

30 March 2023



Mr Michael Barnes
Under Treasurer
Locked Bag 11
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Dear Under Treasurer

2023-24 PRE-BUDGET SUBMISSION

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the mining and resources sector in Western Australia.

CME is funded by member companies responsible for more than 91 per cent of the State's mineral and energy workforce employment,¹ ranging from mining (mineral and petroleum commodities) to manufacturing (alumina, basic inorganic chemicals and explosives) and supporting services. Within Western Australia the sector is vast and complex, comprising of operations across a diverse grouping of commodity types and traversing stages, from exploration through production and closure.

Overview

The mining and resources sector plays an integral role in the strength and stability of Western Australia's economy. The value of royalties received from the sector totalled over \$11 billion in 2021-22, accounting for 27 per cent of general government revenue.² Amid heightened commodity demand, royalties and stronger tax collections from the sector are expected to underpin government fiscal capacity in 2023-24.

The sector also continues to deliver material economic dividends throughout Australia with indirect spending from the sector contributing to an additional 493,852 full-time jobs and \$78.44 billion in gross value add to the Australian economy in 2020-2021.³ These dividends contributed 8.7 per cent to gross regional product and, alongside direct company contributions, play an important role in supporting the regional and remote communities in which the sector operates.

The outlook for the State's mining and resources sector is strong, with \$57 billion of major resources projects either committed or under construction in Western Australia, and a further \$87 billion under consideration.⁴ Further, investment in minerals exploration (often a leading indicator for project investment) remains at record highs in Western Australia, rising by 20.7 per cent in 2021-22 to \$2.5 billion.⁵

Whilst the outlook for the sector from the perspective of exploration expenditure and proposed project pipelines is strong, the sector faces considerable headwinds in the form of intense global competition for investment capital, geopolitical tensions, disrupted supply chains, and a constrained local labour market exacerbated by global skill shortages.

Further, recent changes and uncertainty regarding regulatory policy decisions at both a State and Federal level, compounded by ongoing delays and approval process duplication, threaten Western Australia's reputation as a stable and profitable investment jurisdiction.

In preparing the 2023-24 Pre-Budget Submission (the submission), CME has sought feedback from member companies across commodity types and operational stages as well as contractors and suppliers to the sector. The submission is structured to make specific recommendations under the following policy areas:

¹ Government of Western Australia, [2021-22 Economic indicators resources data](#), onsite employment under State legislation, Department of Mines, Industry Regulation and Safety, 5 October 2022.

² Government of Western Australia, [2021-22 Annual report on State finances](#), Department of Treasury, 28 September 2022, pp. 8.

³ The Chamber of Minerals and Energy of WA, [Economic contribution factsheet 2020/21](#), 27 March 2022.

⁴ Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, December 2022, p 9.

⁵ Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, December 2022, p 10.

- A stable and cost competitive environment
- Efficiency in regulation
- Energy security and energy transition
- Labour shortages and regional development

We provide our comments with respect to each policy area below.

1. A stable and cost competitive environment

a. The cost of doing business

As a price taker in a global market, maintaining a low-cost operational base is fundamental to the competitiveness of the Western Australian resources sector. Material changes in cost structures can significantly affect cash flows across the life of an asset, bringing forward the end of life and reducing the ability to use margins to expand existing projects or invest in new projects.

Over the last 12 months, the sector has faced substantial increases in the cost of capital as central banks rapidly tighten monetary policy in the face of rising inflation.⁶ Domestically, the Reserve Bank of Australia has increased the target cash rate for the tenth consecutive time to 3.60 per cent in March 2023, with more increases forecast, off the back of healthy growth (5.9 per cent)⁷, low unemployment (3.5 per cent)⁸, and the highest Consumer Price Index inflation since 1990 (7.8 per cent).⁹

Certainty in a stable, low-cost structure will be essential to providing the industry with the necessary confidence to continue investing against the ongoing risks of supply chain disruptions, labour and materials price escalation, and the tightening of financial conditions.

However, in addition to **calling for an ongoing commitment to no new or increases in taxes or royalties**, CME continues to be alert to escalating costs and the imposition of cost recovery models, fee increases and other charges, which impose a disproportionate burden on the resources sector.

While sensitivities to increases in cost of individual inputs may vary from proponent to proponent, the *cumulative* impact of these risks negatively impacts financial sustainability and our global competitiveness and can present significant barriers to unlocking new opportunities.

