

9 July 2021

Hon. Mark McGowan MLA  
Premier; Treasurer; Minister for Public Sector Management; Federal-State Relations  
Level 13, Dumas House  
2 Havelock Street  
WEST PERTH WA 6005

Sent via email: [wa-government@dpc.wa.gov.au](mailto:wa-government@dpc.wa.gov.au)

Dear Premier

## 2021-22 PRE-BUDGET SUBMISSION

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia (WA). CME member companies are responsible for more than 88 per cent of the mineral and energy workforce employment in WA.

CME will shortly release our Economic Contribution Factsheets which outline the expenditure of 65 member companies on WA-based projects in 2019-20, demonstrating their contribution to the WA and Australian economy through payments to employees, businesses, community organisations, local councils and governments. Embargoed copies of some of these factsheets are enclosed. The headline data are:

- A total direct economic contribution of more than \$51 billion to the WA economy, supporting 89,800 full-time workers and 11,468 organisations across WA; and
- Through the above spending, these 65 members created another 117,134 full-time jobs and \$21 billion in Gross Value Add to the WA economy – supporting close to one in six jobs in WA.<sup>1</sup>

## Overview

To inform the preparation of this 2021-22 pre-Budget submission (the submission), CME has drawn on member interviews, surveys and Economics and Productivity Committee meetings over the last six months. The remainder of this submission follows these themes:

### Secure

1. Greater certainty on COVID-19 recovery protocols and pathways to mitigate impacts to the economy
2. Focus on long-term fiscal sustainability in the face of continued global uncertainty and market volatility

### Sustain

3. Cost competitiveness of doing business in WA
4. Prioritise delivery of efficient, high impact regulatory reforms, which will meaningfully streamline approval timeframes and reduce the burden of compliance on business

### Unlock

5. Strategically capitalise on competitive advantages, facilitating the development of value-adding downstream industries and economic diversification; and
6. Support nation-wide workforce mobility and unlock latent skill capability and capacity in the labour market to fill the WA-wide skills shortage.

This submission reaffirms previous recommendations made by CME on government fiscal strategy and budgetary priorities, and where relevant, are repeated here for reference.<sup>2 3 4</sup>

<sup>1</sup> Excludes the modelled household induced spending effects of employment by the sector.

<sup>2</sup> [CME](#), 2020-21 pre-Budget submission, submission to the Department of Treasury (TSY), 6 January 2020.

<sup>3</sup> [CME](#), 2020-21 deferred pre-Budget submission, submission to TSY, 10 September 2020.

<sup>4</sup> [CME and EY](#), The WA resources sector: Navigation through COVID-19 and recovery, report, 22 March 2021.

## Secure

### 1. Provide certainty on COVID-19 protocols to support economic recovery and growth

Earlier this year, CME released a report developed with EY, *WA Resources Sector: Navigation through COVID-19 and recovery*, highlighting the pivotal role the WA resources sector played in managing the economic and health impacts of COVID-19. Since the outset, the sector worked closely with the government to respond to the new and emerging health risks of COVID-19, continuously improving and leading on risk-based management protocols. These successes are built on the *Framework for COVID-19 in the Resources Sector*, its *Implementation Plan*<sup>5</sup> and expansion of the DETECT program to include fly-in, fly-out workers.

With government support, the sector has achieved record exports of \$174 billion and employed a record average of 140,941 individuals onsite in 2020.<sup>6</sup> The sector's safe and continuing operation helped sustain the strong position of the economy before and throughout the pandemic, helping to provide stable and growing revenue streams to the government via royalties, payroll,<sup>7</sup> corporate taxes,<sup>8</sup> and underpinning thousands of new jobs. As a significant contributor to the economy, the sector will be crucial to accelerating recovery.

Securing confidence and certainty in the pathway to recovery is essential. However, the recent re-emergence of virus outbreaks and manifestations of new, more virulent strains has created uncertainty. Snap lockdowns and restrictions such as prolonged border closures and maritime directions continue to disrupt labour mobility and business. Acknowledging managing health risks will continue to remain paramount; the government needs to provide greater certainty on COVID-19 protocols and the pathway to normalisation, mitigating the broader impacts and potential scarring effects to the economy.

