

**The WA Resources Sector**  
Navigating through  
COVID-19 and recovery

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## Foreword

It is difficult to imagine a more existential challenge for the Western Australian (WA) mining and resources sector, no less society, than the one presented by the novel coronavirus (COVID-19) pandemic.

Above all else, our sector prioritises health and safety, rightly forming our response to COVID-19 from the get-go. In simple terms, we are foremost a logistics industry operating on the efficient movement of in-demand mineral and petroleum commodities. We rely heavily on the freedom of movement for people, critical supplies, plant and equipment. The sudden and unprecedented closure of international and state borders presented challenges never experienced or contemplated.

History will show the sector's safety-first culture, ingenuity and resilience in adapting. Our sector continued operating safely and effectively throughout the early stages of the pandemic and beyond. Without the collaboration and support of governments, alongside communities, key stakeholders and, of course, the hard-working individuals who power our sector, we recognise this would not have been possible.

This report captures some of the challenges and opportunities presented by COVID-19. It provides insight into how prepared and effective member companies of the Chamber of Minerals and Energy of WA (CME) responded to a global pandemic with its uncertain health and economic impacts. The analysis within has interview insights from senior company representatives from back in June 2020, followed by surveys in the final quarter of the year when life and business in WA largely returned to normal.

Even for someone like me who lived through it, this report is a fascinating and reflective read.

From feeling the first impacts of COVID-19 in March 2020 to the collaboration with the government and many other stakeholders, it has allowed the sector to continue operating in the altered landscape, a new normal. This report is a snapshot of a year genuinely unlike any other, amplifying the acknowledged strengths and value inherent in the sector. Public awareness of the sector's strengths has perhaps improved during the year.

Importantly this report provides a foundation for tackling key opportunities and threats as the economy recovers, including skilled labour shortages, a need for ongoing streamlining of approvals processes whilst maintaining robust regulatory oversight, and of course, the continued management of challenges caused by COVID-19.



**Paul Everingham**  
Chief Executive

## About CME

CME is the peak resources sector representative body in WA. CME is funded by member companies responsible for more than 88 per cent of the state's mineral and energy workforce employment.<sup>1</sup> The remainder of this report refers to information provided by these member companies.<sup>2</sup>

<sup>1</sup> Full-time employees and contractors onsite in FY20, excludes non-operating sites outside of the Department of Mines, Industry Regulation and Safety's (DMIRS) Safety Regulation System's remit.

<sup>2</sup> Interchangeable references in this report to 'company', 'member' or 'sector' throughout this report refers to CME member companies only.

## Executive Summary

In March 2020, COVID-19 was declared a global pandemic by the World Health Organisation (WHO). Governments worldwide enacted measures to slow and contain the virus, including mandatory lockdowns, physical distancing guidelines and travel restrictions. Though necessary, these measures disrupted how people live and how businesses and governments operate.

To better understand the impacts of the disruptions caused by COVID-19 on the WA resources sector, CME interviewed company representatives in June and July 2020. A survey of CME member companies between September and November 2020 followed these interviews when the prospect of returning to business-as-usual (BAU) became increasingly likely in WA. The responses presented throughout this report reflect sector sentiment at these points in time.<sup>3</sup>

The survey results indicate that almost all companies (98%) were impacted by COVID-19 to some extent, although most did not report a critical disruption. Areas of disruption identified by companies included:

- Workforce management and resourcing – Mental health and well-being, travel restrictions on workforce movements, physical distancing, recruitment challenges and competition for similar skills within a constrained labour market;
- Financing – Demand uncertainty, pricing and capital raising difficulties; and
- Supply chains – Initial impacts, particularly for high demand items such as sanitiser and other hygiene products, moderating by June 2020.

When the first death of COVID-19 was recorded in WA on 1 March 2020, 52% of companies indicated they were well prepared or very well prepared to handle the disruptions. The remaining 48% self-reported minimally prepared or unprepared, which is a possible reflection of this global pandemic's unprecedented nature. Despite being caught off guard initially, the sector's safety-first culture and extensive crisis management experience enabled companies to respond and adapt quickly to the uncertain health and economic impacts of COVID-19.

When CME asked companies six months later about their preparedness for a second wave, 89% indicated well or very well prepared. CME also asked about the sector's future, with 93% expecting their business be sustainable over the next six months to varying extents. However, companies acknowledged volatility and future performance would depend on ongoing travel restrictions, immunisation rates and other factors underpinning demand for their commodities, such as global economic growth and consumer confidence.

Despite the difficulties of COVID-19 in the last quarter of FY20, the resources sector recorded the greatest increase in Gross Value Added (GVA) of any other industry in Australia (0.5 points), particularly in WA (1.8 points). Further, in FY20, the sector experienced a 14% increase in sales from the prior year. The primary commodities contributing to this positive performance were gold, iron ore and nickel.

In addition to generating financial and economic value, the resources sector showed a commitment to supporting the WA community throughout the pandemic, giving over \$9 million in direct support to local communities, vulnerable groups, COVID-19 not-for-profits and remote Indigenous communities. The sector was also active in establishing the DETECT FIFO health screening research study and providing in-kind transport assistance to moving food supplies, medical personnel and patients to and from remote and regional communities across WA.

Whilst the sector has shown resilience through COVID-19, companies raised concerns on the prolonged impacts of state, national and international border closures and the looming spectre of further localised COVID-19 outbreaks on recovery and growth.

### Recommendations summary

To ensure successful recovery of the sector and capture the next wave of investment, the WA State and Commonwealth Government should **accelerate streamlining of structural reforms to remove unnecessary regulatory duplication and meaningfully reduce approval timeframes** whilst maintaining robust oversight of outcomes. A commitment to delivering improved regulatory and administrative efficiency and effectiveness will bring forward new investment and job creation, ensuring the economy's productive return to growth is sustainable and resilient.

<sup>3</sup> Given the rapidly changing situation and the uncertainty around borders and vaccines, the sector's attitudes may have changed.

With signs of labour supply shortages already evident from the CME survey and broader surveys of the Australian economy, the sector highly values initiatives to enable **more efficient skill pathways and labour mobility, particularly for roles difficult to source in WA**. The sector supports government incentives to accelerate training for critical roles and attract more individuals to live and work in WA.


On top of an escalating cost base, any cost increases will impact the sector's global competitiveness and reduce its capacity to respond to future economic opportunities or threats. As COVID-19 has demonstrated, building a solid and resilient foundation for responding to uncertainty is critical to maintaining business, investor and community confidence. CME, therefore, **welcomes the WA Government's commitment not to increase royalty rates**.

CME looks forward to continuing to work with governments to ensure broader tax, fiscal and regulatory settings **maintain WA's hard-won position as an internationally competitive and attractive investment destination of choice**.

# The WA Resources Sector and COVID-19

**98%**

of companies in the sector have been affected by COVID-19 to some extent

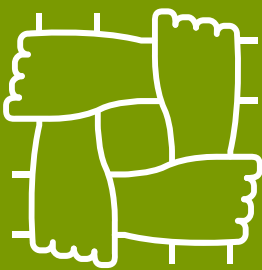


By November 2020, more companies felt well or very well prepared to handle a second wave of COVID-19 when compared to March 2020

**52%**

**89%**

Despite the disruptions caused by COVID-19, the sector continues to directly support the community




**60%** Reported support for COVID-19 related not-for-profits, local communities and vulnerable groups

The WA resource sector recorded an improvement in sales by

**14%**

FY20: \$172 bn

FY19: \$150 bn



The improvement was materially driven by:

- A surge in demand and price of iron ore;
- An increase in the gold price;
- Recovery in nickel sales.

Source: DMIRS, FY20 Major Commodities.


**91%**

of companies were disrupted by travel restrictions



**82%**

of companies with a primarily FIFO workforce relocated workers to WA




**74%**

of companies implemented additional mental health support due to workforce concerns



**57%**

of companies indicated a shortage of skilled and experienced workers to recruit



**40%**

of companies expected their business to substantially and permanently change due to COVID-19





# 1. Introduction

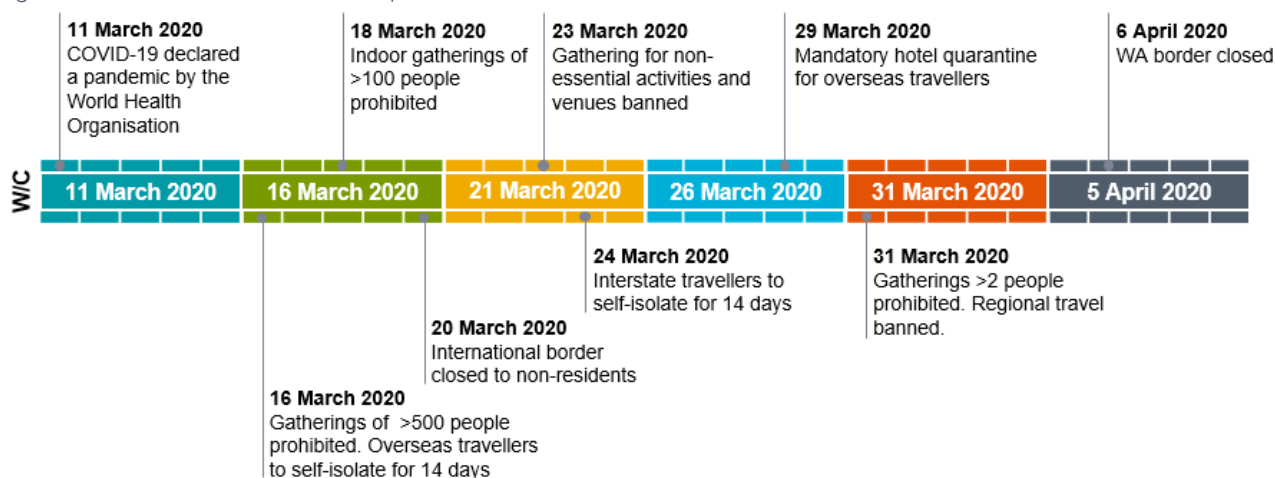
## 1.1 Background

First identified on 7 January 2020, COVID-19 is a highly contagious disease acutely affecting the respiratory system. As a new and novel disease, there was no pre-existing immunity in the community. The virus can spread widely and quickly and poses severe health risks to individuals with existing medical conditions and those aged 70 years and older.<sup>4</sup> COVID-19 has ultimately disrupted societies and economies worldwide.

Confirmation of the first case of COVID-19 in Australia was on 25 January 2020. Shortly after, on 1 February, the Commonwealth Government blocked arrivals from mainland China. On 11 March, COVID-19 was declared a global pandemic by the WHO. In response, the Commonwealth Government and its states and territories began to enact measures to ‘flatten the curve’ in mid-March.

A timeline of key milestones, including the WA State Government’s initial response to COVID-19, is summarised below in Figure 1.1.

Figure 1.1: WA’s COVID-19 initial response timeline



## 1.2 Purpose

In conjunction with EY, CME prepared this report to help understand the impacts of the disruptions on the WA resources sector caused by COVID-19. The report contains an analysis of responses gathered from member interviews and surveys (Section 1.4). The focus of this report is on the sectors’:

- Preparedness for the pandemic;
- The extent to which COVID-19 and the related government restrictions impacted the sector;
- How the sector responded to the disruption caused by COVID-19 and the related government measures;
- Expectations for the future; and
- Recommendations for how the WA State and Commonwealth Government can foster growth within the resource sector, and in turn, stimulate a broader economic recovery.

## 1.3 Sector overview

WA is a resource-rich state with the world’s most diverse and plentiful mineral and energy reserves.<sup>5</sup> The resources sector is Australia’s strongest economic performer and employs more than 135,000 individuals in WA<sup>6</sup> and 264,000 individuals nationally,<sup>7</sup> providing well-paid jobs across various trades and professions in metropolitan centres and regional and remote communities.

Beyond direct economic contributions, the sector supports a range of infrastructure developments and essential services in communities and regions in which it operates.<sup>8</sup>

<sup>4</sup> [Commonwealth of Australia](#), What you need to know about coronavirus (COVID-19), Department of Health, 15 January 2021.

<sup>5</sup> [Commonwealth of Australia](#), The Australian resources sector – significance and opportunities, Department of Industry, Science, Energy and Resources (DISER), 15 January 2021.

<sup>6</sup> Government of Western Australia, 2019-20 Economic indicators resources data, Safety Regulation System, DMIRS, 25 September 2020.

<sup>7</sup> Australian Bureau of Statistics (ABS), 6291.0.55.001 Labour Force, Australia, Detailed, November 2020 reference period, released 23 December 2020.

<sup>8</sup> [Commonwealth of Australia](#), Resources 2030 Taskforce, DISER, 15 January 2021.



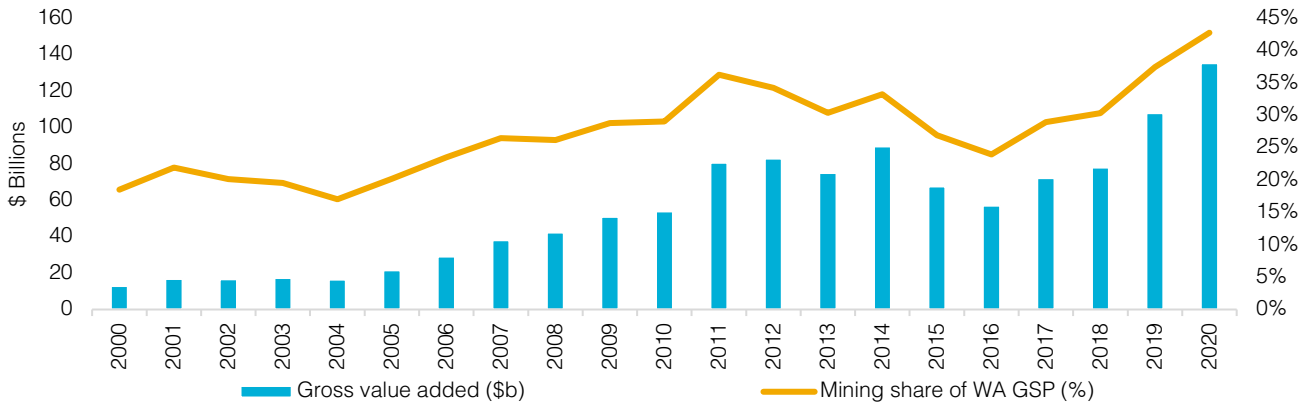
### Economic contribution to WA

Over the past 20 years, the sector’s GVA has trended upwards to \$135.3 billion in FY20, representing the highest GVA on record (Figure 1.2).<sup>9</sup> The WA resources sector is a substantial contributor to the economy.

As a percentage of Gross State Product (GSP), the WA resources sector’s contribution has increased over the past four years from 24% in 2016 to 43% in FY20.<sup>10</sup>

The sector has shown remarkable resilience during COVID-19, both operationally and financially. For comparative purposes, the second and third highest contributors to WA’s GSP in FY20 were the construction sector at 5% (\$17.3 billion) and healthcare and social assistance at 5% (\$15.1 billion).

Figure 1.2: WA’s resources sector: GVA and GSP



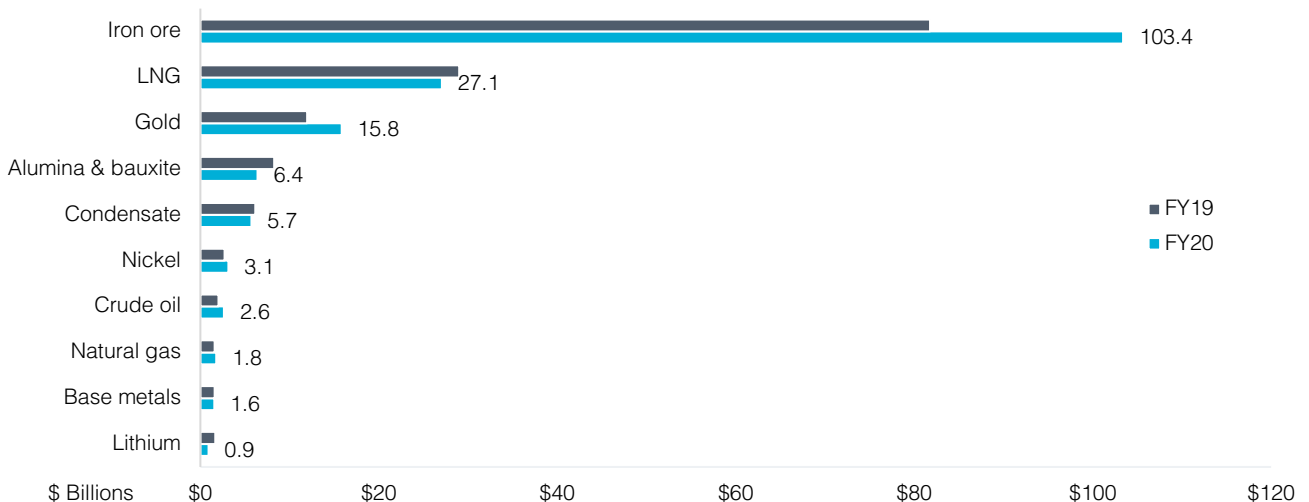
Source: January as reference month. ABS, 5220.0 Australian National Accounts: State Accounts (Annual).

### Exports

The WA resources sector encompasses various mineral and energy resources. As seen below in Figure 1.3, the most significant contributors to sales in FY20 were iron ore (\$103.4 billion), liquefied natural gas (LNG) and petroleum products (\$27.1 billion), then gold (\$15.8 billion).<sup>11</sup>

WA accounted for 49% of Australia’s total exports of goods in FY20, and 94% of it related to minerals and petroleum (\$173.7 billion). The major commodities exported were iron ore, petroleum and gold. The main resource export destinations in FY20 were China (predominantly iron ore, petroleum and lithium), Japan and South Korea (mainly petroleum, iron ore and nickel).

Figure 1.3: WA’s major minerals and petroleum sales: FY19 vs FY20



Source: DMIRS, Resource Data Files (Bi-annual).

<sup>9</sup> Government of Western Australia, Western Australia Economic Profile – November 2020, COVID-19 supplement, Department of Jobs, Tourism, Science and Innovation, 8 December 2020.

<sup>10</sup> Ibid.

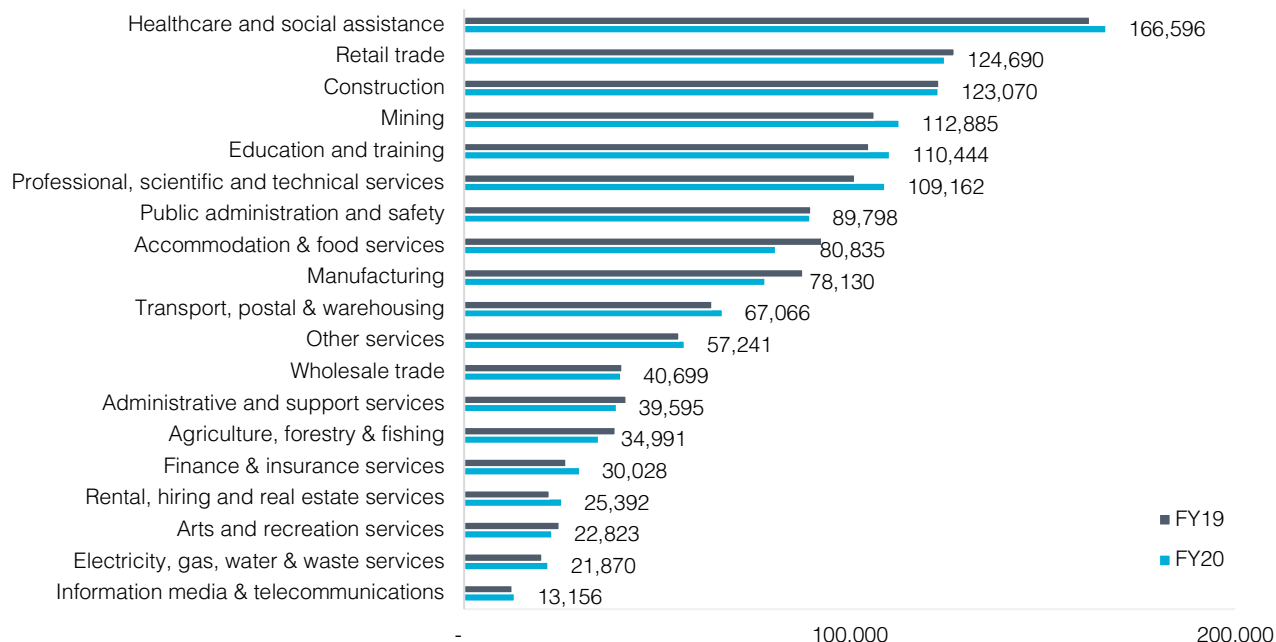
<sup>11</sup> Ibid.

