

Listen to industry: the lesson from mining tax debacle

The political landscape has changed significantly since the last edition of Motor. The growing unrest within the Labor Party over the performance of then Prime Minister Kevin Rudd peaked with his dumping by party power brokers. Then Julia Gillard immediately set about righting the wrongs of the past, despite the fact that, it could be argued, she was involved in many if not all of those wrongs.

It does seem incredible however that one of Australia's most popular Prime Ministers was dumped by his own party as the polls started to show a marked shift in support away from Labor.

So how did we get to that point and what should future politicians learn from the fate of Kevin Rudd?

Politicians are elected to represent the interests of their electorate and their country. In carrying out this important role, we take it for granted that they, the politicians, will consult with us, particularly where there is a major policy shift that could impact on the way we live and the way we go about our business.

Clearly, Kevin Rudd was not as consultative as he should have been and perhaps the one issue that highlights his lack of consultation the best, and arguably was also one of the key issues in his ousting, was the debate on tax and the mining industry.

The resources industry has been the principal driver of the Australian economy for many years. It was one of the main factors in Australia coming through the global financial crisis as well as we did. If we look solely at the Western Australian economy there is about \$70 billion worth of projects underway today and a forecasted \$170 billion in train over the next five years. WA accounts for 30% of Australia's total exports with 60% of Australia's minerals and 70% of Australia's oil and gas exports coming from here in the West. WA is also the key driver in employment with nearly half of all new jobs in June being created here. It is therefore understandable that the reaction to the Resources Super Profits Tax (RSPT), and the subsequent Mining Resource Rent Tax, was so strong in WA.

I attended a function in the week following the announcement of the RSPT where WA Premier Colin Barnett spoke about the tax and some of the justifications being communicated behind it. The Premier has championed WA's cause and he provided one of the best breakdowns of facts behind this proposed tax that I have heard. He went through each of the justifications that had been put forward by Mr Rudd and his inner circle, including Treasurer Wayne Swan and Ms Gillard, and I have included these for your information.

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The first justification was the question of ownership. Labor continually referred to the point that all Australians own the natural resources and therefore should benefit from them. This is factually incorrect. Under the Australian Constitution, mining resources and in particular oil and gas resources belong to the State, the people of Western Australia. As the Premier put it: "The Tasmanians do not own the Pilbara iron ore resource, we do".

Mr Barnett continued on to look at the funding of tax cuts and other benefits that would arise out of the mining tax. When we look at the proposed increase in superannuation payments from 9 to 12 per cent for Australian workers as an example, the fact is that this increase will not come from this or any other tax revenue – it will be funded by Australian employers.

One of the other key errors the Premier highlighted was how the Federal Government explained state royalty calculations. Mr Rudd had stated that royalties are based on tonnes mined, which is simply incorrect. Royalties are based on the value of what's mined – price times commodity – and not simply a dollar amount per tonne. This means that when the price of iron ore goes up, the royalty paid by a mining company also goes up. The royalty is value-based, not tonnage-based. As the Premier put it: "A fundamental error in what has been promoted through the Henry Review and the Federal Government, again, embarrassing the state – a first world nation".

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Then Ms Gillard struck a deal with the three largest mining companies under the Mining Resource Rent Tax scheme, which saw the tax limited to the coal and iron ore industries and the rate of tax reduced to 30%. However this still leaves WA as the major contributor to this tax with Queensland coming in a close second.

The other part of the argument that all West Australians rightly felt concerned about was the issue of GST revenue returns to the state. WA gets back 68 cents for every dollar of GST collected in Western Australia. By comparison, Queensland gets 91 cents back, New South Wales 95 cents back, and Victoria 93 cents back, which begs the question, why? If WA was to receive a similar amount to Queensland, about 90 cents in the dollar, that would mean an extra billion dollars in Western Australia this year, and an extra \$2.5 billion in three years time. Given the cost pressures on WA, this would seem a fair and reasonable proposition. With one of the highest population growth rates in the country and an urgent need for investment in essential infrastructure, there has never been a stronger argument to remedy the inconsistency that is the Grants Commission's determination of GST returns.

If you take the poor return of GST to Western Australia and then add the potential to lose up to 25% of future investment, you can see why there is a real need to fight any introduction of mining tax here in WA.

So the lesson for future politicians in this is simple. Firstly, do your homework and understand the issue that you are looking at. Secondly, seek the advice of those who know the area best to ensure your facts are correct and thirdly, consult with all relevant and interested parties to ensure a reasonable understanding of the rationale behind the policy.

The MTA has been a strong advocate against the tax. Why? Because such a tax would have a direct impact on our industry. The automotive industry is very closely linked to the resources sector in many areas. Whether it is with hire car operators in the Pilbara, mechanical workshops, car dealers, parts providers and so on, the industry will feel the impact of any reduction in investment in the resources sector and as such we need to maintain our opposition to any mining tax.

Financial Year Ends on a High

With the financial year recently coming to an end, it is appropriate to have a look at the past year's performance by your Association and to recognise its achievements. Membership has continued to grow steadily, with the current level standing at 2140. The MTA welcomed 268 new members over the year and it is our very strong commitment to ensure that our current members are receiving the best possible return on their membership fees by constantly looking for new, value adding services and products.

