



## **BHP Pre-Budget submission 2022-23**

### **1 Introduction**

BHP welcomes the opportunity to participate in consultation on the 2022-23 Federal Budget.

As one of Australia's largest companies, we are proud of the role we play in Australia's economy through our operations and exports, and we know that will be important to the ongoing work of securing the country's economic recovery.

It is through the commitment of our people, and the support of governments, communities, suppliers and traditional owners, that we have been able to keep operating safely through the pandemic. We are grateful for their support and the contribution that our continued operation has been able to make to the broader Australian economy during this time.

We are determined to keep playing our part in supporting regional communities and the national economy through jobs, skills, supplier opportunities and social investments.

Today, we employ around 45,000 people in Australia – predominantly in regional areas – with tens of thousands more employed in our Australian supply chains.

In 2021 BHP contributed \$34.1 billion in economic value to the Australian economy. The total contribution to Australia comprises \$12.4 billion in tax, royalty and other payments to governments, \$11.1 billion of spending with suppliers, \$6 billion in dividends and interest, \$4.5 billion in employee wages, and \$100 million in community investment projects.

BHP is one of the largest taxpayers in Australia. Over the past decade, BHP has paid \$80.3 billion in taxes, royalties and other payments to governments in Australia. In the 2021 financial year, BHP's adjusted effective tax rate in Australia was 41.4 per cent including royalties.

### **2 BHP is transforming for the future**

On 31 January 2022, BHP unified its corporate structure to a single listing on the Australian Securities Exchange. As a single listed company we are more agile, efficient and flexible, while still enabling BHP shareholders around the world to support the company as they have done for decades. It positions the company to deliver on our strategy for the future.

The essential resources we produce at BHP are not only fundamental to the way we live now, they are fundamental to the way we will live in the future. Based on our climate change scenario analysis, we believe that the more action the world takes to limit climate change, the better it will be for BHP.

We have also announced a number of strategic steps towards the future of our company, as we continue to grow our portfolio in future facing commodities.

Technology and innovation are key enablers of our future growth. Investing in new methods allows us to more efficiently and safely run our existing operations and provides new opportunities for future growth.

Investing in future facing commodities creates great opportunities for BHP – it means our strategic goals align with our climate goals – but it also creates a challenge. The world needs to increase production of commodities that support the transition and do so even more sustainably. Commodities like copper, nickel and iron ore will be essential for building the infrastructure and technology that will aid the world's decarbonisation ambitions, and potash will help feed the world's growing population.

We are continuing to make significant investments in Australian resources and Australian jobs.

In partnership with the Banjima Traditional Owners we officially opened the South Flank mine in Western Australia in October 2021.

South Flank is Australia's largest new iron ore mine in over 50 years and was delivered safely, on time and on budget. When fully operational it will produce 80 million tonnes of premium iron ore per annum. Together with the existing Mining Area C, it will form the largest operating iron ore hub in the world, producing 145 million tonnes of iron ore each year.

The South Flank project awarded \$4.2 billion in contracts (including \$3.2 billion for Western Australian-based work) and reached a workforce of around 3,000 people over its construction. Thousands of jobs are expected to be created over the life of the mine, with an extended impact for new and existing small businesses in our supply chain.

In May 2021, following exploration results in previous drilling phases which confirmed mineralised intercepts of copper with associated gold, uranium and silver, the Oak Dam copper discovery in South Australia commenced the next stage of definition drilling to inform future design of the deposit. We are also exploring for sediment-hosted copper deposits in the Northern Territory in partnership with Encounter Resources.

### 3 Proposals for the 2022-23 Budget

Australia's comparative success in weathering the health and economic impacts of the COVID-19 pandemic is a credit to the hard work and cooperation of individual Australians, governments, businesses and community organisations.

This continued success cannot be taken for granted. Ongoing collaboration between government, business and the community will be needed to address current and emerging challenges to the nation's economic wellbeing, and to set Australia up for the next wave of growth and opportunity.

In the sections below, we outline the key measures that we believe the Government should consider as it crafts the 2022-23 Budget. It will be important to advance a combination of these proposals to secure the recovery from the pandemic and reposition Australia's economy for the opportunities and challenges of the future.

#### 3.1 Addressing capacity constraints

As the Treasurer recently noted, workforce development and skills shortages are proving to be a real constraint on labour supply and has the potential to act as a handbrake on the post-pandemic recovery.<sup>1</sup> Closer collaboration between industry and governments to train and retrain Australians is needed to target and meet future skills demands, particularly in regional areas.

Furthermore, the experience of the pandemic economy has demonstrated the ongoing importance of the resources sector to Australia's overall economic health. Ensuring that resource specific university courses such as mining engineering, process engineering, metallurgy and geosciences, plus technology especially related to robotics, data analytics and cybersecurity continue to be delivered not only ensures that Australian workers can perform these in-demand roles, but help alleviate the ongoing skills shortfall pressures that the global mobility of skills would otherwise address but is unable to do so due to pandemic management decisions.

