



LABOR'S BIG TAX OBSESSION

The Rudd Government is engaged in an unrelenting war on wealth. Class rhetoric and envy politics are its most important weapon, new taxes are the ammunition.

First, it was the great big new tax on everything. Now, it's the great big new tax on mining.

Rudd Labor is old-fashioned, tax-obsessed, anti-enterprise Labor. The populist, them-versus-us politics masks a naked tax grab by a cash-strapped government. Tax after tax – on alcohol, cigarettes, emissions and now resources – has been devised to cover up out-of-control spending.

Having avoided recession, in part, thanks to the strength of our mining sector, the Government has declared that such wealth and job creation was a bad thing, proposing to tax all resource profits at the highest rate in the world. According to many analysts, this will be 22 per cent more than Canada, our most direct competitor – no wonder the Canadian Government is rejoicing.

This is a typical big-spending Labor government latching on to someone else's profits, failing to understand what creates them. Each extra dollar taxed diminishes investment in jobs, wealth creation and higher incomes. Lumping a super tax on the resource industry will deprive the sector of crucial capital to fund mining projects.

A raft of proposed mining projects, valued at tens of billions of dollars, and representing thousands of jobs, have now been put on hold or shelved. Billions of dollars in value has been wiped off the share market, hitting virtually every super fund in Australia.

Mr Rudd has tried to dress up a political strategy in the language of reform. He dismisses any mining company concerns, insisting that the resources sector will be better off with a new tax.

The sales pitch relies on economic nationalism and a simplistic 1970s-style attack on multinationals. Mr Rudd claims that mining companies are sending "massively increased profits" overseas denying the Australian people their "fair share". But we know that the world's largest miner, BHP, for example re-invested almost all of its earnings in Australia last year.

With the language and posture of the Prime Minister and the union movement in lock-step, the AWU has launched a disturbing media campaign to pillory foreign-born mining executives as rich mining

barons who give nothing back to this country.

This attack is both factually incorrect and ideologically ugly, with resource companies paying billions in tax and reinvesting billions more. And the Government's own ads will shortly further distort the picture.

The resource sector is on the path to being partly nationalised; investor confidence has been eroded by the lack of consultation and the retrospective application of the tax; the messages coming out of Canberra are confused and conflicting. The Government is trying to have it both ways – aggressively defending the tax while proclaiming its willingness to change it, without saying how and when.

The uncertainty is almost as hostile to investment as the sheer size of the tax. International investors are incredulous. Rio Tinto's chief executive, Tom Albanese, says Australia is his greatest sovereign risk concern. After all, what's stopping Mr Rudd from changing the rules for other industries?

Just as it did with the proposed ETS, the Rudd Government bullies anyone who questions its policies; those who opposed the ETS were charged with "absolute political cowardice"; those who query the latest super tax are either "ignorant or lying".

The Government has tarnished Australia's reputation through an act of political opportunism, raising the spectre of new taxes on the Australian economy. These are the words and actions of a desperate government whose big-tax obsession is matched only by its fiscal vandalism.



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