Jade Russell, the MTA's Marketing Officer, has recently finalised agreements with Career One, Blush, Telf Promotional Products, Bloo and MailForce – all of whom are providing great rates to members. We will also, over the course of the next few months, launch a series of business sundowners featuring guest presenters who will provide valuable information to help grow your business. These events will also be a great opportunity to network with other members.

Financially, the MTA has worked hard over the past year to turn around a disappointing deficit in 2009 to this year return a surplus. This has been achieved by increasing revenues in areas such as training along with savings through efficiencies within the organisation. The next 12 months should see this trend continue with the MTA going from strength to strength.

The MTA has continued to provide a highly effective lobbying mechanism to raise relevant industry concerns with Government. Of particular note has been work carried out on behalf of the industry on such issues as:

- Stamp duty on incidental use of vehicles in dealerships
- Motor repairer licensing
- Vehicle licensing issues
- Repairable write-offs
- Major arterial road access for heavy vehicles
- Anti-hoon legislation amendments to protect dealers and hire car operators
- Trade plates, and
- IM240 Emissions Testing.

This year's MTA Annual General Meeting was held at the Burswood on Swan on July 20 and was well attended by Division Chairs. Reports on the activities of both the MTA and the divisions were presented as was the 2010 Annual Report. I encourage you to have a look at the report, which can be accessed through the MTA website.

New Advertising Campaign

The MTA launched its new television advertising campaign during June. Featuring David Christison, the adverts began airing in regional WA through GWN in June and moved to the metropolitan area in July. The key message we are promoting is for consumers to look for the MTA sign when choosing an automotive service provider. At the conclusion of the campaign the MTA will measure the effectiveness of the campaign to better refine our message into the future.



MTA Launches Mobile Training Facility

In 2008, the MTA took the decision to start providing training services to the industry for light mechanical apprenticeships. Today, we have nearly 100 apprentices placed with more than 60 employers and industry demand for the program is growing. As a direct result of the strong demand for services by industry, the MTA successfully applied for a grant from the Federal Department of Employment, Education and Workplace Relations to construct a mobile training facility to enable a more flexible and comprehensive service to our clients. The facility includes a mobile classroom featuring computers, video systems and teaching aids and a trailer complete with a full and up-to-date engine test bed. The facility was officially launched at the MTA's AGM (see page 10). New signage completes the picture with all training vehicles displaying the MTA Mobile Trainer colour scheme.

Skill Shortages

Western Australia is entering a period of sustained skills shortages as the mining boom once again starts to take hold. It is estimated that the State will require a further 488,000 workers if we are to deliver on the growth that is forecast. This will have a direct impact on the automotive industry as skilled workers are attracted away to the resource sector by higher wages. The MTA is working to address this situation by being proactive in the area of skills development however it will also be necessary to supplement this activity with skilled migration. Skilled migration, be it through the 457 visa route or the more traditional general skilled migration program, is complex and time consuming and the MTA has been working to identify a 'one stop shop' service for members wishing to employ skilled migrants. I am pleased to inform you that we have formed an alliance with one of Australia's leading immigration experts specialising in skilled migration, the ISA Group (see page 9). ISA Group is a Perth-based company established in 2007 following the merging of two companies and has been providing immigration services to a range of employers and industries, including the resources sector. ISA Group is offering a dedicated service for MTA members at a special pricing structure.

CEO Sleepout

On June 17 I, along with two of my MTA colleagues, Division Managers Marie Donato and Graeme Sinden, joined 99 other CEOs at the WACA for the St Vinnies CEO Sleepout (see page 17). The event aims to highlight the plight of Perth's homeless and to raise much needed funds for this cause. Apart from the hard ground and cold air, the event was a great success and certainly helped me to better understand the situation of homeless people. The reality is that there are more than 13,000 people sleeping out in Perth streets each night, a figure which seems incredible given the wealth of this state.

I want to thank all of the individuals and companies that supported the MTA team and helped us raise over \$4,500. The Perth event raised more than \$450,000 with \$2.7m raised nationally. I will be participating again next year and look forward to your continued support for this worthy cause.

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Motor Industry Foundation

In closing this edition's Torque Time, I would like to talk about the Motor Industry Foundation and the invaluable work it does to assist West Australian families in need.

There have been many examples of great work that I have seen since starting with the MTA in February but the one stand out feature of the industry that has left an indelible impression on me has been the work of the Foundation.

The Foundation was established to provide an avenue for funding, sponsorships and other benefits to support a range of charitable purposes within the Western Australian community.

One of the key areas where the Foundation's work makes such a significant difference is in providing low or no cost vehicles to families in need. There are many families here in WA who have children with severe disabilities or illnesses and have no way of travelling around due to the difficulties with access.

The presentation of wheelchair access equipped vehicles to families that so desperately need a modicum of normality is something that I would encourage all members to see if they have the opportunity. To see the difference that the work of the Foundation makes to the lives of West Australians is inspiring.

The work of the Foundation is solely funded by the industry, not one cent has been provided by government, an issue which the Foundation is working on.

Given that the Foundation relies on the industry to continue its great work, members are needed and at \$100 it is a small investment that results in a huge difference. So if you haven't thought about joining the Foundation, please do so as your membership will make a significant difference to the lives of West Australians who are not as fortunate as the majority of us.