Speech by

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MOTION: RESOURCE SUPER PROFITS TAX

Mr LANGBROEK (Surfers Paradise—LNP) (Leader of the Opposition) (5.30 pm): I move—

That this parliament expresses deep concern about the effect the proposed resource rent tax will have on the Queensland economy and the future job prospects for Queenslanders and calls on the federal parliament to reject this new tax.

At the outset of my speech let me make very clear that I have investments in superannuation funds, as I think nearly everyone in the House will have. In fact, it would be interesting to work out how many Australians will not be affected by this. I do not say that as a disclaimer; I say that because I am a typical Australian, a typical Queenslander, and nearly everybody in this House—in fact, nearly everyone employed in Australia—who may have investments in managed super funds will be affected as a consequence of this ill-thought through, rushed decision by Wayne Swan in last week's federal budget because of the implications it has for the resources sector.

Most importantly, we have not seen Premier Anna Bligh and Treasurer Andrew Fraser standing up for Queensland. We see reported in today's *Australian Financial Review* that they have been meeting with senior executives from gas companies over the past few days as they attempt to develop a compromise plan to put to the government on the controversial tax. Very clearly, as I saw last night from the Premier at the APPEA ball, the Premier is not standing up for Queensland. Yet she is saying to companies, 'We appreciate what you have done for Queensland in the past in terms of employment.'

There are very significant ramifications of the super mining tax on Queensland. There is no doubt that, as the announcement came through the week before last about the plans to slug the mining industry with a massive tax on top of every dollar it earnt over the risk-free government bond rate, all Queenslanders were shocked. It beggars belief that the Rudd government could so callously attack the most productive sector of the economy in such a brutal way.

I think all Queenslanders were shocked to hear the Premier's response. The Premier's response was varied. At first she said that it may prevent her from being able to fulfil a significant promise—the promise of 100,000 full-time, bread-winning jobs—that she made in the lead-up to last year's election. Subsequently she has said, 'We think we might be able to create those jobs.' So that shows that the Premier is all over the shop. Very clearly that is not leadership. We have not seen leadership from the Premier on this matter. We have not seen her standing up for Queensland against a tax that is fatally flawed.

This tax does not pay regard to a company's weighted average cost of capital. It brutally imposes a bureaucratic profit level of the long-term bond rate. Many companies' cost of capital exceeds this amount, but clearly the federal Treasurer, Wayne Swan, does not understand the difference between the two. There is also a perversity in reports that certain Treasury officials have been quoted as saying, 'If a few mining projects fell over, it wouldn't be an entirely bad thing.' What an extraordinary statement—a ridiculous and callous comment that could only be made by bureaucrats who are directed by Labor politicians who have no idea of the realities of business.

Foreign investors are alarmed. Even tonight on the Channel 10 news we heard that Fortescue Metals has announced that two of three developments it was planning, with 30,000 jobs and $17 billion worth of expansion, have now been put on hold because the bank is refusing to lend. This shows that there is alarm. Australia is now being seen as a high sovereign risk destination to invest, and there is a significant risk of major capital flight out of Australia. Capital flight out of Australia would be disastrous for our economy. It will destroy investment, jobs and growth. This super mining tax is the Rudd government's response to what is colloquially known as 'Dutch disease', where a booming resources sector sucks labour and capital from other domestic industries.

There are other countries that have had success through starting sovereign wealth funds. I know that Norway has been very successful. Unfortunately, Prime Minister Kevin Rudd and Treasurer Wayne Swan have launched a campaign of levying more and more taxes to slow down the successful industry. They had the three Rs to deal with—revenue, reform and restructure. Clearly in an election year they are only prepared to deal with revenue. That is what they have done with this tax that they have brought in. Very clearly they were not game to incite debate on Commonwealth-state relations and the federation before an election as perhaps a further political fight would weaken their position at this time.

