advertisements will resume next week without a breakthrough.

Mr Forrest, a friend of Mr Rudd, yesterday called for the new government to at least go as far as the former prime minister had in negotiations.

"The previous prime minister was cut off bringing a solution on to the table," he said in extraordinary comments at a Perth business conference. "I would suggest that the new Prime Minister brings that solution to the table for a discussion with the whole mining industry as soon as possible."

Resources Minister Martin Ferguson met leading miners earlier this week and Deputy Prime Minister Wayne Swan, on his return yesterday from the G20 meeting in Toronto, continued meeting miners this week.

The Prime Minister said dealing with the proposed mining tax was one of her main tasks to "get the government back on track".

"The government is negotiating and very focused on reaching a genuine outcome about the resource super-profits tax," she said yesterday.

The deal on coal-seam gas has been worked out over recent weeks with Mr Ferguson and the Treasurer and is the first real progress with mining companies since the announcement of the controversial RSPT on May 2.

The public reaction to the handling of the RSPT and a fierce advertising campaign against it by the mining industry has been credited with being instrumental in destroying Labor's electoral support and spurring the challenge against Mr Rudd last week.

Even before Mr Rudd was removed as Labor leader, the coal-seam gas industry had been negotiating with the government for special treatment because of the difference between the oil and gas sector and the minerals sector.

The proposed changes would treat all oil and gas projects the same and effectively under the existing PRRT, which has a 40 per cent tax rate on profits but does not apply to existing projects. The coal-seam gas industry is a huge boost for Queensland's economy and a \$9bn project is ready to roll.

Mining sources have indicated that Mr Ferguson has been playing a central role in the talks and that Mr Swan is prepared to adopt changes to the original plan.

Mr Forrest said yesterday that under the discussion paper to have been circulated among the mining industry, key changes to the RSPT would have included reducing the impact of the tax's application to existing projects by doubling the value of capital already spent.

The changes would also: allow for an immediate write-off for new capital spending; move the taxing point for projects to the point of mineral extraction rather than after any value-adding due to processing; allow for full transferability of tax liabilities across projects within a company; increase the rate at which the tax kicks in from returns of 6 per cent to as high as 15 per cent; and abolish the 40 per cent government guarantee on project losses.

Mr Forrest refused to say whether he had spoken to Ms Gillard since she became Prime Minister. But he said he would have no problem with the government striking a special deal - expected as early as today - with the coal-seam gas industry.

It is believed the Woodside Petroleum-operated North West Shelf gas venture in Western Australia will be included in the onshore coal-seam gas industry deal.

The North West Shelf - Australia's biggest operating resources project - was not subject to the PRRT when it was first applied to offshore oil and gas projects in the late 1980s.

However, Woodside has been negotiating with the government to avoid moving the project to the proposed RSPT regime by instead agreeing to fall under the PRRT.

A spokesman for Woodside would say last night only that the Perth-based company had been negotiating with the government over the proposed tax changes.

Ron Kitching's Remarks:

These mining executives are hopeless. They should be saying that the mining industry should be treated no differently than any other industry. Perth based Mining Engineer, Mac Nichols recently wrote that, in making deals with the government they are pulling on "The poisoned shirt of Nessus". A very apt analogy I thought.

Gerry Jackson of BrooksNews is also disgusted with the lot of them too. He wrote to me yesterday:

"I find the whole thing depressing. Our so-called free marketeers couldn't be any more quiet if they were dead. Is there a single soul in the mining industry who has a clue as to what needs to be done? Talking to an old friend – long retired – on the weekend who knows quite a few of the present players.

"He is emphatic that our rightwing has managed to cut off alternative economics views to industry, especially the mining industry. What he had to say about those connected with the mining industry was hardly flattering. (Incidentally, he has met these people.) But as I pointed out to him, no one

stopped them from seeking alternative views. Many knows these alternatives exist."

Here is Gerry latest article: A leftwing intellectual spews anti-market nonsense

<http://brookesnews.com/102806ellis.html>