## Employment

The WA resources sector provides a diverse range of job opportunities for people with a wide range of interests, skills and experience like engineers, scientists, mechanics and community relations specialists.

In FY20, the ABS place the WA resources sector as the fourth largest employer in WA, recording employment of 112,885 people (Figure 1.4). In comparison to FY19, employment in the sector grew by 6%.

Figure 1.4: WA's annual average employment by sector: FY19 vs FY20



Source: ABS, 6291.0.55.003 Labour Force, Australia, Detailed (Quarterly).

## 1.4 Impact of COVID-19 on the WA resources sector

CME conducted one-on-one interviews and surveyed companies from mid-2020 to understand the impacts and how the sector dealt with the disruptions of COVID-19.

### 1.4.1 Timeline of relevant government announcements in 2020

Of note, with the uncertainty of interstate and international borders, vaccine development and the severity of the global situation in 2020, the sector's attitudes have continued to evolve since CME collected information for this report between June and November 2020. Members' responses broadly reflected the sector's sentiments when WA appeared stable; however, the global outlook has continued to remain uncertain. In WA, there was justified optimism of the sector and economy's outlook. The responses reflect these expectations. Relevant contextual factors include:

- After WA emerged from its relatively short lockdown on 26 April 2020 (compared to other jurisdictions in Australia), members envisioned there would likely be a progressive and swift return to business as usual (BAU) in the second half of 2020.
- When the interviews took place in June and July:
  - The Prime Minister had announced a relaxation of social distancing, other restrictions and lifting of the Commonwealth managed Biosecurity Zones in WA. The National Cabinet encouraged the adoption of open border policies, with South Australia (SA) and Queensland (QLD) setting reopening dates for July;
  - Within WA, restrictions were further relaxed (Phase 4), with all remaining intrastate regional border restrictions removed. During this period, WA achieved 62 days of no community transmission. However, the hard-interstate border policy continued in response to Victoria's (VIC) second wave of COVID-19 and the heightened risk of community transmission in other jurisdictions.
- The Commonwealth Government announced *Australia's COVID-19 Vaccine and Treatment Strategy* in August, albeit with no indicative timeline of a planned rollout.

- When CME commenced the survey collection in September, the situation had improved. In October, the National Cabinet agreed in principle to the *Framework for National Reopening*,<sup>12</sup> although WA had not decided to set a timeframe for removing its border controls.
- On 30 October, the WA State Government announced a controlled interstate border would replace the hard border, pending ongoing review and public health advice confirmation. At this time, New South Wales (NSW) and VIC were considered low-risk jurisdictions. Travellers could enter WA but would be required to take a COVID-19 test and self-quarantine for 14-days using a suitable approved premise.

Months after the conclusion of the survey collection, the Perth, Peel metropolitan and South West regions entered a five-day lockdown on 31 January 2021.

#### 1.4.2 Interview methodology

Between 12 June and 10 July 2020, CME engaged with representatives from 30 companies to discuss the impacts of COVID-19 on their business and the sector in general. The interview questioning enabled companies to convey an expanded view of the types of topics covered in the survey. The interviews covered:

- Companies across different organisation types (listed and non-listed), sizes, businesses (Australian and multinational), commodities and regions (onshore and offshore waters of WA).
- Range of senior roles such as Chief Executive Officers, Chief Financial Officers, Chief Operating Officers, Managing Directors, Directors, General Managers and Operational Leads.

#### 1.4.3 Survey methodology

The survey was conducted online between 7 September and 5 November 2020, with a response rate of 47 CME ordinary member companies.

- Of the companies that responded, 30% were gold, 17% iron ore, 15% in LNG and petroleum-related products and 43% in 'other' (including contracting, other metal and mineral products).
- Of CME 'top 30' producing members, 87% participated in the survey.

The survey comprised of the following sections:

- Section 1 – Organisational preparedness;
- Section 2 – Disruptions and responses to impacts to date;
- Section 3 – Role of the government; and
- Section 4 – Future expectations.

This report represents companies who employ 83% of the entire sector's workforce, based on interview and survey responses. About half of these companies have an overseas parent or direct interest in projects overseas.

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<sup>12</sup> Commonwealth of Australia, Framework for National Reopening, National Cabinet, 23 October 2020.

## 2. Preparedness for COVID-19

This section of the report examines the sector's pre-existing contingencies for crises, including preparedness to respond to the disruptions caused by COVID-19 (Figure 2.1), planning to respond to the health risks specific to COVID-19 (Figure 2.2) and its identified vulnerabilities.

### 2.1 Crisis management planning

#### Planning for disruption

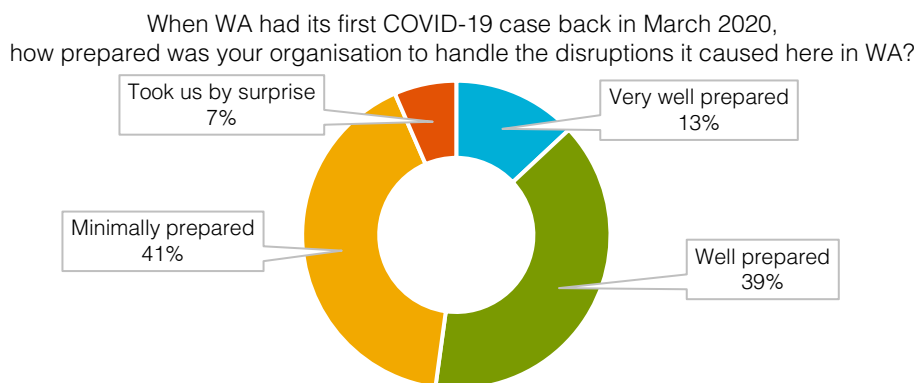
As a whole, the resources sector effectively responded to and dealt with the disruptions caused by COVID-19, with most sites remaining operational and productive during the pandemic.<sup>13</sup> However, like many other businesses, when WA recorded its first COVID-19 death in March 2020, some companies reported they did not feel fully prepared initially to handle the disruption.

The survey revealed that 52% of companies reported being 'well' or 'very well' prepared to handle the initial disruption caused by COVID-19 in WA (Figure 2.1). During interviews, a common position was that although they had crisis management plans, they did not consider the degree of disruption that an event like COVID-19 would have. The formal structures to control and manage risks of previous crises such as major tropical cyclones in the Pilbara, extremism in developing countries or site-specific infectious disease outbreaks needed to address the multifaceted health, economic and social impacts of COVID-19. The COVIDSafe online planning tool for helping businesses was not available until May 2020, whilst Safe Work Australia's national guide was not made available until August 2020.

Further analysis did not reveal a correlation between a company's international presence, sales revenue and initial level of preparedness to handle COVID-19 disruptions. Some representatives with multinational operations during the interviews, however, self-reported being early movers and cited responses such as:

- Quickly standing up crisis response teams within their organisations in January and February 2020;
- Restricting international business travel in January, before the Australian borders closed in March; and
- They were prohibiting employees from attending gatherings before March, when it was mandated.

Figure 2.1: Sector preparedness for the disruptions caused by COVID-19



Source: CME COVID-19 Survey, 2020.

Below are excerpts from member interviews that demonstrate varying levels of preparedness:

A metal company stated that:

*Our plans did not contemplate a pandemic. We managed the disruption brought by the pandemic daily as it unfolded.*

Source: COVID-19 CME member interview, 2020

An energy company stated that:

*Having an office in China helped us get ahead of the game globally, with understanding the impacts of the pandemic early on and providing the resources to plan if it escalated.*

Source: COVID-19 CME member interview, 2020

<sup>13</sup> Some ASX-listed companies issued trading halts or temporarily entered some sites into care and maintenance until conditions significantly improved.

## Planning for health risks

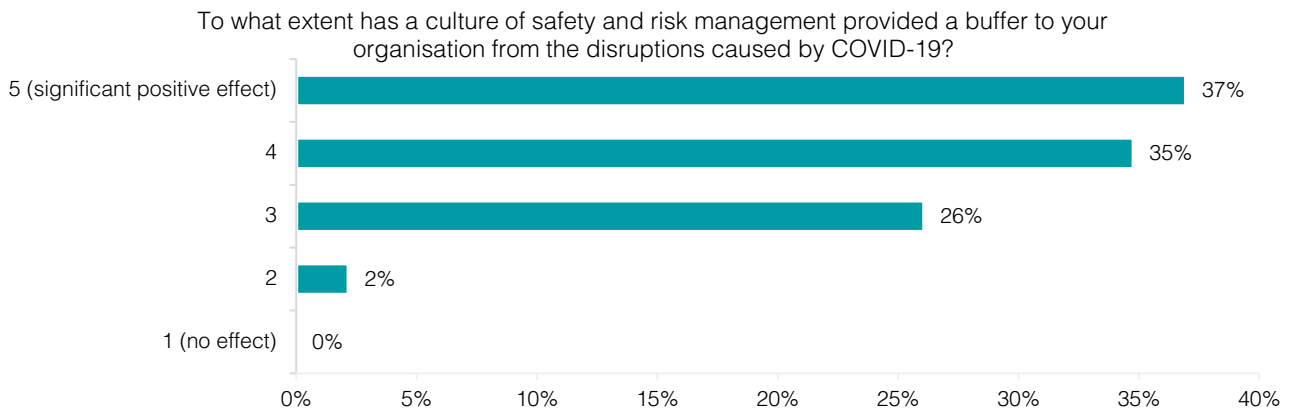
As defined by the WHO, a pandemic is the simultaneous out-of-season transmission and spread of a new virus worldwide. Unlike seasonal influenza, COVID-19 has increased transmissibility and severity if contracted, (higher fatality rates).<sup>14</sup> Health-based interventions like treatments and vaccines to tackle pandemics progressively evolve as more about the virus is determined.<sup>15</sup>

With a robust risk-based culture and first-order priority on managing workplace health and safety risks, the resources sector is well-experienced in managing crises. The majority of companies referred to a culture of safety and risk management as having a significant positive effect in providing a buffer from the disruptions caused by COVID-19 (Figure 2.2). However, as indicated in Figure 2.3, only 15% of companies had identified infectious conditions like COVID-19 in their management plans as of March 2020. During the interviews, some companies noted their experience with similar health crises was limited to bouts of gastroenteritis, measles, or influenza (e.g. increased risk of operating in the tropical northern WA).

Of the companies that had already updated their management plans to include COVID-19 specific health risks before cases escalated in WA (March 2020), 100% indicated a safety and risk management culture provided a significant positive effect on sheltering them from the full impact of COVID-19.

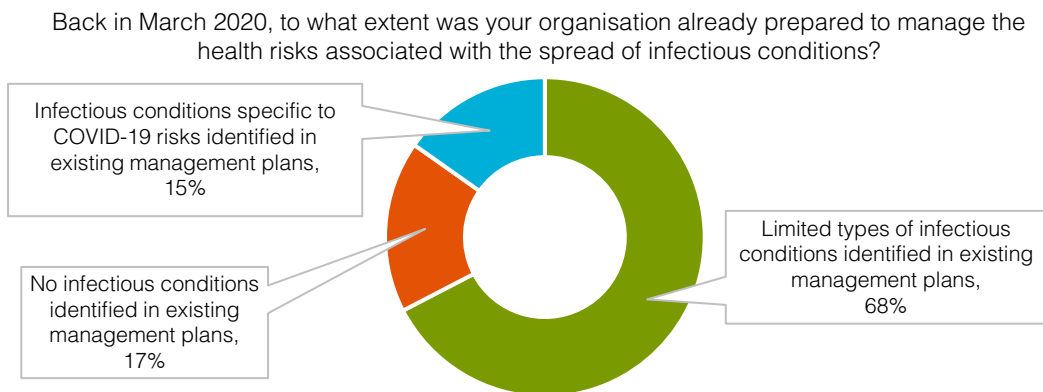
71% of these companies also had an international presence.

Figure 2.2: Impact of a safety and risk management culture on handling disruption



Source: CME COVID-19 Survey, 2020.

Figure 2.3: Sector preparedness to handle infectious conditions



Source: CME COVID-19 Survey, 2020.

## 2.2 Sector collaboration

At the outset of COVID-19, a large portion of the sector reported limited preparation to handle the initial disruptions and health risks specific to COVID-19. Notwithstanding this, companies responded rapidly by establishing dedicated response teams to put plans and protocols in place. To assist the sector through this process and support a coordinated response, CME collaborated with its members, other peak industry

<sup>14</sup> Kelly, H., The classical definition of a pandemic is not elusive, Bulletin of the WHO, vol. 89, no. 7, July 2011, pp. 469-544.

<sup>15</sup> WHO, Managing epidemics: Key facts about major deadly diseases, 26 June 2018.

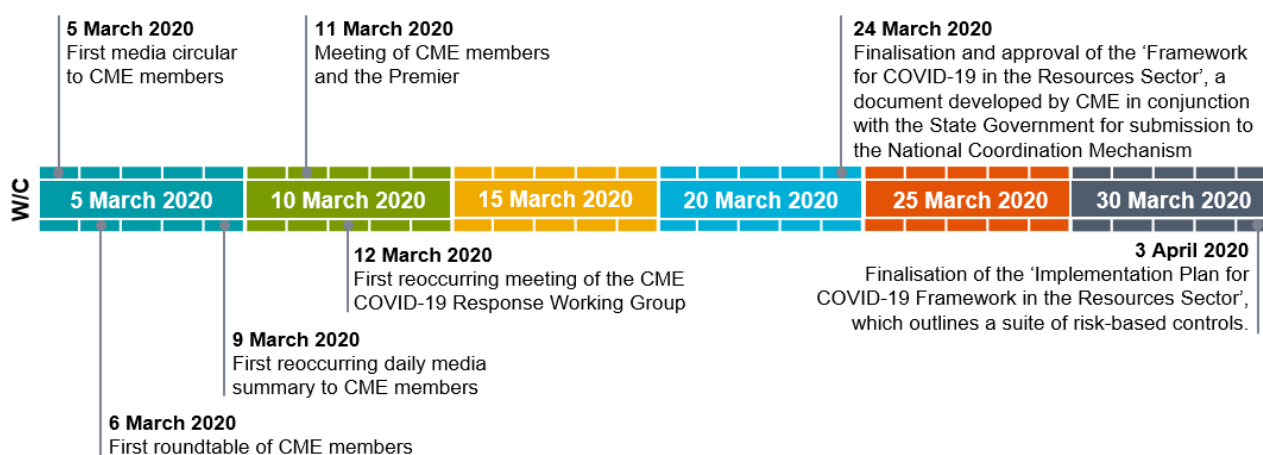
bodies<sup>16</sup> and stakeholders to develop the *Framework for COVID-19 in the Resources Sector* (the Framework) and its supporting *Implementation Plan*. The plan outlines risk-based actions and outcomes, supporting:

- Support the safety and health of the resources sector workforce;
- Ensure that the resources sector does not impact the regions and communities it operates in and does not undermine public health efforts; and
- To maintain operations and production wherever possible for the benefit of the sector, workers, communities and suppliers that the sector supports<sup>17</sup>.

The Framework was quickly adopted by the WA State Government as an industry standard, placing confidence in the sector's ability to maintain safe operations and limit the transmission risk to its workforce and the broader community. Anecdotally, the Framework was used as a guide to inform some members' overseas operations, WA-based suppliers providing services to the sector (e.g. construction) and were taken into consideration by state and national advisory bodies. Some of the milestones achieved include:

- As demonstrated in Figure 2.4, CME commenced working with its members on 5 March 2020, before WHO declared COVID-19 a global pandemic on 11 March 2020.
- CME was able to finalise the Framework by early April 2020, before the National Cabinet agreed to the *National COVID-19 Safe Work Principles* on 25 April 2020.

Figure 2.4: CME's COVID-19 initial response timeline



From the interviews, 72% of companies had explicitly noted that CME had helped them prepare for the pandemic or that their collaboration with industry was effective, for example:

A gold company stated that:

*We did not have a plan before COVID-19 kicked off. The best preparation we had was through CME. This allowed us to act quickly and nimbly.*

Source: COVID-19 CME member interview, 2020

An iron ore company stated that:

*Towards the end of February, we formed a work group with three focus areas – making sure people are safe, healthy and to keep production going. The team was set up by the head of risk and started working on the protocols CME sent out.*

Source: COVID-19 CME member interview, 2020

## 2.3 Unique vulnerabilities identified

COVID-19 upended the global economy, drastically distorting demand for a range of good and services (e.g. cleaning products and medical supplies), with spikes in demand quickly outpacing their production and distribution. COVID-19 restrictions on international travel, air and vessel freight movements further disrupted global supply chains, which were already struggling to adjust to a new paradigm.

<sup>16</sup> The Australian Petroleum and Production Exploration Association and Minerals Council of Australia for example.

<sup>17</sup> CME, Implementation Plan for COVID-19 Framework in the Resources Sector, 24 March 2020.



The WA resources sector was not immune to these supply chain disruptions (Section 3.8), particularly securing personal protective equipment (PPE) such as face masks or hand sanitiser. However, during the interviews, companies noted these impacts had largely been minimal and identified factors that assisted in limiting the risk of effects (Section 4.7):

- Proactive engagement and communication with key suppliers on inventories as early as December 2019;
- Ability to identify and switch suppliers that could meet fluctuating demand for substitute goods, e.g. materials and consumables; and
- For plant and equipment identified as critical and would need to come from overseas, companies introduced additional time in their procurement and project schedules as a precaution.

This section of the report discusses the unique vulnerabilities the WA resources sector had in responding to the disruptions caused by COVID-19 and its restrictions. From 19 March 2020, government regulations were introduced in WA limiting intrastate (intra-regional) and interstate travel, imposing mandatory quarantine periods, and limiting access to vulnerable remote Aboriginal communities. Aside from the primary objective of mitigating the risk of community transmission, other challenges presented requiring a considered, collaborative and coordinated response between and within the sector, its suppliers and governments.

### 2.3.1 People movement

Many WA resources sector projects rely heavily on a fly-in, fly-out (FIFO) workforce model. This model is primarily due to operations' remoteness, historical global commodity cycles and difficulties attracting skilled labour to reside locally. For decades, like agriculture, government, medical and allied health services, long-distance commuting like FIFO and drive-in, drive-out (DIDO) has supplemented or complemented workforce gaps across regional and remote WA. Other jurisdictions use this practice, with many WA residents travelling to different locations for work.

For most, WA FIFO workers reside in the Perth metropolitan and South West regions and fly from Perth to a regional airport or direct to a remote site for work. In other instances, employees live outside of WA and transit interstate to Perth and then on to a regional hub or direct to a remote site. This latter category is made up broadly of highly skilled and difficult to source specialist roles required for short or fixed-term durations like construction and maintenance shutdowns. At the outset of the pandemic, CME estimated the industry engaged between 5,000 and 6,000 interstate FIFO workers, most from QLD, NSW or VIC.

