17th June 2015

Robert J Davies
5 Draper Road
Howden
Tasmania 7054

Tax White Paper Task Force
The Treasury
Langton Crescent
Parkes
ACT 2600

Dear Sirs,

Re : The Taxation Review

I write to suggest that the current tax system is unsustainable in its present form. Further, that consideration be given to the creation of a **Sovereign Wealth Fund** based on the taxation of non- renewable resources such as gas, oil, coal and minerals like iron ore and copper.

The justification for such a proposal is as follows.

Australia has enjoyed a succession of resources booms. For example in the 1850's it was based on gold and copper, the 1960's coal, gas and iron ore, the 1970's coal and gas, and more recently since 2005 iron ore, coal, gas and uranium.

Each of these booms have been followed by an equally dramatic bust suggesting that as a nation we have not used the good years efficiently to provide for periods of declining revenue. (See for example Australia's Resources Boom – sharing the benefits – by Graham Larcombe.)

This does not have to be the case.

In economics **Hartwick's Rule** aims to ensure long run economic sustainability from the use of natural resource assets. The rule aims to ensure the maintenance of a constant capital stock by defining the amount of investment in productive capital that will offset income from declining stocks of natural resource capital.

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In turn this rule has a link to the concept of intergenerational equity. In short it's all about sustainability and re-investment of resource rents to provide a form of sovereign wealth fund.

The application of the Hartwick Rule is not without precedent.

Since 1990 Norway has a sovereign wealth fund based on revenues from oil companies and exploration. The fund invests for the nation's future with 40% of the fund invested in the international stock market.

Other examples of sovereign wealth funds are to be found in Canada.

Since 1976 both Alaska and Alberta have had forms of permanent or heritage savings trust funds. These funds invest revenue from natural resource assets for the long term benefit of the community. Indeed a useful discussion of non- renewable resource revenue management can be found in Robert Roaches **Alberta's Energy Legacy**, a Canada West Foundation investing wisely project publication.

To conclude.

At a time when the Australian government has opened a conversation about the nation's tax system it is opportune to think more widely about "what" and "who" is taxed. It is not sustainable for the personal tax take to account for 39% of national tax revenues, and more if GST contributions are included, when other sectors of the economy do not contribute a fair share especially the no- renewable fossil fuel and minerals sectors .

Yours sincerely,

Robert Davies

Robert J Davies
[Type the sender title]
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