

Is it ethical for the former WA treasurer to join the Rio Tinto and Woodside boards?

It's certainly a good look to appoint the first Indigenous director of a major Australian company. But when he was previously the tax man, the picture blurs a little.



Former Western Australian Treasurer Ben Wyatt

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The appointment of former Western Australian Labor treasurer Ben Wyatt to the Rio Tinto and Woodside boards last week is at one level a great development because he is the first Indigenous director of any major Australian public company.

However, from a governance point of view, there really should be a cooling-off period before former politicians can be paid by corporate entities they used to regulate or tax — or under-tax, in the case of Wyatt and Rio Tinto.

Wyatt is the cousin of federal Liberal MP Ken Wyatt and retired from the WA parliament after a 15-year career at the state election in March.

Rio Tinto, like all the major WA iron ore miners, was pleasantly surprised that the treasurer of a WA Labor government didn't try to jack up state royalty rates during this unprecedented boom. When combined with soaring Chinese demand, this low-tax approach has generated untold riches for the miners.

As *Crikey* noted recently, the *AFR's* 2021 Rich List featured iron ore moguls Gina Rinehart and Andrew Forrest at the top with an obscene combined family value of

\$67.8 billion. And all of this unprecedented private wealth comes from publicly owned WA iron ore resources.

Meanwhile, the poor old West Australian taxpayers who have granted such lucrative mining rights to these wealthy individuals and the likes of BHP and Rio Tinto are battling away servicing a gross state debt of \$64.7 billion as at June 30, 2020, after borrowing a record \$11 billion in 2019-20 — albeit mainly rolling over existing long-term debt.

Yes, WA taxpayers will pocket more than \$10 billion in iron ore royalties in 2020-21, up from just \$1.1 billion in 2007-08. However, it still beggars belief that arguably the world's richest resources jurisdiction has any debt at all, let alone negative net assets on some measures after one of the biggest booms in history.

With total WA iron ore production forecast to hit almost 900 million tonnes in 2020-21, you are talking about more than \$200 billion in gross revenue for the miners based on current prices. When it costs Rio less than \$25 a tonne to dig the stuff up and ship it out, a price north of US\$200 a tonne is clearly a bonanza.

Does Wyatt really think that WA taxpayers should only pocket about 5% of current sales or \$10 billion for the 2020-21 year?

Once he gets inside the Rio boardroom earning more than \$200,000 a year, he might form the view that a London-based company with the Chinese government as its biggest shareholder should contribute more to WA after pocketing more than \$60 billion in 2020-21 exporting about 300 million tonnes of iron ore, mainly to China.

Wyatt and his former boss, Premier Mark McGowan, clearly have a very different Labor view to that of Kevin Rudd, Wayne Swan and Ken Henry when they proposed their resources super profits tax back in 2009-10.

The West Australian has been supportive of the Wyatt move, which is unsurprising given it is controlled by another billionaire mining industry player in Kerry Stokes. But there has been disquiet raised in other media, driven partly by the WA Greens and Liberals having rightly pointed to the indecent haste of the defection and the need for a cooling-off period.

Wyatt hasn't subjected himself to any media scrutiny so it would be useful if the WA Parliament called him back to explain himself, similar to what happened with Julie Bishop and Christopher Pyne after they too took on post-parliamentary gigs with indecent haste. Alas, given that Labor has majority control of both houses after the March landslide, that isn't going to happen any time soon.

The other potential problem with the Wyatt appointment is that Rio will believe the symbolism of a first Indigenous director will be so great that it won't require more meaningful reform, such as lifting the level of Australian ownership, relocating the global headquarters from London to Perth, and moving to a clear majority of Australian-based directors.

That said, with Wyatt on the Rio board there will clearly never be another Juukan Gorge fiasco, which is a very good thing.

Once the appointment takes effect on September 1, the Rio Tinto board will comprise 10 directors — although chairman Simon Thompson has promised to fall on his sword before the 2022 AGM next April.

The pivotal decision will be selecting the next chairman of the mining giant which has never trusted an Australian to lead its board. As one of just three Australians on the board, Wyatt won't have a lot of influence. But if he was appointed chairman and promised to lead the push to relocate Rio's headquarters from London to Perth, that would be something else.

Although if that happened, he would make less from the £10,000 travel allowance that Rio directors are paid for the inconvenience of flying first- or business-class for more than 10 hours.

Sitting on the Rio board sure beats being a politician.