

Australian mining magnate accuses PM of secret minerals tax deal

Patrick O'Connor
23 April 2012

Andrew Forrest, chairman of Fortescue Metals and Australia's third wealthiest individual, has accused Julia Gillard of secretly negotiating a deal with BHP Billiton, Rio Tinto and Xstrata on the government's mining tax immediately before she ousted Kevin Rudd as prime minister in June 2010.

After the coup, it emerged that Rudd had been on the brink of announcing a deal with Forrest, watering down the Labor government's proposed Resource Super Profits Tax (RSPT) in a bid to halt a damaging campaign by the mining companies. Forrest has now alleged that while he and Rudd were in negotiations, Gillard and Treasurer Wayne Swan were working out a separate arrangement with the three largest transnational mining companies behind the prime minister's back. This arrangement, he continued, "was used to remove a democratically elected prime minister from office by the promise of stopping the advertising campaign."

Forrest accused Gillard of lying in her first speech as prime minister when she asked for a "truce" with the mining companies, pending a deal on the RSPT. "She already had in her back pocket that truce," Forrest told Radio 3AW. "That was negotiated by her Treasurer Wayne Swan, who then became deputy prime minister."

Forrest said he believed he had an agreement with Rudd by the evening of June 21, 2010. A public announcement had been planned for June 24—the day that Gillard ousted Rudd as prime minister. In the days before the coup, he added, executives from BHP and Rio Tinto stopped returning his phone calls. "The prime minister's office was desperate to get the deal

finalised and announced that week," Forrest told the *Australian*. "We sensed something was happening, but we had no idea Rudd was about to be removed as prime minister... We didn't realise then that BHP and Rio had gone behind our backs to do another deal."

The allegations raise further questions about Gillard's role in the removal of Rudd, following reports earlier this year that her staffers had prepared a prime ministerial acceptance speech well before the coup. She still maintains that she only decided to challenge Rudd for the leadership the day before she became prime minister.

Gillard has declared that Forrest's statements were "more rehashed old nonsense." Swan compared the allegations to the "conspiracy theories" of coal mining magnate Clive Palmer. Neither the prime minister nor the treasurer, however, directly denied the specific allegations. Swan declared he "didn't intend to respond" to the claims. Rudd refused to issue any statement.

The *Australian Financial Review* today cited unnamed sources "with close knowledge of events" who confirmed that Swan and executives from BHP and Rio Tinto had reached agreement on a key component of the RSPT before Rudd's removal. Swan had agreed to allow the mining companies to offset the new tax against the depreciation of their capital assets, assessed at market value rather than the far lower book value. Gillard "had been informed of the progress although she had not been directly involved." The *Australian Financial Review* noted that what is now known about Swan's discussions with the mining companies before the coup "contrasts with the public

belief at the time that things were at a stalemate.”

The assets offset provision forms a central component of Gillard’s Minerals Resource Rent Tax (MRRT), under which the largest mining companies are expected to pay little or no additional tax. Details of the MRRT were announced within days of Rudd’s removal. “The reason the deal could be done so quickly by the new Gillard government was that much of it had been completed beforehand, a range of sources say,” the *Australian Financial Review* concluded.

Forrest’s hostility toward the Gillard government reflects the impact of the new mining tax on Fortescue Metals and other smaller mining companies. The assets offset clause benefits BHP Billiton, Rio Tinto and Xstrata because they have enormous existing projects that can be claimed as tax offsets. Smaller or start up mining companies cannot do this. The deal worked out between Rudd and Forrest instead was to allow mining companies to offset new infrastructure projects against the RSPT. This would have benefitted newer companies at the expense of the established mining giants.

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Fortescue Metals is reportedly preparing a High Court challenge against the Gillard government’s tax. As he seeks to shore up his own wealth, Forrest is demagogically posturing as a defender of the “national interest.” He claims that his agreement with Rudd would have raised living standards, whereas Gillard and Swan “put the interests of the political careers of two people in front of 22 million Australians.”

The divisions among the mining giants are undoubtedly connected to growing nervousness over the impact on their profits of falling commodity prices, slowing growth in China and continued instability in international financial markets. Whatever the immediate motivation, however, Forrest’s account of the events of June 2010 underscores the antidemocratic character of Rudd’s ousting.

The coup was driven by several factors, including the Obama administration’s hostility to Rudd’s foreign

policy initiatives, especially with regard to China, which the US is aggressively confronting throughout East Asia and the Pacific. Diplomatic cables published by WikiLeaks have documented aspects of Washington’s role before the leadership change, including its early sounding out of Gillard. US embassy “protected sources” within the Labor Party hierarchy and trade union bureaucracy organised Rudd’s removal. The key coup plotters also had connections to the mining giants, which spent large sums of money to create an atmosphere of instability and crisis around the government.

Substantial economic interests were at stake. The miners’ campaign against Rudd graphically revealed the dictatorship of capital that exercises power behind the façade of parliamentary democracy. Gillard has served as the handmaiden of the major mining companies since being installed as prime minister as well as fully backing Obama’s “pivot” to Asia. The experience was intended to serve as a warning to governments internationally, as Rio Tinto CEO Tom Albanese made clear in a speech delivered in London in July 2010. Governments internationally, Albanese warned, had to “think carefully” about following the “Australian approach” under Rudd toward the mining corporations.



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