

29 January 2021

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

Sent via email: prebudgetsubs@treasury.gov.au

Dear Minister

2021-22 PRE-BUDGET SUBMISSION – LETTER OF SUPPORT

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia. CME is funded by member companies responsible for more than 54 per cent of Australia's mining new capital expenditure in 2019-20.¹

The opportunity to provide input to the Commonwealth Government's priorities for the 2021-22 Budget (the Budget) is welcome. Reiterating themes from CME's previous pre-Budget letters of support,^{2 3} this letter supports the aligned industry recommendations made in submissions by the Australian Petroleum Production and Exploration Association (APPEA) and Minerals Council of Australia (MCA).

Commodity exports from the resources sector are likely to remain a significant contributor to Australia's economic recovery from the most extensive economic contraction since the 1940s.⁴ As the pandemic's uncertain health and economic impacts continue to unfold across Australia and the globe, the Government should focus on targeted initiatives to improve Australia's international competitiveness, which is needed to maintain stability, confidence and underpin growth. Therefore, **CME strongly recommends the Government prioritise a) stable and competitive policy and fiscal settings to entice long-term investment, and b) accelerate deregulation and structural reforms to improve productivity.** These measures will encourage a sustainable and resilient return to growth for the sector, the broader industry and Australian economy.

A stable and competitive fiscal regime

The Western Australian resources sector is an immense contributor to Australia's national prosperity. Despite the unprecedented challenges brought forward by the pandemic, the sector achieved record export sales of \$171 billion and employed more than 135,000 individuals in 2019-20.⁵ Of Australia's top 30 entities liable to pay corporate income taxes in 2018-19, the Australian operations of CME members alone contributed to 45 per cent of this revenue stream by value.⁶

Any increase in the cost of doing business or burden of regulatory compliance in Australia will impact the sector's global competitiveness, reducing its capacity to respond to external shocks such as the ongoing uncertainty caused by COVID-19. Whilst the overall sector has demonstrated resilience throughout the pandemic, geopolitical trade tensions and depressed commodity prices has affected some sub-sectors.

¹ Excludes ANZSIC Division C Manufacturing of bauxite-alumina and liquefied natural gas, etc. Government of Western Australia, *Western Australia Economic Profile: November 2020*, monthly release, Department of Jobs, Tourism, Science and Innovation, 8 December 2020.

² CME, *2021-21 pre-Budget submission: Letter of support*, submission to the Department of the Treasury, 4 February 2020: <https://cmewa.com.au/wp-content/uploads/2020/02/2020-21-Federal-Pre-Budget-Letter-of-Support.pdf>.

³ CME, *2021-21 pre-Budget submission: Letter of support*, deferred submission to the Department of the Treasury, 24 August 2020: <https://cmewa.com.au/wp-content/uploads/2020/10/2020-21-Federal-pre-Budget-letter-of-support.pdf>.

⁴ Commonwealth of Australia, *Resources and energy quarterly: September 2020*, Department of Industry, Science, Energy and Resources, 29 September 2020, p. 4.

⁵ Government of Western Australia, *2019-20 Major commodities resources data*, Department of Mines, Industry Regulation and Safety, 25 September 2020.

⁶ CME members operating across Australia. Australian Taxation Office, *2018-19 Report of entity tax information*, annual excel dataset, 23 November 2020.

Certainty and stability in the long-term cost base are critical to both existing assets and new investment. **The most important thing the Government can do to support the Western Australian resources sector is through ensuring no new or increased taxes or fees are imposed on the sector.**

CME supports the following priority recommendations put forward by APPEA or MCA:

- 1) A timely, targeted and temporary investment allowance for attracting new capital expenditure. This allowance may include accelerated depreciation in the first year, increased gross-up asset values, shortening the effective life of longer-term infrastructure asset classes, or expanding the timeframe of temporary full expensing measures for eligible new assets. These temporary allowances may be prudent as the duration and depth of the pandemic's impacts will remain unclear.
- 2) Retain the existing fuel tax credits system, consider permanently extending the Junior Minerals Exploration Incentive and avoid introducing uncertainty through sector-specific levies.
- 3) Continued commitment to reforming the capital gains tax regime, i.e. 'like for like' rollover relief for economic restructuring involving swaps of permits and existing infrastructure.
- 4) Maintain strong open relationships with mutually beneficial trading and investment partners, with greater transparency on streamlining non-sensitive foreign investments and distinguishing this from 'national security business' for the critical minerals sector.
- 5) Encourage employment and job creation in capital intensive industries by enabling an immediate tax deduction for wages and salaries, which would otherwise be subjectively deemed by companies and the Australian Taxation Office to form part of an asset's capitalisation cost. This change in treatment will provide clarity for companies.

