



MINERALS COUNCIL OF AUSTRALIA

PRE-BUDGET SUBMISSION 2021-22

29 JANUARY 2021

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1. EXECUTIVE SUMMARY

The 2021-22 federal Budget will be constrained by the persistence of COVID-19, geopolitical tensions, heightened demands on federal and state governments and record government debt.

Fiscal and regulatory settings that support a business-led recovery through private sector driven investment growth and improved productivity will be crucial to supporting economic recovery, preserving and creating jobs and sustaining communities.

This expansion can accelerate budget repair without new or increased taxes.

A strong commitment to internationally competitive tax rates, open trade and investment, modernising training and skills, a more productive workplace, simpler project approvals, support for regional communities, a focus on the emerging critical minerals and their potential to add value through a renewed Australian manufacturing base, will contribute to Australia's resilience and should remain priorities in this Budget.

The Australian minerals industry continues to drive prosperity in Australia, making substantial contributions to exports, wages, jobs and government revenue. The resources sector contributed \$283 billion in 2019-20, 60 per cent of Australia's total exports. In the same year, mining became Australia's largest industry, accounting for 10.4 per cent of real gross domestic product. Treasury expects resources exports to grow by 5 per cent in 2021-22 powered by iron ore, coal and gold.

When Australia needed it most, the minerals industry and its workforce worked with governments to keep an essential industry going. The continuation of operations through the worst of the COVID-19 pandemic while keeping workers, families and communities safe demonstrated the value of mining's strong health and safety culture and the industry's leadership in developing globally-recognised health and safety protocols.

Australia is a reliable partner with a proven performance in the face of extraordinary conditions, such as the disruption caused by the pandemic, and with the right economic reforms can do more.

Mining provides a strong skills base in Australia's regions. The industry employs approximately 8,600 apprentices and trainees and in coming years will provide 5,000 new mining apprenticeships, mostly in regional Australia.

First Nations landholders and communities are fundamental partners in mining and the economic and social contribution the industry makes to Australia. The minerals industry's approach to Indigenous engagement is based on respecting and valuing Aboriginal and Torres Strait Islander cultures, histories and aspirations and ongoing learning and improvement. Increased support to better administer the Commonwealth's heritage protection safeguard should continue.

The Australian minerals industry paid \$25.2 billion in company tax (more than one-quarter of all company tax) and \$14.1 billion in royalties in 2018-19, benefiting all Australians through better services and infrastructure. The recent Mid-Year Fiscal and Economic Outlook has already identified mining's contribution to the anticipated improvement in this financial year's Budget position. New taxes and levies or increases in tax rates would undermine the recovery task.

Reforms that encourage investment in large and long-life mining projects bring benefits to workers, communities and governments. The government's planned reforms to environmental regulation, workplace relations rules and education and training will help Australia realise mining investment opportunities.

The MCA has identified 31 minerals projects at or above the \$500 million threshold that have completed a feasibility study. The combined \$31 billion in investment flowing from these projects could create more than 17,000 construction jobs and 11,000 ongoing operating jobs across Australia.

In addition, emerging demand for new materials – refined rare-earth and high performance metals – presents a unique opportunity to create new manufacturing opportunities in Australia at a larger scale. Government policy that directly encourages these opportunities can deliver jobs and tax revenue into the future.

Government policy should also seek to create conditions supporting industry investments in new technologies aimed at reducing emissions in the ongoing pursuit of the Paris Agreement goals.

Doubts over Australia as a welcome investment destination are increasing. The government should immediately announce a review of its recent changes to the foreign investment framework, given the urgent need to reduce risk and uncertainty for those sectors that do not directly affect national security.

Open and integrated trade and the prosperity it delivers are underwritten by a rules-based international order that provides global certainty and stability. The government should continue to invite constructive dialogue and a supportive environment for continued industry and business partnership, cooperation and trade, forging relationships that have in many cases developed over more than fifty years and supported economic growth, jobs and prosperity in Australia, China and the Asia-Pacific region.

Trade has been disrupted by the COVID-19 pandemic and geopolitical tensions through 2020. Some commodity markets, such as iron ore, gold and copper, have recovered and suppliers are benefiting from strong demand and high prices. Australia's coal exports are adapting to China's import restrictions with exports to India and Vietnam rising in late 2020 albeit at lower prices relative to those paid by the Chinese market. There is considerable downside risk for Australian coal producers should geopolitical tensions persist while competitor nations increase supply.