Aside from targeted and population-wide vaccination to support normalisation of travel and labour mobility, CME strongly recommends [the State Government take immediate steps to implement the four-phase transition plan agreed by the National Cabinet on 2 July](#).<sup>9</sup> Noting there will be further temporary reductions in international arrivals under this plan, CME recommends the government consider:

- Expanding capability and coverage of the State Government managed hotel quarantine system in preparation for events with higher rates of virus transmission or severity
- In support of the Phase B alternative quarantine options, i.e. home quarantine for returning vaccinated travellers, WA should play an active role in trialling these arrangements; and
- Adopt a more structured and consistent risk-based policy for managing COVID-19 outbreaks (including enabling continuity of resource sector workforce movements during lockdowns) and managing maritime health risks once all Phase 1A and 1B cohorts receive vaccinations.

### 2. Maintain stable and responsible fiscal management

Current and future budgets should prioritise long-term stability and sustainable economic growth. Strong financial management will be crucial to future prosperity, especially given the high exposure to trade in the economy and the pandemic's continued unknown depth and duration. For these reasons, [CME supports a prudent approach to forecasting iron ore prices and reinvestment of higher than expected surpluses on initiatives that can effectively improve resilience and WA's international competitiveness](#). Should a fall to the long-run average price occur sooner than predicted, a vigilance on cost control will help WA retain its position as the best sub-national fiscal performer globally.<sup>10</sup>

CME recognises ongoing government stimulus may be needed to encourage economic growth and mitigate the health and socioeconomic impacts of COVID-19. However, like the first delivery of a budget surplus in 2019, the government should remain disciplined in its expense management and stimulus delivery. CME, therefore, considers new or increased spending should be:

- Timely and targeted, and wherever possible, transformative in delivering demonstrable benefits and reducing unintended budgetary pressures in the medium to longer-term
- Facilitate investment in business and therefore job-led growth, in particular –

<sup>5</sup> [CME, Framework for COVID-19 in the Resource Sector and Implementation Plans for COVID-19](#), 3 April 2020.

<sup>6</sup> [Government of Western Australia, Latest statistics release; Industry activity indicators](#), Department of Mines, Industry Regulation and Safety (DMIRS), Safety Regulation System, 1 April 2021.

<sup>7</sup> [Government of Western Australia, 2020-21 Pre-election financial projections statement](#), TSY, 8 February 2021.

<sup>8</sup> [Australian Government, Budget strategy and outlook](#), budget paper no. 1 2021-22, The Treasury, 11 May 2021.

<sup>9</sup> [Australian Government, National Cabinet Statement](#), media statement by the Prime Minister, 2 July 2021.

<sup>10</sup> S&P credit rating agency.

- Spending should be complementary of, not competitive, with the private sector, e.g. improving regulator efficiency or temporary assistance to enable self-sustaining economic growth; and
- Recovery stimulus on infrastructure spend should amplify productivity, scale and the dollar for dollar impact of private investment where comparative advantages exist. Strategic infrastructure can attract hubs of new energy, value-added mineral processing and the ancillary service industries that provide inputs to these supply chains, as described further below.<sup>11</sup>

## Sustain

### 3. No new or increased costs of doing business

WA is well-known as a stable and attractive place to invest and operate compared to competing jurisdictions with similar mineral and energy wealth. As a predominately export-based economy that cannot set the price for its products, a critical determinant for attracting investment is the cost of doing business.

Drawing on a history of commodity cycles as far back as the 1890s, CME members have made significant capital investments into improving end-to-end efficiencies like nation-building productive infrastructure and automation of heavy equipment. As a result, WA is now home to the lowest cost sea-borne exporters of iron ore, lithium and gold and some of the world's lower-cost operators of LNG projects.<sup>12</sup> This advantage is hard-won, despite Australia's poor comparative ranking in time and cost of exporting products.<sup>13</sup>

With continued strong financial management by the government, **CME maintains no justification for increasing or imposing new taxes, royalties or other charges on the sector.** The market is sensitive to uncertainties in geological reserve estimations, long lead times in project development, global patterns of consumption-driven demand, competing production supplies, and volatile price changes. Any increase in the cost base reduces a company's flexibility to consider future investment decisions or vary output levels to remain sustainable within acceptable margins across the project lifecycle. Ensuring a long-term, sustainable and stable cost base across the supply chain is paramount to the industry.

