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Excluded - section 22

From: McDonald, Jason
Sent: Friday, 4 June 2010 10:35 AM
To: Chalmers, Jim
Cc: Davis, Graeme; Brown, Colin (RG TAD); Jacobs, Martin; McDonald, Hamish
Subject: FW: urgent advice [SEC=~~PROTECTED~~]

Jim

You might want to use something from this cobbled together with Colin.

The mining States will benefit the most from the Government's resource taxation reforms.

- This is because the Commonwealth is effectively rebating a State tax (royalties), relieving businesses and consumers of the burden. The Commonwealth is effectively paying State royalties.
- The RSPT will only tax the profits of the most profitable mines and reduce tax on others. Because high profit mines will still be highly profitable and low profit mines will pay less tax, the mining industry should expand.
- This is one reason why Professor Paul Fritjers, Professor of Economics at the University of Queensland, recently wrote that "Who, then, are the winners of this tax? …Mine workers and mining communities. The long-run level of activity should go up, and the pressure on their wages and employment relations should go down." (http://economics.com.au/?p=5644)

This is another example of mining industry scare mongering.

- There is little in the media release to say how the figures are calculated.
- It is difficult and probably impossible to carve the benefits of government taxation and spending up by State in this way.
  - There is no allowance for the growth dividend from cutting company tax reform or abolishing royalties. Abolishing royalties is likely to see mining production rise by up to 5.5 per cent and employment by 7 per cent in the long run according to independent research. Most of these gains

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will flow to Western Australia and Queensland since they pay the most mining royalties.

- There has been no announcement of how the infrastructure fund would be divided between the states.

Background

- We have not divided the RSPT up on a state basis. Our data is aggregate National level data rather than on a state by state or project basis. While we can get production data by state, breakdowns of the RSPT by state will become somewhat problematic because once you start to break it down, the composition of projects on a State basis becomes more important.

- Indeed, I am not sure how the QRC have done their figures but based on data on both the proportion of sales and service income and value add by state, Queensland accounts for between 23% and 26% of mining in Australia. Those figures are very rough and still may not correspond to the actual split of the RSPT. Based on these figures, Queensland would account for around $3 billion of the $12 billion RSPT in the first two years.

- On the other measures listed in the press release, as far as I am aware we have not split any up by State and I have no idea what QRC have done.

From: Davis, Graeme
Sent: Friday, 4 June 2010 9:58 AM
To: McDonald, Jason; Brown, Colin (RG TAD)
Subject: urgent advice [SEC=UNCLASSIFIED]
Importance: High

From: Chalmers, Jim
Sent: Friday, 4 June 2010 9:54 AM
To: Davis, Graeme
Cc: Phipps, Kate; Jacobs, Martin
Subject: [SEC=UNCLASSIFIED]

Graeme – any chance a really quick rebuttal to this?

We're saying they couldn't know any of this in the absence of an announcement of allocation of infra funds, but your guys may be able to do something better.

If you had a view in next 30 mins or so that would be great.

Thanks

http://svc011.wic567dp.server-web.com/_dbase_upl/RSPT_Taxloss_040610.pdf