

Use mining boom to support future

By: *Tony Maher* From: [The Australian](#) June 02, 2011 12:00AM

IT'S no secret that mining is big business. Australian Bureau of Statistics figures released last week listed the mining sector as having the biggest profit margin of any Australian industry at 33.4 per cent. In the financial year ending 2010, mining companies earned \$1.06 million a worker again, higher than any other industry.

Fuelled by the industrial revolutions in India and China, Australia's boom is bound to continue to grow for at least the next three decades. Eventually it will end. If we are smart, we will have something substantial to show for it.

A nation-building policy that develops the jobs and industries of tomorrow with the proceeds of our industries today seems like a good way to secure future prosperity.

In a sneaky and not-so-subtle attempt by the mining companies to weasel their way out of contributing their fair share to the community via the minerals resource rent and carbon taxes, the industry is pouring huge investment into developing a narrative about how much mining companies give to Australia. The latest multimillion-dollar tax avoidance campaign by the big mining companies tells us that mining companies are engaged with their communities, including developing infrastructure in regional communities responsible for creating this immense wealth. If this were the real story of mining, the streets of mining towns would be paved with gold. They are not.

Instead we have mines operating across Australia supported by regional communities without adequate schools, roads or hospitals, and lacking other vital social infrastructure. Local workers have been replaced with fly-in, fly-out workers, separated from their families, which has led to an increase in drug and alcohol abuse, violence, rape and depression. The real story of mining towns is that mining companies long ago abandoned their policy of investing in the very towns that create their vast profits.

This is despite the mining industry accounting for 10 per cent of Australia's gross domestic product (up from 5 per cent 10 years earlier). Investment projects already committed amount to another 10 per cent of GDP, with a further 20 per cent of GDP in advanced planning. This, in a nation with a GDP upwards of \$1.3 trillion. This is the real story of mining: vast profits in the hands of a few. And policies designed to make the bottom line even bigger.

If this continues, the wealth generated by Australia's unprecedented resources boom is set to stay in the billionaires club of three or four companies. They will continue to reap the increasing rewards for decades to come before wandering off to new destinations with possibly no evidence that there ever was a big boom in Australia. But in the land of the fair go, as a nation, we all deserve to benefit, now and well into the future.

In April, Malcolm Turnbull stepped outside of his portfolio and joined the likes of bank bosses Ralph Norris (Commonwealth Bank) and Mike Smith (ANZ), the International Monetary Fund, and the Organisation for Economic Co-operation and Development in suggesting we establish a sovereign wealth fund to save money coming from the boom for future generations. It doesn't sound like a bad idea.

In Norway, the wealth created by the North Sea oil fields saw the government create a sovereign wealth fund in 1990. That fund now has more than \$US525 billion (\$488bn) of public funds and is expected to be worth \$1263bn by 2030. As the oil resources are depleted and the profits slow down, the country maintains its incredible wealth that will benefit its mere five million citizens far more than sporadic tax cuts ever could.

We need to have the debate about establishing a sovereign wealth fund in Australia and decide what kind of society we want to build from the benefits of this large, sustained resources boom.

To date, the only public debate we've been able to muster is one about tax. The minerals resource rent tax is a good start at trying to share the benefits of the resources boom, but it's fairly modest and short term, and yet to be legislated. If it succeeds, it will help cut company tax, boost superannuation and create a Regional Infrastructure Fund, but where would we go from here?

A sovereign wealth fund would act as a savings tool while allowing us to invest in nation building by developing ongoing and sustainable industries. Unlike the short-sightedness of the Future Fund, which is there to pay for unfunded public service superannuation liabilities, the money a sovereign wealth fund could deliver allows us to think big. Perhaps a government-backed finance scheme to transform Australian creativity into innovative technologies, businesses and industries? A fast train network?

We need a sovereign wealth fund that includes a plan detailing how the vast profits of today can be used to generate income long after the boom is over.

Looking at Norway, it's hard not to be convinced.

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