The threat to Australian jobs and prosperity will increase with global COVID-19 recovery as other nations seek to increase their share of commodity trade as part of their COVID-19 recovery stimulus measures.

The MCA provides the following specific recommendations to support Australia's competitive position, economic recovery, employment growth and national prosperity.

Recommendations

Enhancing the skills and training of the minerals workforce

- The Australian Government should continue reforms to provide a more flexible and integrated education and training system to support jobs growth, new skills and labour mobility
 - Through the Mining Skills Organisation Pilot, the industry will accelerate 5,000 new apprenticeships, enhance digital skills, make qualifications more relevant to industry and position the industry as an employer of choice.

Improving safety, mental health and wellbeing

- The Australian Government and the states should pursue a consistent and integrated approach to safety, mental health and wellbeing that includes:
 - Continuous improvement and sharing of knowledge, where all parties work together in support of an industry culture based on trust, respect, fairness and openness
 - Uniform national occupational health and safety legislation, supported by industry-specific and risk-based regulation
 - Regulatory and enforcement practice based primarily on the desire to improve workplace health and safety outcomes.

Supporting more dynamic and productive workplaces

- The Australian Parliament should facilitate improvements to workplace relations rules by passing the Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill.
- The Australian Government should pursue additional reform opportunities by:
 - Improving the process for terminating expired enterprise agreements
 - Focusing parties to an enterprise agreement on matters directly related to employment
 - Permitting highly paid workers to enter into individual agreements.

Strengthening Indigenous partnerships

- Increased funding for support efficient, transparent and predictable operation of the *Aboriginal and Torres Strait Islander Heritage Act 1984*.
- The Australian Government should progress measures to support Indigenous-led community and economic development by:
 - Progressing the Native Title Legislation Amendment Bill 2020 to support a more practical, equitable and stable regime for participants
 - Modernising the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* and supporting a new asset management option to enable Traditional Owner organisations to simply and consistently utilise native title monies to achieve economic aspirations
 - Continuing to increase tailored support for developing Traditional Owners organisations. Arrangements should be place-based and reflect local aspirations.

Ensuring business taxation is stable and globally competitive

- The government should make Australia's business tax system more globally competitive and conducive to investment by:
 - Responding appropriately to any COVID-19 recovery stimulus measures introduced by other mining jurisdictions to prevent any worsening of Australia's competitive position especially in relation to company tax rates
 - Retaining the fuel tax credit scheme in its current form and avoid introducing any sector specific levies (including to fund fuel security measures)
 - Extending the Junior Minerals Exploration Incentive and making it permanent

- Implementing the recommendations of the Board of Taxation's reports on changes to capital gains tax exemptions for business amalgamations and restructures, and improvements to the voluntary tax transparency code.

Encouraging international investment and exploration

- The Australian Government should improve its foreign investment regulatory reforms to enhance certainty for investors by:
 - Clarifying key concepts – notably the definition of 'national security business'
 - Reducing the length of time the Treasurer's call-in power is available
 - Conducting a post-implementation review that measures the effect of the reforms on investment and removes unintended policy consequences.
- The Australian Government should encourage exploration in priority greenfield areas by:
 - Prioritising recipients of tax credits under the Junior Minerals Exploration Incentive scheme to companies exploring in areas surveyed as part of 'Exploring for the Future'
 - Providing additional funding to the 'Exploring for the Future' program to scope and develop a single national geological database.

Promoting mutually beneficial trade

- The Australian Government should:
 - Continue working to reverse adverse trade and investment outcomes and maintain key partnerships
 - Pursue trade agreements that deliver a robust multilateral trade network within the Asia-Pacific region, as well as with the EU and UK
 - Leverage existing trade and investment agreements to build cooperation across common interests including technology research and development
 - Oppose any protectionist proposals and reiterate the benefits to all Australians of free trade and open investment.