#### Increasing accumulation of costs

Before the 2021 State election, CME was pleased to receive correspondence from the Premier committing a returned McGowan Labor Government to no increases to tax or royalties on the resources sector in the next term. CME notes with caution, however, recent substantial increases in fees and potential inadvertent effects:

- A recent ten per cent increase in the 2021-22 schedule of tenement rental fees by the Department of Mines, Industry Regulation and Safety, which had inadequate consultation and did not consider the flow-on impacts to automatically increasing local government rates
- The recently announced 25 per cent increase in tonnage charges at the Port Hedland port took the industry by surprise. No detailed justification has been made public to date. Before this, CME notes the highest year-on-year price increase was 17 per cent in 2017; and
- The introduction of the foreign buyers' surcharge in 2018 could disproportionately affect longer-term outcomes in regional and remote WA, where rates of residential homeownership are significantly lower than the state average and falling.<sup>14</sup>

Despite an inquiry recommendation by the Economic Regulation Authority in 2018, there is no quantification of the incremental cost and regulatory pluralism of doing business in WA. CME will thus maintain a close and cautious eye on fee increases like the above that impose an unreasonable, inequitable and disproportionate 'death by a thousand cuts' burden on the sector, hindering competitiveness and notably affecting smaller to mid-tier sized companies.

Currently, Cabinet submissions are required to consider the economic significance of discrete proposals and not their collective impact or interdependencies. **CME, therefore, reiterates our recommendation for a Minister, or senior equivalent, to be responsible for reviewing the cumulative effects of costs (e.g. recovery charges) and compliance activities imposed by multiple agencies.** Shared cross-agency responsibility for

<sup>11</sup> Australian Government, *National Manufacturing Priority road maps for critical minerals processing and clean energy*, Department of Industry, Science, Energy and Resources, March 2021.

<sup>12</sup> [Government of Western Australia](#), *WA's economy and international trade*, Department of Jobs, Tourism, Science and Innovation, 2 June 2021.

<sup>13</sup> [The World Bank Group](#), *Doing business 2020: Australia profile*, 23 October 2019.

<sup>14</sup> Comparing 2011 and 2016 Census for private dwelling ownership tenure.

both cost and regulation will need to underlie these efforts, with future budgetary processes considering the cumulative impact or knock-on economic effects.

#### Broader consultation with the industry

The fee-setting process should require consultation with a broader spectrum of affected stakeholders at the outset to maximise transparency and reduce the potential for unintended or adverse impacts. Early notice and reasoning let the industry have the flexibility to respond and make budgetary or operational changes ahead of it coming into effect. CME considers these principles of transparency and consultation should also extend to government trading enterprises (GTEs), notwithstanding their exclusion from the *Financial Management Act 2006* (WA) and Treasurer's Instruction 810 to review fees or charges regularly on time.

As an industry operating in an internationally competitive environment, increased consistency and clarity on price setting of tariffs and fees – whether general or specific purpose – is welcomed. CME encourages utmost transparency if the agency or GTE proposes to use non-published indexes, weighted averages or reference periods. **CME also recommends any material increase in prices (i.e. outside indexation ranges) is implemented only through proper consultation with affected stakeholders and transparency on the underlying cost recovery or revenue generation provided.** New or increased costs imposed on the industry should be commensurate with the level of government service proposed to be delivered.

As well as cost, regulation is a determinant of competitiveness, as discussed further below. For example, the most recent deterioration in the Investment Attractiveness Index for WA from its global rank of 1st down to 4th was driven mainly by a lack of improvement in its Policy Perception index score (falling from 5th to 11th).<sup>15</sup>

#### **4. Meaningfully reduce the regulatory burden of doing business**

While commodity prices and terms of trade are favourable for expansion and new investment, the government should accelerate initiatives to streamline regulation and address bottlenecks across the whole government. The imperative to deliver efficiencies to industry and government has never been greater. The upside will enable the state to leverage a solid economic and fiscal position in securing the \$140 billion of resource projects in the pipeline.<sup>16</sup> Therefore, the reiterated commitment to reducing red tape and streamlining approvals via the McGowan Labor Government's WA Jobs Plan is welcome.

