



## **MEDIA RELEASE**

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### **CONTRACTORS SET OUT PRINCIPLES FOR DEVELOPMENT OF THE RSPT**

Mr Wal King AO, the President of the Australian Constructors Association (ACA) today expressed the Association's concerns with the Resources Super Profits Tax (RSPT) and set out nine principles that should guide the introduction of any new tax on the operations of the minerals sector.

"The engineering construction and process engineering industries are very important to the minerals sector and, the minerals sector is a significant user of contract mining companies' expertise especially in the coal, gold, coal seam gas and iron ore industry," Mr King said.

"We are concerned with the potential impact of the proposed RSPT on industry investment and on Australia's ability to compete with other international suppliers of minerals.

"There is no shortage of minerals in the world, what has always favoured Australia over other potential locations has been a commercial and regulatory environment that has equitably balanced risk and reward," he said.

Mr King also said that the execution of the Government's decision to impose an RSPT has been extremely poor and has dented investor confidence in the Australian minerals industry.

"The proposed RSPT represents a significant structural change to the Australian taxation system and consultation with the industry on the proposals has been less than perfect.

"I think we all realise that this matter has some way to run with discussion papers, and a draft bill and senate hearings to come but that process also brings with it risks as final investment decisions on a number of significant projects may also be deferred pending an outcome on the RSPT.

"Already the decisions announced to suspend or delay major projects will have a significant impact on many ACA members and the subcontractors and suppliers that they engage. And if the decision to include quarried products is not reviewed there will be a direct increase in building costs," Mr King said.

"While the majority of Australian companies, including the major construction contractors, would welcome genuine tax reform, it all depends on the Government

getting the design right and industry has a key role to play in making sure this happens," he said.

Mr King said that the Board of the ACA, representing the chief executives of Australia's major contractors, has proposed nine principles that should guide the development of the new tax. These principles are:

1. The changed arrangements should be designed and implemented so they do give rise to increased investment, employment and output in the sector over the medium to long term.
2. The RSPT should not apply retrospectively to profits earned prior to the announcement.
3. If, as proposed, the RSPT is to apply to existing projects, there should be fair arrangements governing their transition into the new arrangements.
4. The definition of a "normal profit" should be such that a mining project with an expectation of earning this or a higher return would proceed.
5. Governments at Federal, State and Territory levels should strive to achieve the complete and permanent removal of royalties or related changes on non-renewable resources.
6. There should be appropriate arrangements to fully make up the loss of revenue for state and territory governments.
7. Pending this, all existing royalties should be fully and promptly refunded to liable companies and no unscheduled increases or new royalties should be introduced.
8. In view of the greater expected volatility of revenue inflows under the changed arrangements and to counter the risk of additional taxation in years of low prices, an appropriate proportion of the revenue collected when prices for non-renewable resources (and the associated RSPT collections) are high should be allocated to a reserve that will at least fully fund the commitments to refund royalties (or the make-up of revenue losses by state and territory governments) in periods of low prices.
9. The non-renewable resource industry and industries linked to it as suppliers and customers should be fully and genuinely consulted in the design and implementation of the changed taxation arrangements.

"ACA member companies with a significant exposure to the minerals sector are acutely aware that they operate in a globalised industry that is highly trade exposed. It is in everyone's interest that the Government, working with the industry, gets this right," Mr King said

**Inquiries: Wal King 02 9925 6911**