



4 February 2020

The Hon. Michael Sukkar MP
Minister for Housing and Assistant Treasurer
The Treasury
Langton Crescent
Parkes ACT 2600

Sent via email: prebudgetsubs@treasury.gov.au

Dear Minister

2020-21 PRE-BUDGET SUBMISSION – LETTER OF SUPPORT

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia. CME is funded by member companies responsible for more than 85 per cent of the Western Australia's mineral and energy production and workforce employment,¹ accounting for at least half of Australia's mining new capital expenditure and Gross Value Added in 2018-19.²

Commodity export earnings from the resources sector have helped Australia withstand the global financial crisis and post-recovery period of 2007-10.³ ⁴ More recently, despite escalation of US-China trade disputes and rising US interest rates forecasted to slow global economic growth, investment in the sector is expected to materially contribute to growth in the Australian Gross Domestic Product.⁵ The sector is therefore a key driver of local, state and Australian economies.

For example, a sample of CME members directly contributed to a total of \$57.7 billion nationally in payments to governments, wages to employees and businesses via supply chain purchases in 2017-18,⁶ as well as indirectly through the sector's demonstrated commitment to corporate citizenship. Furthermore, of Australia's top 50 entities liable to pay corporate income taxes, CME members alone contributed 31 per cent of the Commonwealth Government's revenue from this source.⁷ ⁸

CME thus welcomes the opportunity to provide input to the Government's priorities for the 2020-21 Federal Budget (the Budget). This letter supports the following policy recommendations expressed in the detailed pre-Budget submissions made by the Minerals Council of Australia (MCA) and Australian Petroleum Production and Exploration Association (APPEA).

Broadly, CME supports the views of the MCA and APPEA. The Government should maintain stable policy, regulatory and taxation settings to sustain current and promote future growth of the sector. Where relevant, this letter also includes added recommendations of importance to the Western Australian resources sector. As global supply and access tightens for mineral and petroleum commodities, CME asserts more can be

¹ Sum of average number of individuals directly employed by CME member producers in 2018-19, excludes non-operating sites. Government of Western Australia, *2018-19 Economic indicators resources data*, Safety Regulation System, Department of Mines, Industry Regulation and Safety, August 2019.

² Excludes manufacturing of bauxite-alumina and liquefied natural gas. Government of Western Australia, *WA Economic profile*, monthly release, Department of Jobs, Tourism, Science and Innovation, October 2019.

³ Commonwealth of Australia, *Resources and energy quarterly*, Office of the Chief Economist, Department of Industry, Innovation and Science, December 2018, p. ii.

⁴ Commonwealth of Australia, *Resources 2030 Taskforce*, Department of Industry, Innovation and Science, December 2018, p. 20.

⁵ Reserve Bank of Australia, *Statement on monetary policy*, quarterly release, November 2019, p. 70.

⁶ CME, *2017-18 Western Australian resource sector operations – Total direct economic contribution to Australia*, May 2019: <https://cmewa.com.au/wp-content/uploads/2019/06/Australia.pdf>

⁷ CME members operating across Australia. Australian Taxation Office, *2017-18 Report of entity tax information*, annual excel dataset, 11 December 2019.

⁸ References hereafter to government refer to the Commonwealth Government, unless otherwise indicated.

done to progress the tangible outcomes pursued by various government strategic initiatives.⁹ CME supports focused direct expenditure of the Budget's funds to the following priorities.

Maintaining responsible fiscal management and investing in productive infrastructure

CME supports the MCA's recommendation the Government should remain focused on retaining projected operating surpluses, with re-investment in long-term economic stimulus projects that deliver shared, multi-user benefits to the Australian economy. APPEA's view that policy decisions should better connect such multi-user infrastructure with markets to open up new opportunities is also supported by CME.

CME encourages the Government to consider investment in regional and remote intermodal transport networks that have been identified as priorities by the Infrastructure Priority List and Australian Infrastructure Audit 2019. In supporting the northern Australia agenda, the potential upsides to productivity, economic diversification, road safety, social welfare and liveability of communities should be quantified.

Developing the future workforce

CME supports and is engaged in the development of the mining Skills Organisation Pilot, being led by the MCA. The mining SOP is a key opportunity to improve skills outcomes into the future, consistent the Morrison Government training reform agenda. Recognising the increased capital investment and construction activity across the Western Australian resources sector in recent years, it is fundamental the sector can continue to access a pipeline of skilled, well-trained talent at the right time.