The WA State Government's hard border policy mostly allowed the interstate movement of time-critical and essential specialist workers that met the defined regulatory exemptions. However, unnecessary interstate travel was strongly discouraged and prohibited altogether at certain times, based on escalating public health risk. During the height of travel restrictions, individuals travelling between states had to quarantine for 14 days upon entering WA and again when returning home, depending on jurisdiction-specific requirements.

Given this context, it is perhaps unsurprising that 91% of respondents indicated that the travel restrictions and mandatory quarantine periods disrupted them to some extent.

### 2.3.2 Mental health and well-being

The mental health and well-being impacts of the COVID-19 pandemic are across society. According to an ABS longitudinal survey, almost half of Australians felt COVID-19 anxiety in August when VIC had the most significant surge in cases.<sup>18</sup> This finding is a stark comparison to a study conducted during the first few months of the national lockdown restrictions; one-quarter of the Australian adult population reported symptoms of depression or anxiety.<sup>19</sup> COVID-19 has reinforced mental health and well-being as a priority.

For workers in the WA resources sector, the physical health concerns of COVID-19 and the consequential isolation and distancing measures that workers are required to follow may increase mental health and well-being risks. Previously identified by Curtin University in December 2018, FIFO workers in the sector are at a higher risk of experiencing mental health and well-being distress.

The research found that 33% of FIFO workers experienced psychological distress compared to only 17% in non-FIFO workers.<sup>20 21</sup> The impacts of COVID-19 and the associated disruptions on workforce mental health

<sup>18</sup> ABS, Household impacts of COVID-19 survey, August 2020 reference period, released 31 August 2020.

<sup>19</sup> Fisher, et al., Mental health of people in Australia in the first month of COVID-19 restrictions: A national survey, *The Medical Journal of Australia*, 213 (10), pp. 458-464, 20 August 2020.

<sup>20</sup> [WA Mental Health Commission](#), Impact of FIFO work arrangements on the mental health and wellbeing of FIFO workers, 2018.

<sup>21</sup> [Government of Western Australia](#), COVID-19: Managing Modified Rosters and Fatigue, DMIRS, 1 December 2020.



and well-being are discussed further in Section 3.4. For example, the psychological impacts of quarantine need to be well-considered:<sup>22</sup>

An iron ore company stated that:

*We have around 500 people who haven't been able to go home interstate as there is a fear and mental anguish of being quarantined for 14-days. The effects of quarantine itself on individuals should not be underestimated.*

Source: COVID-19 CME member interview, 2020

### 2.3.3 Intra-regional access restrictions

In March 2020, the WA State and Commonwealth Government imposed measures to restrict movements into remote areas to protect vulnerable remote Aboriginal communities, including the entire Kimberley region.<sup>23</sup> For a period, the Commonwealth Biosecurity Zones coincided with the WA State Government's hard border restrictions on intrastate regional and interstate travel. Yet, the requirements of these two levels of travel restrictions did not align. During this time, the Commonwealth Biosecurity Zone prohibited entry except with 14-days quarantine outside the restricted zone before access. In contrast, the WA regional restrictions required 14-days of quarantine upon arrival within the restricted area. In some instances, this resulted in individuals completing 28-days of quarantine to meet both requirements. Additionally, definitions and exemption requirements between the two layers of restrictions did not align, rendering certain travel impossible, even if permitted by one (but not both) provisions.

As previously noted, resources sector operations are located in regional and remote areas of WA, typically where proportions of Indigenous populations can be as high as 64%<sup>24</sup> and proportions of the populations older than 65 years can be as high as 26%.<sup>25</sup> For comparison, the statewide proportion of Indigenous and over 65s populations is 3% and 15%, respectively. As such, the sector is vulnerable to travel restrictions near these populations. To protect nearby vulnerable communities, this can inhibit companies travelling to and from sites and continuing operations. This topic is discussed further in Section 3.2.

An energy company stated that:

*We were impacted by the Kimberley travel restrictions and Commonwealth biosecurity restriction and didn't know how we were going to continue to operate.*

Source: COVID-19 CME member interview, 2020

## 2.4 Preparedness for a second wave

Despite low case numbers in WA and across Australia, the COVID-19 situation is still volatile. The virus and its mutant variants continue to spread globally.

Even with the rollout of vaccines in Australia (targeting the first dose to reach all Australians by October 2021), there continues to be limited global availability of vaccines, and their effectiveness in preventing transmission will need further testing. As such, a second or third wave of COVID-19 in WA is plausible. During the interviews, some members expressed a reality of managing COVID-19 for years to come.

A case in point, on 31 January 2021, WA implemented a five-day lockdown for the Perth, Peel and South West regions in response to an identified positive case of a virulent strain of COVID-19 in a quarantine hotel security guard (case 903). While community transmission of the virus did not occur and a second wave did not eventuate, it provided the opportunity to test the track and trace regime.

Resources sector companies complied quickly with lockdown restrictions, standing up health-focused controls within 24 hours. For example, aviation charters departing from Terminal 2 at Perth Airport dropped 45 down to nine movements during the lockdown (comparing Tuesday traffic one week apart). The survey responses below support preparedness in responding to case 903.

Between September and November 2020, how prepared their organisations were to handle a second wave of infection in WA were asked of respondents. As demonstrated in Figure 2.5, 100% of companies indicated

<sup>22</sup> Brooks, K. et al., The psychological impact of quarantine and how to reduce it: Rapid review of the evidence, The Lancet, vol. 395, iss. 10227, 26 February 2020, pp. 912-920.

<sup>23</sup> Aph.gov.au, COVID-19 Biosecurity Emergency Declaration – Parliament of Australia, 11 December 2020.

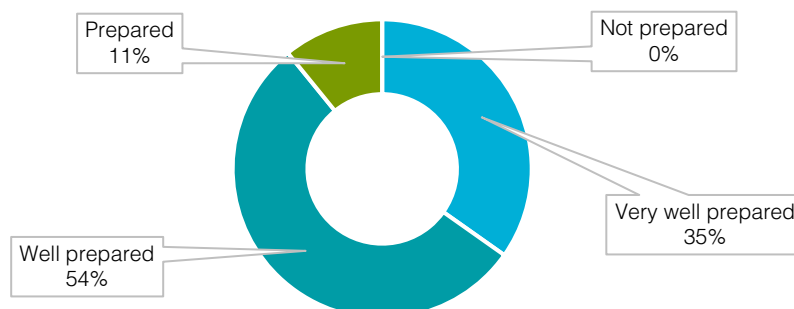
<sup>24</sup> West Kimberley region for example. ABS, 2071.0 Census of Population and Housing: Reflecting Australia – Stories from the Census, 2016: Aboriginal and Torres Strait Islander Population – Western Australia, released 23 May 2019.

<sup>25</sup> Bridgetown-Greenbushes for example. ABS, 3235.0 Regional Population by Age and Sex, Australia, released 28 August 2020.

they are prepared, with 89% 'well' or 'very well' prepared to handle the disruption caused by a second wave, 37 percentage points higher than the initial wave results.

Figure 2.5: Sector preparedness to handle a second wave of infection in WA

Currently, how prepared is your organisation to handle a 'second wave' of infection in WA?



Source: CME COVID-19 Survey, 2020.

In the event of a second wave in WA, protocols that companies would implement to maintain operations and the safety of their employees include:

- Maintain and scale-up hygiene and cleaning protocols;
- Manage and limit movements to site, particularly for visitors and non-essential staff;
- More comprehensive provision of PPE such as face masks and disinfectant;
- Reduce non-essential work, including specific exploration;
- Restrict mass gatherings; and
- Reconsider rosters to minimise travel and staggering shifts to avoid cross-infection.

In collaboration with members, CME commenced preparation of a Second Wave Planning Framework in July. This document, which continues to be reviewed and updated, expands on the protocols implemented under the first Framework in April 2020. Together with the additional measures identified in the survey, the document contemplates a range of second wave scenarios with a varying speed of onset, length of lockdown, and severity of community transmission spread. Feeding into this planning, CME also worked with members, port authorities, airline and Perth Airport towards developing consistency in the expected triggers and controls of managing COVID-19 risks in airports and ports.

## 2.5 Preparedness conclusion

At the outset of the pandemic, the CME survey suggested that 48% of companies were less than well prepared to handle the disruption caused by COVID-19, with 84% of companies not prepared to manage the health risks of the spread of infectious conditions such as COVID-19. Many companies indicated they were not ready for the degree of initial disruption of an event like COVID-19, despite their safety-first culture and experience in managing crises.

Given the remoteness of many sites, difficulty attracting skilled labour to local operations, and the heavy reliance on a FIFO workforce, the sector was vulnerable to disruption caused by the travel restrictions. However, the sector responded quickly to government measures. Many sites remained operational throughout, a remarkable outcome in itself and considered a very low probability at the outset.

CME proactively collaborated with its members to prepare the Framework to facilitate the transition to new ways of assessing and managing risk to maintain safe operations under a pandemic while ensuring compliance with rapidly evolving external and internal health advice and protocols. This collaboration across industry and government has to date proved successful in protecting workforce safety and health and communities in which the sector operates.

Due to the plans and procedures that the sector quickly adopted and continuously improved during the pandemic, all companies surveyed responded that they were, to some extent, prepared for a second wave, with 89% reporting being well or very well equipped.

### 3. Disruption

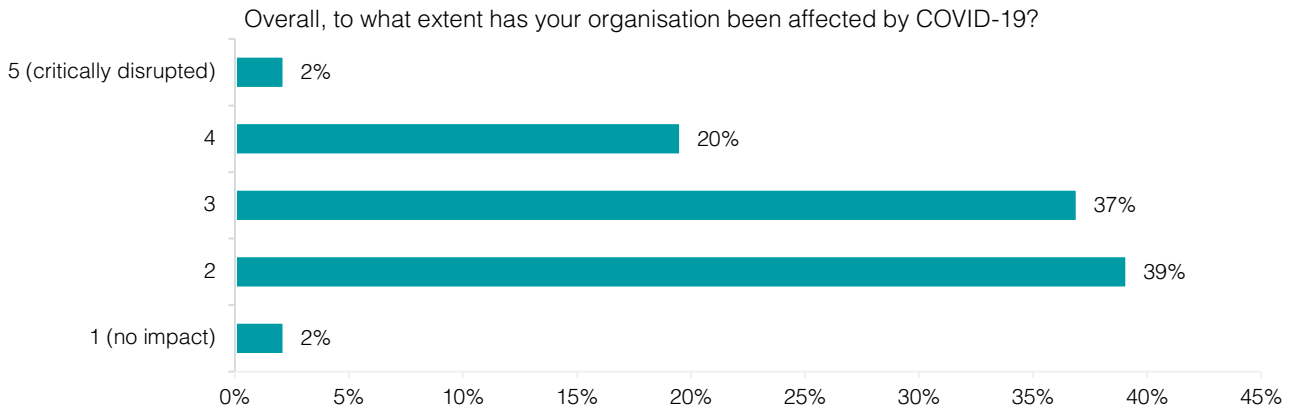
This section of the report focuses on disruption related to global market conditions and more localised government responses and restrictions, including workforce, financials and suppliers.

The following Section 4 describes responses to these identified disruptions.

#### 3.1 Overview of disruption

Somewhat unsurprisingly, the survey results confirm 98% of companies interviewed were affected by COVID-19 to some extent. However, of note is most companies reported no critical disruption. Interestingly, the results revealed little to no correlation between the extent to which companies were affected and company/commodity type, including parameters such as size, global presence and commodity.

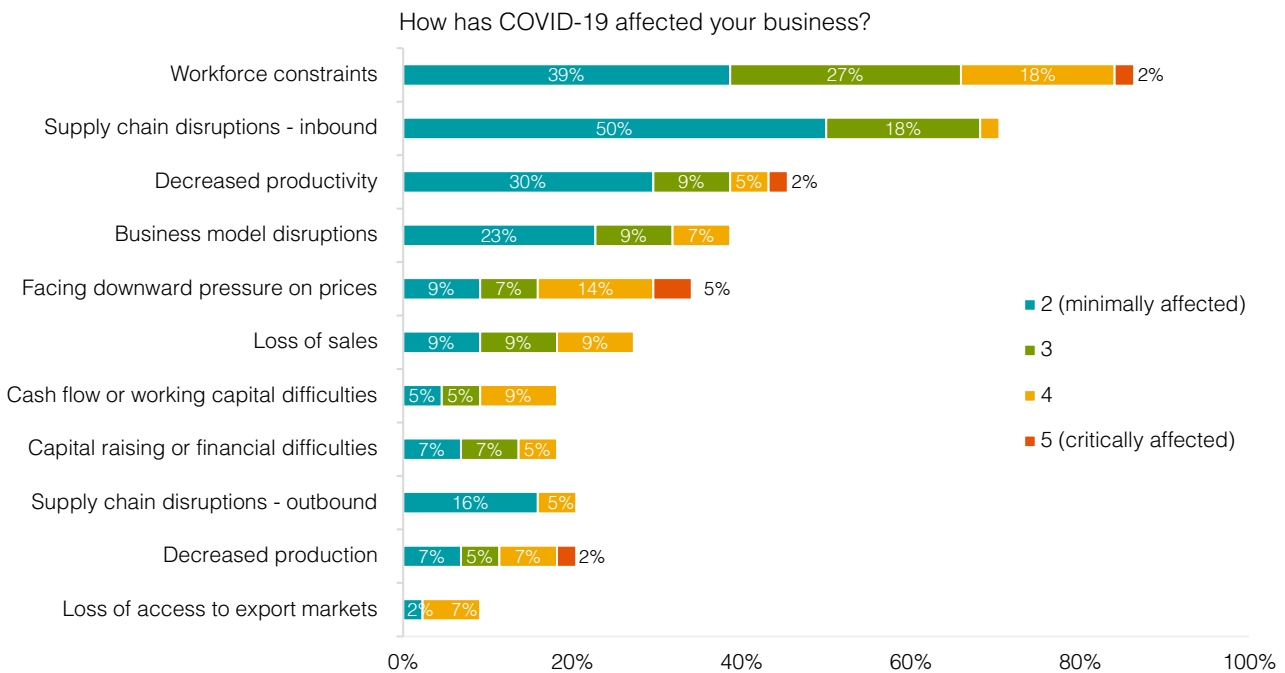
Figure 3.1: Overall impact of COVID-19



Source: CME COVID-19 Survey, 2020.

Companies could choose a scale of level 1 to 5 to indicate the areas affected by COVID-19. Figure 3.2 provides a breakdown of the degree of disruption reported in each area. A level 2 disruption represents a minimally affected outcome, and a level 5 disruption represents a critically affected outcome.

Figure 3.2: Areas affected by COVID-19



Source: CME COVID-19 Survey, 2020.

To clearly demonstrate which areas were most affected, the graph excludes the bar representing companies that experienced level 1 no disruption (impact).

### 3.2 Disruption to workforce movements

The most common area of disruption felt by the sector was workforce constraints. In response to COVID-19, the government introduced measures that restricted access to and movements across the following:

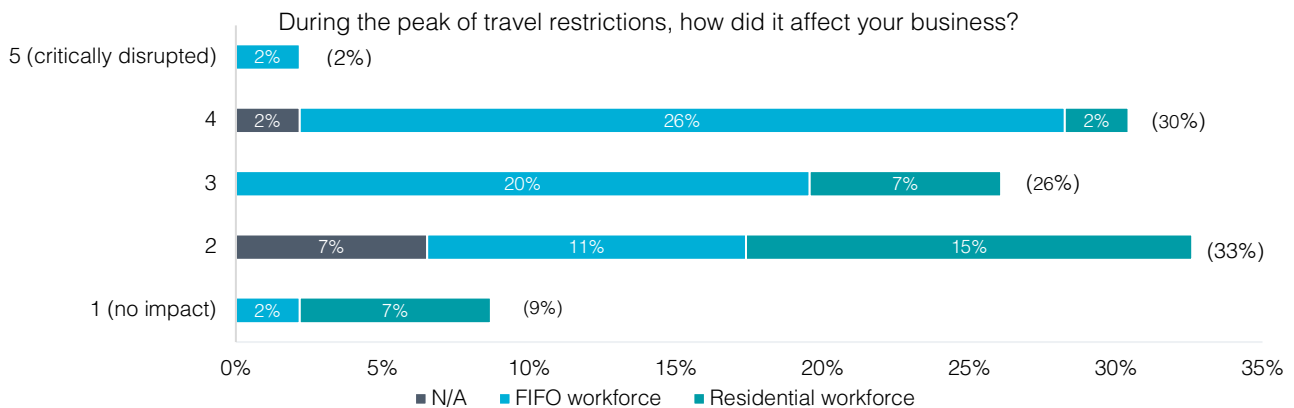
- The Australian international border;
- The WA interstate border;
- WA intrastate regional borders – Regional development commission boundaries and in some instances local government authority boundaries;
- The three nautical mile border between Commonwealth and State waters; and
- Remote Aboriginal community borders.

Australian governments recognised the resources sector as an essential service. Throughout the period where interstate travel restrictions applied, FIFO workers were broadly able to continue to travel. However, the standard control of 14-day quarantine measures made frequent travel in line with pre-COVID-19 rosters impractical. It also presented challenges for mental health and well-being (Section 4.2).

For example, an employee working in WA from some other states on an 8:6 roster (eight days on and six days off) would spend four weeks (two weeks each way) in quarantine if they were to return home. At different times government restrictions placed on interstate movements were further tightened, as discrepancies emerged between jurisdictions that experienced extended periods without community transmission of COVID-19 like WA compared to other states such as VIC with high cases and extended lockdowns.

As demonstrated in Figure 3.3, 91% of companies experienced disruptions from travel restriction. Companies that felt level 3 moderate effects to a level 5 critical disruption were mainly those with a majority FIFO workforce. Companies that felt no impact or minor disruption had a predominantly residential and DIDO workforce.

Figure 3.3: The impact of travel restrictions on the sector



Source: CME COVID-19 Survey, 2020.

Company workforce models have been categorised according to the primary workforce employed (over 50%). Accordingly, companies that are categorised as a FIFO workforce have at least 50% FIFO workers but may have residential and international workers. For this analysis, residential includes DIDO workforces.

Where the primary workforce model cannot be determined or the workforce model changes depending on the location or length of projects, companies are classed as N/A.

A contracting company advised that:

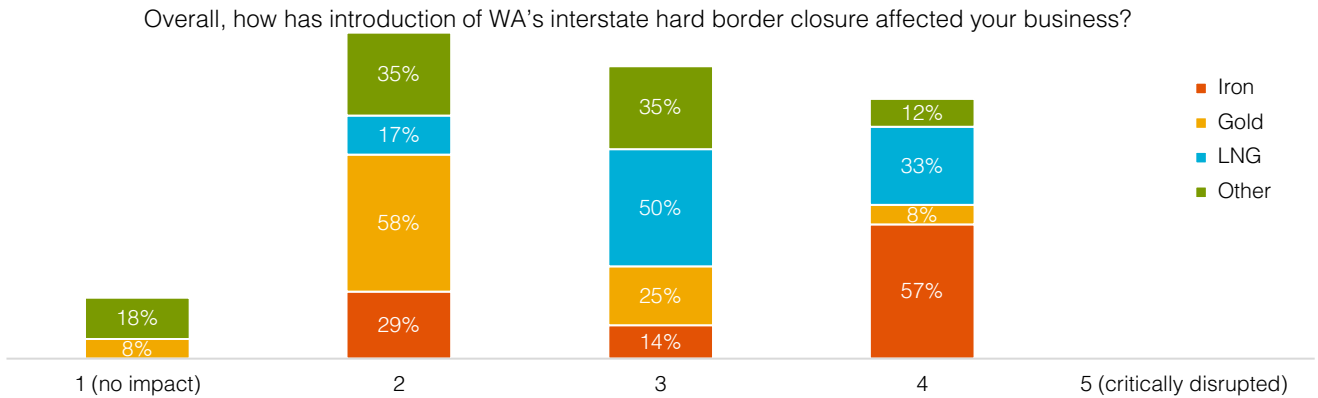
*The most disruptive effect of COVID-19 was the travel bans and their impact on the crew, rosters and the mental fatigue and stress that longer rosters caused on families.*

Source: COVID-19 CME member interview, 2020

### Interstate border

The interstate border restrictions impacted 90% of companies to some extent (Figure 3.4).