Consider, for example, a resources company requiring regulatory approval for a port-related operation. Subject to the required level of assessment, significant costs may be imposed by both State and Federal regulators with respect to receiving and assessing the application for approval, under their respective cost recovery regimes.¹⁰ The process to develop an application itself also bears significant costs, with years of studies, consultants fees and peer review required. Navigating secondary approvals and licenses and connecting to services such as water and electricity or to develop access roads and workforce accommodation can also be costly with some Local Governments signalling increasing expectations for contributions outside any regulated obligations. Compliance obligations associated with an approval further add to the cost profile, with significant outlay for carbon offset costs and biodiversity offsets required.

As can be seen in the single example above for a single approval, it is the cumulative effect of various costs on industry which continues to concern CME, with these cumulative costs having a direct bearing on project viability and timeframes. Current proposals by State and Federal Governments to increase the approvals cost burden through cost recovery processes will further compound these effects. CME urges the need to take stock of rising regulatory costs on industry before this occurs.

As outlined in earlier submissions,¹¹ CME recommends that the WA Government implements increased oversight and transparency regarding the cumulative costs imposed on business by government. We

⁶ <https://www.rba.gov.au/media-releases/2023/mr-23-04.html>

⁷ <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/sep-2022>

⁸ <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#:~:text=Media%20releases-,Key%20statistics,unemployment%20rate%20remained%20at%203.5%25>

⁹ <https://www.rba.gov.au/media-releases/2023/mr-23-04.html>

¹⁰ Reg. 4(3), *Environmental Protection (Cost Recovery) Regulations 2021* (WA) and Division 5.6, *Environment Protection Biodiversity and Conservation Regulations 2000* (Cth)

¹¹ CME, [2020-21 pre-Budget submission](#), submission to TSY, 6 January 2020; CME, [2020-21 deferred pre-Budget submission](#), submission to TSY, 10 September 2020; CME, [2021-22 pre-Budget submission](#), submission to TSY, 9 July 2021; CME, [2022-23 pre-Budget submission](#), submission to TSY 23 February 2022.

reiterate our recommendation for a formal review of the ongoing cumulative effects of these costs and compliance activities imposed by multiple agencies. In addition, we consider the **inclusion of a 'basket of fees and charges' equivalent to the cost of doing business would increase transparency and value in the Western Australian budget.**

b. Incentivising critical and battery minerals industry development through royalty rebates

There is enormous opportunity for Western Australia to have a world leading, sustainable, value-adding critical minerals sector. Western Australia hosts almost all the specified minerals on Australia's critical mineral list, and is currently the world's largest producer of lithium,¹² third-largest producer of rare earths¹³, fourth-largest producer of cobalt¹⁴, and a top five producer of battery grade nickel.¹⁵

In recent years we have seen capital investment exceed \$9 billion and an iterative movement along the value chain beyond the export of raw materials to refined products. Western Australia currently hosts three lithium hydroxide facilities, a nickel sulphate refinery, a nickel and cobalt metals refinery, a rare earths processing facility and a rare earths refinery, with further critical minerals processing facilities either planned or under development.

However, these are complex projects which are capital (upwards from \$1 billion), energy and resource intensive. If Australia is to competitively move further along the critical minerals value chain, attracting international investment from strategic partners with technical capability will be critical to acquiring and building capacity.

Investment choices are made in an increasingly competitive global context, with some jurisdictions providing significant incentives and concessions for critical and battery minerals processing and downstream value chains to be established domestically such as the United States' *Inflation Reduction Act of 2022*.

Australia, and particularly Western Australia, has a product cost disadvantage compared to other nations, including the United States, based largely in part to differences in labour costs, transport costs, capital efficiency and overheads.¹⁶

Western Australian projects needs cost certainty and incentives which play to our competitive advantages.

Greater certainty around the costs associated with project development and operation (e.g. energy, employment costs, tax, regulatory, and other fees and charges) are crucial to attracting the quantum of investment required to capitalise on the market opportunity - particularly in an inflationary environment where Western Australia is competing with international jurisdictions with more favourable cost structures and a lower regulatory burden.

Australia should maintain its open, rules-based market economy philosophy with respect to foreign trade and investment policy, and optimise opportunities for Western Australian critical minerals producers to secure capital investment from companies operating downstream. CME recommends consideration of measures such as grants and tax incentives to improve Australia's (and Western Australia's) competitiveness as an investment destination, including for upfront capital outlays.

