



What does it all mean?

THE Resources Super Profits Tax was sent to the slag heap eight days ago and replaced with the new Minerals Resource Rent Tax.

Prime Minister Julia Gillard, flanked by Deputy PM Wayne Swan and Mines Minister Martin Ferguson were beaming about their new scheme.

It was given the stamp of approval by the masters of the mining universe and a ceasefire between government and industry because a peace accord.

But what does the new MRRT mean to us?

- The 40% "headline" rate of tax that was being thrown around has been replaced by a friendly 30%, but with other exemptions thrown in, the actual tax rate is closer to 22.5%.

It's expected to cut \$1.5 billion from the government coffers but with mineral prices going up, the Federal Opposition claims the government could have earned much more if the tax wasn't watered down.

- Junior mining players were not at the roundtable with Government on this tax, but by keeping the negotiation numbers low, consultation was quicker, a result has been achieved and industry confidence is growing.

- Xstrata announced it would halt \$586 million in building its 3000-job project in Wandoan and significant expansions one month after the Henry Tax Review was announced on May 2. On July 6, all the projects were reinstated – the same day Prime Minister Julia Gillard announced the end of the Resources Super Profits Tax.

- Instead of being taxed on 100% of its capital, the MRRT allows mining firms to choose their book OR market value, meaning the tax becomes more flexible although there has been suspicion that it could allow companies to lower their tax-rates by making the company look smaller.

- The tax will still be put in place on July 1, 2012 and will still generate enough to give more cash to superannuation funds, increasing the government guarantee from 9% to 12%, because the cut to the corporate tax rate has been halved from 2% to 1%.

Clouds begin to clear

IT took a desperate government only one week and a chin-wag with three of the world's largest mining companies to shatter the tax that crippled the Rudd Government.

Xstrata, Rio Tinto and BHP Billiton were guests at Prime Minister Julia Gillard's round table launched on June 24 when she took office. It represented 18 Queensland coal mines stretching from planned projects in the Surat Basin, west of Gympie, to Collinsville, north west of Mackay.

The Resources Super Profits Tax was too expensive, put too many jobs and projects at risk, and export investment dollars away from our girted borders, according to the campaign led by the Minerals Council lobby group.

Since the 40% "headline" tax was trimmed to become the Mineral Resource Rent Tax, companies are still toiling at their calculators but appear confident that the clouds are parting.

Xstrata was the loudest in the battle for compromise, stalling work on its Wandoan project in the Surat and risking an apparent 3000 jobs because it would become un-



TIMELY ANNOUNCEMENT: Prime Minister Julia Gillard with Resources Minister Martin Ferguson (left) and Federal Treasurer Wayne Swan announced changes to the mining tax.

PHOTO: ALAN PORRITT/AAP

viable if the 40% tax rate was applied.

Once the government's compromise was made, Wandoan project was yanked out of purgatory and back to being full-steam ahead on the same day.

The Swiss mining juggernaut also has operations in Rolleston, near Gladstone, Newlands, west of Mackay, Oak Creekcorr, west of

Rockhampton and Collinsville.

Xstrata representative James Rickards said the new MRRT meant "greater job security" as expansion plans returned.

"Naturally we're looking at the effects on all projects now but it does provide more positive investment opportunities," he said. Wandoan was the first project hit, he said, but if the RSPT hadn't been

pulled apart, more jobs were at risk.

"The RSPT is dead, and there were projects on the chopping block but it might have been months before we announced that.

"Now it's a dead conversation."

BHP Billiton has nine mines under its wings, plus the massive Hay Point Coal Terminal south of Mackay, and though details remain vague because the legislation won't

be in place until 2012, the new plan was "very encouraging".

According to spokesperson Amanda Buckley, "We can't really comment on what it would mean for individual mines and regions – it's a long way from draft legislation".

The previous tax plan was also in its early stages and the mining lobby, which BHP and Xstrata contributed to, ran an effective campaign on how Australia's economy would falter.

From the perspective of Macarthur Coal head Nicole Hollows, who also leads the state mining lobby, Queensland Resources Council, would not yet discuss how her two operating mines would fare.

She said the company announced no changes to its Coppabella and Moorvale projects west of Mackay, so it was largely business as usual. "Macarthur Coal will be looking closely at the detail of the proposed MRRT to understand how this will impact our mines in the Bowen Basin and future mine development.

"But the last few months have shown how concerned the Australian community is about keeping our mining industry competitive."