



## Campaign Media Release

# PRIME MINISTER DEPUTY PRIME MINISTER MINISTER FOR RESOURCES AND ENERGY

### THE MINERALS RESOURCE RENT TAX REFLECTS THE DEMANDS OF MINERS LARGE AND SMALL

The Minerals Resource Rent Tax (MRRT) announced on 2 July 2010 was informed by two months of consultations with mining companies and their representatives, large and small.

The principles of the MRRT announced on 2 July were accepted as reasonable by the three companies who participated in the final discussions. However, the Government's decision to adopt those principles was also informed by the consultations that had occurred with many other miners over the previous two months.

For example, the CEO of Fortescue Metals Group Limited, Andrew Forrest, published a press release on 29 June 2010 (attached) which listed a range of demands for a revised resource tax arrangement. The table below demonstrates that the broad principles of the MRRT substantially meet, and in many cases exceed, the demands made by Mr Forrest in his media release.

	<b>Fortescue's requested changes to RSPT</b>	<b>MRRT</b>	<b>Result</b>
1	Double the value of spent capital recognised in the starting base	Market value allowed in starting base (including the market value of physical assets and the value of resource)	Exceeded
2	An immediate write-off for new capital	An immediate write-off for new capital	Met
3	The taxing point for projects moved to the point of mineral extraction	The taxing point for projects moved to the point of mineral extraction (plus a 25% extraction allowance)	Exceeded
4	Full transferability of super mining tax liability across projects within a taxpaying group	Full transferability of MRRT liability across projects within a taxpaying group	Met

5	Increase of uplift rate by 9% (Fortescue note they will continue to argue for an uplift of over 10% above a company's borrowing costs to protect small mining companies)	Uplift rate raised by 7%	Partly met
6	Removal of 40% Government guarantee	Removal of 40% Government guarantee	Met
7	An open discussion on the headline 40% rate	30% headline rate	Exceeded

Furthermore, the MRRT also excludes all commodities other than iron ore and coal, and exempts mines earning less than \$50 million in resource profits.

On 2 July, the Government also announced that an expert Policy Transition Group would work through the issues regarding the detail of the MRRT regime with input from affected parties, and would make recommendations to Government.

The Government respects the right of mining companies to advertise their position on the MRRT. However, the Government urges miners to engage constructively in the MRRT implementation process. This is the best way to ensure the new regime is designed to reflect the circumstances of miners.

The Government remains committed to achieving a fairer return for the Australian community from its non-renewable resources, and the Government will continue to engage constructively with those mining groups that wish to be involved in the design of the new arrangements to get the best outcome for miners and for the nation.

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(Attachment)



## **GOVERNMENT NEGOTIATIONS MUST COMMENCE FROM RUDD'S FINAL POSITION**

**Perth 29 June 2010:** In a speech today to the Australian Financial Review's WA Economic Outlook Conference, Fortescue Metals Group Limited (FMG) CEO, Mr Andrew Forrest, said new Prime Minister Julia Gillard must ensure her Government achieves a substantially improved position on aspects of the super mining tax compared to the position that was achieved with former PM Kevin Rudd immediately prior to his departure.

FMG was one of a number of companies which had been working closely with Mr Rudd's office in the days leading up to his departure and achieved a position on the handling of the super mining tax which FMG wanted to see released as a discussion paper to the mining industry.

The key aspects of the revised position included:

- To reduce the retrospective nature of the tax by doubling the value of spent capital;
- An immediate write-off for new capital;
- The taxing point for projects moved to the point of mineral extraction;
- Full transferability of super mining tax liability across projects within a tax paying group;
- Increase of uplift rate from 6% to 15% (FMG will continue to argue for an uplift of over 10% above a Company's borrowing costs to protect small mining companies); and
- Removal of 40% Government guarantee – recognised as no value to the finance or mining industries.

Consideration of the above issues is vital, together with an open discussion on the headline 40% rate, if a true solution is to be developed for the industry.

It was during the meetings with Mr Rudd that Mr Forrest declared the original framework of the super mining tax was dead and buried. This has been FMG's view since the tax was announced, and was reinforced by the discussions with the former PM and his office.

(Attachment)

Mr Forrest said Ms Gillard's Government would need to improve on the key aspects of the negotiations as noted above to achieve any forward progress of the super mining tax with the industry.

"It should never be forgotten that the existing design of the super mining tax meant Australia would pay more than double Canada's tax rates, which would have seriously harmed the Australian economy as capital relied on to build Australian jobs would have fled the country," Mr Forrest said.

"It would be a great shame if the finalised outcome of any negotiations between the Gillard Government and the mining industry were anything less than what was achieved while Mr Rudd was PM, otherwise his departure will be recognized as futile."

**ENDS**

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