Let us have a look at the effect of this on Queensland. It is a highly risky strategy that the Prime Minister and Treasurer have embarked upon. Of course our Premier should have been standing up with her political friend in Kevin Rudd. That is what was claimed in the lead-up to the 2007 election—that Kevin Rudd understood Queensland, that Kevin Rudd was from Queensland and would work with our Premier in a special relationship because of his relationship with Queensland. Once again, we cannot trust Premier Bligh on these issues. The people of Queensland know that this is a highly risky strategy. If it fails, it will mean death to the goose that lays the golden egg.

Only yesterday we saw that trends in China are indicating a potential slowdown in its economy following the fiscal stimulus that it has applied, and there are concerns there, as I saw last night, about the rapid increase in housing prices. Very obviously Wayne Swan and Kevin Rudd could not construct a fiscally responsible budget and forward estimates without an enhanced tax base, and this resource super profits tax was politically palatable.

We have seen the Premier over the last two days in this House saying, 'Well, there are certain issues with this tax that we want to try to get right.' Very clearly, though, the budget was predicated on the out years, with Wayne Swan saying, 'We will have a $1 billion surplus in about three years,' and saying that that was ahead of schedule. As I said yesterday, that was a schedule that the Treasurer only came up with last Tuesday to make up for the schedule that he changed from last year because he could not keep up with the previous year's schedule.

Very clearly, the mining industry in Queensland provides a huge benefit to Queenslanders. As I understand it, 40,000 direct jobs—one in 12 jobs in Queensland—are to do with mining and resources or are in support of the mining industry. We know that Queensland and Western Australia have a massive comparative advantage over the other states. What do we get back from the federal government? An infrastructure fund that is returning a small portion to Queensland. The Premier and Treasurer have said that they are going to stand up and ask for a significant portion of that to be given to Queensland. Very clearly they did not stand up for the GST in the health debate only a month ago, as we found out that they are giving 42 per cent of the GST away.

This is an industry that provides $1 in every $5 of Queensland's wealth, or gross state product. Last year it paid $3.3 billion in royalties to the Queensland government. The resources industry in Queensland is our comparative advantage. It is our birthright and our path to future prosperity. It is a ridiculous notion to suggest that Queensland should get a share of the tickets sold at Sydney's Opera House, but Sydney is about to demand a share of every dollar earned in the Queensland mining fields. This super mining tax is flawed in its conception. It assumes that every dollar of profit over the risk-free rate is a super profit. Never mind that: when asked about the NBN project, the same return of about six per cent is defended as 'modest'.

On top of that, the coupling of the company tax rate and the super 40 per cent tax leaves less than half of every dollar of profit to be used for future investment that will create new jobs. In fact, it makes it a punitive tax rate of 57 per cent when many of our competitors have rates in the high 20s, the 30s or the 40s. Very clearly that means that these companies will be looking to invest in other places. They will not be creating new jobs. They will not be able to return their profits as dividends to shareholders, many of whom are mum-and-dad investors.

It is not, as the Prime Minister, Kevin Rudd, has said with a hint of xenophobia, that these are overseas owned companies that are not returning profits to Queensland. We know that many of these companies have invested in Queensland and Australia, and continue to do so. But, once again with this government, it has sovereign risk in a number of areas. Companies cannot invest—whether it is development companies or others—because of infrastructure plans. They just do not get certainty from this government, which does not consult or it makes out that it is consulting but does not really listen.

Resource tax reform has to have simple principles: it has to be prospective; it has to protect our international competitiveness; it needs to be differentiated by resource commodities—not all resources are resources; it should be levied on primary resource value only; and it needs to be equitable and efficient. Very clearly, we are not seeing this government standing up for the state of Queensland, standing up for the people of Queensland. We need a leader who will stand up to Canberra and demand better. Queenslanders have had enough of Labor’s failures. We must ensure that the greatest Labor failure of them all—the Premier of Queensland—is not the end of Queensland’s resources industry.