Advancing efficient and effective environmental regulation

- Guided by the EPBC Act independent review, the Australian Government should progress:
 - National Cabinet's single-touch environmental approvals process, supported by outcomes-based national environmental standards and assurance arrangements
 - Straightforward improvements to assessment and approval processes for projects within or outside of devolved arrangements, including post-approval timeframes, risk-based environmental assessments and greater flexibility to vary existing approvals
 - A financial-based national biodiversity offsets mechanism and – in cooperation with the states and territories – invest in the development of a national environmental dataset.
- The government should employ the national cabinet process to progress the recommendations of the Productivity Commission study of resources sector regulation, encouraging prompt state and territory adoption of leading practice approaches.

Resilient mining and manufacturing

- Roadmaps on manufacturing, low emissions technology and 5G rollout should be coordinated to complement the government's broader growth and productivity agenda and should examine ways to encourage and build new opportunities and industries.
- The government's role in value-adding to manufacturing resilience should be focused on safety, low emissions and digital innovation and products bringing together customers and producers as well as encouragement for priority areas and collaboration in downstream processing.

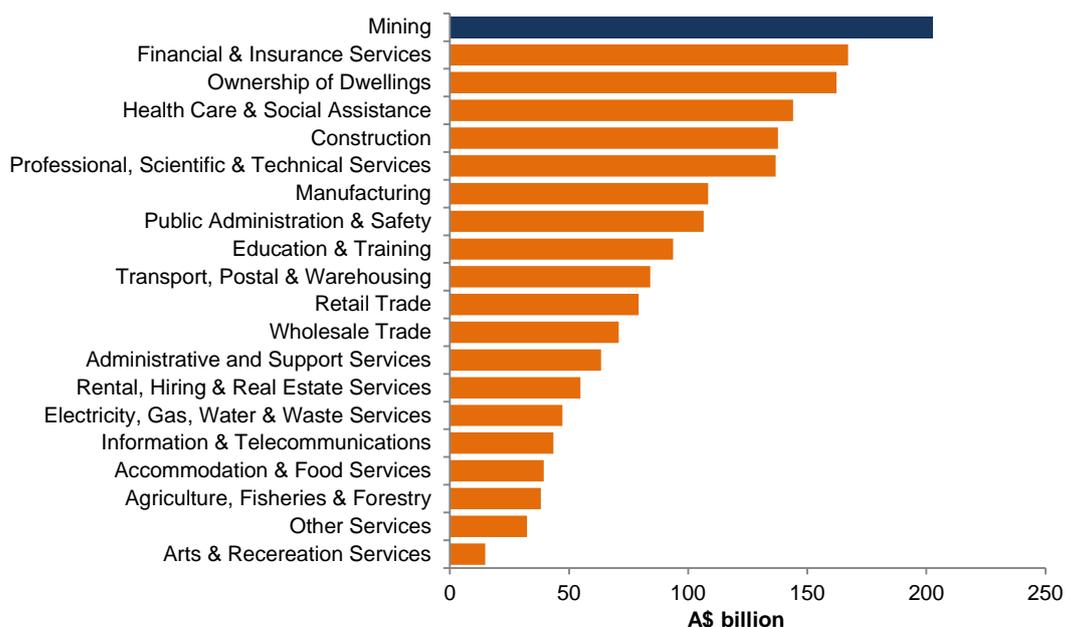
2. CONTRIBUTION OF THE AUSTRALIAN MINERALS INDUSTRY

- The minerals industry is a key part of the Australian economy that has underpinned a large rise in incomes and greater prosperity across the country over the past twenty years.
- The contributions of mining to national income and employment include:
 - Record export revenue of \$283 billion in 2019-20 (60 per cent of total exports)
 - 10.4 per cent of GDP in 2019-20, the largest of any industry
 - 240,000 direct mining industry jobs across Australia, with around 1.1 million direct and indirect jobs supported by the broader mining and METS sector
 - Average wages of \$144,000 per employee in 2019-20 (the highest in Australia and 58 per cent higher than the average of all industries)
 - \$39 billion in company taxes and royalties paid in 2018-19.
- A highly skilled workforce, productive workplace relations, competitive tax settings, timely environmental approvals and support for exploration are all essential to encouraging investment in large and long-life mining projects and securing the benefits they bring to workers, communities and governments.

Throughout the COVID-19 pandemic, the Australian minerals industry has continued to support the national economy and regional jobs while implementing world-leading safety protocols that are keeping workforce, families and communities safe.