Figure 3.4: Level of disruption caused by interstate travel restrictions by commodity



Source: CME COVID-19 Survey, 2020.

Further analysis indicates that:

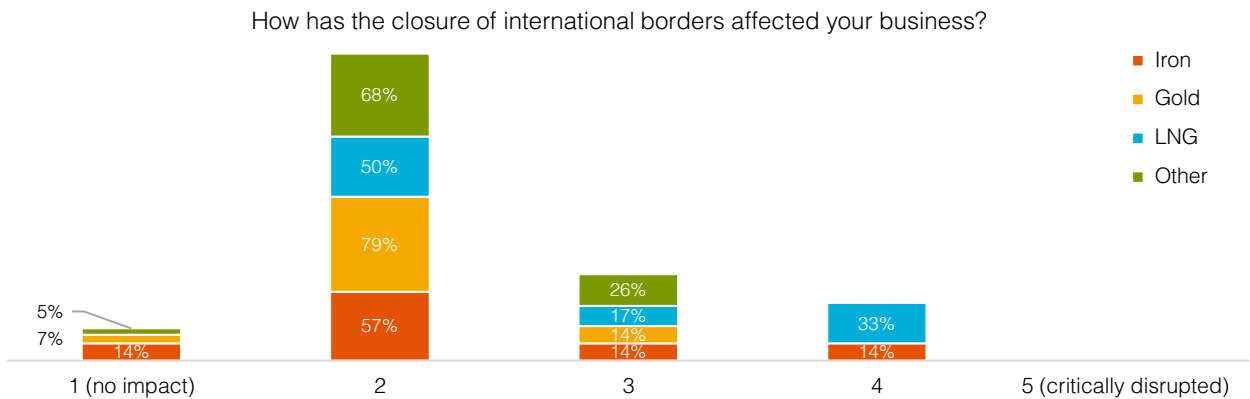
- 57% of iron ore companies experienced significant (but not critical) disruptions due to interstate border restrictions, the highest among all commodities. The outcome likely reflects the volume and frequency of workforce movements that iron ore companies tend to have due to larger operational footprints or higher capital spend on projects relative to other commodities currently. For comparison, iron ore members currently employ two to three times more workers than gold;<sup>26</sup> and
- 30% of companies with a primarily FIFO workforce, generally adopted by companies with remotely located projects, experienced major disruption due to interstate border restrictions. Indicating, intuitively, that the interstate border was most disruptive to FIFO workforce movements.

### International border

The level of disruption caused by international border restrictions was lower than that caused by interstate restrictions, with 70% of companies experiencing minimal disruption. A breakdown is in Figure 3.5.

During the interviews, companies mentioned the logistical and administrative challenges of moving Australian employees to projects overseas (e.g. North and South America or Africa) or bringing overseas employees who choose to reside abroad and FIFO to WA Australian projects (e.g. Indonesia and Thailand). There were limited regular public transport flights available with overseas travel banned and monthly caps on international arrivals into Australian airports. To maintain continuity, some companies chartered their commercial aircraft as a result.

Figure 3.5: Level of disruption caused by international travel restrictions by commodity



Source: CME COVID-19 Survey, 2020.

<sup>26</sup> DMIRS SRS data for FY20, 25 September 2020.

The survey results suggest that:

- Most companies had minimal disruption, reflecting the vast majority of the workforce is domestic. The limited level 1 impact and a significantly higher count of level 2 impact, however, is possibly reflective of the globalisation of the sector and its trade; and
- Relevantly, 33% of LNG companies experienced significant disruption, which relates to the specialised and hard-to-source nature of LNG skills required for operations, maintenance and projects. These skills are often found internationally in cohorts that respond to global trends, placing a higher reliance on international travel for critical workers in the LNG sector. In recognition of this, the Australian Competition and Consumer Commission has granted an interim authorisation to LNG producers across WA and Northern Territory (NT) to coordinate their maintenance activities.<sup>27</sup>

### Nautical border

The hard border interstate policy did not address travel to offshore facilities located more than three nautical miles from the WA coast. Therefore, oil and gas companies were required to quarantine their demobilising workforce returning to WA for 14-days, even when these workers were WA residents departing to and from the offshore facility solely via a WA port. The treatment of the three nautical mile line penalised WA workers compared to interstate FIFO workers since WA residents were required to quarantine whilst those from interstate was allowed passage back to their home state without quarantine. Treating them as arriving from WA effectively, a COVID-19 free jurisdiction, these home states generally did not require these interstate FIFO workers to quarantine at home. The nautical border restrictions impacted all companies operating in Commonwealth waters (100%), including platforms, floating production storage and offloading, drilling rigs and floating LNG vessels.

These federal-state issues have caused considerable logistical and administrative challenges. Risk-mitigation planning for these companies to ensure continuous safe operations remains an area under review, with several COVID-19 restrictions still affecting offshore facilities at the time of this report.

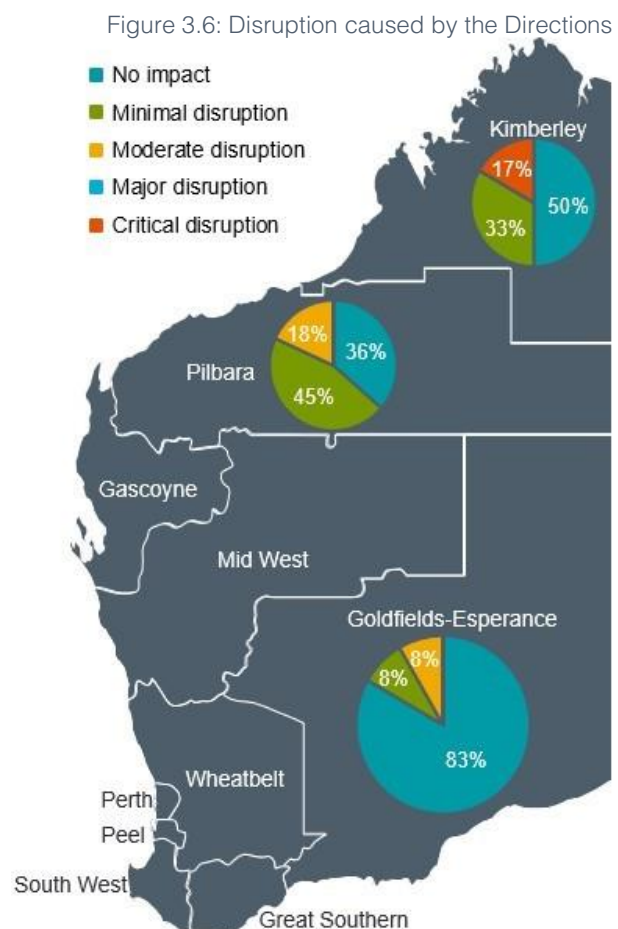
### Remote Aboriginal communities

On 19 March 2020, the WA State Government introduced the *Remote Aboriginal Communities Directions* (the Directions), limiting access to remote Aboriginal communities due to an increased health risk posed by COVID-19 to Indigenous peoples. With the first case of COVID-19 in WA flown from the Diamond Princess cruise ship in the NT on 21 February, some members evaluated the potential exposure risk of COVID-19 to their nearby Indigenous communities well before issuing these Directions.

On 26 March 2020, through the *Biosecurity Act 2005*, the Commonwealth Government imposed an additional layer of travel restrictions for three entire remote regions with high Aboriginal populations, comprising the Ngaanyatjarraku, Kimberley and East Pilbara. Following an agreement, these restrictions were removed on 5 June 2020 because the WA State Government’s regime sufficiently protects remote Aboriginal communities.

On 10 May 2020, the intrastate regional borders limiting movement between the Mid West, Gascoyne and Pilbara, Goldfields-Esperance, and Kimberley were eased. An amalgamation of the Perth, Peel, South West, Great Southern and Wheatbelt regions also saw the opening up of intrastate travel movements.

In June 2020, the second iteration of the Directions was replaced with a third version. The easing of these



Source: CME COVID-19 Survey, 2020.

<sup>27</sup> Australian Competition and Consumer Commission, Western Australian and Northern Territory LNG Producers, authorisation granted with conditions on 2 March 2018.



restrictions has likely impacted the sector's response to the question: 'Currently, how do travel restrictions enforced through the Directions affect your business?'

The survey revealed 29% of companies felt disrupted by the enacted restrictions, limiting access to remote Aboriginal communities. Companies that indicated disruption had their primary WA operations in either the Kimberley, Pilbara or Goldfields-Esperance regions. Of those companies disrupted by these Directions, 75% indicated they also directly supported remote Aboriginal communities during COVID-19.

As part of the Directions, Indigenous employees who regularly reside in remote communities were encouraged to return to those communities, with 17% of surveyed companies indicating they had Indigenous employees return to their communities.

As demonstrated in Figure 3.6, whilst travel restrictions disrupted some companies, some companies operating in the same region recorded no impact. For example, 50% of companies with their primary operations in the Kimberley did not experience any disruption, whilst 33% experienced minimal disruption and 17% critical disruption. It is likely these critically affected companies in the Kimberley acutely felt the impacts of restrictions because a higher proportion of their workforce is Indigenous (an average of 13.7%).<sup>28</sup>

Companies with operations in the Mid West, Gascoyne, South West or Peel region did not indicate any disruption from these related Directions.

### 3.3 Disruption to physical health

To slow the spread of COVID-19 in Australia, the Commonwealth Government introduced a wide range of restrictions to the community, for example, social distancing guidelines and gathering restrictions.

The resources sector was required to consider applying these community restrictions on their operations, e.g. its application to travel to and from sites and living areas on places such as gyms, wet and dry mess, rest and communal areas.

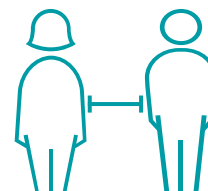
Safe Work Australia and the WA-based workplace health and safety regulators also released information relating to work health and safety obligations to manage the risk of spreading and contracting COVID-19 in the workplace.<sup>29</sup>

Companies considered how to manage the physical health risks to workers more vulnerable to COVID-19 (how or if they can continue work). For example:

A gold company advised that:

*We removed more than 50 'at risk' and immune deficient employees from site, continuing their full pay and entitlements.*

Source: COVID-19 CME member interview, 2020



### 3.4 Disruption to mental health and well-being

The physical health concerns of COVID-19 and the consequential distancing measures, roster extensions, and changes to living conditions (e.g. relocation or extended isolation to continue work) could impact workers' mental health and well-being and their families.

The sector's proactive work before COVID-19 in addressing mental health and well-being positioned it well to support workers through this time, with companies ramping up a wide variety of activities to help their employees during COVID-19.

CME worked closely with its members and expert support providers, such as Lifeline WA, to share best practices, and expand coverage of mental health and well-being support services to workers and their families throughout the pandemic. These responses are detailed further in Section 4.2.



<sup>28</sup> Based on CME's FY19 survey of diversity and inclusion.

<sup>29</sup> [Safe Work Australia](#), COVID-19 Information Workplaces – Physical, 3 December 2020.



### 3.5 Disruption to recruitment

57% of companies surveyed indicated a shortage of experienced workers affecting their ability to recruit for specific roles. With the demands of extended rosters, companies have seen interstate employees justifiably prioritise their families and other responsibilities resulting in employees resigning, withdrawing from the WA labour market, or entering the workforce in different sectors.

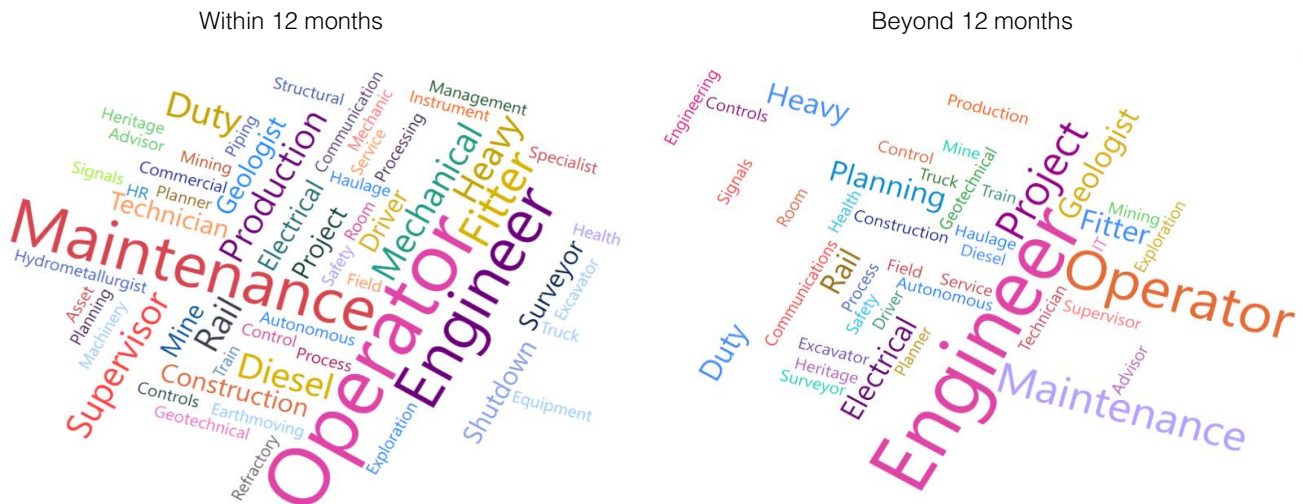


This observed shortfall in the sector is almost double of other surveys, with 30% of the broader Australian mining industry and 29% of large businesses across wider Australia reporting difficulty finding suitably skilled or qualified staff.<sup>30</sup> For example, private-sector job vacancies in WA are at peak levels, which have not occurred since the last mining boom.<sup>31</sup> Workforce availability is an emerging issue for many industries, including regional areas of WA.<sup>32</sup>

A Pit Crew report commissioned by the Resources Industry Training Council (RITC) and CME found that “NSW and VIC both have higher workforce demands than WA, with a longer project horizon. This [demand] means that WA is competing with these states for project resources and that the traditional availability of eastern states workers cannot be relied upon in the short to medium-term future.”<sup>33</sup>

Some of the positions members reported having difficulty recruiting in the immediate term included engineering, maintenance and machinery equipment operator positions (Figure 3.7 left). While beyond 12 months, the priority evolved to recruiting engineering roles as the prime focus (Figure 3.7 right).

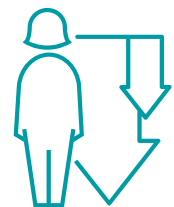
Figure 3.7: Word cloud of reported key role positions experiencing a shortage



Source: CME COVID-19 Survey, 2020.

### 3.6 Disruption to productivity

Figure 3.2 demonstrates that 48% of companies had experienced decreased productivity. The compounding disruption caused by workforce movements (including quarantine periods), increased distancing (i.e. capping numbers of people in covered areas and facilities), and mental health and well-being risks contributed to reduced workforce productivity.



### 3.7 Disruption to financial conditions

In the early stages of COVID-19, the suspension of much economic activity impacted financial markets, including the commodity market. Commodities other than iron ore and gold scaled back on costs, size and scope of projects and reconsidered future

<sup>30</sup> ABS, 5676.0 Business Indicators: Business Impacts of COVID-19, December 2020 reference period, released 16 December 2020.

<sup>31</sup> August 2012. ABS, 6354.0 Job Vacancies Australia, November 2020 reference period, released 13 January 2021.

<sup>32</sup> Government of Western Australia, WA Impact Statement: COVID-19 pandemic, Department of the Premier and Cabinet, December 2020, p. 11.

<sup>33</sup> Pit Crew, COVID-19 Scenario 1B Workforce Demand and Combined Study – Supplementary Report, September 2020, p.9.

development projects amid lower prices, uncertain global demand and geopolitical trade tensions.<sup>34</sup> <sup>35</sup> Like other industries, many sections of the sector moved to reduce capital expenditure in the face of global uncertainty.

The survey responses below provide evidence of a slow-down in economic activity in specific commodities and a subsequent deterioration in investor confidence, both of which fortunately proved to be short-lived. Companies also reported initial disruption by management's inability to travel and engage with investors face-to-face to raise capital, ultimately placing pressure on cash flows.



An energy company advised that:

*We are going through survival mode and are hoping to be able to resume non-essential commitments like exploration.*

Source: COVID-19 CME member interview, 2020

### Downward pressure on prices

36% of companies stated they initially faced downward pressures on prices. Whilst no companies indicated critical disruption, companies that marked disruption of level 3 moderate or higher included LNG, aluminium, lithium and mineral sands. This observation aligns with market data which suggests that:



- The Asian LNG spot price reached unprecedented lows in the first half of 2020;
- Export values of aluminium and alumina declined by 19% year-on-year; and
- Lithium carbonate prices dropped by 46% year-on-year.

A metal company advised that:

*We've rationalised our product... It's one of the best run facilities in the world, but we wouldn't make a profit because of energy prices.*

Source: COVID-19 CME member interview, 2020

### Loss of sales or decrease in demand

27% of companies surveyed indicated they had experienced a loss of sales. Similarly, 27% indicated a deterioration in market demand. Companies experiencing a loss of both sales and market demand were contractors, lithium, LNG, aluminium and mineral sands.

Of note, 44% of companies experienced no change to market demands, with the remaining 28% indicating that demand had increased (i.e. iron ore and gold).

### Loss of access to export markets

9% of companies surveyed indicated they felt disrupted by the loss of access to export markets, with all also reporting a level 2 or 3 disruptions to international travel restrictions.



### Capital raising or financial difficulties

Due to travel restrictions, companies could not meet with potential investors (particularly international investors as the Australian market can be saturated). As such, 18% of companies surveyed indicated they experienced capital raising or financial difficulties. 44% of these companies have listings on the Australian Stock Exchange, and 56% with parent companies listed in overseas stock exchanges.

The Foreign Investment Review Board's monetary thresholds to screen and determine foreign investments were reduced to zero on 29 March 2020, creating a significant workload to process applications on time. While justified as an emergency policy measure, this change created additional uncertainty when international capital had already tightened. Companies had limited opportunity to travel overseas to meet with investors or debt funders. These uncertain foreign investment reforms directly affected 37% of the surveyed members.



<sup>34</sup> <sup>34</sup> Government of Western Australia, WA Impact Statement: COVID-19 pandemic, Department of the Premier and Cabinet, December 2020, p. 16.

<sup>35</sup> Commonwealth of Australia, Resources and Energy Major Projects: 2020, Office of the Chief Economist (OCE), DISER, 18 December 2020.

### Cash flow or working capital difficulties

18% of companies indicated that they had experienced cash flow or working capital difficulties. These companies experienced one or more of the above disruptions of price, demand, financing, and market access.

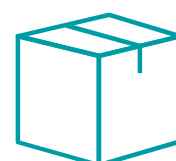
### 3.8 Disruption to the supply chain

Due to COVID-19 and its travel restrictions, international stakeholders and suppliers felt 'further away' than ever. As such, 36% of companies interviewed stated their supply chain policies and views had changed.