To date, the ability of large corporations to partner with government on skills and training programs has been limited by complex funding arrangements at both State and Federal level. This complexity is magnified when companies operate across multiple state and territory jurisdictions. These challenges were also identified in the 2019 Joyce Review<sup>2</sup>.

There are a range of options government could pursue to help unblock these constraints.

***This could include greater support for apprenticeships and retraining, including, as BHP has previously proposed, establishing a new Commonwealth skills program that partners with large employers across Australia to support the delivery of nationally recognised skills and training programs. The program would enable the creation of more training places more quickly and provide large employers a single point of entry into government and a clear, streamlined process for co-investment. This program would not only support regions already suffering from skills shortages, but would also help re-skill those from industries significantly impacted by the pandemic.***

Where necessary, access to the skilled-migration program should be expedited by governments, to ensure Australia's economic recovery is not hampered by a lack of appropriately skilled labour.

<sup>1</sup> The Hon Josh Frydenberg MP (2021), 'Address to Australia-Israel Chamber of Commerce, Melbourne', 8 December, available at: <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/speeches/address-australia-israel-chamber-commerce-melbourne>.

<sup>2</sup> Department of the Prime Minister and Cabinet (2019), 'Strengthening Skills: Expert review of Australia's Vocational Education and Training system', available at: <https://www.pmc.gov.au/resource-centre/domestic-policy/vet-review/strengthening-skills-expert-review-australias-vocational-education-and-training-system>.

Recent economic reporting<sup>3</sup> forecasts the unemployment rate to reach 4 ¼ per cent in the June quarter of 2023. With this predicted growth in employment, it is important that Government policy settings address the potential for increased labour costs that regionally-based employers will face when evaluating investment in large private sector projects in the regions.

BHP endorses the National Plan to transition Australia's National COVID-19 Response as agreed by the National Cabinet, and urges all governments to stay the course in continuing to safely open up society and the economy. Given the nature of the resources industry and the workforce that supports it, it is vital that fully vaccinated people be able to freely travel across state and national borders in support of our operations. The National Plan also provides the necessary certainty to businesses that they will be able to maintain ongoing operations without the cost and disruption of widespread lockdowns.

### 3.2 Unleashing business dynamism

Reforms to reinvigorate productivity growth and support a sustainable and inclusive recovery have been called for by industry for some time.

Business investment as a share of nominal GDP continues to remain at historic lows<sup>4</sup>. Overall, fiscal settings and economic policies which spur on private sector investment are the best means through which the Government can maximise the economic growth and creation of the good jobs that will drive Australia's economic recovery. Any attempt to shrink the existing pipeline of public sector investment, or to expand government revenues through new or increased costs to businesses risks holding back the growth Australia needs to underpin the economy and weather future economic shocks.

The strategy of Australia growing its way out of debt is the right one, and the Budget is an opportunity for the Government to provide an update on its plans to contain Australia's national debt at a manageable level over the medium-term.

Previous reviews undertaken by the Productivity Commission<sup>5</sup> and the independent review of the Environment Protection and Biodiversity Conservation Act 1999<sup>6</sup> have identified that regulatory processes remain unduly complex, duplicative, lengthy and uncertain. Reforms that deliver a greater certainty of both timeframes and outcomes will not only improve the ability of business to bring forward investment decisions but to undertake the exploration and preparation necessary to develop the next wave of project opportunities in Australia.

This strategy will not be achievable if business loses the flexibility necessary in the industrial relations system to adapt for changing circumstances. The events of summer have demonstrated that, while we emerge from the pandemic, unexpected changes can have a significant economic impact. For the private sector to continue to deliver on the national economic recovery, retaining flexibility in our labour arrangements is key to ensuring business can react to unexpected economic challenges during this time.

Australia's major project pipeline was an important factor underpinning the nation's economic recoveries following the Asian Financial Crisis and the Global Financial Crisis. By helping business get more major projects across the line in an otherwise challenging investment environment, we can secure Australia's next wave of investment and set the nation up for another robust economic comeback through regional employment and supply chain opportunities.

***Direct and indirect measures to encourage large-scale capital projects in regional areas – such as a targeted investment allowance or a streamlined and efficient approvals process – would help secure Australia's investment pipeline and ensure regional communities share in the economic benefits.***

***Establishing major project offices would serve to strengthen and streamline processes and ensure a more rapid stimulus to the economy.***

<sup>3</sup> 2021-22 Mid-Year Economic and Fiscal Outlook | Treasury Ministers, available at [2021-22 Mid-Year Economic and Fiscal Outlook | Treasury Ministers](#)

<sup>4</sup> Reserve Bank of Australia (2022), 'Chart Pack – Business sector', 5 January, available at: <https://www.rba.gov.au/chart-pack/business-sector.html>.