With respect to strategic cost reduction to incentivise investment, CME recommends that **a targeted royalty incentive (such as a 'value add' rebate scheme), which would apply to strategic second-tier intermediary and beneficiated products, should be explored by the WA Government.** Such a scheme would appropriately recognise the higher capital investment intensity and processing complexity of modern secondary or tertiary treatments, or increased operating costs associated with producing highly processed and high value saleable products in today's environment, including modern mineral-derived chemicals, concentrates and pellets.¹⁷

In conjunction with targeted strategies and incentives at a Commonwealth level, Western Australia's royalty framework provides an important lever to support value-adding to existing resource development as well as the domestic development of critical mineral and battery-grade mineral projects. It could also be

¹² S&P Global Market Intelligence (annual 2022)

¹³ United States Geological Survey (USGS) (2023), Mineral commodity summaries 2023, pp142

¹⁴ United States Geological Survey (USGS) (2023), Mineral commodity summaries 2023, pp 60

¹⁵ United States Geological Survey (USGS) (2023), Mineral commodity summaries 2023, pp122

¹⁶ Australian Manufacturing Growth Centre (2022), Manufacturing Competitiveness Plan

¹⁷ CME, [Mining Amendment Regulations \(No. 5\) 2019 – Consultation draft](#), submission to the Department of Mines, Industry Regulation and Safety, 24 January 2020; AVC, [A case for building resilience into WA's lithium industry](#), commissioned by CME and AMEC, June 2020.

transformational in bringing more Western Australian projects to fruition as well as support the viability of existing investments at a time when global competition to secure stronger footholds across the critical minerals value chain is intensifying.

2. Efficiency in regulation

a. Providing regulatory certainty and removing duplication

Inefficient, costly and duplicative assessment and approvals requirements continue to contribute to significant delays in project timeframes and are an ongoing drag on future investment pipelines and productivity.

Additionally, significant proposed reforms to climate, heritage and environment legislation and policy at both state and national levels will continue to contribute to short term uncertainty and each have the potential to significantly increase duplication and directly impact the overall efficiency of regulatory outcomes. In the absence of certainty regarding how each proposed reform will deliver on objectives whilst avoiding unnecessary scope creep, duplication and increases to the ongoing regulatory burden for projects, there is a significant risk that short-term investment appetite is impacted.

To capitalise on opportunities and support the ongoing viability and sustainability of Western Australia's resources sector, it is crucial for the State Government to work alongside the Commonwealth to:

- Ensure proposed significant reforms at a Commonwealth level do not introduce duplication to the robust assessment and approvals processes conducted at a State level
- Ensure Western Australia has the opportunity to implement an 'accreditation' process as soon as possible, and prior to Western Australian projects being required to navigate the additional assessment and decisions making processes proposed in the repeal and replacement of the Commonwealth Environmental Protection and Biodiversity Conservation Act (EPBC Act) and introduction of a national Environmental Protection Authority (EPA).
- Identify and pursue reforms to streamline and simplify processes and regulation to address the growing regulatory burden (without compromising regulatory outcomes and intent) and facilitate timely project development.
- Actively assist proponents to navigate approvals processes provide certainty for those already in the pipeline to support investment.

b. Aboriginal cultural heritage legislation

CME welcomed the McGowan Government's passage of the landmark *Aboriginal Cultural Heritage Act 2021* (the ACH Act) and has appreciated the opportunity to participate in the co-design process for the supporting regulations and guidance.¹⁸

Full implementation of the new *Aboriginal Cultural Heritage Act 2021* legislation has been committed for July 2023 and will cement a modernised framework of Aboriginal cultural heritage protection in WA. Timely finalisation of the regulatory settings is vital, so that all stakeholders have adequate time to prepare for the implementation a new framework. Provision for the ongoing resourcing of the functions within the Department of Planning, Lands and Heritage (DPLH) which will be required to support the processes and bodies created will also be critical to ensuring success.

CME continues to recommend the State maintain strong advocacy for State frameworks, and the role of the State as the primary regulator on State matters, to ensure that reforms to Commonwealth heritage legislation remain focused on working with and complementing existing frameworks.

The efficient operation of the new Aboriginal cultural heritage framework is essential to the progress of projects across Western Australia. To set this up for success the adequate resourcing of the bodies established under new legislation, including a new Aboriginal cultural heritage council (ACH Council), will be critical. To ensure this, CME recommends prioritisation of funding allocation to deliver the necessary resourcing and support for the ACH Council and central secretariat functions with DPLH to support the operation and success of new WA legislation.

¹⁸ Government of Western Australia, [Historic laws passed to protect WA's Aboriginal cultural heritage](#), media statement, 15 December 2021.