#### Pursuing industry value-for-money reforms

The sector is looking to the government to deliver on its Streamline WA commitments to pursue effective, practical and targeted red tape reduction opportunities to shorten whole-of-project approval timeframes:

- Substantially improve inter-agency coordination and productivity
- Reduce substantive delays caused by perverse stop the clock metrics between agencies
- Reduce regulatory overlap by removing unnecessary duplication in legislation and processes; and
- Reduce the associated administrative burden of reporting and compliance.

Instead of valuing the performance of individual agencies, reform efforts should incorporate risk-based assessment frameworks and cross-agency performance outcomes to improve consistency and reduce project approval timeframes. A unique opportunity exists to clarify jurisdiction in state environmental and mining laws and consequently remove duplication, given the concurrent reforms currently underway.

For example, CME supports the *Streamlining (Mining Amendment) Bill 2021* (WA) proposed intent to reduce and simplify regulation. CME, however, does not believe it will achieve outcomes with the immediacy or priority required in its current form. The lack of prior consultation or provision of a decision regulatory impact statement makes it challenging to discern whether the proposed amendments are an optimal allocation of discretionary effort. Given the importance of Streamline WA, **CME recommends all regulatory reform packages clarify how the proposed changes will improve upon existing processes – within and across agencies – and the proposed net benefit to be derived.** Further details are available in our submission.<sup>17</sup>

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<sup>15</sup> Despite the Policy Perception Index score increasing marginally by 0.78 percentage points for 2020. [Yunis, J. and Aliakbari, E., Fraser Institute Annual Survey of Mining Companies 2020](#), Fraser Institute, 23 February 2021.

<sup>16</sup> [Government of Western Australia, Latest statistics release; Industry activity indicators](#), DMIRS, Safety Regulation System, 1 April 2021.

<sup>17</sup> [CME, Streamlining \(Mining Amendment\) Bill 2021](#), submission to DMIRS, June 2021.



## Resourcing regulatory reforms

Regulatory agencies also need adequate resourcing and supportive culture of regulatory stewardship to achieve committed milestones in the timeframes proposed. While initiatives like investigating a state referral coordination process for planning applications between agencies, utilities, and departments<sup>18</sup> are worthy, coordinating multiple stakeholders with distinct interests will require resources. A lack of resourcing, especially a low investment in underlying IT systems and process efficiencies, can compromise the success of these critical reforms, leading to a failure to meet the expectations of land users, traditional owners and the broader community. CME, therefore, welcomed the additional surge resourcing given to four different regulatory agencies to fast-track approvals for resource projects over the next six months.<sup>19</sup>

Given the ambitious volume of legislative reforms on the agenda over and above existing service delivery activities, **CME recommends approving new expenditure requests for increased regulatory appropriations where it is warranted to deliver a net benefit.** For example, CME understands submissions were made to the Expenditure Review Committee for increased allocation to fund transition and implement the proposed Aboriginal cultural heritage laws.

CME also repeats our recommendation for a targeted increase in resource allocation to the Office of the Appeals Convenor to address known bottlenecks.

## **Unlock**

### **5. Incentivising downstream investment in value-adding processes**

In support of the Modern Manufacturing Strategy and revised Future Battery and Critical Minerals Industries Strategy, there is an opportunity to incentivise competitive investment in downstream value-add processing. Population growth, industrial development and an energy transition towards a low carbon economy will help underpin demand for battery and critical minerals in resource-rich jurisdictions like WA. For example, a standard electric vehicle will require six times the mineral inputs of a conventional car, and an offshore wind plant will need 13 times more than a comparable sized gas-fired plant.<sup>20</sup> International competition for developing deposits and securing partnerships for these battery and critical minerals is intensifying; however, reliance on mineral wealth alone is insufficient to attract investment. Though WA is known as a locale for raw material extraction, it has limited recognition as a destination for value-added processing.

