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Institute of Public Affairs | Australia's leading free market think tank

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## **RESOURCE BOOM NOT ASSURED: GOVERNMENT HAS ITS HEAD IN THE SAND**

Free market think tank, the Institute of Public Affairs, today warned that the federal government was wrong to assume that it could continue to pocket the benefits of the mining boom without giving anything back to the industry.

Institute of Public Affairs Executive Director, John Roskam, said that the government was relying on resource sector profits to return it to surplus in 2012, but seemed to have little understanding that Australia's terms of trade were at risk from major new emerging resource markets.

'Australia's competitive advantage is at risk as our freight advantage is being eroded, and as China invests heavily in Africa and other regions to reduce its reliance on Australian minerals. We can't keep adding more taxes and more regulations and not expect there to be an impact on the number of projects that are undertaken in Australia. The government lacks a vision for the resource industry.

'Inflation in China is currently well ahead of the government's target. If China decides to pump the brakes on their economy, Australian exports could be crippled. At the moment about 25 per cent of our exports go to China. It is not safe to assume that historically high commodity prices will last forever.

'The Treasurer has been talking about converting the mining boom into an opportunity boom, but in the process there is a risk that Australian projects will no longer be an attractive investment destination and large mining projects could go elsewhere.

'The resources boom is propping up the rest of the economy at the moment. Yet the government is punishing the sector with the new Minerals Resource Rent Tax. Instead, the government should put in place a Special Economic Zone in Northern Australia. A low tax, low regulation zone would drive continued long term investment in the Australian resource industry.

'It was good to see that the government has directed funding towards addressing skills shortages in the budget, but by all accounts this still isn't going to be enough to solve a problem that is already causing bottlenecks within the resource sector.

'The new Enterprise Migration Agreements are a welcome initiative, but they should be extended to all projects, not just those that are above the \$2 billion threshold. Why should those projects be advantaged over smaller projects?

'The problem is that the government is assuming that the mining boom will continue and that they should grab as big a share as they can. This policy will put at risk the viability of billions of dollars of projects. Australia is not the only country that has a resource industry,' Mr Roskam said.

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