In anticipation of increase demand for DPLH services following the 1 July 'go live' date for the new legislative framework, **CME recommends additional funding allocations for DPLH to support and manage the transition including the provisions of support to Local Aboriginal Cultural Heritage Services (LACHS)**. Capacity building and support for LACHS will be essential to support the ongoing operation of the ACH framework.

c. Cost recovery and regulatory efficiency

As the WA Government moves to adopt cost recovery for a range of regulatory functions, the duplication and overlap of assessment processes must be addressed as a priority.

Through Streamline WA, Government has demonstrated that it understands the impact of ineffective regulation on the cost and difficulty of doing business, and is committed to the modernisation and streamlining of regulation, regulatory practices, and timeframes through a whole of government approach.

CME remains supportive of this cross-agency initiative, in addition to the ongoing prioritisation of regulatory efficiency mapping and efficiency metrics to underpin cost recovery within each cognisant that accountable authority, to promote the attainment of minimum service standards and a commitment to continuous improvement.

To this end, CME recommends that **fee-for-service models are based on an efficient unit cost, not historical actuals, and are aligned to customer service performance indicators**. CME's position remains that **business must not bear the cost of inter-and intra-agency inefficiencies due to regulatory duplication and internal constraints**.

A whole of government approach such as that adopted through the Digital Capability Fund may support resource allocation across the reforms currently being pursued by various regulators. This would allow reform proposals to be assessed consistently, ensuring a priority focus on interagency decision-making processes and, therefore, achieving whole-of-government improvements for both regulators and proponents - as aspired to under Streamline WA.

CME appreciates the ongoing skills constraints impacting both regulators and industry. In addition to directed programs to address shortages, **CME recommends available resourcing be continuously reviewed to ensure allocation to highest and best use and the progression of efficiency improvements where identified**.

CME looks ahead to the post-implementation review of Part IV of the *Environmental Protection Act 1986* (EP Act) as a key opportunity for review of the efficiency and customer service performance of cost-recovered application and assessment processes. As further proposed cost recovery under the EP Act is progressed, including through Part V, **CME considers it is critical that efficiency and performance metrics are incorporated and opportunities to reduce duplication and improve service delivery are prioritised**.

3. Energy security and energy transition

a. Decarbonisation and the development of emerging energy industries

The global shift towards the large-scale adoption of renewable and clean energy technologies is driving a fundamental transition in Australia's domestic energy market. This energy transition is rapidly taking place; and is both technology-led and commercially driven. Simultaneously, global decarbonisation is driving demand for the critical and battery minerals which, along with traditional commodities such as iron ore, will be needed at an extraordinary scale to provide the raw material inputs for renewable energy generation assets and other decarbonisation technologies.

CME members are developing and implementing plans to reduce emissions¹⁹ to achieve net zero emission targets by 2050 or earlier. This reduction in emissions requires a switch to cleaner forms of energy.

The need for focused near-term effort on decarbonisation has been accelerated by recent changes to Australia's Nationally Determined Contribution under the Paris Agreement, the legislation of these targets in the *Climate Change Act 2022* (Cth) and proposed reforms to the Safeguard Mechanism requiring 43 percent reduction in emissions from the heavy industry sector by 2030.²⁰

¹⁹ Emissions for the purpose of this report are greenhouse gases as defined in s7A of the *National Greenhouse and Energy Reporting Act 2007*, which include Carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), Sulphur hexafluoride (SF₆) and specified hydrofluorocarbons and perfluorocarbons.

²⁰ Australian Government (2022), Australia's Nationally Determined Contribution Communication 2022

The advancement of the technical capability to provide a future-state electricity generation and transmission network which is able to deliver the required capacity to support decarbonisation will be a critical component in the success of the energy transition and the future of heavy industry in Australia and Western Australia in particular. Another critical component to that challenge is the requirement for investment in ongoing research and development for flexible clean energy generation and storage, and process decarbonisation technologies.

Perhaps less obvious, but equally as important to attracting investment and the success of the energy transition, is an efficient regime for land use planning and allocation, with such a regime ensuring the most effective use of available land for energy production and transmission infrastructure. Efficiency in this regard would mitigate impacts on the environment as well as reduce potential land-use conflicts. Further, we suggest the WA Government needs to invest in necessary ancillary infrastructure to support clean energy projects, such as roads and power transmission lines.

