

1 February 2022



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

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Dear Minister

## 2022-23 PRE-BUDGET SUBMISSION – LETTER OF SUPPORT

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for more than 58 per cent of Australia's mining new capital expenditure in 2020-21<sup>1</sup> and 55 per cent of Australia's corporate tax income receipts by value in 2019-20.<sup>2</sup>

The opportunity to provide input to the Commonwealth Government's priorities for the 2022-23 Budget (the Budget) is welcome. Reiterating themes from our previous pre-Budget letters of support, this letter supports the detailed recommendations made in submissions by the Australian Petroleum Production and Exploration Association (APPEA) and Minerals Council of Australia (MCA). The recommendations in this submission are structured into the following focus areas:

1. Secure Australia's global competitiveness
2. Deliver on the national Deregulation Agenda
3. Access to skills
4. Supply chain resilience.

### 1. A stable and competitive fiscal regime

As the forecasted price for critical and battery minerals is expected to peak around 2030<sup>3</sup> and energy demand per capita in Asian developing economies will continue to increase through to 2030,<sup>4</sup> it is crucial the Commonwealth Government can work alongside jurisdictions to improve the cost and regulatory burden of doing business in Australia. Although exploration budgets worldwide are expected to increase amid the easing of lockdowns and higher prices, grassroots exploration is at its second-lowest on record. The hunt for viable mine developments amongst the major mining, energy and chemical companies will also only intensify in future.<sup>5</sup> CME therefore strongly echoes APPEA's and MCA's views that **Australia's current international competitiveness is wanting.**

The opportunity to secure new investment in greenfield developments, brownfield expansions or downstream value-adding processes in Australia is immense. For example, there is \$91 billion of planned or possible resource sector projects in Western Australia alone<sup>6</sup> and up to \$243 billion of potentially feasible projects across Australia.<sup>7</sup> With global flows of capital increasingly mobile, more collective effort is required to attract these investments by implementing the right policy, tax and regulatory settings. **A whole-of-government focus on business-led growth and tangibly improving Australia's global competitiveness is vital to sustaining the**

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<sup>1</sup> Australian Bureau of Statistics, [5625.0 Private New Capital Expenditure and Expected Expenditure, Australia](#), June 2021 reference period, 26 August 2021 release.

<sup>2</sup> Australia-wide operations of companies with direct, equity or subsidiary interests in WA-based member projects. Commonwealth of Australia, [2019-20 Corporate report of entity tax information](#), Australian Taxation Office, 9 December 2021.

<sup>3</sup> Driven by steep demand from front-loading of net zero commitments, inducing supply reactions and reducing market tightness after 2030. Boer L, Pescatori A and Stuermer M, [Energy transition metals](#), International Monetary Fund Working Paper WP/21/243, October 2021, p 26.

<sup>4</sup> International Energy Agency, [World Energy Outlook 2021](#), October 2021.

<sup>5</sup> S&P Global, [2021 World exploration trends](#), 4 November 2021.

<sup>6</sup> Government of Western Australia, [Industry activity indicators](#), Department of Mines, Industry Regulation and Safety, 21 October 2021.

<sup>7</sup> Commonwealth of Australia, [Resources and energy major projects 2021](#), Department of Industry, Science, Energy and Resources, 17 December 2021.

recovery from the ongoing health and economic impacts of COVID-19. CME, therefore, supports the following priority recommendations put forward by APPEA and MCA:

- **No new or increased tax burdens** are imposed on business and industry, including –
  - Retain the existing fuel tax credits system.
  - Retain the fringe benefits tax (FBT) exemptions on employer-provided housing and other deductions incurred in the ordinary course of running a business that would otherwise be deductible in the employee's duration of employment. However, we recommend extending the FBT exemptions as outlined further below to improve regional housing and workforce outcomes.
- Improve Australia's international competitiveness to attract lasting, large-scale investment by –
  - **Reduce the corporate income tax rate to the OECD average for all Australian businesses.**
  - Expand the temporary full expensing measures for Australian projects with intergenerational benefits either through eligibility (entities or assets) or accelerated depreciation (bringing forward commencement, increasing initial rates or grossing up of asset values).
  - Remove economic and project restructuring barriers involving swaps of permits and existing infrastructure under the capital gains tax regime.
  - Enable an immediate tax deduction for wages and salaries in capital intensive industries.
  - Junior Minerals Exploration Incentive – Permanently extend funding and broaden its access.
  - Petroleum resource rent tax (PRRT) – Ensure it reflects modern commercial practices and forgo review amendments to gas transfer pricing rules.

Signs of global recovery in 2021 have been promising, with foreign direct investment flows more than doubling pre-pandemic levels in most OECD countries.<sup>8</sup> Some of the largest investment announcements, over \$US 150 million, were indirectly related to the energy transition.<sup>9</sup> However, Australia is at risk of missing out, with infrastructure market participants indicating global investors consider the Australian market too high risk, particularly on energy policy coordination and certainty.<sup>10</sup>

With continued globalisation and intense international competition for such investment, promoting resilience, innovation and productivity in the Australian economy will be important. For these reasons, CME supports the following MCA and APPEA recommendations to encourage (a) free and open trade supported by a rules-based order without protectionist policies and (b) pursuit of a consistent agenda for modern manufacturing and lower emissions:

- Foreign investment review process – Remove mining unless it overlaps or is adjacent to defence land or defence installations, reducing ambiguity on what is deemed a national security risk.
- Strong strategic partnerships with mutually beneficial trading and investment partners, securing supply chains and access to new technologies.
- Global Resources Strategy – Promote Australia's reputation as a reliable and responsible partner in supporting global economic development and the energy transition.
- *Offshore Petroleum and Greenhouse Gas Storage Act 2006* – Amend to allow for carbon capture usage and storage (CCUS) transition opportunities in reservoirs testing, offshore acreage releases and amend the PRRT to reflect CCUS. These amendments should assist in opening new downstream processing opportunities such as green ammonia.
- Continue support of public-private research in lower emission technology projects such as the \$500 million in new capital for the Low Emissions Technology Commercialisation Fund.
- A nationally coordinated approach to supporting downstream processing through multiuser infrastructure and technology precincts. Further to reducing the corporate tax rate, a stronger focus on bringing down the cost of reliable and secure energy (not limited to the National Electricity Market) is needed to encourage diversification into mid-and downstream energy-intensive processes. Australia is the third

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<sup>8</sup> OECD, [FDI in figures: Global FDI flows rebound to exceed pre-pandemic levels](#), 29 October 2021.

<sup>9</sup> Ibid. US, Northern Europe, Germany and New Zealand.

<sup>10</sup> Clean Energy Council, [Clean Energy Outlook](#), July 2021; Infrastructure Australia, [A national study of infrastructure risk](#), Market Capacity Program report, October 2021, p 12.

most expensive OECD country for industrial electricity prices, driven by coal retirement, network maintenance costs and margins.<sup>11</sup>

- A coordinated and competitive regime of regulation, financing and least-cost emissions abatement which does not disincentivise project development in the energy transition or modern manufacturing opportunities (recycling, resources technology, battery and critical minerals processing), including consideration of one or more of the following measures:
  - Broad-based investment allowances such as accelerated depreciation to incentivise these specific asset classes.
  - Immediate write off for feasibility and pilot costs, instead of capitalisation for tax purposes.
  - Expanding either the Research and Development (R&D) Tax Incentive Scheme for commercial demonstration activities, Industrial Energy Transformation Studies Program or the Modern Manufacturing Initiative. For example, Australia's implied tax subsidy rates on business R&D expenditure for large enterprises is below the OECD median, with the percentage of R&D expenditure to gross domestic product declining since 2006.<sup>12</sup>
  - Expand the proposed patent box regime to other types of technology patents.

