

21 May 2010

Mr David Parker
Chair
The Resource Tax Consultation Panel
The Treasury Building
Langton Crescent
PARKES ACT 2600

Dear Mr Parker,

RESOURCE SUPER PROFITS TAX

I refer to the Government's announcement of a Resource Super Profits Tax (RSPT).

Wesfarmers, through its Resources Division, has significant investments in coal mining operations in three states and is vitally interested in the proposed introduction of the RSPT.

While we are not, in principle, opposed to the introduction of a well designed and structured resources tax, as a replacement for multiple state based royalties, the proposed tax as announced is not this.

We have concerns with the rate of the tax proposed. A 40 per cent rate for RSPT, in conjunction with corporate income tax of 28 per cent, will result in a significant increase in the total effective tax rate and will negatively affect Australia's competitiveness.

The design and application of the tax will also adversely impact on sovereign risk in relation to investments in Australia. The decision to apply the proposed tax to existing projects, where risk and investment decisions may have been made many years ago, is an important issue for us, and for investors in Australian resource projects. It is all very well to say that the Government is underwriting risk, but that is clearly not the case where investment decisions have already been made. To change the rules for investors after decisions have been made and costs sunk, risks undermining Australia's position in the international investment community.

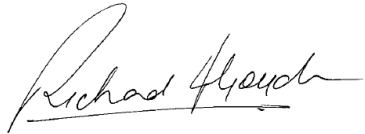
We view the proposed design of the tax as being inappropriate. Under a true super profits tax, miners would recover all their costs at a risk weighted rate of return before becoming liable to any tax. Investment in the resources industry involves undertaking exploration, development, operational, commodity price, foreign exchange and other key risks which are greatly in excess of the risks associated with an investment in Government bonds.

As presently structured, the proposed RSPT will discriminate between high-capital and low-capital mines. This discrimination derives in significant part from the proposed adoption of the long-term bond rate as a permitted return on capital for RSPT purposes in combination with the operating deductions proposed.

The Petroleum Resource Rent Tax, which was introduced on a greenfields basis, allows a deduction for all costs as incurred, with a benchmark return that is five per cent higher than the long term bond rate for development costs. These rules should, as a bare minimum, apply under any RSPT as well.

We would welcome the opportunity to discuss these issues with you further. However, in line with the Government's request, we have prepared a submission that is limited to design features of the proposed RSPT. A copy of the submission is attached.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Richard Goyder", written in black ink. The signature is fluid and somewhat stylized, with a long horizontal stroke at the end.

Richard Goyder
Managing Director