<sup>5</sup> Resources Sector Regulation, available at <https://www.pc.gov.au/inquiries/completed/resources/report/resources.pdf>

<sup>6</sup> Minerals Council of Australia submission to the independent review of the the independent review of the Environment Protection and Biodiversity Conservation Act 1999, available at <https://www.minerals.org.au/sites/default/files/MCA%20Submission%20to%20the%20Independent%20Review%20of%20the%20EPBC%20Act%2024%20Apr%202020.pdf>

**By setting minimum project spend and job creation thresholds, alongside these offices, the government could target its support to nationally significant projects that will generate the greatest economic impact, injecting capital to regional economies quickly and at scale.**

Regulatory reform is key to business dynamism and higher productivity growth. Small and young Australian firms have contributed a large share of job creation and business investment over the past decade. However, the creation of new companies was trending down prior to the pandemic and the lockdowns have been particularly harmful to small and young businesses. The regulatory landscape is ripe for reform, particularly the licensing and permit system (where Australia has a higher administrative burden relative to the OECD). For example, further reforms to the occupational licensing regime and land use regulations could be considered. Efforts should continue to focus on advancing digitalization, enhancing innovation and competition. **Reforms to enhance the R&D tax incentive in addition to the introduction of a patent box will encourage domestic commercialisation of innovation.**

### 3.3 Taking advantage of future opportunities

The transition to a 1.5 degrees world provides Australia with a range of opportunities to create new sources of national prosperity. The possibilities for regional communities are particularly promising, as recent investments in renewable energy and hydrogen hubs demonstrate.

A commitment to net zero emissions by 2050 and existing policy settings have put Australia in a strong position to take advantage of the economic opportunities presented by a low carbon economy and to ensure Australia establishes itself as a leader in low emissions technologies.

**BHP encourages the Government to consider what additional actions it could take to pursue the dual goals of increased economic growth and decreased greenhouse gas emissions, including considering the measures proposed by the Business Council of Australia (BCA) in its October 2021 blueprint<sup>7</sup>.**

As the BCA notes, expanding the size and impact of the Australian Renewable Energy Agency (ARENA) and the Clean Energy Finance Corporation (CEFC) would help enhance the benefits that could be realised through the Government's Technology Investment Roadmap. The existing Safeguard Mechanism also provides architecture that the Government could utilise to introduce a relatively low cost emissions trading scheme for Australia's largest emitters.

Beyond the measures proposed by the BCA, we believe there is an opportunity for government to play a convening role in bringing together relevant stakeholders to develop decarbonisation strategies to address key abatement challenges facing different sectors. For the mining sector, this could involve bringing together mining companies, Mining Equipment, Technology and Services (METS) companies and research providers to develop a roadmap for the decarbonisation of material movement.

Australia is the dominant global player in the mining of battery materials but we play a relatively narrow role with a focus on mining and distribution of raw materials. The economic logic of diversification is strong. With booming demand, the value added from batteries is likely to grow strongly over the next decade even if we remain on a mining-focused path. But taking a diversified path could almost double the economic gains between now and 2030, resulting in AU\$7.4 billion in value added and around 34,700 jobs.<sup>8</sup>

Australia is a trading nation. Its prosperity has been built on the ability of successive governments to attract foreign investment, secure access to new markets for Australian companies, and integrate the domestic economy in global supply chains. We welcome the Government's continued focus on securing new free trade agreements, supporting the rules-based multilateral trading system and facilitating the development of new commercial relationships around the world. The Department of Foreign Affairs and Trade (DFAT) is crucial to all of these efforts. Additional resources would likely enhance the effectiveness of DFAT in pursuing its mission, providing flow-on benefits for business and the broader community.

## 4 Conclusion

Australia is maintaining a strong recovery after the unprecedented economic disruptions of the last two years.

<sup>7</sup> Business Council of Australia (2021), 'Achieving net zero with more jobs and stronger regions', 9 October, available at: [https://www.bca.com.au/achieving\\_net\\_zero\\_with\\_more\\_jobs\\_and\\_stronger\\_regions](https://www.bca.com.au/achieving_net_zero_with_more_jobs_and_stronger_regions).

<sup>8</sup> Accenture, prepared for Future Battery Industries CRC (2021), 'Future Charge: Building Australia's battery industries', available at: <https://fbicrc.com.au/wp-content/uploads/2021/06/Future-Charge-Report-Final.pdf>.

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Despite this relative strength, the economy continues to face headwinds, and the need to maintain confidence, unlock investment, strengthen employment opportunities and lay the foundations for a net-zero future will be critical in the year ahead.

BHP is committed to playing our part in Australia's economic future and believes our contribution – and that of many other businesses – could be strengthened through the policy settings and initiatives identified in this submission.

Thank you for the opportunity to put forward a submission and we would welcome further discussion on any of the proposals we have raised.