70% of companies surveyed indicated that COVID-19 had affected their inbound supply chain, with two primary components reportedly impacted:

- Availability – Factory shutdowns and the increased demand for PPE resulted in a shortage of supplies required for daily operations (e.g. those needed for operating in high-risk environments) and other general uses such as masks and hand sanitiser.
- Timing – Due to travel restrictions, there were initial delays in importing goods or supplies like equipment and spares into Australia.

In contrast, only 20% of companies surveyed indicated their outbound supply chain had been affected.



An energy company advised that:

*We have concerns if we have to ship assets internationally, will it be timely or will there be disruptions when it arrives? If we aren't able to mitigate the risk, it will affect productivity.*

Source: COVID-19 CME member interview, 2020

### 3.9 Disruptions conclusion

COVID-19 has affected most of the resources sector, whether through travel restrictions, physical distancing measures, or changes in global market trends. The survey revealed workforce constraints were the most common disruption due to COVID-19 (86%).

Other disruption included disruption to the inbound supply change, decreased productivity, a loss of sales and contractions in price. All these factors appear to have played a role in creating financial pressures for companies.

## 4. Response to disruptions

This section details how the sector has responded to the disruptions brought about by COVID-19.

### 4.1 Response to workforce movements

As a result of COVID-19, 73% of companies surveyed stated their policies and views on the workforce fundamentally changed, including workforce planning, travel logistics and health and safety.

#### Travel logistics and rosters

Several companies shifted from commercial to charter airline services and re-evaluated employee rosters due to a need to immediately respond to the disruptions of travel restrictions and quarantine measures. These changes included reducing required travel frequency, enabling social distancing on aircraft and pre-boarding screening protocols at airports. The concern for the impact on regional communities was also evident in the response of companies, for example:

An energy company stated that:

*We are concerned about regional communities, hospitals and infrastructure. We chartered our own flights to avoid infecting the public.*

Source: COVID-19 CME member interview, 2020

In response to restrictions, Perth Airport and the airlines servicing the resources sector worked collaboratively with the industry throughout this period to support business continuity. For example, adding extra capacity where required, maintaining separation of resource sector flights from the public, and providing space at the airport for screening facilities. By October 2020, more than 1.5 million intrastate passenger movements had gone through Perth Airport, with 75 to 80% of this traffic dedicated to the WA resources sector.<sup>36</sup>

Many companies interviewed mentioned that rosters had changed to limit travel in the early stages of COVID-19. However, a few of these companies said they had reverted or intended to revert soon to pre-COVID-19 rosters during June and July 2020. In a separate CME survey released in September 2020, this had risen to the majority of companies (60%) returning to BAU arrangements. For example:

A mineral company stated that:

*We had extended the roster from 8:6 (8 days on and 6 days off) to 2:2 (2 weeks on and 2 weeks off) to limit travel. This gave us the flexibility to reduce the impact, however it added an extra layer of stress on employees from being away from family.*

Source: COVID-19 CME member interview, 2020

#### Staff relocation

In response to travel restrictions, most companies encouraged staff to relocate closer to operations, including promoting a range of incentives. Additionally, the WA State Government announced an extension of the Building Bonus grant to encourage interstate FIFO workers and their families to relocate to WA in June 2020.

As demonstrated in Figure 4.1, 61% of companies relocated workers closer to operations, while 82% of companies with a major FIFO workforce model had relocated workers.

As demonstrated in Figure 4.2, most relocated staff were originally from interstate (95%), while 3% within WA and 2% overseas.

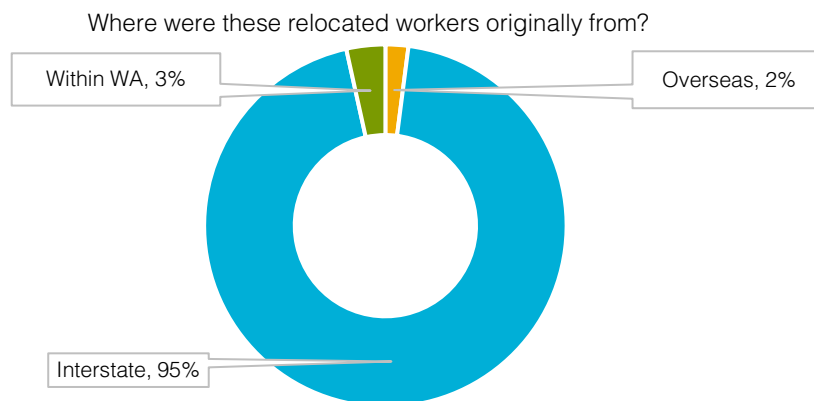
<sup>36</sup> [Perth Airport](#), COVID-safe Australian first means Perth Airport is "ready to go", corporate article, 12 October 2020.

Figure 4.1: Impact of border closures on the relocation of workers



Source: CME COVID-19 Survey, 2020.

Figure 4.2: Origin of relocated workers



Source: CME COVID-19 Survey, 2020

Resources companies sought to facilitate relocations, promoting available financial assistance with relocation, mortgage payment support and quarantine accommodation costs. Before COVID-19, 40% of companies operating in the Pilbara provide regional living away from home allowances to encourage workers to reside in the local communities near operational sites.

Based on survey responses, CME estimates at least 2,500 interstate employees relocated temporarily or permanently to WA during the survey collection. As context, the ABS estimates WA had its first net gain of people since June 2013 (the last mining boom) because there was limited interstate migration of people leaving WA.<sup>37</sup> The low case numbers of COVID-19 in WA are likely to influence this reduced outbound movement of people positively. Still, it does not appear to be enough to attract a net gain of inbound migration.

Timely access to the skills and experience required to complete critical work often involves access to labour markets outside WA. While companies have successfully relocated a significant proportion of interstate employees during COVID-19, members have raised concerns; this does not entirely address the need for longer-term and sustainable access to a skilled and flexible workforce across jurisdictions.

Like roster changes, some members interviewed noted there were mental health and well-being considerations associated with relocation. In some cases, workers relocated temporarily while their family members remained in their home states. For example:

A contracting company stated that:

*We were able to relocate most interstate employees to WA, however their mental health is a concern, specifically those with families that had not been home for months.*

Source: COVID-19 CME member interview, 2020

<sup>37</sup> ABS, Regional internal migration estimates [provisional, September 2020], released 2 February 2021.

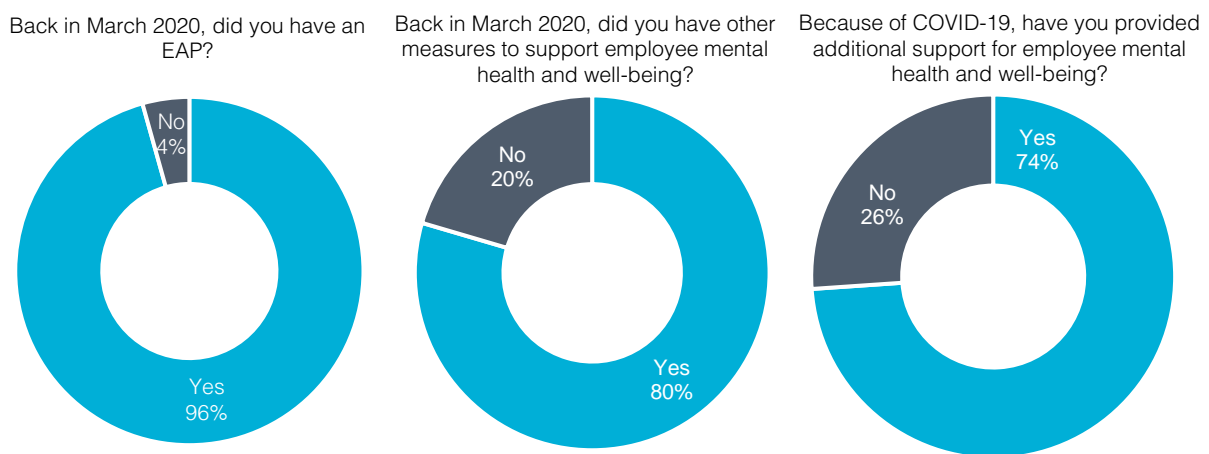
## 4.2 Response to disruptions to mental health and well-being

When COVID-19 first emerged, 96% of companies surveyed had employee assistance programs (EAP) to support employees' emotional and psychological well-being<sup>38</sup> Those companies who reported no EAPs were small project development companies with less than a dozen employees.

In addition to an EAP, 80% of companies stated they had other measures to support employee mental health and well-being (Figure 4.3). Results from a separate CME survey issued in September 2020 indicate that other support measures include:

- Pre-employment information on the type of work arrangements, facilities and site amenities offered;
- Employee inductions cover mental health, well-being and other work-related risk factors;
- Ongoing promotion of existing support measures throughout employment;
- Ongoing activities to foster social connection such as barbecues, raffles, quiz nights and marathons; and
- Provision of onsite facilities such as gyms and quiet rooms.

Figure 4.3: Employee assistance programs



Source: CME COVID-19 Survey, 2020.

Whilst most companies had measures to support employee mental health and well-being, 74% of companies surveyed thought it was necessary to provide additional support because of COVID-19, for example:

- Building in more fatigue breaks in line with extended rosters;
- Paying wages for employees whilst in isolation to minimise the financial concerns of reduced work;
- Supporting relocations of employees and, in some cases, their families and pets;
- Expanded rate and method of communication for transparency and connection with employees; and
- Engaging external medical and psychological health professionals to speak with employees.

Additionally, 82% of companies that indicated they introduced additional mental health and well-being support for COVID-19 had also relocated workers closer to operations.

A gold company stated that:

*Our workforce has been onsite for four months due to extended rosters. As such we have provided family care packages such as weekly lawn service or house cleaning.*

Source: COVID-19 CME member interview, 2020

An iron ore company stated that:

*Our younger employees found it difficult working from home due to the limited social contact. Extra mental health support was made available such as weekend check-ins.*

Source: COVID-19 CME member interview, 2020

<sup>38</sup> [Eap.Org](https://www.eap.org/), 7 December 2020.



### 4.3 Response to disruptions to physical health

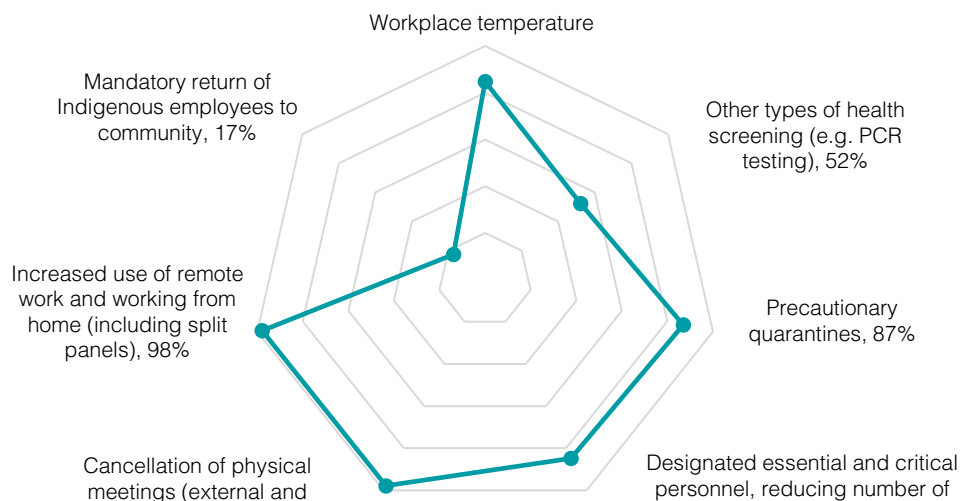
Companies have responded to the physical health risks of COVID-19 by employing various precautionary and risk-based measures. The survey provided companies with a non-exhaustive list of actions based on observations of a COVID-19 response working group of CME and members (Figure 4.4).

The most common actions taken by companies were to:

- Increase the use of remote working and working from home (98%);
- Cancel physical meetings, both internally and externally (98%);
- Reduce the number of onsite personnel by designating essential and critical personnel to site only (85%). Some operations temporarily reduced onsite headcount by as much as 51% in April. Figure 4.5 has a monthly breakdown of changes to headcounts across all company sites;
- Introduce precautionary quarantine measures (87%); and
- Introduce workplace temperate screening (among other health screening measures) (85%).

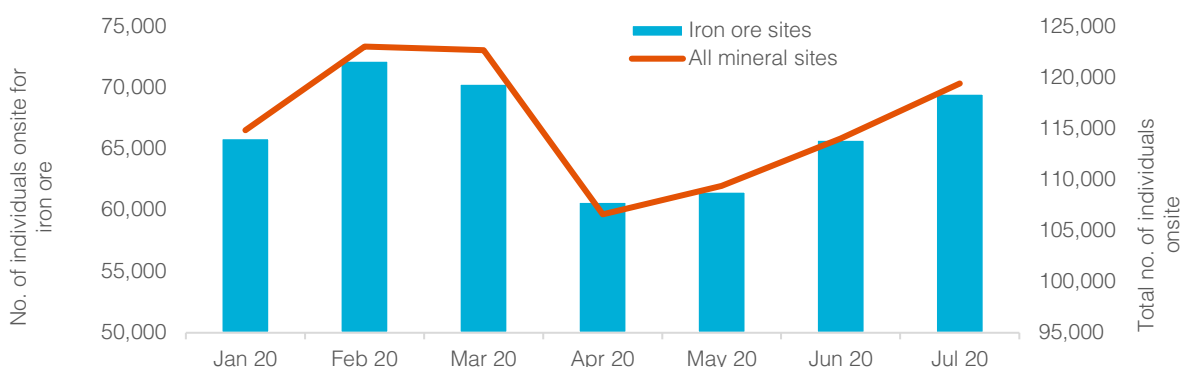
Figure 4.4: Workforce management actions taken in response to COVID-19

In response to COVID-19, what workforce management actions has your organisation taken?



Source: CME COVID-19 Survey, 2020.

Figure 4.5: Reduction in individuals onsite across all mineral members, highlighting iron ore



Source: DMIRS, CME data request, 2 November 2020.

In addition to the above, companies incorporated distancing guidelines and travel restrictions into their operations to protect employee physical health. For example:

- Social distancing protocols including messing facility maximum occupancy and staging of services protocols to maintain social distancing, including –
  - Provision of takeaway meals;
  - Removal of furniture in messes;
  - Staggered mealtimes to significantly reduce people numbers in one place;



- Catering staff serving food rather than shared use of serving utensils.
- High levels of sanitation on all sites, with the support of facilities management teams.
- Access to the necessary health and safety advice and PPE to prevent the spread of the disease (e.g. handwashing facilities and sanitisers, etc.) and protect workers from contracting COVID-19 (e.g. hygiene facilities and social distancing measures etc.).
- Air and road transit protocols, including re-check screening procedures for all FIFO personnel before boarding flights.

A metal company stated that:

*Due to distancing measures, camp amenities such as the gym were shut down and changes made to the access of the wet and dry mess.*

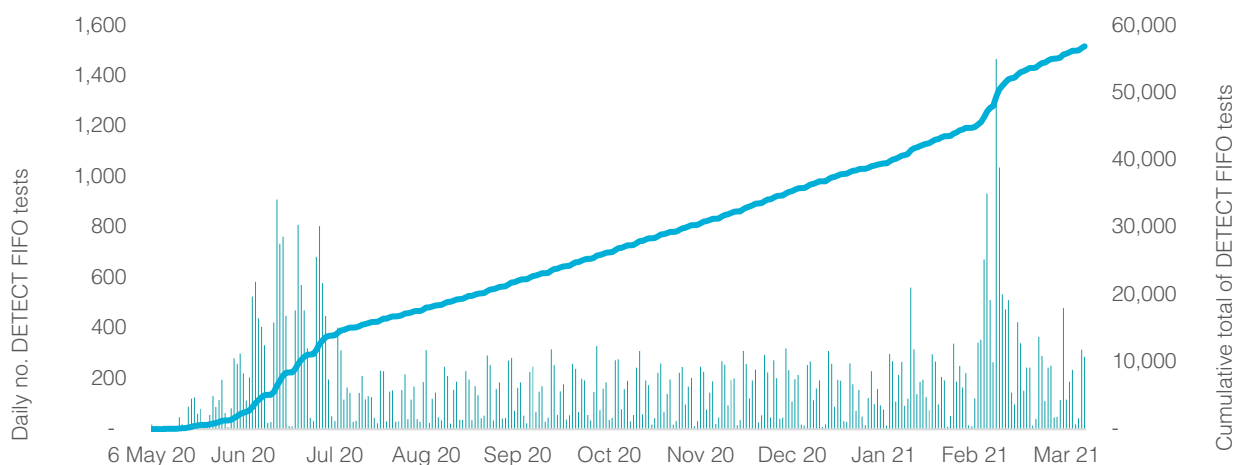
Source: COVID-19 CME member interview, 2020

## DETECT FIFO Program

CME and its members partnered with the WA State Government to expand the DETECT program, a WA-based population study focused on asymptomatic swab testing of targeted groups, to include FIFO workers. The program is voluntary and aims to develop an even more robust evidence base to make policy decisions.

- By the end of this report's period, Clinipath Pathology (the primary service provider) had conducted more than 30,000 COVID-19 tests of FIFO workers.
- The number of daily tests peaked during the WA five-day lockdown in February 2021 (Figure 4.6).

Figure 4.6: Asymptomatic health screening of FIFO workers



Source: Clinipath Pathology, CME data request, 15 March 2021.

## 4.4 Responses to disruptions to recruitment

Availability of an accessible, diverse, skilled and experienced workforce has been a perennial issue for the resources sector. Both the economic impacts of COVID-19 and the implementation of its restrictions impacted labour markets worldwide in significant ways. For instance, between March and April 2020, unemployed people increased by 104,500 (an increase of 16.7%) following the progressive introduction of social distancing and business-related restrictions.<sup>39</sup>

According to the Pit Crew 2020 labour market report prepared in September 2020, in the early stages of COVID-19, demand for labour across the WA resources sector projects fell by around 12,000 people. Together with the RITC, CME engaged Pit Crew to conduct employment forecast modelling to understand occupational and regional employment impacts of COVID-19 over the next two years.

Modelling suggested demand would normalise to pre-COVID-19 levels in October 2020. However, the easing of some border restrictions earlier than expected resulted in normalising sooner by September. Since September, consistent with these modelling expectations, engagement with members has revealed that

<sup>39</sup> ABS, Labour Force, Australia, April 2020.

labour demand has outstripped supply. Many companies expressed concern over future recruitment and tight competition for skilled and experienced labour,<sup>40</sup> with this sentiment evident in the interviews:

A gold producer stated that:

*We are concerned about the potential competition for skilled labour and the long-term effects on our interstate workforce resulting from the extended WA hard border closure.*

Source: COVID-19 CME member interview, 2020

A contracting company stated that:

*Due to pressures in other parts of the business we had to deploy a redundancy program, however we are concerned when the market picks up again, where will the talent be?*

Source: COVID-19 CME member interview, 2020

## 4.5 Responses to decreases in productivity

As discussed in Section 3.6, 48% of companies experienced decreased productivity due to COVID-19 restrictions. Further, an EY report discussing the business risks and opportunities for mining and metals revealed that productivity and rising costs is currently the third-largest issue facing the sector.<sup>41</sup>

In response to the economic impacts of COVID-19, governments have sought to accelerate a reduction in 'red tape' to curb unemployment and maintain productivity. For example, announcements in WA welcomed by CME and members included:

- Acceptance of online electronic signatures for tenement-related documents, rather than physically.<sup>42</sup>
- Planning amendments to bring forward significant developments of \$30 million within 18 months.<sup>43</sup>
- A single approval instrument to approve activities across multiple mining tenements.<sup>44</sup>
- Agreement by the Commonwealth Government to enter into a bilateral agreement to streamline environmental approvals by devolving decision-making to the WA State Government.<sup>45</sup>

Similarly, to counter decreased productivity, companies have:

- Extended rosters to limit the impact of time spent travelling and in quarantine; and
- Accelerated the implementation and use of office-based technology to improve working from home conditions and remove unnecessary travel.