To reclaim Western Australia's position as a competitive jurisdiction to attract and retain investment, the continued investment by Government in the transformation of our electricity network, and the facilitation of reliable and economically competitive clean energy supply is vital. This includes investing in ongoing research and development for flexible clean energy generation and storage, and process decarbonisation technologies.

b. Investment in the South West Interconnected System

A critical challenge to achieving emissions-reduction targets is access to the sufficient quantum of economically competitive, low-carbon energy generation, storage and transmission capacity, and commercially ready decarbonisation technologies.

For most of our members, decarbonisation will involve some combination of energy efficiency and switching to low carbon energy sources. Due to the current level of abatement technology readiness, the focus to 2030 is primarily on consumption of electricity sourced from low emission (including renewable) generation and process electrification – again with electricity generated from renewable or other low-carbon sources.

We note here the Federal Government's "Rewiring the Nation" plan and the opportunities it brings to facilitate this process. It is important for the WA Government to advocate to the Federal Government for industry access to that funding, in proportions which identify the industry's importance both to the nation's economy and its commitment to reach net zero.

CME has recently conducted a focused piece of work with members with current or planned operations located in the region serviced by the South West Interconnected System (SWIS), to forecast aggregate industry electricity demand in the context of company decarbonisation targets. A detailed report will be provided to Government later in the quarter, however, early analysis suggests the sector's current decarbonisation plans will lead to a significant step change in electricity demand on the SWIS (roughly 2.5 times current demand). Additionally, this demand is not likely to be distributed evenly throughout the region serviced by the SWIS, but is geographically clustered.

A key finding of the report is that industry (existing and future) requires the SWIS to provide a significant portion of this increased electricity demand. While industry will invest in 'behind-the-meter' electricity generation and storage solutions to supplement SWIS supplied electricity, land access and environmental considerations (biodiversity, water supply etc) will restrict the ability of behind-the-meter options to meet the scale of the forecast demand increase. A co-ordinated and strategic supply solution through the SWIS is required to meet forecast demand.

The report also finds, while current SWIS generation and transmission infrastructure can supply incremental renewable energy capacity, it cannot provide the required capacity and reliability to support the forecast step-change in demand associated with industry decarbonisation plans, which involve significant process electrification (fuel switching) or greenfield energy developments that are electricity intensive (e.g hydrogen).

Further, the 2022 Electricity Statement of Opportunities²¹ (ESOO) is out of step with recently increased domestic decarbonisation commitments²² and significantly underestimates the rate of electrification that will be required to support such objectives. There is therefore insufficient planned investment in the required

²¹ Australian Electricity Market Operator (AEMO), Electricity Statement of Opportunities – June 2022

²² Australian Government (2022), Australia's Nationally Determined Contribution Communication 2022

generation and storage capacity and transmission network augmentation to support the required step change in demand.

Certainty regarding planned Government investment in generation and transmission capacity and storage, together with the application of levers within the regulatory framework to incentivise private investment in clean generation capacity and long duration energy storage is critical to supporting industry decarbonisation plans, investment decisions and trajectories. A contemporaneous Whole of System Plan (WOSP) and ESOO reflective of the forecast step change in demand for reliable clean energy supply from large scale industrial users is essential.

Noting the Wholesale Electricity Market (WEM) 2022 capacity procurement cycle did not capture the forecast step change in demand, and timeframes associated with the development of new generation and transmission infrastructure are likely to exceed 5 years²³, significant near-term direct government investment in clean energy hubs in geographical proximity to large industrial users and a streamlined project approvals process is likely to be required to achieve shared decarbonisation objectives.

CME recommends the State Government immediately communicates its program for scheduled investment in the SWIS (for flexible and low emission generation, long duration storage capacity and augmentation of the transmission network), and ensure that pricing signals and mechanisms in the WEM are adequate to incentivise additional private investment in generation and storage to provide confidence that forecast industrial electricity demand can be met in the required timeframes.

c. Investment in the North West Interconnected System

The important challenge of decarbonisation is one requiring Government to take a wholistic approach to determining where the energy needs of the future lie, and how best to meet those needs.

Our members operating in the area serviced by the North West Interconnected System (NWIS) have similar decarbonisation needs to those serviced by the SWIS. The electrification of industrial and transport processes within their operations to meet 2030 decarbonisation objectives will increase demand for low emissions electricity in the near-term. Government has an opportunity to provide or access budgetary support to infrastructure projects which maximise energy transmission efficiency and achieve emissions reductions.

We are pleased that the Government is currently working with industry to examine effective investment by the Commonwealth and State in common user transmission infrastructure in the NWIS, having established the Pilbara Roundtable and supporting Industry Liaison Committee for these discussions.