Modernise administration of petroleum resource rent tax laws in line with commercial practices and consider forgoing review amendments to gas transfer pricing rules, favouring stability for past, current and future investments.

- 6) Pursue a consistent agenda for modern manufacturing agenda and lower emissions which encourages long-term investment, resilience, innovation and productivity. For example, this may include:
 - a) Continuing to support public-private research in lower emission technology projects.
 - b) Using existing mechanisms such as the Clean Energy Finance Corporation, Australian Renewable Energy Agency, Northern Australia Infrastructure Fund or Research and Development Tax Incentive to encourage downstream manufacturing.
 - c) A nationally coordinated approach to supporting downstream processing through infrastructure, technology precincts or reducing costs such as energy.

Workforce

Securing timely access to skilled, diverse and mobile labour across Australia is fundamental to facilitating growth across the resources sector and other industries. The continued uncertainty and inconsistency of COVID-19 travel restrictions, particularly at a state and sub-regional level, limits labour mobility and further compounds skills shortages. While protecting workers and public health remains paramount, **CME encourages the Government to take a leadership position to ensure labour mobility is not unduly restricted, particularly where COVID-safe protocols adopted by industry have proven effective.** Consistent with the Business Council of Australia's position, greater consistency and predictability on managing local outbreaks across Australia would be welcome by individuals, businesses and industry.

Additionally, **the Government should reconsider broadening the fringe benefits tax (FBT) remote areas exemption for employer-provided housing expenses to include those which are employee-provided.** This extension will give employers the flexibility to financially support their employees who wish to live or relocate to regional and remote Western Australia, whilst also streamlining the burden of compliance.

In addition to the lack of housing availability in regional Western Australia, the lack of childcare provision is re-emerging as a barrier to greater workforce participation.⁷ **CME recommends the Government extend the**

⁷ Government of Western Australia, *WA Impact statement: COVID-19 pandemic*, Department of the Premier and Cabinet, 24 December 2020, p. 17.

FBT exemption for employer-owned on-premise childcare services to include those provided off-premises. Broadening the exemption will simplify the FBT regime and reduce underemployment, improve labour market outcomes and household incomes across Australia. To promote discussion on these matters, **CME recommends releasing the Board of Taxation's report on FBT compliance costs.**

In encouraging a flexible and mobile workforce, CME supports the MCA's recommendation the education and training system needs to shift away from a compliance culture towards an outcomes-based system supported by contestability and shared responsibility across governments, industry and individuals.

Regulatory reform

Last year, CME interviewed 30 senior member representatives from a range of major resources companies. Half of the representatives nominated regulatory approvals and better whole-of-government coordination as the number one priority for the Government to address to support economic growth. Streamlining regulation and associated administrative processes will improve regulator performance across agencies, increase the confidence to bring forward investment decisions and support ongoing productivity improvements for industry proponents.

The recent release of the *Independent Review of the EPBC Act – Final Report* highlights the immediate opportunity to reduce duplication and devolve decision-making, without compromising environmental outcomes. Consistent with the Government's Deregulation Taskforce's priority areas for assisting economic recovery, **CME strongly supports National Cabinet's commitment to streamline environmental assessments and approvals, including the priority establishment of a 'single touch' bilateral approvals agreement between the Commonwealth and Western Australia.**

In supporting a whole-of-government approach to better policy and regulation, CME also supports APPEA's recommendation that the offshore decommissioning framework should have dual objectives; protect the environment and ensure optimal extraction from oil and gas assets.

Conclusion

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

Should you have questions on the views and recommendations raised in this letter, please contact Mr Robert Carruthers, Director – Policy & Advocacy, on 0415 979 310 or at R.Carruthers@cmewa.com.

Yours faithfully



Paul Everingham
Chief Executive Officer