A contracting company stated that:

*COVID-19 showed us how to be more productive. We changed the timing of shutdowns from three months to weekly and will determine if we should continue with this practice.*

Source: COVID-19 CME member interview, 2020

A gold company advised that:

*With social distancing and no gatherings, it affected pre-start meetings. We had to have five separate pre-start mornings instead of getting it all done at once.*

Source: COVID-19 CME member interview, 2020

A gold company stated that:

*When our support team moved to working from home, we saw an increase in productivity and quality of work due to the removal of site-based distractions.*

Source: COVID-19 CME member interview, 2020

<sup>40</sup> Pit Crew, COVID-19 Scenario 1B Workforce Demand and Combined Study - Supplementary Report, September 2020, p.9.

<sup>41</sup> EY, Top 10 business risks and opportunities for mining and metals in 2021, 30 September 2020.

<sup>42</sup> Government of Western Australia, New procedures to support mining industry during COVID-19, media statement, 7 May 2020.

<sup>43</sup> Government of Western Australia, Major planning reforms to drive economic recovery, media statement, 20 May 2020.

<sup>44</sup> Government of Western Australia, Rules streamlined to boost COVID-19 economic recovery, media statement, 31 July 2020.

<sup>45</sup> Government of Western Australia, Agreement to streamline environmental approvals given green light, media statement, 10 August 2020.

## 4.6 Response to disruptions to financing

The impact of COVID-19 on pricing and demand has created capital and liquidity challenges. However, the resources sector has responded in ways to preserve capital through a range of measures.<sup>46</sup>

### Capital and financing actions

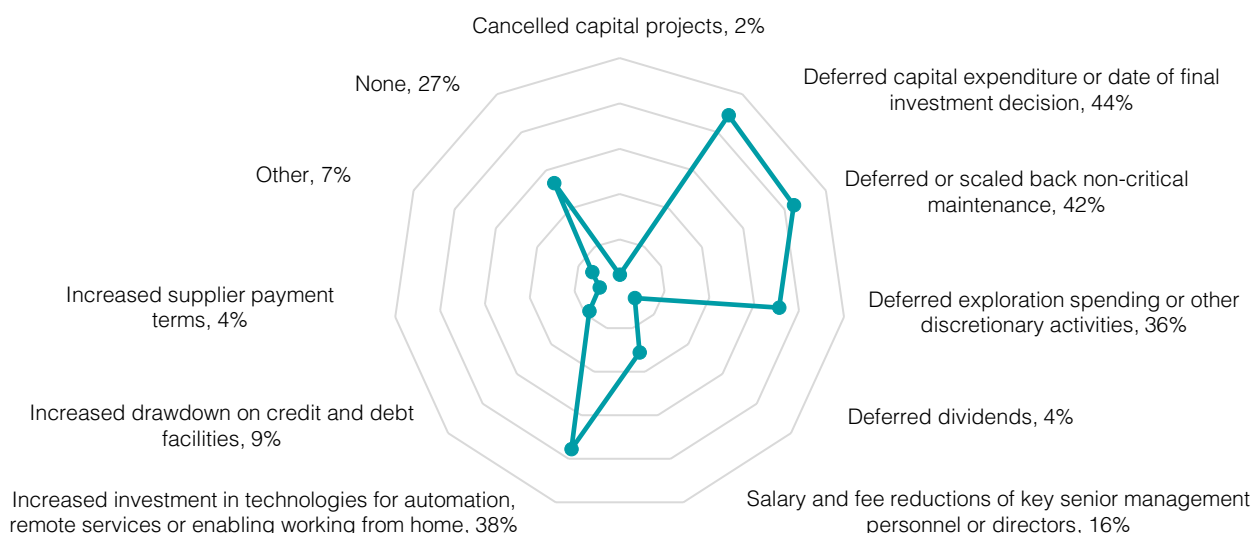
As demonstrated in Figure 4.7, the most common actions taken by companies surveyed included:

- Deferring capital expenditure or date of final investment decision (44%);
- Deferring or scaling back non-critical maintenance (42%);
- Increasing investment in technologies for automation, remote services or enabling working from home (38%); and
- Deferring exploration spending or other discretionary activities (36%) – Mineral and petroleum exploration expenditure in WA respectively declined 19% and 45% in March 2020 compared to the prior month.<sup>47</sup>

'Other' actions included drawing funds from related parties with major investors or seeking supplier relief.

Figure 4.7: Capital and financial actions taken in response to COVID-19

In response to COVID-19, what capital and financing actions has your organisation taken?



Source: CME COVID-19 Survey, 2020.

A metal company advised that:

*We have deferred non-essential work for cash globally, and extended things like maintenance where there is measured risk. This will create a 'bow wave' of maintenance costs in the next financial year in the tens of millions.*

Source: COVID-19 CME member interview, 2020

## 4.7 Response to disruption to inbound supply chain

Figure 4.8 indicates that the most common actions taken by companies surveyed in response to the disruptions caused to the inbound supply chain were:

- Contingency stockpiling (69%);
- Source new local suppliers (53%); and
- Rationalise and streamline existing suppliers (42%).

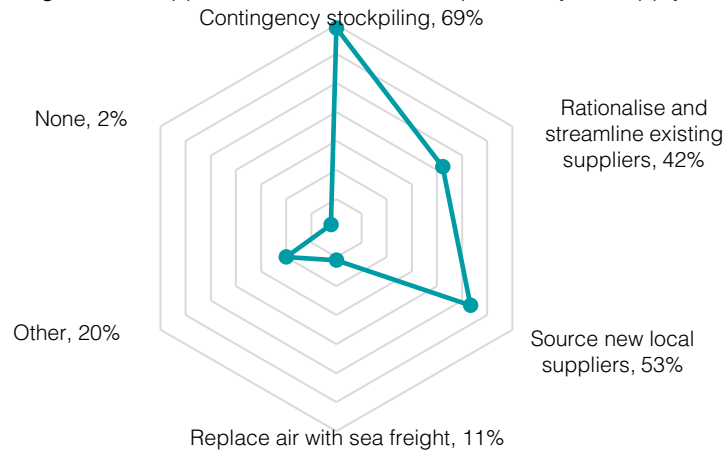
'Other' approaches mentioned in the survey included completing risk assessments, sourcing new overseas suppliers, and extending lead times.

<sup>46</sup> EY, 2020 Mining and metals M&A report, 7 May 2020.

<sup>47</sup> ABS, 8412.0 Mineral and Petroleum Exploration Australia, December 2020 reference period, released 1 March 2021.

Figure 4.8: Response to supply chain disruption

How has your organisation approached the risk of disruptions to your supply chain?



Source: CME COVID-19 Survey, 2020

Companies explained how they have dealt with the risk of disruption to the supply chain in the surveys or interviews. Many indicated they conducted a thorough and strategic risk assessment of their local and global supply chains, particularly with the increasing demand for transparency below the second and third tiers.

An iron ore company advised that:

*We completed a risk assessment of our supply chain to identify potential areas for shortfalls or interruption to critical spares, and high consumption goods. We also maintained active monitoring and direct communication with suppliers according to a regular schedule and identified potential alternative sources of supply for various items.*

Source: COVID-19 CME member interview, 2020

A mineral company advised that:

*We needed PPE and our suppliers had cancelled on them. We were able to make over 100 litres of hand sanitiser at their laboratory.*

Source: COVID-19 CME member interview, 2020

During this period, CME also partnered with the Goldfields-Esperance Development Commission and Kalgoorlie-Boulder Chamber of Commerce to develop and launch the GE Register, a new local business capability register. The GE register will promote increased participation of local businesses in tender processes for resources sector work packages. Other models such as the ICN Gateway will continue to play an essential role as companies proactively seek to support local businesses and communities.

In interviews, members reiterated existing commitments to support local businesses provided they were flexible with demand changes and were globally competitive on cost, quality and capability to deliver within the timeframes required. For example:

An iron ore company advised that:

*Suppliers need to be competitive, but that doesn't necessarily mean cheapest. It's a whole-of-package risk assessment on costs, quality control and oversight.*

Source: COVID-19 CME member interview, 2020

A gold company advised that:

*We switched to a local supplier not because of price, it was more expensive, but because it performed better and would last longer.*

Source: COVID-19 CME member interview, 2020

A metal company advised that:

*Risk and time have crept into global supply chains... Some of the big procurement will be local and they didn't win on price, but on time. They could deliver specialised kit within the timeframe we needed for the facility.*

Source: COVID-19 CME member interview, 2020

#### 4.8 Community support response

In response to COVID-19, the sector has prioritised continued safe operations alongside a continued commitment to supporting communities in which they operate. In an EY report discussing the top ten risks in the mining and metals sector, companies indicated that the number one issue was their licence to operate.<sup>48</sup> The sector understands that licence to operate is critical to maintaining effective engagement with local communities and the broader community.

As per Figure 4.9, companies provided direct support to local communities, remote Indigenous communities, small businesses and not-for-profits to prevent the risk of infection, support access to essential services and assisted in recovery from COVID-19.

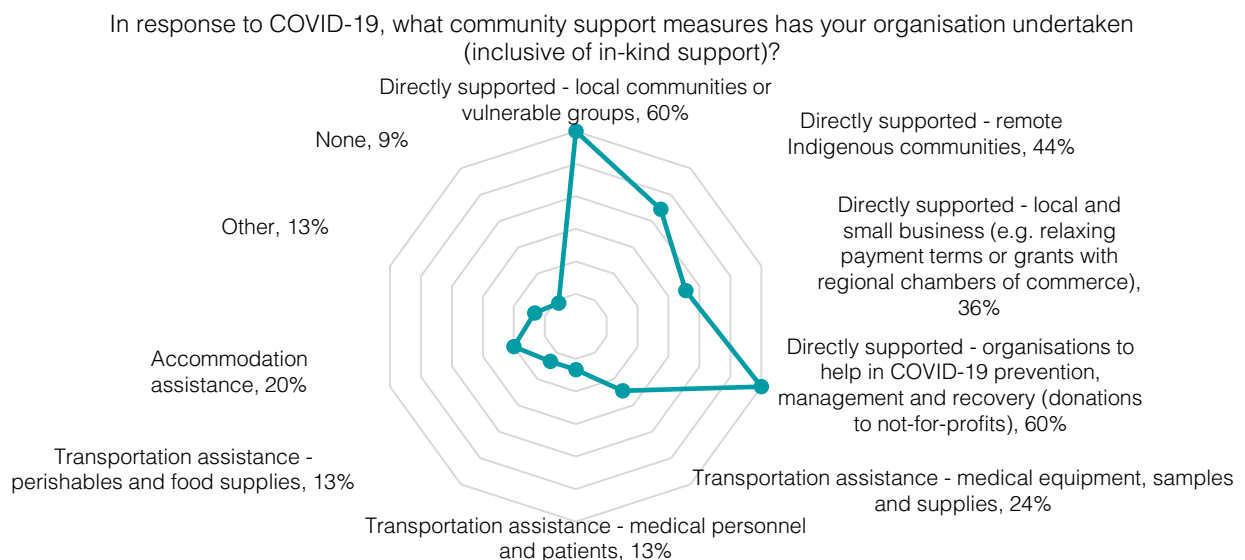
- For some members, this included donating to regional chambers of commerce to build local capability and resilience.
- Companies also provided aviation transport, accommodation or storage assistance to ensure local communities could access medical supplies, essential food supplies or isolate in suitable premises.

'Other' support provided included supplying PPE and donating monies to the community or specific charities.

#### COVID-19 Community Support Initiative

CME coordinated \$9 million in member contributions to enable Royal Flying Doctor Services WA, Foodbank WA and Lifeline WA to increase their services coverage during the pandemic. The sector continues to prioritise the health and safety of its workforce, their families and communities.

Figure 4.9: Community support measures



Source: CME COVID-19 Survey, 2020.

A gold company advised that:

*It would have been the worst nightmare if we introduced COVID-19. We actively worked with local emergency response services to fit their expectations. Social licence won't necessarily change due to COVID-19, but there is an expectation you'll look after the community. When the restrictions came, we shut down all exploration on the tenement.*

Source: COVID-19 CME member interview, 2020

<sup>48</sup> EY, Top 10 business risks and opportunities for mining and metals in 2021, 30 September 2020.

## 4.8 Response to disruptions conclusion

In response to the disruptions brought forward by COVID-19, companies quickly employed strategies to prioritise operations whilst balancing employee mental health and well-being. These measures included relocating staff closer to operations, revising rosters, shifting to remote work where possible and reconfiguring health screening procedures and site amenities to adhere to COVID-19 guidelines. Companies indicated that addressing the disruption was necessary to preserve jobs and continue to operate.

Other disruptions included inbound supply chains, decreased productivity, a loss of sales and contractions in price. Some companies deferred non-critical operations, exploration and capital expenditure. Others pivoted to make greater use of local sources of supply, where capacity was available.

Despite the disruptions, companies revealed an increased focus on ensuring communities they operate were and are supported. In response to COVID-19, 60% of companies provided support to local organisations, vulnerable groups, and organisations to help prevent, manage, and recover from COVID-19.



## 5. Role of government assistance

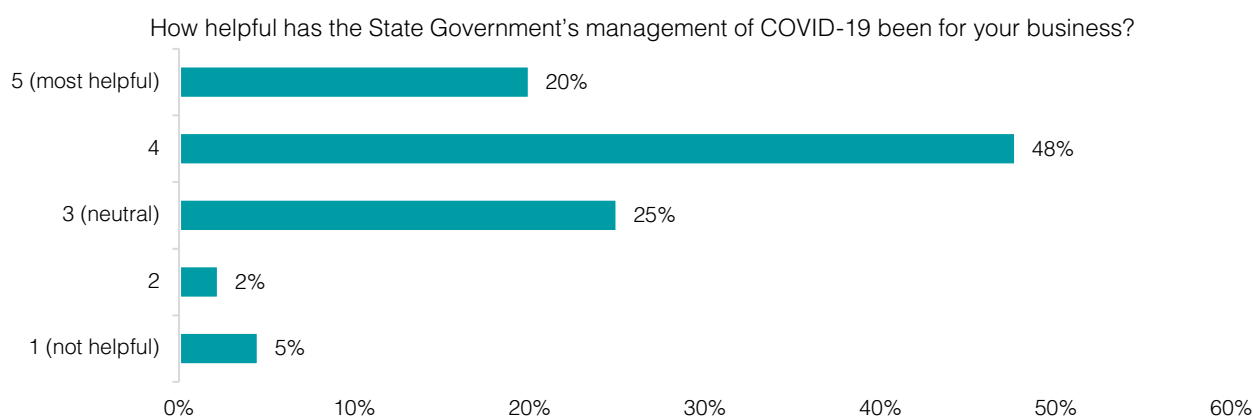
In response to grim projections during the early days of the pandemic, governments in Australia and worldwide moved quickly to strengthen public confidence in health response measures and offered targeted stimulus measures. To ease the financial pressure, the WA State and Commonwealth Government provided financial assistance in various forms to vulnerable individuals and businesses.

This section of the report provides insights from the resource sector on the effectiveness the government assistance during COVID-19.

### 5.1 Assessment of government assistance

As per Figure 5.1, 68% of companies surveyed indicated that the State Government was helpful to their business during COVID-19, with only 7% disagreeing.

Figure 5.1: Sector views on WA State Government assistance provided



Source: CME COVID-19 Survey, 2020.

During the interviews, many companies acknowledged that without government support from the outset, there was a genuine chance the sector would need to cease operations through the initial lockdown period. Some of these observations included:

A gold company advised that:

*They advised when compared to a project they had overseas, the WA Government was across COVID-19 in going in hard and early. Through CME, they could provide feedback to government on key decisions.*

Source: COVID-19 CME member interview, 2020

A contracting company advised that:

*The consideration the WA Government gave to industry was excellent. Overall, the government has done a good job, but it needs to be sustainable. Correctly, the bias has been health focused but we're at the end of the spectrum.*

Source: COVID-19 CME member interview, 2020

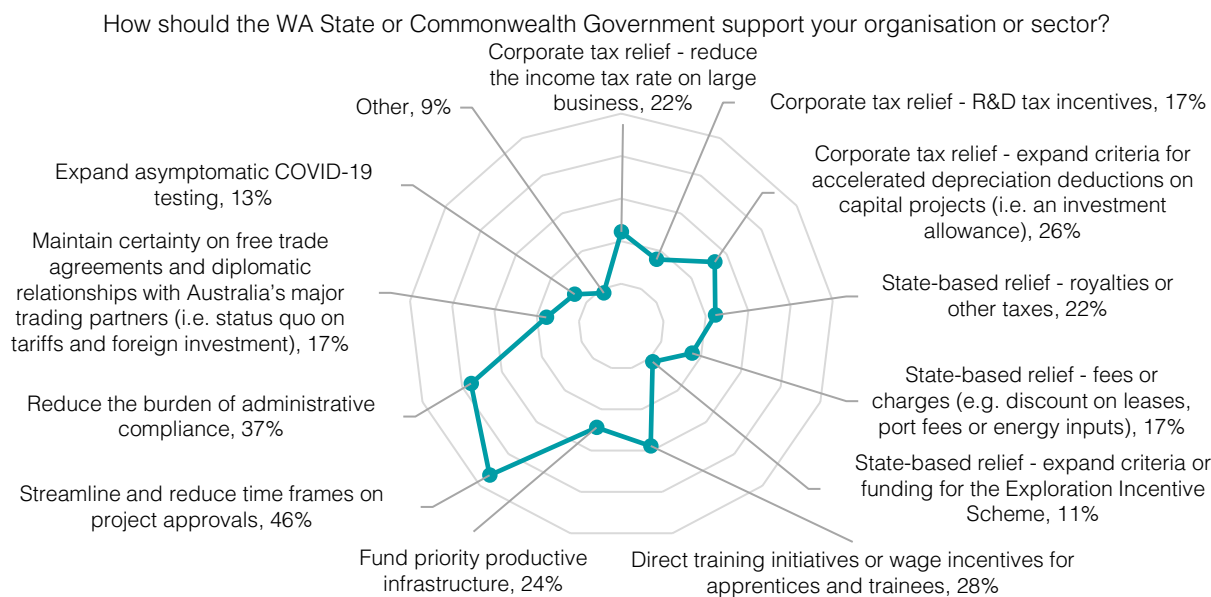
### 5.2 Areas for further government support

As reflected above, both the WA State and Commonwealth government have broadly been supportive and a constructive partner to the resources sector throughout the COVID-19 pandemic. Building off the success to date and the basis for optimism from now on, the sector believes there are practical actions the WA State or Commonwealth government could take to encourage growth and development across the resources sector and broader economy.

Companies that stated the government should provide further support were allowed 13 response options (including an 'other') to indicate which could support their company or sector further (Figure 5.2).



Figure 5.2: Potential government support actions



Source: CME COVID-19 Survey, 2020

It should be noted that 43% of respondents did not select any of the above options.

The interviews identified similar responses.