## Modernising the royalty regime for value-added products

The WA royalty regime has generally served the industry well, standing the test of time over decades of commodity cycles. It is clear; however, the regime does not contemplate the future development of critical and battery mineral supply chains. It fails to accommodate the capital intensity and processing complexity for secondary or tertiary treatment domestically. The last royalty rate review, for example, expressly excluded magnetite iron ore processing from its scope.<sup>21</sup> Offtake contracts for these products are highly competitive, sensitive and typically negotiated on long terms to underpin investment. To expand the value chain and create complementary high-value jobs in WA, **a targeted multiplier analysis and evidence base for a permanent reduction in the royalty rate on strategic intermediary and beneficiated products should be explored by the government.** A reduction in the cost of doing business, combined with a reduced burden of regulatory business as described above, will help alleviate the competitive pressures experienced in these opaque emerging markets.

## Facilitating industry development through other means

CME also reiterates the **government should consider non-royalty incentives to facilitate the development of strategic industrial precincts and shared or common-user infrastructure to encourage growing downstream diversification.**<sup>22 23</sup> To this end, the government will require a collaborative approach to land use, planning, GTEs (utilities and port access), transport and a skilled workforce to entice investment into WA.

The government should also be prepared to consider different models of facilitating private investment, such as those previously adopted in WA's industry and economic development history, particularly those which

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<sup>18</sup> [Government of Western Australia](#), *Phase two of planning reform to continue transformation of system*, media statement by the Minister for Transport; Planning; Ports, 28 May 2021.

<sup>19</sup> [Government of Western Australia](#), *2020-21 Pre-election financial projections statement*, TSY, 8 February 2021.

<sup>20</sup> [International Energy Agency](#), *The role of critical minerals in clean energy transitions*, launch presentation, 5 May 2021.

<sup>21</sup> [Government of Western Australia](#), *Economic and fiscal outlook*, budget paper no. 3, TSY, 17 May 2012.

<sup>22</sup> [CME](#), *Mining amendment regulations (No. 5) 2019 – Consultation draft*, submission to DMIRS, 24 January 2020.

<sup>23</sup> [CME and AMEC](#), *A case for building resilience into WA's lithium industry*, report by Australian Venture Consultants, 21 August 2020.

provide investors with long term protection against uncertainty. Meanwhile, government progress towards modernising legislation, planning frameworks and removing barriers to entry should continue.

In considering the case for government support of strategic industry development, CME considers efforts should focus on diversifying parts of the supply chain where the industry can sustain a competitive advantage. If not well directed, such measures could ultimately hinder future productivity growth and discourage capability to evolve with a changing business environment. This likelihood is higher with current rates of globalisation, technological advancement and industrialisation in developing countries. Therefore, CME considers government effort should support industry scale commercialisation of technology or parts of the value chain adjacent to existing strengths and encourages continued federal-state and public-private cooperation to optimise investment.

## 6. Workforce mobility and skills

### Access to a diverse, skilled workforce

Longer-term competitiveness will require access to a diverse, skilled workforce that is mobile and deployed where and when needed. Some companies have concerningly recently revised their investor production guidance due to the skill shortages faced in WA. Based on skills demand modelling commissioned for CME and conducted by Pit Crew Consulting, the WA resources sector forecasts peak demand of an additional 40,000 skilled workers over the next four years, with a potential shortfall of 33,000 workers in 2023. This shortfall is not surprising given job vacancies across the WA economy are at record levels since the last boom (25,200 advertisements)<sup>24</sup> and 27 per cent of Australian businesses are struggling to find qualified staff due to a small labour pool or lack of required skills.<sup>25</sup>

CME is concerned prolonged disruptions to travel will further erode capacity in the domestic labour market and discourage labour mobility in the longer term. Unless this situation is improved, this shortage will stifle growth and detract from the future investment in WA. CME recommends **a concerted and coordinated interim approach to targeting those skills in the highest demand in the near term** while continuing to deliver on ongoing commitments to WA jobs and training. CME intends to be an active participant in Premier's Skills Summit and put forward various possible solutions to assist.

