

1 November 2010

Head Office

132 Leicester Street, Carlton

Victoria 3053, Australia

Telephone: +61 3 9289 9444

Facsimile: +61 3 9347 1983

Mr John Hawkins

Committee Secretary

Select Committee on the Scrutiny of New Taxes

PO Box 6100

Parliament House

Canberra ACT 2600

Australia

Re: Senate Select Committee Inquiry into New Taxes

Dear Mr Hawkins,

Oxfam Australia welcomes the opportunity to make this submission to the Senate Select Committee Inquiry into New Taxes. This submission responds to item *H. any other related matter* listed in the Terms of Reference.

Two thirds of the world's poorest people live in countries rich in natural resources, but too often that resource wealth is linked to poverty, corruption and conflict.

Oxfam believes that Australia is well placed to demonstrate its commitment to international best practices and robust mining governance. Currently there are more than 300 Australian mining companies working in the countries of Africa alone, and a significant presence in other developing regions around the world. Current levels of investment in Africa are estimated in excess of AU\$20 billion.

Our experience confirms that investment in these countries can be a powerful tool in helping to lift people out of poverty, but for this to be achieved, it is vital that companies conduct their operations in line with internationally agreed standards of best practice and corporate accountability.

The Australian Government can send a strong message to countries and regions wanting to work with Australian mining companies by upholding international standards. This will demonstrate Australia's commitment to not only mining best practice, but also, to sustainable development where the benefits of resource wealth are more equitably shared.

Oxfam presents to the Committee for its consideration the following three policy recommendations that would significantly strengthen Australia's commitment to good mining governance:

- Implementing the Extractive Industries Transparency Initiative (EITI) in Australia;
- Reform of Australia's Export Credit Agency; and
- Strengthening Australia's National Contact Point for the OECD Guidelines for Multinational Enterprises

Key recommendations to the Committee are as follows:

- Australia should become an Extractive Industry Transparency Initiative (EITI) implementing country. This will promote revenue transparency and disclosure on a country-by-country disaggregated basis, and is aligned to recent global developments, such as the new US Securities Exchange Commission requirements of full disclosure of all payments to governments by all SEC-listed oil, gas and mining companies ;
- There is a need for a comprehensive review and reform of the Australian Export Credit Agency (EFIC). EFIC is a significant provider of project finance and insurance to the extractive sector. Increasingly, this support is given to operations in countries with weak governance and a history of corruption. Strengthened governance, transparency and accountability of EFIC are required to promote due diligence and best practice by the Australian extractives sector.
- The Government should restructure the Australian National Contact Point in relation to the OECD Guidelines for Multinational Enterprises. These Guidelines have a complaint mechanism (managed by the National Contact Point) that is increasingly being used in response to the adverse impact of some Australian mining company operations overseas. The Guidelines are currently being reviewed by the OECD Investment Committee. The Australian National Contact Point should be restructured to ensure it is at least interdepartmental and has greater independence and accountability. The UK, Dutch and Norwegian Contact Points are a useful model.

The benefits associated with implementation of these three recommendations by the Australian Government will include:

- The completion and disclosure of due diligence before commencing operations, and at regular stages of operation or changes circumstances;
- The completion and disclosure of social and environmental impact assessments, including gender and human rights impact assessments;
- The development and reporting of risk mitigation strategies particularly when operating in conflict, post-conflict and weak governance zones;

- The disclosure of all payments to governments (taxes, revenues, royalties, license fees, contributions to social funds etc) on a country-by-country disaggregated basis; and
- The establishment of meaningful company-community relationships to negotiate equitable benefit sharing agreements, to ensure companies contribute to the services that communities want and need, to ensure equitable, transparent, predictable, timely handling of grievances and complaints.

Implementing these reforms will not only contribute to Australia's reputation as global leader in mining, but will also to contribute to sustainable development, economic prosperity, good public health and conflict prevention in developing countries, and regional stability more broadly.

We would welcome any opportunity to appear as a witness before the inquiry to further elaborate on these recommendations. Please contact Serena Lilywhite, Mining Advocacy Lead on (03) 9289 9490 or at serenal@oxfam.org.au to arrange this.

Yours sincerely

Andrew Hewett
Executive Director