



Media Release

Senator Mathias Cormann

Shadow Assistant Treasurer

Chair of the Senate Mining Tax Inquiry

11/0524/M

24 May 2011

WAYNE SWAN HAS SERIOUS EXPLAINING TO DO ON MINING TAX

Wayne Swan knew of WA's plans to increase royalties on iron ore fines well before he advised the Prime Minister to sign the MRRT deal with the three big miners, including a commitment to credit all State and Territory royalties against any national mining tax liability.

"He has some serious explaining to do today," Shadow Assistant Treasurer Mathias Cormann said.

"Last night during Senate Estimates the Prime Minister's own Department sought to distance itself from the Mining Tax Deal," he said. "They pointed out very clearly that the advice to the Prime Minister on the MRRT deal came directly from the Treasurer 'on this occasion' without any involvement from the Prime Minister's own department.

"Why then did Wayne Swan not advise the Prime Minister that signing the MRRT deal with the big three mining companies would expose the Federal Budget to a multi-billion dollar black hole as Western Australia went ahead with scheduled royalty increases? Or did he?

"This mining tax fiasco is a mess of the Treasurer's own making. He has only got himself to blame for the \$2 billion black hole in the Budget because WA is removing a royalty concession on iron ore fines.

"He decided to negotiate the design of the MRRT exclusively and in secret with the three biggest mining companies, excluding their competitors and all State and Territory governments from the process.

"Instead of doing the hard yards on tax reform, engaging constructively with the States on reform of Federal-State financial relations, he decided to declare a tax war against the people of WA.

"Declaring a tax war against people in WA today, or any other State and Territory down the track doing the same, is not an effective way to fix up the consequences of his mismanagement of the mining tax.

"The Treasurer dishonestly continues to try and cover up the implications of his mining tax stuff-ups.

"Last Friday he told Fran Kelly on ABC Radio National that he was 'somewhat surprised' by WA's decision to remove royalty concessions on iron ore fines.

Yet here are the facts:

Fact 1:

The WA Under Treasurer Tim Marney wrote to then Treasury Secretary Ken Henry back on 10 May 2010 to advise Treasury of 'scheduled increases' in WA iron ore royalties on fines to 7.5% - well before Wayne Swan advised the Prime Minister to sign off on a commitment that all State and Territory Royalties would be creditable against the MRRT;

(Source: http://www.treasury.gov.au/documents/1979/PDF/WA_RSPT_MRRT.pdf)

Fact 2:

Treasury advised the Treasurer in an Executive Minute on 17 May 2010 that *"Western Australia indicated at a recent Commonwealth Grants Commission meeting (prior to the announcement of the Resource Super Profits Tax) it was considering increasing the royalty rate on iron ore fines from the current rate of 5.625 per cent, to the 7.5 per cent rate for lump ore"*. (Source: Attachment C, http://www.treasury.gov.au/documents/1936/PDF/49_minute_mining_projects_royalties_WA.pdf)

Fact 3:

The only way there is going to be a federal tax war against the people of Western Australia is because Julia Gillard and Wayne Swan want to have one. They can't hide behind the Commonwealth Grants Commission pretending they would just be innocent bystanders.

As late as February 2011 the Treasurer gave a direction to the Commonwealth Grants Commission not to penalise WA by further reducing its share of GST because of the removal of royalty concessions on iron ore fines in last year's Budget. (Source: Point 11, Treasurer's Terms of Reference for CGC: http://www.cgc.gov.au/publications2/publications/latest_reports/2011_update/2011Update/contents/Navigationable_report_pages/4)

"Any decision to change his approach now and penalise WA by reducing their GST payments even further will be Wayne Swan's decision and his alone," Senator Cormann said.

"It is time that the Gillard government decided to cut its losses on this ill-thought out and badly mismanaged mining tax," he said.

"They should scrap it now and start from scratch with genuine tax reform based on an open, transparent and inclusive process. They should actively and constructively engage with State and Territory governments as part of the process, not mindlessly attack them," Senator Cormann said.

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