

TITLE: As the miners look tough, the governments look weak

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If the mining industry was a political party, it would make the current federal government look like a success story. The miners are internally divided, running entirely contradictory messages and are increasingly unpopular in the published opinion polls.

But luckily for the miners, it is far easier to make billions of dollars selling resources you paid very little for than it is to run the country. And in turn, it is far easier for the miners to exploit the differences between state and federal governments than it has been for Julia Gillard to exploit the differences between the miners.

The Minerals Council of Australia is currently running full-page advertisements complaining about the tax they already pay and sounding the alarm about the giant new mining tax coming their way. But at the same time, Twiggy Forrest is popping up in virtually every media outlet he can find proudly declaring that he, one of the wealthiest mining magnates in the country, won't be paying it!

The problem is, of course, that while the MCA is representing the interests of the big mining companies who negotiated the mining tax Mark II (the MRRT), Twiggy is fighting his personal political battle with Wayne Swan, who had the audacity to suggest that the miners like to throw their weight around in our democratic processes.

According to MCA, the new tax is an unnecessary impost that will drive investment offshore. According to Twiggy, the Treasurer is cooking the books and exaggerating how much revenue the new tax will raise. Who to believe?

It gets better though.

The original version of the mining tax (the RSPT) was actually designed to shift the burden of mining taxes away from small, start-up miners and onto the enormous profits being earned by the big miners who were selling coal, iron ore and gold when the world price was about a third of its current levels. Put simply, the biggest miners had the most to lose from the original version of the mining tax and the smallest ones actually had a fair bit to gain.

But while BHP, Rio Tinto and Xstrata were at pains to make Twiggy and the small miners feel like part of the team when they were waging their \$20 million war against the RSPT,

they weren't quite so inclusive when it came time to negotiate the second version with the incoming Gillard government. Indeed, the big three spent a few days sorting out an "acceptable" version of the MRRT, which, as luck would have it, shifted a lot of the tax burden back onto the smaller miners. Ouch.

Apart from their recent history of selling each other out and running entirely contradictory critiques of the current government, the miners are also suffering in the polls, which show that more and more Australians have noticed that not only aren't they benefiting from the mining boom, but they are actually paying a high price. The manufacturing, tourism and education industries are being hit hard by the exchange rate while the farmers are seeing their best land destroyed.

It gets worse though. The miners' biggest strength has, until recently at least, been their ability to claim credit for just about every new job in the country but the fact that they only employ about 2% of workers is now common knowledge, as is the fact that their claims about "indirect job creation" are massively exaggerated.

But in the current environment, their threats to take their new mines offshore are increasingly being met with a sigh of relief by policymakers struggling to manage the two-speed economy. The mining industry has about 100 big new projects in the pipeline and, were they all to proceed, this would place enormous pressure on the non-mining sectors of the economy.

The government's determination to get the budget back into surplus has forced them to take a close look at the \$4 billion worth of subsidies that the booming mining industry currently receives each year. Not only would slashing these subsidies do wonders for the budget bottom line but, in taking some heat out of the push to build lots of new mines, it will take pressure off interest and exchange rates at the same time.

So, if the miners are in such political trouble, why do they look strong and the government look weak?

Luckily for the miners, not only don't they have to develop an agreed position but they don't have to be popular either. As long as we keep giving them cheap access to valuable resources they can keep making billions. The only issue is how many billions.

The biggest problem, however, is that it is all too easy for wealthy industries to play divide and conquer between our state governments and the federal government and between the federal government and the opposition. Rather than our elected representatives working together to maximise the benefits of the mining boom for all Australians, they work against each other to attract the favour of the wealthy miners. It might be good politics, but it is not good for the national interest.

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