## 2. Deregulation Agenda

While the focus on economic recovery continues, it is crucial productivity is not undermined by inefficient regulation and the associated burden of administrative compliance. CME has long called for **removal of duplication across Commonwealth and State environmental assessment and approvals processes through progressing amendments to enable bilateral approval agreements under the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act)**. Such a reform is long overdue, with Western Australian projects continuing to undergo duplicated and redundant processing requirements, therefore experiencing timeframe delays and creating a drag on investment and productivity. CME reiterates a need to reduce this unnecessary regulation and highlights material progress towards streamlining approvals is required. We are therefore strongly aligned with the following MCA and APPEA recommendations:

- Prioritise establishment of bilateral 'single touch' approvals, supported by well-designed and effective National Environmental Standards.<sup>13</sup>
- Remove overlap, trigger duplications and implement a risk-based management approach (instead of one size fits all) in progressing technical reforms to the EPBC Act,<sup>14</sup> including funding for improved information systems such as the Shared Environmental Analytics Facility.
- Continue and increase funding to support improved administration of the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984*.

Noting each jurisdiction must retain primacy for heritage and avoid duplication, the **Commonwealth Government should support the Western Australian Government and Western Australian First Nations as needed in implementing the new *Aboriginal Cultural Heritage Act 2021* (WA)**.<sup>15</sup>

CME also recommends the **Deregulation Taskforce review the cumulative effect of an increased proliferation of corporate reporting obligations through whole-of-government quasi-regulation<sup>16</sup> or industry self-regulation on Australia's international competitiveness**, including the Payment Times Reporting Act 2020, Modern Slavery Act 2018, Workplace Gender Equality Act 2012, National Greenhouse and Energy Reporting Act 2007, Foreign Acquisitions and Takeovers Act 1975, Tax Transparency Code, Task Force on Climate-related Financial Disclosures and Global Reporting Initiative Standards. It is vital our global ranking on the burden of government regulation does not deteriorate, especially in nurturing the growth of small to medium-sized

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<sup>11</sup> Accenture, [Future charge: Building Australia's battery industries](#), final report commissioned by the Future Battery Industries Cooperative Research Centre, June 2021, pp 18.

<sup>12</sup> OECD, [R&D Tax Incentives: Australia, 2021](#), Directorate for Science, Technology and Innovation, December 2021.

<sup>13</sup> CME, [Response to the EPBC \(Standards and Assurance\) Bill 2021](#), submission to the Senate Standing Committees on Environment and Communications, 24 March 2021.

<sup>14</sup> CME, [Response to the Independent review of the EPBC 1999 – Interim report](#), submission to the Department of Agriculture, Water and the Environment, 14 August 2020.

<sup>15</sup> CME, [Response to the additional written questions on notice provided after CMEWA appearance before 17 September inquiry hearing](#), submission to the Joint Standing Committee for Northern Australia, 16 October 2020.

<sup>16</sup> Institute of Public Affairs, [Regulatory dark matter: How unaccountable regulators subvert democracy by imposing red tape without transparency](#), received by the Commonwealth of Australia on 11 September 2020, 11 June 2019.

enterprises that are yet to establish internal resources and corporate processes dedicated to capturing this information for external reporting obligations.

### 3. Skilled and responsive workforce

The Western Australian resources sector has never employed more people, with 146,469 working onsite across the state in 2021.<sup>17</sup> However, the Western Australian resources sector is not immune to the skills shortages currently impacting industries and supply chains across Australia. While some impacts from COVID-19 isolation protocols are relatively short-lived, it has been compounded by more infectious variants of COVID-19.

Workforce demand modelling commissioned in May 2021 predicted a peak demand of an additional 40,000 skilled workers over the next four years within the Western Australian resources sector alone, with a potential shortfall of 33,000 workers as soon as 2023.<sup>18</sup> This shortfall is evidenced by internet vacancies reaching a new record since 2008. To underpin competitiveness, the resources sector will thus require access to a diverse, skilled workforce that can be deployed where and when needed regardless of source.