The resources sector accounted for 10.4 per cent of Australia’s GDP in 2019-20 which made it the largest industry in Australia (chart 1).¹ Importantly, when Australia needed it the most, mining activity continued and the sector’s economic output increased 5 per cent in 2019-20. In addition, Australian mining supports advanced and competitive manufacturing jobs through the METS sector. Together, the mining and METS sector has supported up to 15 per cent of Australia’s GDP.²

Chart 1: Industry Gross Value Added, 2019-20



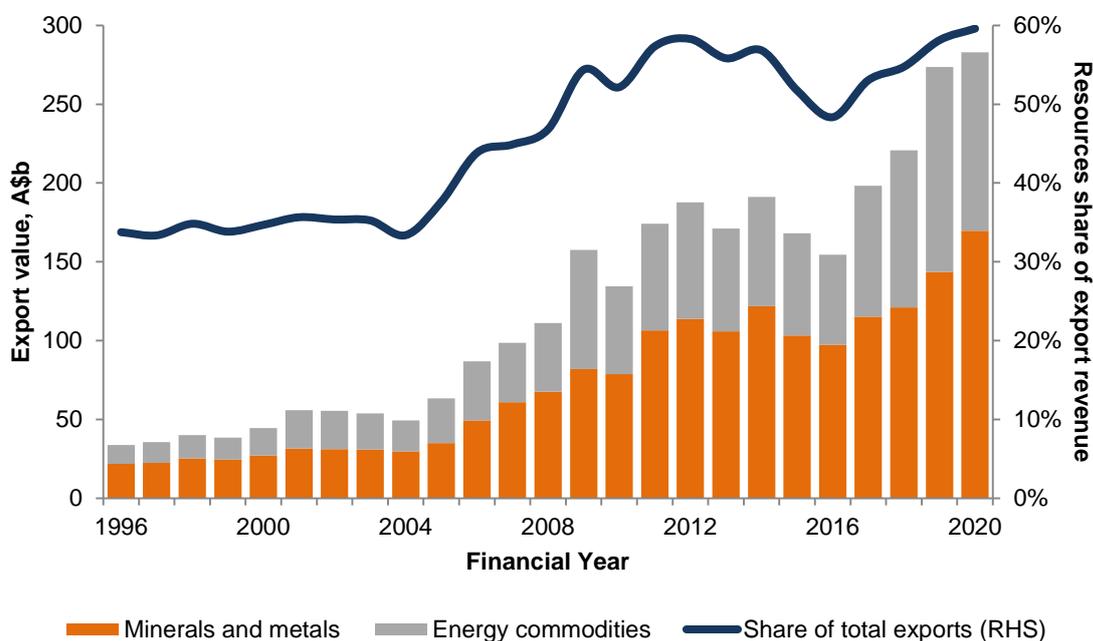
Source: Australian Bureau of Statistics, [Australian System of National Accounts](#), released 30 October 2020.

¹ ABS, [Australian System of National Accounts](#), released 30 October 2020.

² Deloitte Access Economics, [Mining and METS: engines of economic growth and prosperity for Australians](#), 29 March 2017.

Mining's significant economic contribution to the Australian economy is driven by export revenue. In 2019-20 Australia's mineral, metal and energy commodity exports generated a record high \$283 billion and accounted for 60 per cent of Australia's total exports (Chart 2). This result delivered the largest trade surplus in Australia's history.³

Chart 2: Australia's resources exports



Source: Australian Bureau of Statistics, [International Trade in Goods and Services, Australia](#), released 2 December 2020.

This export revenue is also the foundation of the minerals industry's significant contributions to government revenues across Australia. In 2019-20 the industry paid \$39.3 billion in company tax and royalties in 2018-19, an increase of \$8 billion from 2017-18.⁴ It is estimated that over the past 14 years, the minerals industry paid \$281 billion in royalties and company tax – enough to build 11,000 schools or 390 hospitals.

The resources sector has a strong record in creating highly paid, highly skilled jobs – particularly in regional areas. According to the Australian Bureau of Statistics, the mining industry employed 240,000 people in 2019-20 with modelling by Deloitte Access Economics showing the broader mining and METS sector directly and indirectly supporting around 1.1 million jobs around Australia.⁵

The resources sector also has a strong record in creating highly paid, highly skilled jobs – particularly in regional areas. Average earnings in resources are \$144,000 a year, 58 per cent higher than the average for all industries and the industry employs more than 8,600 apprentices and trainees and more than 6,600 Indigenous Australians, including in remote areas of the Northern Territory, Queensland and Western Australia.⁶

More than just a driver of domestic economic growth, the Australian mining industry is the world's largest exporter of minerals and industrial metals.⁷ It is an essential part of the supply chains underpinning new transportation networks, low-emissions energy systems and modern consumer products improving the living standards of billions of people around the world.