In this context, CME is also investing additional resources into school-based STEM initiatives to inspire the next generation of Australian kids to seek a diverse, technology-enabled career in the resources sector. A pilot of the 'Digital Technologies: Resources Challenges' program will be rolled out to approximately 30 schools in the Pilbara from Term 1 this year. If the pilot is successful, there will be an opportunity to extend the new curriculum and supporting tools across the state and, potentially, nationally.

Promoting exploration

CME supports APPEA and MCA's recommendation the Government should continue to support exploration investment and activity through collation of high-quality, pre-competitive geoscientific data and the ongoing release of acreage for competitive bidding. The recommendations to extend a) Geoscience Australia's Exploring for the Future program and the b) Junior Minerals Exploration Incentive are consistent with the Government's National Resources Statement and Critical Minerals Strategy and is strongly supported by CME.

Efficient and streamlined regulation

CME and its members recommend the Government continue working with the Western Australian Government to improve the productive efficiency and regulator effectiveness of environmental assessments and approvals for major projects. CME notes recent public commitments made by the Prime Minister and Western Australian Premier regarding the benefits of closer Commonwealth-State cooperation to reduce duplication and fast-track approvals, having written to the Prime Minister to endorse establishment of the Commonwealth-WA Environmental Approvals Bilateral Agreement as an agreed priority.

CME supports continued funding towards reform initiatives identified by the Deregulation Agenda and its Taskforce. This includes development of a national biodiversity database to speed up assessments and "reg-tech" solutions to make it easier for business to cost-effectively navigate and comply with regulation.

There is also merit in the Government undertaking a quantitative assessment of the cumulative burden of various costs, regulations and associated compliance administration being increasingly imposed on small

⁹ Including but not limited to the National Resources Statement, Australia's Critical Minerals Strategy, National Hydrogen Strategy, the northern Australia agenda, National Science Statement, Future Jobs Future Skills: Driving Stem skills in WA, Western Australian Renewable Hydrogen Strategy, Future Battery Industry Strategy, Invest and Trade WA and Diversify WA.

and large business by all tiers of government. CME understands there is no agency responsible for collectively reviewing these burdens for any sector.

Remote area taxation

CME supports the MCA's recommendation the Government should not adversely affect existing remote area exemptions and concessions under the fringe benefits tax (FBT) regime. Any changes should not leave employees choosing to reside in regional and remote Western Australia worse off. For administrative simplicity and policy neutrality, CME maintains the eligibility of the concessions should be broadened and/or equalised to an exemption.

The FBT exemption for employer-provided childcare services should also be extended to include off-premise childcare services. This would have a transformative impact on improving workforce diversity in regional and remote Western Australia.

Other measures to improve competitiveness

CME echoes the issues identified by APPEA and MCA in relation to the need for reform to address declining GDP growth and productivity and the challenges presented by an increasingly competitive international commodities market. A competitive taxation regime coupled with a platform of stable political, economic, and taxation policies is required to ensure the ongoing competitiveness of current projects and to capture the next wave of investment. Specifically, CME supports the following and recommendations put to the Commonwealth Government by the MCA and APPEA:

- Retain the existing fuel tax credits system;
- Carve out of the resources sector from the OECD's proposed approach to address tax challenges of a digitalised global economy. All activities relating to the ANZSIC mining and manufacturing divisions for mineral and petroleum commodities where a royalty is imposed by government should be excluded;
- Reduce the corporate income tax rate for large businesses to bring Australia in line with other G7 and G20 countries. Having the third highest effective corporate tax rate in the world, coupled with a 'business as usual' attitude, is insufficient in ensuring Australian businesses can capitalise on the next upturn in global demand for commodities;
- Flexibility to extend the maximum term for an enterprise agreement to match the duration of a major greenfields project; and
- Maintain certainty in the petroleum resource rent tax regime and ensure any amendments arising from the gas transfer pricing review does not create impediments to past, current and future investments.

In summary, CME asserts there should be no material increase in new or existing costs and regulation imposed upon the Western Australian resources sector. This letter should also be read in conjunction with CME's 2020-21 pre-Budget submission lodged with the Western Australian Government.¹⁰

Should you have questions regarding the policy views and recommendations raised in this letter, please contact Mr Robert Carruthers, Director – Policy & Advocacy, on 0415 979 310 or R.Carruthers@cmewa.com.

Yours faithfully



Paul Everingham
Chief Executive Officer

¹⁰ CME, *2020-21 pre-Budget submission*, letter submitted to the Department of Treasury, 6 January 2020: <https://cmewa.com.au/wp-content/uploads/2020/01/2020-21-State-Pre-Budget-Submission.pdf>