To complement the industry's continued commitment to local jobs and training (new skilling, upskilling and reskilling in WA) and efforts to encourage relocation of workers to WA, CME will be calling on the government to implement policies to increase WA's population and workforce participation, such as:

- Targeting skilled migrants included in the recently expanded *Priority Migration Skills Occupation List* to address acute domestic shortages
- Implementing the state-based scheme of the recently passed *Mutual Recognition Amendment Bill 2021* (Cth) to enable national harmonisation of occupational licences with other jurisdictions
- Accelerate land use release for residential development where housing is a critical constraint; and
- Consider reinstating or expanding the eligibility of payroll tax exemptions for in-demand training.

### Unlocking spare capacity in the labour market

While CME welcomes the \$5.1 million commitment by the McGowan Labor Government to improve access to childcare in the regions, **the government should consider additional measures to address affordable and quality childcare access and increase workforce participation**. For example, the lack of childcare availability leads to waitlists of six months or more in Port Hedland<sup>26</sup> and up to a year in Kalgoorlie,<sup>27</sup> with childcare and aftercare services typically unavailable to industries with shift workers. Addressing these issues should unlock spare capacity in the labour market and help address current supply challenges.

CME recommends the State Government advocate to the Commonwealth to extend the current exemption on fringe benefits tax to include off-premise childcare services provided by employers. This extension is a well-established recommendation by the 2006 Senate inquiry into balancing work and family, which was submitted by industry to the Board of Taxation for consideration in 2016<sup>28</sup> and recently echoed again by many other peak bodies like the Diversity Council Australia and the Chamber of Commerce and Industry of WA

<sup>24</sup> [Australian Government](#), *IVI regional data: May 2010 onwards*, Labour Market Information Portal, May 2021 release, 9 June 2021.

<sup>25</sup> [Australian Bureau of Statistics](#), *A quarter of businesses unable to find suitable staff*, media release, 24 June 2021.

<sup>26</sup> [Town of Port Hedland](#), *Assessing childcare needs in Hedland*, report by Creating Communities, 8 February 2021.

<sup>27</sup> [Kalgoorlie-Boulder Chamber of Commerce and Industry](#), *2020 Goldfields business report*, 18 September 2020.

<sup>28</sup> [South32](#), *Productivity and workplace diversity: Current measures ineffective*, Board of Tax Sounding Board, 2 November 2016.

(CCIWA). CME would welcome this extension, enabling our members to provide childcare assistance to employees without the highest marginal tax rate as a discouragement. CME also supports recommendations made by the CCIWA to address workforce participation disincentives, including:<sup>29</sup>

- Government should establish a cross-agency group to reduce disincentives women face in entering new work or increasing existing work hours
- Centralise policy, funding and regulation of early childhood education and care with a single agency, and if not possible, increase supply-demand planning and coordination between local councils, communities, education and federal-state to overcome this disconnect and prevent unneeded strain on a limited supply of skilled childcare workers; and
- Consider the merits of changing how to deploy Universal Access National Partnership funding.

## Conclusion

In summary, CME asserts there should be a medium to longer-term focus of this government on maintaining efficiency and predictability in the imposition of costs and regulation on businesses in WA. By committing to no increases to existing cost structures and reducing unnecessary red tape through reforms such as those under Streamline WA, the industry can promptly capitalise on favourable commodity cycles and secure new or increased investment.

Although the emergence of new virus variants presents an additional risk of volatility, there remains optimism in the outlook for WA, given existing natural and comparative advantages. The opportunity to strategically grow and expand the competitiveness of the WA economy is now, which is undeniably in the interest of the state and nation.

Should you wish to discuss the matters raised in this submission in further detail, please contact Rob Carruthers, Director – Policy and Advocacy. CME also consents for the Department of Treasury to share this submission with over agencies.

Yours faithfully



## Paul Everingham

Chief Executive Officer

The Chamber of Minerals & Energy of Western Australia

Enc:

2019-20 CME Factsheet – Kwinana electorate

2019-20 CME Factsheet – WA economy

2019-20 CME Factsheet – Australian economy

Cc:

Michael Barnes

Under Treasurer

Hon. Bill Johnston MLA

Minister for Mines and Petroleum; Energy; Corrective Services

Hon. Roger Cook MLA

Deputy Premier; Minister for Health; Medical Research; State Development, Jobs and Trade; Science

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<sup>29</sup> [CCIWA](#), *Making paid work pay for families with children: Addressing workforce participation disincentives*, 20 May 2021.