

24 August 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 directly contributing \$67.1 billion to the Australian economy in 2018-19¹ and 51 per cent of Australia's mining new capital expenditure in 2019.² 86.4 per cent of this spend went directly to a total of 20,989 organisations (businesses, community organisations and local governments across Australia), creating another \$50.3 billion in value add to the Australian economy. Overall, spending by 53 members supported 2.9 per cent of full-time jobs across Australia.³

The opportunity to provide further input to the Government's priorities for the 2020-21 Budget (the Budget) is appreciated. In addition to the recommendations made in CME's pre-budget submission submitted in February 2020,⁴ this letter broadly supports the following views and recommendations made in the second pre-Budget submissions recently submitted by the Australian Petroleum Production and Exploration Association (APPEA) and Minerals Council of Australia (MCA).

As uncertainty on the impacts of the pandemic on the global economy continues, CME asserts utmost importance in maintaining stable policy, regulatory and taxation settings to sustain current and promote future growth of the Western Australian resources sector.

A stable and competitive fiscal regime

CME echoes the issues identified by APPEA and MCA on the need for stable fiscal settings, productive reforms and opportunities available for targeted incentives to help return the Australian economy to growth.

The challenging market conditions faced by the oil and gas sector also extends to other commodities within CME's membership such as bauxite-alumina, lithium and mineral sands. Although the outlook for these commodities vary considerably based on the underlying drivers of global demand and supply – a competitive fiscal regime, coupled with a platform of stable regulatory, commercial and taxation policies, will help stabilise these projects and facilitate the next wave of investment if investment signals permit.

¹ Survey of 53 members, representing 73 per cent of production in the Western Australian resources sector. Lawrence Consulting, April 2020.

² Excludes ANZSIC division C manufacturing of bauxite-alumina and liquefied natural gas. Government of Western Australia, *Western Australia Economic Profile*, monthly release, Department of Jobs, Tourism, Science and Innovation, July 2020.

³ This expressly excludes the effects of household consumption, i.e. (a) 57,491 Australians directly employed full-time and (b) 311,796 Australians indirectly employed full-time to supply goods and services to the resources sector.

⁴ CME, *2020-21 pre-Budget submission – Letter of support*, February 2020: <https://cmewa.com.au/wp-content/uploads/2020/02/2020-21-Federal-Pre-Budget-Letter-of-Support.pdf>.

In-principle, CME supports the following recommendations put forward by APPEA and/or MCA:

1. Encourage employment and job creation in capital intensive industries by enabling an immediate tax deduction for wages and salaries which would otherwise be capitalised.
2. Attract investment through a broad-based investment allowance for capital expenditure. This may include a temporary one-off grant such as extending the accelerated depreciation scheme, increased gross up, shortening the effective life of longer-term infrastructure assets or amending the 'installed and ready for use' rule for commencing depreciation.
3. Remove barriers to economic restructuring through providing a 'like for like' tax asset rollover relief.
4. Modernise administration of Petroleum Resource Rent Tax laws in line with commercial practices, i.e. changes in the status of the lease or licence.
5. Extend expenditure criteria for the Junior Minerals Exploration Incentive.
6. Clearer criteria and streamlined process for assessing foreign investment into Australia, i.e. to attract international capital, whilst protecting sovereignty and national security.
7. Expand remit of the Australian Renewable Energy Agency to support clean energy and hydrogen.

Regulatory reforms

It is critical the Government continues working with the WA State Government to improve the productive efficiency and regulator effectiveness of approvals for major projects. CME recommends the Government continue to allocate appropriate funding and resources to pursue priority reforms identified by the Deregulation Taskforce, including delivery of a Commonwealth-WA bilateral approval agreement.

Combined with targeted and evidenced-based incentives to support the sustainability of existing projects, as well as stimulate investments in new projects, a bold deregulation reform agenda could be transformational in driving a successful return to growth.

Conclusion

In summary, CME asserts there should be no material increase in new or existing costs and regulation imposed upon the Western Australian resources sector. In maintaining stability in current fiscal settings, CME also does not support changes to existing schemes such as R&D tax offsets or fuel tax credits. This letter should be read in conjunction with CME's pre-budget submission made in February 2020.⁵

Should you have questions regarding the 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

⁵ Ibid.