Government investment to upgrade and improve energy infrastructure, including connecting industry operations to existing State electricity networks, will have significant impact in moving towards the decarbonisation objective, while at the same time providing industry with access to, and security of, energy supply in the area serviced by the NWIS.

CME recommends the State Government advocate to the Commonwealth Government for industry and Government access to funding for investment into NWIS and energy infrastructure for regional industry sites.

Supply of secure and reliable electricity is critical in the move away from reliance on more carbon-intensive energy sources.

4. Labour Shortages and Regional Development

a. Supporting labour availability and mobility

Employment demand within the Western Australian resources sector remains strong, with employment in the mining industry experiencing the largest rise in average employment between the December quarters of 2021 and 2022 (an increase of just under 16 per cent).²⁴

²³ Due to timing needed to secure relevant approvals, associated stakeholder consultation and the likelihood that labour shortages and supply chain disruptions are likely to persist in the short to medium term.

²⁴ Government of Western Australia, [WA Economic Profile - December 2022](#), Department of Jobs, Tourism, Science and Innovation, p 5.

Industry has been heavily investing in both the upskilling of existing workers and addition of high numbers of apprentices and trainees to meet demand, however labour market tightening in both the State and national economy is placing pressure on local businesses.

Governments too are investing heavily in the skills of their workers, and are taking steps to actively grow the number of skilled participants in the workforce. CME recognises the WA Government's commitment in recently announcing an investment of \$3 million to establish a new TAFE scholarships program for women in trade and technical occupations,²⁵ with the aim of increasing female participation those occupations. Initiatives such as these also help to remove cultural and societal barriers in place, and support women's learning to maximise vocational outcomes. We encourage further investment to achieve these important outcomes.

Yet whilst every effort to secure a local workforce is made, the large and complex nature of resource sector projects highlights an on-going requirement to source experienced and highly skilled professionals from international talent pools. This is particularly important when considering pathways to realise the ambitions of decarbonisation and energy transition, material recycling opportunities, and when supporting the development of value-adding industries, such as downstream processing and battery manufacturing.

Additionally, as resource deposits become deeper and increase in complexity, access to a specialist workforce with the necessary skills and experience to extract these resources will be of paramount importance to protect the safety of workers and productivity of industry.

The challenge for industry and Government alike is to increase that level of access, and it remains CME's view that many opportunities to do so are yet to be fully explored. There is scope within the training space, for example, to better use digital technologies for the delivery of high-quality vocational education and skills training. This is particularly relevant in Western Australia, where barriers to learning are encountered due to the remote and regional placement of many in the workforce. Further, new ways of learning, which target barriers such as those experiencing language, literacy and numeracy difficulties, can also be realised through innovative approaches to skills training.

Government also has an opportunity more broadly to promote the resources industry more vocally, both generally as an industry integral to the future of our State, but also more specifically as an industry which offers good, safe employment options. The resources sector has been impacted by the labour shortages alongside all other sectors, and a stronger position by the Government with respect to the industry's contribution and employment opportunities will help drive industry efficiency, and bring even further benefit to the State.

To support and sustain the establishment of value-adding industries in WA, there needs to be an **ongoing policy and funding support to increase the quantity, quality, and transferability of skilled labour – both home-grown and, critically, through attracting international skills**. CME, therefore, recommends the Government consider the following to promote workforce participation, flexible work arrangements, training and development in the workforce:

- **Reinstate payroll tax exemptions for in-demand training occupations**, with appropriate parameters to ensure it is not *'used as a tax avoidance measure... [but] targeting real skills gaps in the economy'*.²⁶ CME also notes our annual tax payable for employers with over \$100 million in payroll is higher than comparable labour markets in New South Wales, Victoria, Queensland and South Australia.
- Similarly to Victoria and Queensland, **apply a payroll tax rate discount for eligible regional-based employers** to boost employment in regional and remote WA, where skills gaps are often acute.
- **Streamline and simplify requirements of the Skilled Nominated and Regional (Provisional) Skilled Nominated visa categories** to encourage permanent residency transition, work in collaboration with the Commonwealth Government, and increase recognition of resource sector occupation categories.
- **Expand the Skills Recognition Apprenticeship Program to include qualifications in-demand by the resources sector**, including automotive, engineering, electrotechnology and telecommunications trade workers.