The pressures of skills shortages and private sector wages growth in professional services<sup>19</sup> are particularly acute in the Western Australian labour market. Some publicly listed companies have revised their production guidance downwards in response. Furthermore, a full opening of the Western Australian border has been delayed indefinitely, with transition pathways and timelines yet to be fully defined.

To provide certainty and facilitate access to critical workers, **CME recommends the Commonwealth Government encourage all jurisdictions to urgently implement nationally-consistent pathways for moving and operating critical and essential workers across jurisdictions.** While it is acknowledged that such settings have been the aspiration of the National Cabinet, the inconsistent application and uncertainly generated across jurisdictions is impacting national labour mobility and productivity.

Internationally, attracting and mobilising skilled talent will also be crucial in supporting a competitive resources sector and the development of nascent industries. As such, CME recommends the ongoing implementation of focused, long-term migration policy settings which can efficiently respond to skills demands and facilitate the migration of talent into emerging occupations.

Alongside supporting flexibility and mobility in the labour market, continued training and workforce development will be critical to addressing these skill shortages. With 43 per cent of the national mining workforce holding a Certificate III or higher vocational qualification,<sup>20</sup> Vocational Education and Training (VET) initiatives will continue to be important in supporting the skills and training needs of the workforce. CME thus welcomed the introduction of the Boosting Apprenticeship Commencements (BAC) wage subsidy, which has successfully increased those in training in Western Australia by 36 per cent, with a quarter in automotive and engineering trades.<sup>21</sup> With the Australian labour market further expected to tighten and the pandemic impacting the industry, **CME recommends an additional 12-month extension of the BAC wage subsidy.** Furthermore, CME supports implementing a VET system that is **responsive to the industry's skill needs and measured on delivering high-quality training outcomes.**

In addition to welcoming the recently announced rebate of application fees and relaxed rules for student and backpacker visas to alleviate workforce challenges, CME supports the following MCA recommendations:

- Support pilot projects to fast-track VET qualifications and reduce apprenticeship durations.
- Expand the promotion scope of the National Careers Institute's digital interactive career pathway maps to include the resources sector.
- Increase resourcing to the Department of Home Affairs to improve the scope for in-demand occupations to access the skilled migration program.
- Increase resourcing to the Australian Bureau of Statistics to update the Australian and New Zealand Standard Classification of Occupations. Modernising these categories will help benefit the updating of federal and state-based priority skilled migration occupation lists.

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<sup>17</sup> Government of Western Australia, [Industry activity indicators](#), Department of Mines, Industry Regulation and Safety, 21 October 2021.

<sup>18</sup> Commonwealth of Australia, [Labour market update](#), National Skills Commission, 23 November 2021 dataset, 6 December 2021.

<sup>19</sup> Government of Western Australia, [Wage price index Q3 2021](#), economic analysis, Western Australian Treasury Corporation, 17 November 2021.

<sup>20</sup> National Skills Commission, [Mining](#), accessed January 2022.

<sup>21</sup> NCVET, [Apprentices and trainees 2021: June quarter](#), statistical report 1440-0359, 27 January 2022.

To improve work-life balance and gender-based employment equity outcomes, CME recommends the government reconsider the FBT treatment of the following employer-provided assistances:

- **Extend the FBT exemption for on-premises childcare assistance to off-premises.** For women who return to work, the inclusion of childcare services in salary sacrificed employment packages is more likely to positively affect labour supply than lowering the cost of childcare.<sup>22</sup> However, this financial assistance attracts the highest marginal rate of tax.
  - Further compounding this, Australia ranks 37 out of 41 in UNICEF's assessment of national childcare policies across rich countries.<sup>23</sup> The recent removal of the Child Care Subsidy cap and increased subsidy is therefore most welcome.
  - CME would also like to reiterate federal recommendations put forward by the Chamber of Commerce and Industry WA last year on addressing workforce participation disincentives, which included greater flexibility in managing paid parental leave entitlements to accommodate shared responsibility between parents and alternative working arrangements and amending the Fair Work Act 2009 to provide greater flexibility to agree to alternative working arrangements.<sup>24</sup>
- Children's education costs for employees required to reside in remote areas should be treated as a living away from home allowance and exempt from FBT.
- FBT concessions in remote areas should be revisited as an economy-wide measure to attract and retain skilled labour. If properly structured, it would benefit sectors like mining, oil and gas, agriculture, education, law and health. It is notoriously challenging to have professionals stay beyond their contracted short-term arrangements. **Expanding the employee-sourced housing concession to an exemption would help reduce the disproportionate administrative burden of demonstrating nexus to employment,** particularly where it cannot be reasonably construed as an 'overly generous private benefit' in remote and very remote areas of Western Australia and Northern Territory.

CME recognises that achieving effective regional childcare, housing and employment is an inherently complex public policy issue. Therefore, we have limited our recommendations to those that do not require coordination between local councils, the state and federal government.

#### 4. Supply chain resilience

Disruptions to global and domestic supply chains, combined with shortages of freight drivers and maritime workers, is reducing productivity in parts of the economy such as the Western Australian resources sector, which is dependent on maintaining low pit-to-port costs. Protracted industrial disputes, continued spread of the Omicron variant and ongoing hard interstate border controls in Western Australia have exacerbated already stretched supply chains suffering from the lingering shocks of COVID-19. This has contributed to cost escalations and schedule delays in the delivery of critical items and processing inputs such as mining equipment, spare parts and chemical reagents.

Additionally, some ports in Western Australia are continuing to require vessels that have been at sea for less than 14 days to quarantine at anchor before proceeding to berth leading to significant demurrage fees, delays and downstream flow-on effects to inbound freight. The availability and wellbeing of international seafarers is another important part of global shipping continuity. However, it is understood vaccination rates across international seafarers are well below levels in Australia, with access a barrier. To assist in alleviating pressure on these supply chains, CME recommends:

- The Federal Department of Health, in collaboration with the Australian Border Force, **issues binding and nationally-consistent COVID-19 operating guidance for all Australian ports.** For example, CME understands the Western Australian Department of Health does not consider the 14-day voyage quarantine control for vessels (where it applies) should be mandatory from a health perspective; however, formal advice has not been issued to that extent. CME also recommends further upfront guidance is provided to the broader industry in implementing the regulations and policies under the Biosecurity Amendment (Enhanced Risk Management) Bill 2021, particularly for other vessel classes beyond large

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<sup>22</sup> Mumford A, Parera-Nicolau A and Pena-Boquete, [Labour supply and childcare: Allowing both parents to choose](#), Institute of Labor Economics, IZA discussion paper no. 12500, July 2019.

<sup>23</sup> UNICEF, [Where do rich countries stand on childcare?](#), Office of Research – Innocenti, June 2021.

<sup>24</sup> CCIWA, [Making paid work pay for families with children: Addressing workforce participation disincentives](#), January 2021, p 45.

cruise ships, as this should help reduce the risk of misunderstanding given the multitude of multinational stakeholders involved.

- The Commonwealth Government **supports the rollout of voluntary COVID-19 vaccination programs to international seafarers arriving at our Australian ports, which will help address global efforts to broaden equitable vaccine access to developing countries.** Maritime Safety Queensland and NSW Ports are looking to trial such a program for seafarers regardless of their nationality. CME is keen to see the Commonwealth Government work with jurisdictions to support sharing these learnings for adoption at other ports in Western Australia.

## Conclusion

In summary, CME asserts there should be no new or increase in existing costs of doing business in Australia, accompanied by a continued commitment to streamline the regulatory burden and expansion of incentives to effectively promote capital investment and sustainable job creation.

Should you have questions on the views and recommendations raised in this letter, please do not hesitate to contact me on 0400 909 830 or at [P.Everingham@cmewa.com](mailto:P.Everingham@cmewa.com).

Yours faithfully



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