

Tax targets backbone of prosperity

BY GINA RINEHART

Most Australian governments have had some understanding of the large capital investment required for long development horizons and the need to attract substantial investment. Mining is a high-risk business and commodity prices set on the world stage are notoriously volatile over the life cycle of any project. There is enormous international competition for capital and governments that introduce greater risk and expense do so at the peril of their own economies and people.



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It should be obvious that it is vital that Australia pursue policies to ensure that the country is viewed internationally as a safe and reasonable destination for investment. Indeed, given the competition, we must strive to be a favourable destination for investment.

Many industry investors still find it hard to believe that they would see the day when 'Australia' and 'sovereign risk' were mentioned in the same sentence and had undertaken years of investment-building projects in Australia in good faith.

Rio Chief Executive Tom Albanese said that the increased mining taxes were his company's '...number one sovereign risk issue on a global basis. The non-consulted announcement... has left damage to Australia's investment reputation, and that damage has been done.' Rio is backing its CEO's words with increasing substantial investment in West Africa and Mongolia – to Australia's great loss. Money Rio earns here in Australia is now being directed to offshore countries that will compete against Australia and our exports for decades to come. We have had similar warnings from other corporate leaders, including Cynthia Carroll, CEO of Anglo American, and Greg Boyce, Chairman and CEO of Peabody. We have been warned. We should listen and we should act if we are interested in Australia's future.

As low-cost countries in Africa, South America and Asia actively seek investment to develop their resource assets, Australia's competitiveness and future will be under even greater threat.

The current Australian Government has tried to satisfy us with claims taken from a student research paper from the University of North Carolina based on inaccurate data and has repeatedly pointed to planned investments of more than \$450 billion as justification and proof that the resource sector will accept virtually any tax imposed upon it.

This betrays a fundamental lack of understanding of how the resource and mining sector operates. Investment decisions were made over years, without such tax problems, building projects to where they are after long-term investment, ultimately approaching 'go ahead' status. What do they do now? Walk away from years of investments and efforts, or go ahead in the hope that reason will prevail or a different government will be elected and the carbon tax and mining resource rent tax (MRRT) will be cancelled?

Whilst various projects underway may be developed after years of investment and work, focus is shifting significantly to other countries offshore, where there are more competitive costs and less onerous taxation regimes. This shift of new investment offshore

will cause detriment to Australia over decades. Believe me, recent figures show that despite the mining boom where we are dazzled with high commodity prices and revenue, investment in exploration in Australia should be at high levels, whereas exploration investment now is actually at 2003 levels, i.e. before the mining boom! Exploration investment is rapidly flowing overseas. After this shock, Australia desperately needs policies that truly say this country will be a good place to invest in and that provide a genuine welcome to investment.

This is what we should be providing in north Australia: less regulated and less taxed northern economic zones genuinely welcoming to investment and people. And once we have shown (again!) that economic zones with fewer regulations and less taxes are beneficial, hopefully such policies can spread to other parts of Australia. It is very exciting to think what Australia could enjoy with positive policies such as these. On the other hand, it is very, very disturbing to think of what will happen to Australia if we are no longer competitive in export markets because of our high costs and the risks of carbon tax and the MRRT, and, as is occurring, significant exploration investment, critical to our future, continues to go offshore.

We should be, for instance, demanding from our politicians that they agree to implement legislation requiring them to seek majority support by way of referendum for new taxes or increases, and let the world promptly know Australia will pass such legislation, and return to being a stable place for investment.

Australia is one of the highest cost countries, so we need to go further than this to make Australia investment-friendly. We should implement these special economic zones in the north of Australia at our earliest opportunity, as ANDEV has been proposing since last year. This is gaining support from the Australian electorate as independent polling shows. Some may say, 'oh, it's too hot in the north, reduced taxation and reduced regulation, won't help. People only want to live in the southern coastal cities.'

Well, dealing with the coast first; there are thousands of miles of coastline in our north that could be populated. Remember what happened in South East Queensland and other coastal parts when Sir Joh Bjelke-Petersen declared no death duties within his state – even Melburnians and Sydneysiders used to living in cold weather moved north! Speaking to many, many people in coastal areas in the north, I am endlessly told they love it there. But costs can be high and should be reduced (e.g. payroll tax and stamp duty should be eliminated in the north, regulation cost reduced and certainly no cost-adding carbon tax or MRRT should be introduced). Secondly, the heat; well, air-conditioning is better than it used to be and the heat doesn't stop millions of people gravitating to hot countries like Singapore and Dubai, which have more investment-friendly regimes.

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to become residents of Singapore. Currently those wanting Singapore residency are providing Singapore \$10 million per person via deposit into a Singapore bank account!

Recently, I have enjoyed spending time with active younger professionals and professionals closer to my age who are now in Singapore or work largely out of this nation because they want to be part of the region's growth success and want this experience and opportunity. They have not only chosen to leave the colder climates of London, Europe in general and North America, but have done their very best to leave the depressed, over-taxed, over-regulated economies behind so that they can be part of growth areas, improving due to better government policies.

The Australian resource and mining sector is our largest export earner, employs thousands of Australians, supports many businesses and communities, provides significant taxation revenue, and provides

investment income for millions of Australians. We have now reached a period in Australia's history when we are over A\$100 billion in net debt and need to find billions of dollars more just to pay the interest. We must keep in mind what is currently happening around the world to countries facing crippling debt and even bankruptcy, and steer Australia out of debt and away from bankruptcy trauma.

It defies reason that any Australian government, state or federal, would seek to cripple the very industry and related industries upon which our country relies for its debt repayment, prosperity and standard of living. Is it a good time to introduce new additional taxes to Australia? No; not with the serious and deteriorating condition of the United States and so many economies in Europe. ^{ANDEV}

Australians for Northern Economic Vision (ANDEV). New members welcome.
<http://www.andev-project.org/>