²⁵ Government of Western Australia, [Changes to payroll tax exemption for trainees announced](https://www.mediastatements.wa.gov.au/Pages/McGowan/2023/03/Building-equal-and-safe-workplaces-on-International-Women's-Day.aspx), media statement, 30 November 2017, <https://www.mediastatements.wa.gov.au/Pages/McGowan/2023/03/Building-equal-and-safe-workplaces-on-International-Women's-Day.aspx>

²⁶ Government of Western Australia, [Changes to payroll tax exemption for trainees announced](https://www.mediastatements.wa.gov.au/Pages/McGowan/2017/11/Changes-to-payroll-tax-exemption-for-trainees-announced), media statement, 30 November 2017.

- Further **extend placements under the Adult Apprenticeship Employer Incentive**, bringing forward future allocations to support longer-term training outcomes given the significant pipeline of public and private sector infrastructure projects currently underway.

b. Investing in regional liveability

When considering the enablers and barriers to workforce participation throughout Western Australia the importance of regional liveability requires acknowledgment.

The term 'regional liveability' has a wide scope, and encompasses all things needed to facilitate a happy, healthy presence in the local community. The challenge of enhancing regional liveability is one that needs to be met by all sectors of the community.

Families particularly need to be supported, and the good availability and affordability of early childhood education (ECE) is one critical aspect for a baseline level of regional liveability. CME has received numerous reports of wide-spread, sustained shortages in childcare services, with long wait lists commonplace, and numbers of places limited due to a lack of available childcare workers.

CME has received similar reports with respect to the accessibility and quality of education and health care services, which also have a significant bearing on the degree of liveability, and correlates directly to the regions' capacity to attract and retain both skilled and unskilled talent. For example, while there is an increasing uptake of telehealth services within the regions, there are reports of limited long-term specialist support for specific health care needs, and long wait times for those services. Further, there are limited options in some regional centres for post-secondary education, which contributes heavily to the issue of young people leaving those centres.

There are always challenges and opportunities for Government to improve regional health and education outcomes, but it is important that CME restates industry's concerns with respect to the current state-of-play and how it continues to impact regional liveability.

Further to those matters raised above, CME notes that critical road infrastructure, access to reliable power and clean water, and crime and security in the community are all regional liveability considerations. Equally as important is access to social lifestyle infrastructure/services such as sporting, recreational, arts and cultural hubs, and hospitality venues, which support diverse lifestyles and are key decision-making considerations for individuals and families considering relocation.

Naturally all workers, including those for these many support services, require a place to live. The availability and affordability of housing stock has arguably the strongest correlation with levels of regional liveability, as does diversity of that housing stock. We have seen successful diversity achieved in part, for example, through the key service worker accommodation initiative, however, further investment will be required in order to adequately support our regional communities into the future. CME cannot understate the importance of housing and accommodation as it relates to regional liveability, and while government and industry continues to make every effort to address these issues, **CME reiterates the need for continued efforts to increase supply and slow the rising cost of housing across all of WA's regions.**

Regional liveability should also not be underestimated in the context of labour force participation, and the delivery of both systemic and locally focused solutions will be essential.

CME members continually demonstrate their commitment by adding value to regional and remote communities through ongoing community investment. In 2020/21 for example, CME member companies supported close to 15,000 local businesses, over 1100 community organisations and 85 Western Australian local governments.²⁷ In late 2022, CME members confirmed their own commitment to community investment by providing \$750 million in funding for iconic infrastructure projects and community and social initiatives through the government's Resources Community Investment Initiative.²⁸

To further support share objectives for regional liability, CME recommends the government:

- **Considers regional liveability to be an important workforce attraction and retention mechanism when making investment decisions relating to health, education, and social infrastructure.** The establishment

²⁷ The Chamber of Minerals and Energy of WA, [Economic contribution factsheet 2020/21](#), 22 March 2022.

²⁸ Founding partners to the RCII and their respective commitments include: BHP (\$250 million); Rio Tinto (\$250 million); Hancock Prospecting, Roy Hill and Atlas Iron (\$100 million); Woodside Energy (\$50 million); Chevron Australia (\$50 million); and Mineral Resources (\$50 million).

of a regional liveability index would help benchmark the effectiveness of historical investments and better guide future Government and industry investments in community infrastructure.

- Ensures the **state's housing strategy targets the bringing-forward of land and housing release in areas of highest demand**, including regional locations where a lack of housing availability is a major constraint to filling critical in-demand roles. While housing issues exist in regions state-wide, the Pilbara region is a particularly strong example of where housing availability and affordability remains a critical issue.
- Advocate to the Commonwealth for **reforms to fringe benefits tax to provide full exemptions on housing incentives offered to employees to reside in regional and remote locations permanently**.
- Advocate to the Commonwealth for the extension of the FBT exemption for on-premises childcare assistance to off-premises.
- Advocate to the Commonwealth that a lift in early childhood education wages will assist to attract and retain ECE workers, particularly in regional areas. Access to ECE is a key enabler of greater workforce participation, mostly for women, which in turn will support an increase in gender diversity in the workplace.