³ Australian Bureau of Statistics, [International Trade in Goods and Services, Australia](#), released 2 December 2020.

⁴ Deloitte Access Economics, [Estimates of royalties and company tax accrued in 2018-19](#), report prepared for Minerals Council of Australia, 1 May 2020.

⁵ Deloitte Access Economics, [Mining and METS: engines of economic growth and prosperity for Australians](#), 29 March 2017.

⁶ Australian Bureau of Statistics, [Average Weekly Earnings, Australia](#), released 13 August 2020.

⁷ MCA calculations based on United Nations Conference on Trade and Development, [UNCTADSTAT](#), viewed 7 December 2020.

3. ENHANCING THE SKILLS AND TRAINING OF THE MINING WORKFORCE

- The success of Australian mining depends on a highly skilled, flexible and resilient workforce. An industry-led education and training system is vital to aligning needs with outcomes.
- Education and training reforms should be based on the principle of shared responsibility between government, industry and learners.
- The Australian Government should invigorate the education and training system through reforms that both address systemic inflexibilities (which constrain job growth and labour mobility) and improve industry and community confidence in outcomes.

If Australians are to be better prepared for changing work patterns and structures post COVID-19, Australia's education and training system needs to be attuned to the changing needs of employers, learners and prospective learners.

In turn, this requires consistency in quality and confidence that participation improves employment outcomes. However, the education and training system is complex, opaque and difficult for industry and learners to navigate – resulting in poor-quality outcomes.

The Australian Government should encourage a shift away from a compliance culture by:

- Recalibrating the education and training system by improving its ability to meet the needs and expectations of industry, government and individuals (e.g. by setting a national guarantee for levels or standards of attainment, which is particularly important for regional workforces)
- Pursuing greater innovation and creativity in training product design and delivery to better engage industry and learners and improve participation (e.g. by rewarding best practice, improving provider confidence to generate innovative solutions to industry-identified need)
- Ensuring that industry needs and experience underpin all education and training reforms (e.g. by accelerating industry-led structural reforms such as the investment in skills organisations).

Prior to the COVID-19 pandemic, the minerals industry was already experiencing skills shortages with widely-held concerns about the ability to source and prepare the future workforce. Gaps in training, combined with restrictions on workforce mobility (exacerbated during the pandemic) will continue to pose profound challenges.

The industry is implementing contemporary offerings to shape the current and future landscape of work. This includes creating skills development opportunities along the full mining and mining equipment technology and services (METS) value chain and ensuring that capabilities are transferable to allied industries (e.g. defence and agriculture).

Supported by the Australian Government, the MCA-led Mining Skills Organisation Pilot is refocusing skills curricula to meet future needs, accelerate industry skills' priorities and improve vocational education and training pathways for existing and future talent. The pilot will run to 30 June 2023 and is centred on four project hubs.⁸ This includes a qualification design trial for the mining industry which will deliver improved qualifications for the existing and future workforce and improve the nation's training system ability to respond to industry needs.⁹

⁸ Minerals Council of Australia, [Mining Skills Organisation Pilot](#), viewed 16 December 2020; [New mining skills hubs to supercharge future workforce](#), media release, 25 November 2020.

⁹ Minerals Council of Australia, [Mining Skills Organisation Pilot](#), viewed 21 January 2021; [Skills reform trial to fast-track more Australian mining jobs](#), media release, 20 January 2021.

4. IMPROVING SAFETY, MENTAL HEALTH AND WELLBEING

- The Australian mining industry's core value and commitment is the safety, health and psychological wellbeing of its workforce, where everyone who goes to work returns home safe and healthy.
- The industry's immediate focus is meeting the challenges of fatality prevention, mental health, robust comparative data and eliminating sexual harassment in the workplace.
- Federal and state governments should pursue a consistent and integrated approach that includes:
 - Continuous improvement and sharing of knowledge, where all parties work together in support of an industry culture based on trust, respect, fairness and openness
 - Uniform national occupational health and safety legislation, supported by industry-specific and risk-based regulation
 - Regulatory and enforcement practice based primarily on the desire to improve workplace health and safety outcomes.