### Project approvals

Streamlining and reducing timeframes on project approvals was the most identified area for government support (selected by 46% of respondents). Similarly, in the interviews, more than half of the companies mentioned streamlining approvals and better whole-of-government coordination, such as the National Cabinet’s effectiveness in decision making, to support the economy’s recovery. For example:

An iron ore company advised that:

*Streamlining approval processes will lessen the burden on some of the processes and will play a big role in lowering operating costs in the long run.*

Source: COVID-19 CME member interview, 2020

### Administrative compliance

The second most common area that companies would like government support is administrative compliance. Specifically, 37% of responding companies would like a reduced burden of compliance from a cost and time perspective. Some companies explicitly mentioned the willingness and flexibility of the WA State Government to work with the sector in maintaining momentum with exploration and project development.

An iron ore company advised that:

*There’s a cost and time burden to the approvals and compliance process. Additional staff were employed solely for compliance.*

Source: COVID-19 CME member interview, 2020

### Training initiatives and wage incentives

To attract and retain new employees, 28% of companies indicated that the government could support the sector by implementing direct training initiatives or wage incentives for apprentices and trainees.

A contracting company advised that:

*There needs to be support in training particularly for key shortages in the sector as well as initiatives to attract people to the sector.*

Source: COVID-19 CME member interview, 2020

## Other

In the interview and survey, other discrete areas that companies had suggested the government could provide support for were:

- Improvement of workforce mobility between jurisdictions (Section 7.3);
- Relief on power tariffs;
- Payment deferral on taxes (if required);
- Attracting international consumers to market or making Australia more competitive; and
- Provide financial assistance to the private sector to build roads, ports, and facilities.

### 5.3 Role of government assistance conclusion

Both the WA State and Commonwealth Government has played a crucial role in improving the COVID-19 landscape in Australia. It has been recognised by the resources sector, with 48% of companies indicating that the WA State Government has been 'helpful', and a further 20% indicating they were 'most helpful'.

To continue to support the resources sector, companies request the WA State and Commonwealth Government to deliver practical reductions in project approval timeframes and the associated administrative compliance burden; and separately support direct training initiatives or wage incentives for apprentices and trainees. See Section 7.3 for detail on these recommendations.

## 6. Expectations for recovery

The COVID-19 situation is still volatile. The virus continues to spread worldwide, and new strains of the virus are being discovered, bringing continued uncertainty globally despite the parallel rollout of viable vaccines.

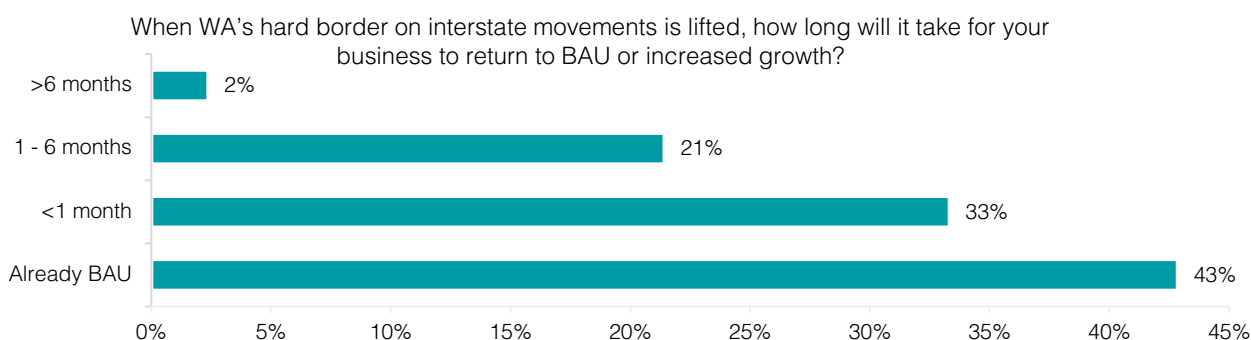
This section of the report discusses the resource sector’s expectations of returning to BAU and how it foresees the situation changing in the short to medium term.

### 6.1 The return to ‘business as usual’

When companies completed the survey between September and November 2020, 43% reported they had already returned to BAU. For example, mineral exploration expenditure in WA had returned and surpassed pre-COVID-19 levels by September 2020.<sup>49</sup>

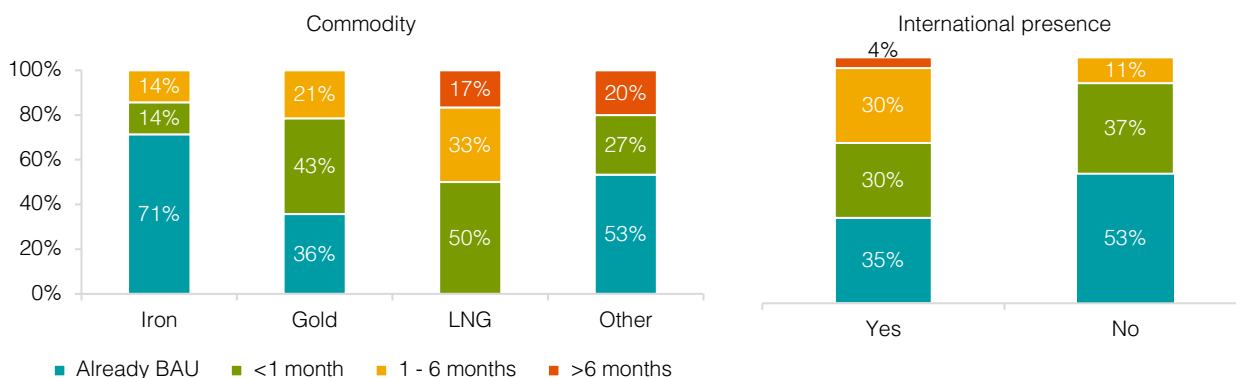
55% of companies stated it would take up to six months to return to BAU once there was a lifting of interstate border restrictions, while only 2% expected a BAU return would take over six months. Of note, the COVID-19 situation has and will continue to evolve, and views on recovery speed may have become more optimistic.

Figure 6.1: Expected return to BAU following the lifting of border restrictions



Source: CME COVID-19 Survey, 2020.

Figure 6.2 and 6.3: Return to BAU following the lifting of border restrictions by commodity and international presence



Source: CME COVID-19 Survey, 2020.

The results of Figure 6.1 were further analysed via Figures 6.2 and 6.3:

- Most iron ore companies represented they had returned to BAU or increased growth (71%).
- LNG companies indicated that without removing the interstate borders, they are unable to return to BAU. 50% of LNG companies expected that it would take less than a month to return to BAU once the hard border lifted. In comparison, 17% of LNG companies (Figure 6.2) anticipate it will take more than six months after lifting the border. As previously referenced in this report, cross-jurisdictional issues between State and Commonwealth waters continue to present challenges.
- Companies with an international presence appeared to be more impacted by the travel restrictions, with only 35% of companies already returned to BAU, compared to 53% for companies without an international presence. Further, 34% of companies with a global presence expect it to take over a month to return to BAU. Companies with no international presence expect a return to BAU within a month.

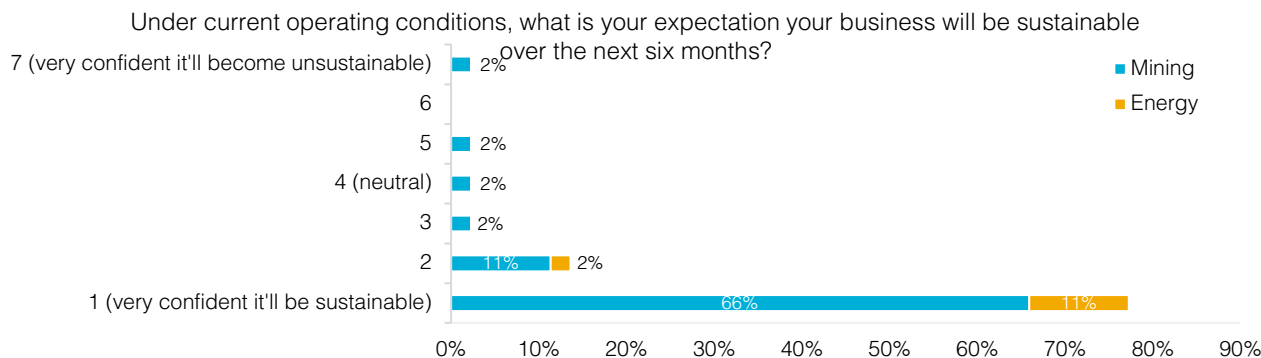
<sup>49</sup> ABS, 8412.0 Mineral and Petroleum Exploration Australia, December 2020 reference period, released 1 March 2021.

## 6.2 Expectations of improvement or worsening of conditions

The survey asked companies what their expectations were for the next six and 18 months. 73% of companies stated they were confident that their business would be very sustainable over the next six months. When asked about confidence for the next 18 months, this optimism declined marginally to 72%.

By sector, energy companies indicated they were either confident or very confident that their business would be sustainable over the next six to 18 months. Most mining companies showed similar results; however, some companies had neutral responses, and some expected some unsustainability in the next six to 18 months.

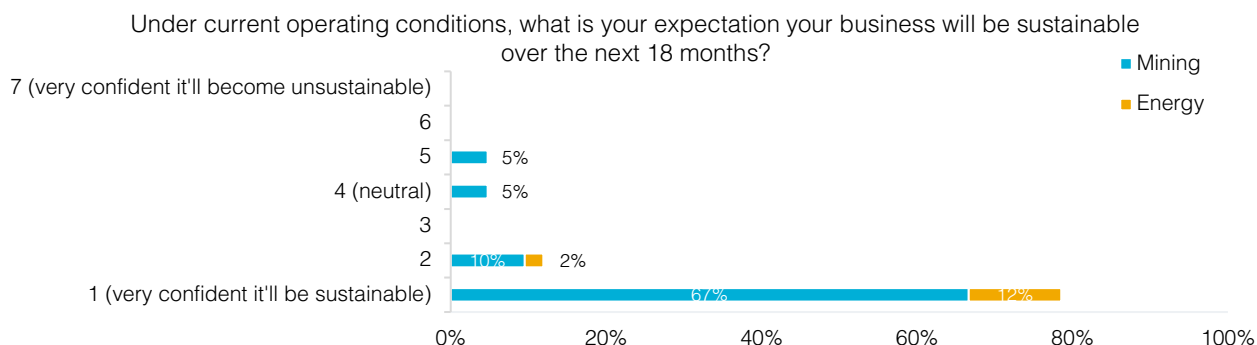
Figure 6.4: Expectation of operating conditions over the next six months



Source: CME COVID-19 Survey, 2020.

Contractor companies have been included as part of the mining as all contractors surveyed serve mining clients.

Figure 6.5: Expectation of operating conditions over the next 18 months



Source: CME COVID-19 Survey, 2020.

Contractor companies have been included as part of mining as all contractors surveyed service mining clients.

### 6.2.1 Demand and pricing conditions

Despite the disruption caused by COVID-19, overall, the WA resources sector performed strongly in FY20. According to DMIRS, the minerals and petroleum sector saw an increase in sales between FY19 and FY20 of over \$21 billion. The primary commodities driving this growth were iron ore, gold and nickel.<sup>50</sup>

Actual performance by commodity mostly aligned with the expectations of members from interviews, as discussed below. Of note, interviewing members was in June or July 2020, and member sentiment and alignment to commodity prices have since evolved. In most instances, expectations renewed with optimism.

#### Gold

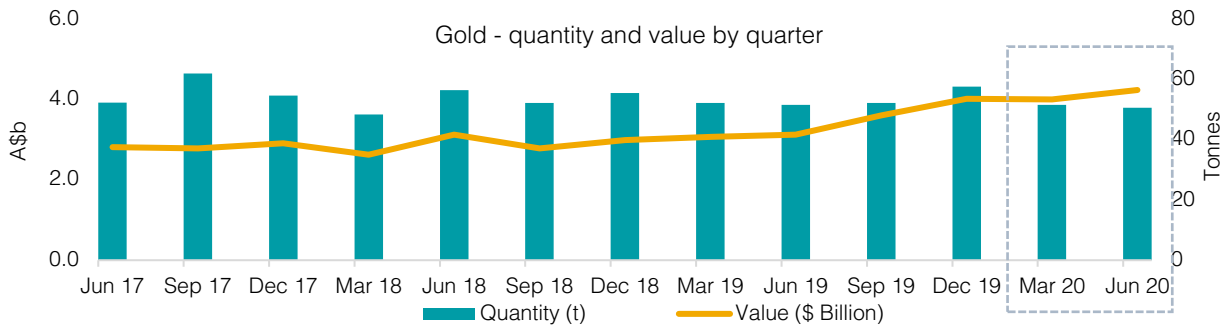
Compared to the same quarter in the previous year, sales value increased by 33% (c.\$2.0 billion). Gold is considered a safe-haven commodity in times of volatility, used by investors to hedge their portfolios in global financial markets. As such, following the announcement of COVID-19 as a worldwide pandemic, the gold price rose. The value of the gold remaining solid evidences this rise, despite the lower quantity sold (Figure 6.6). As another example of these high prices, exploration expenditure to find gold in WA during this report's

<sup>50</sup> DMIRS, 2019-20 Major Commodities, 8 December 2020

period increased three times its long-term average.<sup>51</sup> By 30 June 2020, more than ten million cases of COVID-19 were reported globally.

In-mid 2020, gold companies interviewed had a positive short and medium-term outlook of future performance, which the World Bank supports. In October 2020, the World Bank forecast an increase in the 2020 price and expect it to remain relatively stable in 2021 as the global economy recovers.<sup>52</sup>

Figure 6.6: Actual gold quarterly sales performance



Source: DMIRS, FY20 Major commodities resources data.

A gold company advised that:

*The fundamentals for gold globally are good. In the short term, we expect the demand will stay strong. However, in the longer term it'll depend on the flow of money and risk, in five years the current trajectory will cut off. It'll depend on where the AUD is going.*

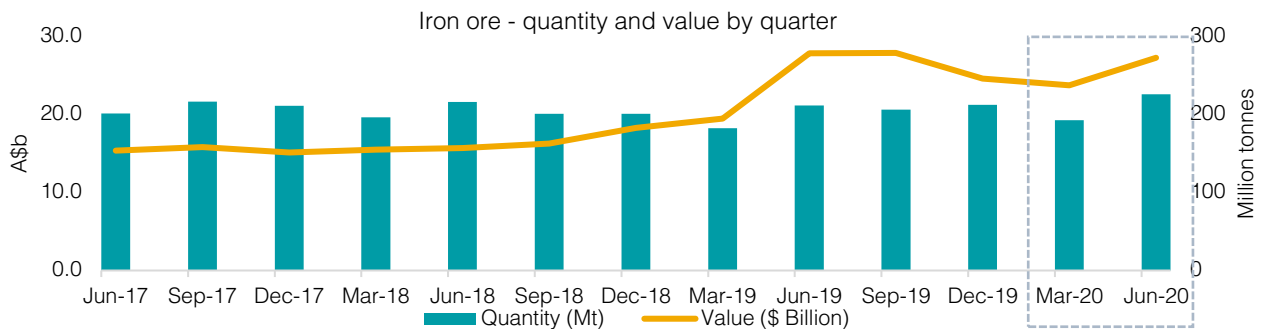
Source: COVID-19 CME member interview, 2020

### Iron ore

In the June 2020 quarter, the commodity reached a record level of quantity sold, reflecting increased demand for steel production in China. Compared to the same quarter in the previous year, sales value increased by 8% (c.\$3.7 billion).

Iron ore companies did not have consistent views about medium to long term future demand and pricing. However, the World Bank predicts the price will remain high due to disruption to Brazil's production (resulting in lower supply) but will slowly decline in 2021 as Brazil gradually recovers.<sup>53</sup>

Figure 6.7: Actual iron ore quarterly sales performance



Source: DMIRS, FY20 Major commodities resources data.

### Nickel

Compared to the previous quarter, nickel saw an uptick in the value and quantity sold in the March 2020 quarter and again in the June 2020 quarter. Compared to the same quarter in the previous year, the sales value increased by 4% (c.\$57 million).

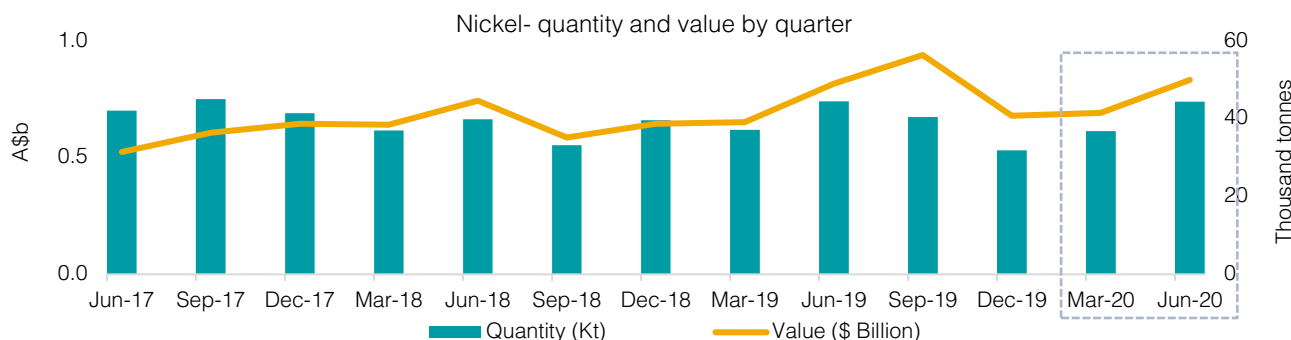
<sup>51</sup> \$259 million compared to a 20-year average of \$88 million. ABS, 8412.0 Mineral and Petroleum Exploration Australia, December 2020 reference period, released 1 March 2021.

<sup>52</sup> World Bank, Commodity Markets Outlook – October 2020, October 2020.

<sup>53</sup> World Bank, Commodity Markets Outlook – October 2020, October 2020.

In the short term, nickel companies interviewed expressed that they expect demand and pricing conditions for nickel to worsen in Australia due to an oversupplied market. The World Bank predicts that the price will increase slightly during 2021,<sup>54</sup> with price growth driven by nickel in battery electric vehicles.

Figure 6.8: Actual nickel quarterly sales performance



Source: DMIRS, FY20 Major commodities resources data.

A metal company advised that:

*We have observed demand has been weak, but the price has been manageable, but with growing product surpluses we expect to see worsening conditions in WA and Australia.*

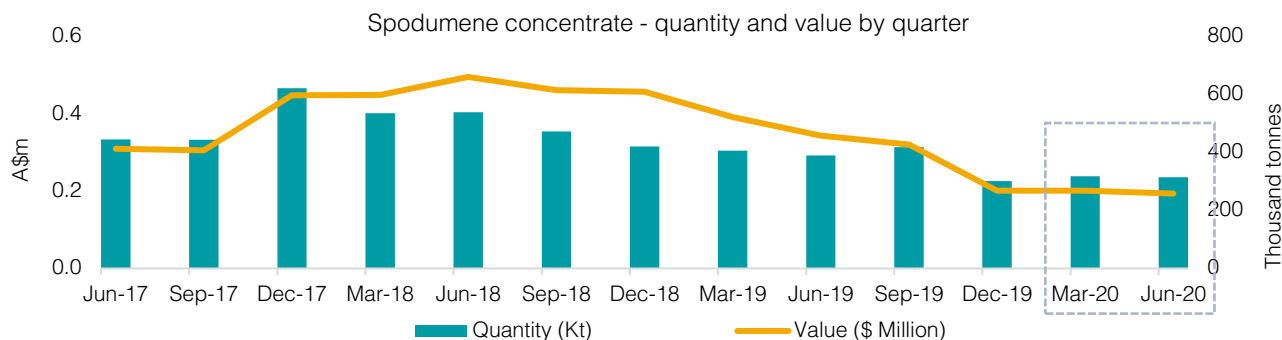
Source: COVID-19 CME member interview, 2020

### Lithium

Before COVID-19, lithium saw a decline in value sold. Compared to the same quarter in the last year, the sales value decreased by 46% in March 2020 (c.\$340 million). Unlike some commodities, lithium prices have failed to recover despite increases in global demand. Current lithium carbonate equivalent spot prices had dropped more than 75% from their height in 2017.<sup>55</sup> Recognising this, the WA State Government announced a temporary royalty rebate for three lithium producers on 1 December 2020.