Conclusion

The mining and resources sector remains proudly woven into the fabric of Western Australia itself, and today, the sector remains as important as ever to the wellbeing of our State. In 2020/21 the mining and resources industry contributed over \$169 billion to the Western Australian economy, and a further \$53 billion to the national economy.²⁹ The industry employed over 66,000 people full-time in WA alone, and spent a total of \$12.67 billion in wages and salaries.³⁰

Perhaps most importantly, the mining and resources industry looks set to play its part in positioning Western Australia for a prosperous future. Those projects which are either committed or under construction total a value of \$57 billion, and a further \$87 billion are under consideration. Industry investment in minerals exploration in WA remains at record highs.

However, significant challenges stand in the way of the mining and resources industry fully realising its potential for Western Australia. Today's global community is intensely competitive with respect to investment capital, and questions remain around the security of supply chains and labour market flows with a backdrop of rising geopolitical tensions. At home, the increasing regulatory burden and costs applied to project development continues to challenge new and existing operators alike.

This Pre-Budget Submission allows us the opportunity to revisit the conversation about industry's role in Western Australia, and more specifically, the budget and economy. In this year's submission we have highlighted the priority recommendations of the mining and resources industry, concerns as well as opportunities to chart a course for the mining and resources sector's involvement in the future of WA.

CME and our members remain concerned about the potential impacts of rising costs, and have called for the WA Government's commitment to no new or increases in taxes or royalties. In addition, we have highlighted the rising costs in cost recovery models, fee increases and other charges, which cumulatively risk rendering WA an unattractive place to invest.

CME has thus called for the inclusion of a 'basket of fees and charges' equivalent to the cost of doing business, which would increase transparency and value in the Western Australian budget.

In our submission, we have also highlighted the major opportunity for Western Australia to have a world-leading critical minerals sector. We have recommended the WA Government consider of measures such as a royalty rebate and work with the Commonwealth to provide tax or other incentives to improve our State's competitiveness as an investment destination, including for upfront capital outlays.

Equally as important as the introduction of new initiatives is the need to bring greater efficiency to existing regulatory frameworks. CME continues to highlight the impact of duplication, costs and timeframe delays in existing assessment processes, and express our concern regarding the impacts of proposed reforms to

²⁹ Department of Mining, Industry Regulation and Safety, [2021-22 Economic indicators resources data](#)

³⁰ Ibid., 2

climate, heritage and environment legislation and policy, and the need to consult closely with the sector throughout these processes.

Business continues to wear the cost of inter and intra-agency inefficiencies, and Government has an opportunity to review its resources and processes to address these. CME asks that Government do so in the strongest possible terms, in recommending that efficiency and performance metrics are incorporated, and priority is given to reducing duplication and improving service delivery.

A significant challenge for industry remains the decarbonisation of existing industries, and the development of emerging energy industries. CME has taken this opportunity to highlight the technical capability development still required to reach agreed targets, particularly given the increase in demand for minerals as the global decarbonisation movement gains traction. Further investment is required in ongoing research and development for flexible clean energy generation and storage, and process decarbonisation technologies. Further investment still is required in our electricity networks, particularly the SWIS and NWIS, to support industry in their transition.


Finally, we have submitted that opportunities for governments exist to both increase industry's access to a suitably qualified and available labour workforce, and to enhance regional liveability. While significant challenges exist around both labour and regional liveability, possibilities also exist, for example, around targeted payroll tax relief and land release for housing.

As can be seen, the relationship between the WA Government and the mining and resources sector is multi-layered and canvasses a number of policy portfolios. CME looks forward to ongoing cooperation between industry and Government which has been achieved for many years and was particularly critical throughout COVID-19. Now too collaboration to address shared challenges is essential, particularly in the context of industry concerns and uncertainty regarding the regulatory environment.

In this submission we have sought to identify the practical ways in which Government can enhance the experience for industry, protecting important environmental and cultural assets, while at the same time positioning WA for a new and exciting future.

Should you have questions regarding this submission please contact Adrienne LaBombard, Director Policy and Advocacy on 0400 912 525 or via email at a.labombard@cmewa.com.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rebecca Tomkinson', with a stylized flourish at the end.

Rebecca Tomkinson
Chief Executive Officer