

Mr. Simon Crean MHR,
Minister for Resources and Energy,
Parliament House,
Canberra, ACT 2600.

10/11/1985

Dear Sir,

In the 1970's expenditure on drought proofing properties was tax deductible at 150% in the year of outlay allowing some of the profit from a good year to be used in constructing dams and drilling bores while still leaving some money from that extra 50% to live on.

This was reduced to a straight 100% reduction after Keating got hold off the purse strings.

In 1985 drought proofing was considered unnecessary by Keating and such outlays were to be treated as capital expenditure with a five year depreciation deduction allowed. After approaches from the rural industries and the drilling association John Kerin managed to have the depreciation period reduced to three years.

One should not have to explain to someone with an economics degree the effect of this in real terms.

To construct a major dam or bore can cost \$100,000 and only \$33,333 is tax deductible in the year of expenditure and the government wants its share of the \$67,000 which has already been paid to the contractor. Now the landholder has to find another \$26,000 for the tax man resulting in a cash outlay of \$126,000 for a \$100,000 business expense.

The net result of your parties short sighted actions is an aggravation of the current drought problem. It may give politicians a warm fuzzy feeling to distribute handouts to needy people at times like this but surely it is time for some rare forward thinking and at least a genuine attempt to undo the damage caused by the last two decisions.

Yours faithfully,
Alan F. Ryan,
Member ,Australian Drilling Industry Association.