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SHARE MARKET MELTDOWN HIT TO RESOURCES SECTOR

A new report this week from Ernst & Young reveals the threat to the resources sector from higher taxes in the wake of this week's share market collapse.

Responding to the report Hugh Tobin, Director of the North Australia Project at the Institute of Public Affairs, said that it was wrong to assume that the resource boom in Australia was inevitable.

'During the global financial crisis one of the reasons Australia avoided going into recession was because commodity prices were historically high. Ratings agency, Standard and Poor's warned in June that commodity prices face a potential sudden correction. The last thing we should be doing is putting in place a new tax on a strong growth sector of the Australian economy that helped us avoid a recession during the GFC,' Mr Tobin said.

'The mining tax and carbon tax will make Australia an unattractive destination for foreign investment. China is already looking to Brazil and West Africa to reduce its reliance on Australian resources.'

The Ernst & Young report warns of a global trend towards 'resource nationalism', whereby countries tax the best performing area of the economy in order to balance their budgets and slow the development of a 'two-speed economy'.

The findings from Ernst & Young were confirmed by global mining giant Rio Tinto who on Sunday warned that the imposition of a carbon tax, on top of the MRRT, was ill-timed and would lead to companies moving their focus from Australia to overseas projects.

'We need to put in place policies that support the successful sections of our economy if we want to remain globally competitive. There is great potential in the North of Australia but it is being missed.'

'The government should put in place a low tax, low regulation zone across Northern Australia. Galaxy polling commissioned by the IPA in June found that the majority of Australians in all states would support such a policy.'

'A Northern SEZ will help address infrastructure bottlenecks, skills shortages, issues associated with resource nationalism, and ensure that Australia is best placed to take advantage of its vast natural resource wealth,' Mr Tobin said.

The executive summary of the Ernst & Young report on risks facing mining and metals can be found at <http://www.ey.com>.

The IPA poll on Special Economic Zones can be found at www.ipa.org.au.

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