Australian government "delivers" on mining tax

By Mike Head
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Aided by last-minute deals with the Australian Greens and several Independents, Prime Minister Julia Gillard's Labor government secured passage of its mining tax in the lower house of parliament at 3 a.m. on Wednesday. With the backing of the Greens, the legislation—which delivers immense concessions to the world's biggest mining companies—is expected to clear the Senate early next year.

The late-night House of Representatives vote was accompanied by grandiose claims. "This is a way in which all Australians share in the bounty of the mining boom," Treasurer Wayne Swan told parliament. Gillard reportedly told a Labor Party caucus meeting that she had achieved her promise to make 2011 a year of "decision and delivery."

In reality, the Minerals Resource Rent Tax (MRRT) delivers exactly what Gillard and Swan pledged to the big three mining conglomerates in a Heads of Agreement signed in June 2010—just after the political coup that ousted Kevin Rudd and installed Gillard as prime minister. BHP Billiton, Rio Tinto and Xstrata will pay little or no extra tax at all, while benefitting from $6 billion in mining-related infrastructure spending over the next four years.

This end-result, like the backroom coup, demonstrates that the corporate and financial elite dictates the policies of the Labor government, its de facto coalition partners the Greens and the political establishment as a whole. Behind the moth-eaten façade of parliamentary democracy, they all combined to deliver the results demanded by those who orchestrated Rudd's axing.

Rudd, who in May 2010 had proposed a limited mining super-profits tax, was deposed by Labor Party factional and trade union bosses with strong ties to the mining companies. The coup was also driven by the Obama administration's hostility to Rudd's attempts to moderate tensions between the US and China. WikiLeaks cables have revealed that the coup plotters were secretly informing US embassy officials of their every move.

The MRRT legislation also delivers offsets to other sections of big business, including a $1.5 billion cut in the company tax rate from 30 percent to 29 percent and at least $1 billion in other tax write-off concessions. As a result, the total package will produce an annual revenue deficit of around $3 billion by 2014-15, mounting to $9.4 billion by 2019-20.

These Treasury forecasts are based on the assumption that mineral prices will continue at record highs. Spot market prices for iron ore and coal—the only two commodities now covered by the tax—have fallen by about 20 percent in recent weeks because of the financial turmoil in Europe, the stagnation in the US and the slowing growth in China. By some estimates, a 20 percent drop would wipe out the $11.1 billion that the government claims will be raised by the MRRT over the next four years.

Far from all Australians sharing in the mining bonanza, the shortfall will be paid for by slashing jobs, wages and social spending, such as health, education and welfare, in order to meet the government's pledge to the financial markets to eliminate the budget deficit by next year. That result is in line with the broader agenda behind the June 2010 coup—a turn by the corporate elite to demand sweeping austerity measures, like those already underway across Europe and the United States, in order to impose the burden of the worsening global economic crisis onto working people.

Another political fraud collapsed on Wednesday. For months, the government had insisted that the MRRT would fund an increase in the compulsory superannuation levy, nominally paid by employers, from 9 percent to 12 percent by 2020. In her press statement proclaiming the passage of the MRRT bill, Gillard still claimed that the package would “provide a 30-year-old worker on average earnings with an extra $108,000 in retirement savings” by 2035.

This sham fell apart at a media conference on Wednesday where Gillard, Swan and Assistant Treasurer Bill Shorten conceded that employers would be expected to recover the cost of the levy increase by cutting real wages. Shorten, a former trade union leader, flatly declared that the increase would come from employers using “part of the inevitable wage increases they’d have given” over the next seven years.

Shorten said the history of the compulsory superannuation scheme, which was introduced by the previous Labor government of Paul Keating in the 1990s, showed that superannuation was not a cost to employers, because they offset the levy against wage increases. Shorten was backed up by former Australian Council of Trade Union secretary Bill Kelty, who worked closely with Keating to impose the superannuation scheme. Kelty said the unions had accepted that, in creating a superannuation guarantee, there was “a necessity for a reduction in real wages.”

The only beneficiaries are the banks and finance houses, and their trade union partners on superannuation boards, that profit from the huge investment funds—now worth nearly $1.5 trillion—assembled from the proceeds taken from workers’ pockets. At the same time, the superannuation regime effectively forces workers to pay for their own retirements, by making them financially ineligible for aged pensions, which are means-tested.

The Minerals Council of Australia, which represents the big mining companies, has hailed the MRRT package for “delivering renewed confidence to the Australian mineral industry.” Addressing a taxation conference in September, the council’s CEO, Mitch Hooke, boasted that the MRRT’s design effectively capped the tax rate, counting royalties, for mining companies at an “internationally competitive” 45 percent on “profitable projects.” This was only marginally above the average 41.5 percent tax that he said the large miners paid between 2007-08 and 2009-10 for all their projects, including less profitable ventures.

Hooke listed the concessions that the Labor government had made in dropping Rudd’s original Resources Super Profit Tax. Of paramount importance, Hooke said, was lowering the headline tax rate from 40 percent to 22.5 percent, and compensating the companies for any rise in state government-imposed mining royalties. The latter concession alone is already estimated to be worth $2.9 billion over the next three years as a result of royalty hikes foreshadowed by the governments of Western Australia and New South Wales.

Hooke emphasised the further benefits derived from a government-mining company MRRT implementation committee chaired by Energy Minister Martin Ferguson and ex-BHP Billiton and National Australia Bank chief Don Argus. Among the most important provisions, which particularly benefit the biggest operators, is that companies can transfer losses between projects, and carry forward losses from previous years, in order to reduce MRRT liabilities.

As well as the Greens, the passage of the MRRT bill was obtained with the support of the three Independent MPs—Tony Windsor, Rob Oakeshott and Andrew Wilkie—whose votes also keep the government in office. Each struck deals that involved only minor modifications to the package. As for the opposition headed by Liberal Party leader Tony Abbott, it opposed the MRRT as a new imposition on the mining industry and has promised to rescind the legislation if elected.

The 18-month saga of the mining tax underscores the degree to which the entire political establishment—from the Greens and Labor to the Liberal and National parties—is under the domination of the mining and financial elites.