With an increased demand for electric vehicles, the International Energy Agency predicts an increase in lithium demand for over the next ten years, depending on lithium-ion batteries' reliance.<sup>56</sup>

Figure 6.9: Actual lithium spodumene concentrate quarterly sales performance



Source: DMIRS, FY20 Major commodities resources data.

### Alumina

The value and quantity of alumina sold decreased in the March 2020 quarter. The quantity sold increased in the June 2020 quarter, but value declined due to a 20% price decrease in May 2020. Compared to the same quarter in the previous year, the sales value decreased by 24% (c.\$939 million).

The World Bank expects global demand will recover in 2021, driven by primary aluminium production. However, nonetheless rising power costs, planned capacity additions are expected to keep prices stable.<sup>57</sup>

<sup>54</sup> World Bank, Commodity Markets Outlook – October 2020, October 2020.

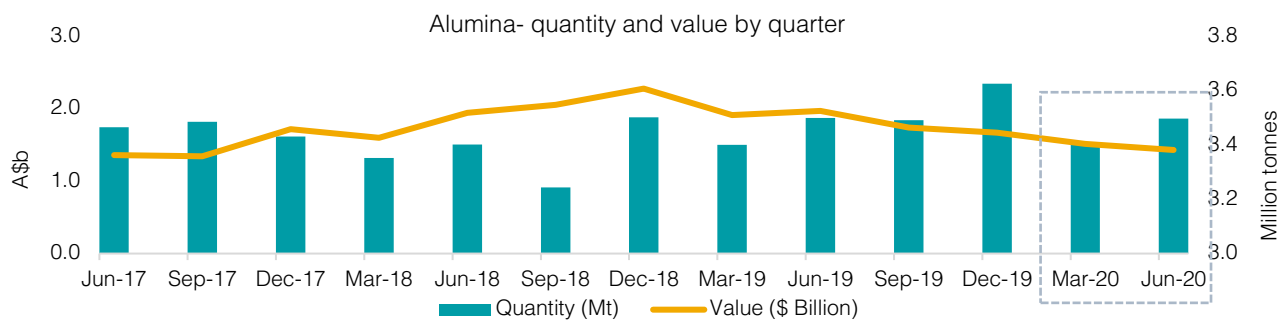
<sup>55</sup> Commonwealth of Australia, Resources and Energy Quarterly, OCE, DISER, March 2020.

<sup>56</sup> International Energy Agency, Annual lithium demand for electric vehicle batteries, 2019-30, 26 January 2021.

<sup>57</sup> World Bank, Commodity Markets Outlook – October 2020, October 2020.



Figure 6.10: Actual alumina quarterly sales performance



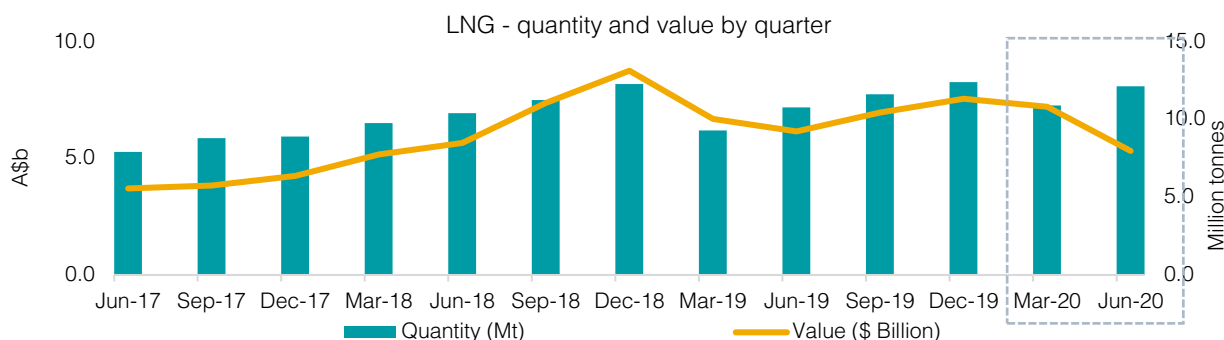
Source: DMIRS, FY20 Major commodities resources data.

### LNG

As indicated in Figure 6.11, LNG prices declined progressively in the first half of 2020. However, in the second half of the year, the LNG price steadily recovered. Compared to the same quarter in the previous year, the sales value decreased by 2% (c.\$316 million).

LNG companies interviewed indicated that future demand would depend on easing travel restrictions and the return of economies globally. Similarly, the World Bank expects natural gas prices to recover in 2021 as global economic activity strengthens.<sup>58</sup> Ongoing overcapacity in the worldwide market will constrain price recovery in the medium term. However, there was temporary short-term relief on the spot market recently, with the northern hemisphere of Asia experiencing a winter period of peak heating demand.

Figure 6.11: Actual LNG quarterly sales performance



Source: DMIRS, FY20 Major commodities resources data.

An energy company advised that:

*Once there is a vaccination and economies around the world return there may be a sharp increase in the oil price. Our modelling shows recovery in two years, however, there's a lot of uncertainty still and it will depend on global aviation.*

Source: COVID-19 CME member interview, 2020

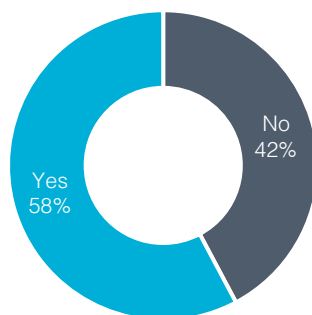
### 6.3 Plans to restart deferred work

Some companies deferred non-essential work due to financial pressures or increased focus on essential operations during COVID-19. Once restrictions ease, 55% of companies are looking to resume these deferred activities (Figure 6.12).

<sup>58</sup> World Bank, Commodity Markets Outlook – October 2020, October 2020.

Figure 6.12: Plans to restart work deferred due to COVID-19

Because of restrictions imposed by COVID-19 being lifted, are you now looking to resume deferred activities?



Source: CME COVID-19 Survey, 2020.

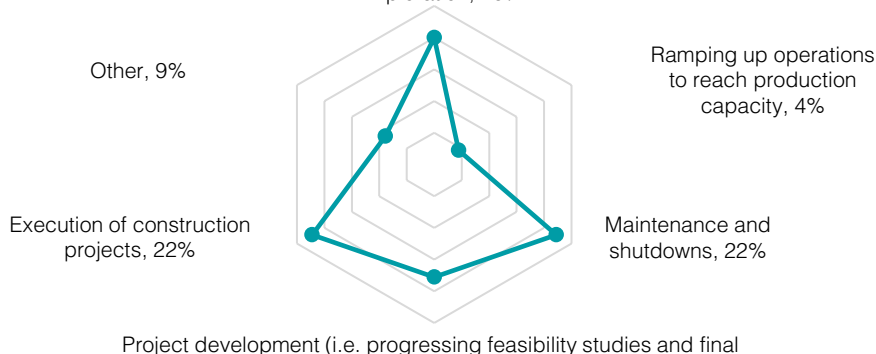
Companies that answered yes to the above question were looking to prioritise some of the following activities as outlined in Figure 6.13:

- Execution of construction projects (23%);
- Maintenance and shutdowns (23%);
- Exploration (21%); and
- Project development, such as progressing feasibility studies and final investment decisions (19%).

‘Other’ activities included making greater capital investments and travelling to evaluate the business’s areas located over east or internationally.

Figure 6.13: Deferred activities seeking to be resumed

Restrictions allowing, what deferred activities are immediate priorities to resume within the next six months?



Source: CME COVID-19 Survey, 2020.

A metal company advised that:

*We had four months where we lost momentum on capital spend and major maintenance projects. We had only started to reinvest time in late May and early June 2020.*

Source: COVID-19 CME member interview, 2020

## 6.4 Expectations for recovery conclusion

There is still a level of uncertainty surrounding market conditions and how this will impact the WA resources sector. However, many companies reported that they have returned to BAU or experienced increased growth. Iron ore companies were the largest group when the survey returned to BAU or experienced increased growth which is in line with how the commodity performed financially even early on during the pandemic.

As the COVID-19 restrictions ease and markets stabilise, half of the resources sector plans to restart work previously deferred. These activities include commencing construction projects, undertaking maintenance and shutdowns and continuing exploration.

## 7. Next steps and future opportunities

This section of the report discusses the importance of the sector to the WA economy. It provides recommendations on how the government can continue to support the sector and its contributions to the WA economy and community.

### 7.1 Importance of the sector to economic recovery

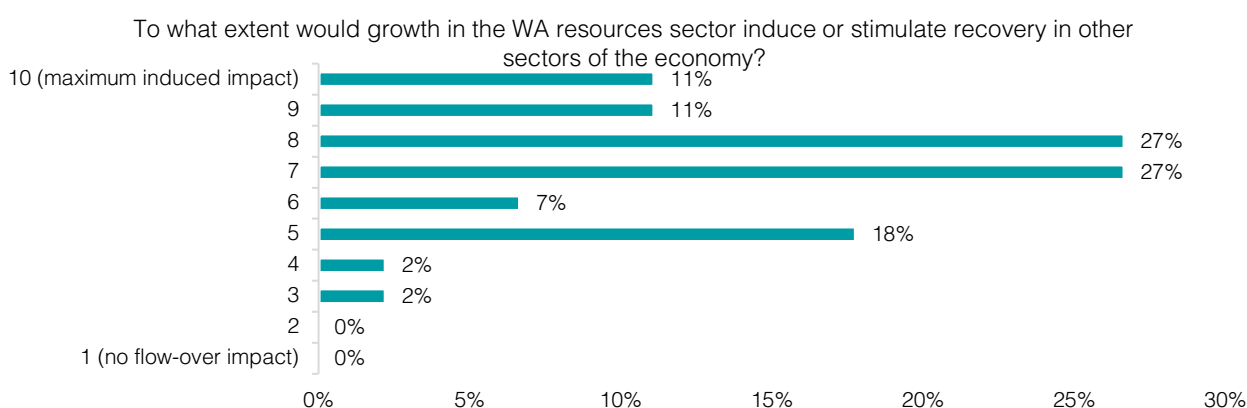
The resources sector is a vital part of the WA economy. In WA, it is the most significant contributor to the real GSP, the fourth largest employer in FY20, an attractor of foreign investment, a key engager with remote communities and an essential contributor to government revenue streams.

As with the post-recovery period of the global financial crisis,<sup>59</sup> commodity exports from the resources sector are likely to remain a significant contributor to Australia's economic recovery through the current downturn, the largest since the 1930s.<sup>60</sup> The strength of the sector to date has provided WA with some resilience to the impacts of COVID-19.<sup>61</sup> As such, when the resources sector thrives, the broad contribution can be felt by WA and Australia through the following mechanisms:

- Creation of jobs including Indigenous communities, the sector supported one in five jobs in WA in FY19;
- As the fourth largest employer in WA, through \$7.9 billion in wages in FY19, there is a large injection of cash into the economy;
- Increased tax revenues and royalties that help fund public services. For instance, in FY19, 53 members of CME paid more than \$16.9 billion in taxes and royalties.<sup>62</sup> Other contributions include –
  - In FY20, royalties from the WA resources sector contributed to 28% of WA State Government revenue.<sup>63</sup>
  - In FY20, the mining industry was the largest contributor to payroll tax of all industries. Any material changes in activity and employment will substantially impact WA State Government revenue from this tax stream.<sup>64</sup>
  - Transfer of mining tenements, the number and size of high-value commercial transactions also affect the WA State Government's revenue from transfer duties.<sup>65</sup>
  - Of Australia's top 30 entities liable to pay corporate income taxes in FY19, the broader operations of CME members across Australia contributed to 45 per cent of this revenue stream by value.
- Social contributions to remote communities, including bringing business from cities to remote communities. In FY19, the sector supported one in five local businesses in the Pilbara and Kimberley.

As per Figure 7.1, 100% of companies surveyed indicated that growth in the WA resources sector would play a part in inducing or stimulating recovery in other sectors of the economy, with 12% indicating it would induce maximum impact.

Figure 7.1: Resources sector impact on the economy



Source: CME COVID-19 Survey, 2020.

<sup>59</sup> Commonwealth of Australia, Resources and Energy Quarterly, OCE, DISER, December 2018, p. ii.

<sup>60</sup> Commonwealth of Australia, Resources and Energy Quarterly, OCE, DISER, 28 September 2020, p. 4.

<sup>61</sup> Bond-Smith, S. et al., BCEC Quarterly economic commentary, Bankwest Curtin Economics Centre, 9 March 2021.

<sup>62</sup> CME, FY19 economic contribution factsheets, national.

<sup>63</sup> Government of Western Australia, 2019-20 Annual report on State finances, TSY, 25 September 2020.

<sup>64</sup> Government of Western Australia, 2020-21 Pre-Election Financial Projections Statement, TSY, 8 February 2021.

<sup>65</sup> Ibid.

## 7.2 Risks to recovery

Overall, the sector has performed well in FY20. However, there is still uncertainty about future recovery, and the improvement of conditions will have a range of influencing factors, including:

- Whether the sector will have enough skilled workers to continue and expand operations;
- The timeline in which international markets return to normal, resulting in increased production and demand for commodities that COVID-19 has negatively impacted. With demand expected to be underpinned by growth in developing countries across Asia, modelling forecasts suggesting widespread vaccination will not occur in Asia over the next five years is concerning;<sup>66</sup>
- Ongoing anxiety that governments will ask more of the sector financially to reduce budget deficits or to subsidise spending to support other areas of the economy;
- If the government will ease the burden caused by lengthy administrative processes, enabling projects to commence quicker and increase productivity allowing growth within the sector; and
- Whether there will be the provision of government support (Section 5.3) to enable industries negatively affected by COVID-19 to recover financially, allowing companies to focus efforts on operations.

Given the broad relevancy of these risks across the sector, federal-state solutions are imperative to advance the resources sector.

## 7.3 Recommendations for government support in recovery

The WA resources sector is a significant contributor to the Australian economy. Continued government collaboration with the sector will ensure a successful recovery and capture the next wave of investment.

During COVID-19, we have seen the WA State, and Commonwealth government take the lead by recognising the resources sector as an essential industry, placing confidence in the sector to apply leading risk-based approaches to viruses and facilitating practical administrative amendments procedures to support the sector.<sup>67</sup> However, as discussed above, the government should take additional steps to support the sector and the whole of the Australian economy to rebound strongly on the other side of COVID-19.

Recommendations to the WA State and Commonwealth Government are described below:

### 7.3.1 Streamlined regulation

As discussed in Section 5.3, the sector looks to both the WA State and Commonwealth Government to deliver on its commitment to address regulatory overlap by removing unnecessary duplication, reducing the associated administrative compliance burden and, importantly, shortening timeframes on project approvals.

A meaningful reduction in unnecessary red tape and associated compliance costs would be transformational in placing WA at the forefront of global competitiveness to capture the next wave of investment and provide much-needed certainty for productive, ongoing operations. The government and industry have shown an ability to adapt during COVID-19 and streamline administrative procedures.

**This efficient and practical approach to streamlining regulation should continue across governments and be 'baked in' to permanently reduced timeframes whilst retaining robust regulatory oversight.**

The *Independent Review of the EPBC Act – Final Report* highlights an immediate opportunity to reduce duplication and devolve decision-making without compromising environmental outcomes.

**Consistent with the Commonwealth Government's Deregulation Taskforce's priority areas and the National Cabinet's support for assisting economic recovery there must be continued effort to establish a single touch bilateral approvals framework as a priority.**

### 7.3.2 Support labour mobility and the development and retention of skilled workers

As discussed in Section 3.5, 57% of companies indicated a shortage of skilled and experienced workers. Before the pandemic, issues with hiring and retaining skilled workers existed in the sector and many other industries. However, additional COVID-19 related restrictions and, conversely, incentives to stimulate economic activity across multiple sectors have affected workforce demand and availability.

<sup>66</sup> [The Economist Intelligence Unit](#), Asia's coronavirus vaccine timeline, 14 January 2021.

<sup>67</sup> [DMIRS](#), DMIRS Makes Administrative Changes To Support Industry During COVID-19 Pandemic, 15 December 2020.

The continued uncertainty and inconsistencies of COVID-19 travel restrictions, particularly at a state and sub-regional level, hinders labour mobility and further compounds skills shortages. While protecting workers' and public health remains paramount, there should be greater predictability and consistency in managing localised outbreaks across Australia.

**The WA State and Commonwealth Government should work together to enable timely access to skills development and mobile labour, particularly where vigilant COVID-safe protocols adopted by industry are proven effective.**

The current skills shortage is placing pressure on the cost of labour in some sectors upwards. Both from a cost and business continuity perspective, the filling of critical skills and experienced roles which are difficult to source in WA should be prioritised through a combination of training and skills relocation initiatives.

These measures will facilitate operational continuity and growth in the sector, protecting companies if travel restrictions limit interstate and international travel.

**In encouraging flexible training and a skilled mobile workforce, the education and training system needs to shift away from a compliance-based culture towards a contestable outcomes-based system with shared responsibility across governments, industry and individuals.**

In turn, continued coordination is required to ensure the system can capture innovation and technological change to accelerate productivity and global competitiveness. For example, 73% of global mining and metal companies surveyed as part of *The Future of Jobs Report 2020* indicated skills gaps in the local labour market as a barrier to adopting new technologies, with 24% indicating over one year of reskilling is needed.<sup>68</sup>

### 7.3.3 Provide investment certainty and stability and support the future growth of the sector

A survey conducted by 'State of Play' revealed the resources sector expects government debt to be the largest long-term impact of COVID-19 in Australia and the second-largest globally.<sup>69</sup> As such, companies are concerned the government will place additional financial pressure on the sector.

The sector looks to the government to provide investment certainty by ensuring no imposition of new or increased taxes, royalties, levies and other charges on the sector. On top of an escalating labour and cost base, any tax increases will impact the sector's global competitiveness and reduce its capacity to respond to the external shocks and opportunities of COVID-19.

While the overall sector has demonstrated resilience throughout the pandemic, trade tensions and depressed commodity prices have affected some subsectors. Certainty and stability in the long-term cost base are critical to both existing assets and new investment. Companies' ability to keep their cost base stable through sustained control of productivity and efficiency is pivotal to mitigating commodity prices volatility and remaining globally competitive.

**Any increase in operational costs, including labour and government charges, can reduce the asset's or mine's life. The sector therefore welcomes the WA Government's (and all major parties) commitment to not increase royalty rates over the next term of parliament (to 2025 at least).**

To capture the next wave of investment, the government should ensure competitive tax and fiscal settings to incentivise the production of mineral concentrates, chemicals and other products with complex or capital-intensive downstream processing. This investment could play a key role in sustaining WA's road to recovery from the effects of COVID-19 for years to come.

More modern and globally competitive royalty rate settings on these value-adding products would support the government's commitment to sustainable job creation under *Diversify WA*, the *Future Battery and Critical Minerals Industry Strategy*, and *Australia's Critical Minerals Strategy*.

**While the duration and depth of the impacts of COVID-19 on the global economy are unknown, the government should consider strategic, longer-term mechanisms that can effectively maintain existing projects and incentivise new investment in downstream commodities.**

<sup>68</sup> World Economic Forum, *The Future of Jobs Report*, 20 October 2020.

<sup>69</sup> [State of Play](#), Resources industry response to the global pandemic, 16 January 2021.