The Australian minerals industry is committed to eliminating fatalities, injuries and occupational illnesses with a strong focus on building and sustaining respectful workplaces.

MCA member companies commit to an approach based on the following principles:

- All fatalities, injuries and occupational illnesses are preventable
- No task is so important that it cannot be done safely and respectfully
- All hazards can be identified, and risks eliminated or controlled
- All instances of harassment and disrespectful behaviours in the workplace can and must be prevented.

Despite attempts over the past decade to harmonise safety and health regulatory regimes across jurisdictions, the minerals industry continues to face the regulatory burden of separate regimes with different requirements, definitions, approaches to compliance and enforcement, and ability to share lessons from incidents. The addition of different industrial manslaughter provisions in safety and health law across jurisdictions provides a further barrier to improved safety.

Comprehensive and compatible data across jurisdictions would support the industry's strategies to prevent fatalities and injuries. Currently, the causes of workplace incidents are subject to varying interpretations by state regulators. To enable consistent interpretation of incident reports – and a critical assessment of the mechanisms of fatalities – a common taxonomy that classifies groups of incidents by contributing factors is needed. This approach would enable industry to better target its considerable efforts in managing critical risks.

Mental health in the workplace represents a significant risk. Additional pressures on workers have been exacerbated during the COVID-19 pandemic with long absences from families, longer shifts and sudden relocations. The minerals industry is reviewing its *Blueprint for Mental Health and Wellbeing* and is finalising development of the MineWell workforce mental health and resilience mobile app, designed by miners for miners.¹⁰

The Australian Human Rights Commission's ground-breaking *Respect@Work: Sexual Harassment National Inquiry Report* released in March 2020 highlighted the alarming rate of sexual harassment in mining, with 40 per cent of workers reporting some form of sexual harassment in the past five years.¹¹ Harassment is unacceptable and illegal. The MCA has established a Respect@Work Taskforce to advance the minerals industry's efforts to eliminate sexual harassment at work.

¹⁰ Minerals Council of Australia, [Blueprint for Mental Health and Wellbeing](#), MCA, Canberra, 16 September 2015.

¹¹ Australian Human Rights Commission, [Respect@Work: Sexual Harassment National Inquiry Report](#), 5 March 2020.

5. SUPPORTING MORE DYNAMIC AND PRODUCTIVE WORKPLACES

- High-wage jobs depend upon high-productivity workplaces. The experience of the minerals industry shows that greater choice and flexibility in working arrangements allows firms to employ a diverse and adaptable workforce and link pay to performance.
- The incremental improvements contained in the Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill will help the minerals industry provide highly skilled, highly paid jobs and support the growth of communities and the national economy.
- Additional reform opportunities to boost investment, innovation, productivity and jobs include:
 - Improving the process for terminating expired enterprise agreements
 - Focusing parties to an enterprise agreement on matters directly related to employment
 - Permitting highly paid workers to enter into individual agreements.

The current regulatory framework for workplace relations is too complex and inflexible. The government's proposal to accelerate the approval of enterprise agreements supported by a majority of employees, and to stipulate how the Fair Work Commission should apply the better-off-overall test, will mean more consistent approval times for similar agreements, more certainty for employers and faster creation of jobs and wage increases in exchange for productivity gains.

Allowing greenfields agreements of up to eight years for projects worth \$500 million or more will encourage investment in new mining projects by removing the uncertainty of having to renegotiate employment conditions before the project is completed. The MCA has identified 31 minerals projects at or above the \$500 million threshold that have completed a feasibility study. The combined \$31 billion in investment flowing from these projects could create more than 17,000 construction jobs and 11,000 ongoing operating jobs across Australia.

Extending the option of longer greenfields agreements to nationally significant projects with a capital value between \$250 million and \$500 million will help unlock additional investment and jobs.

85 per cent of mining workers are permanent employees, 96 per cent are employed full-time and labour hire workers (who may be permanent or casual) make up 11 per cent of the total minerals industry workforce.¹² The MCA supports the government's decision to define casual employment in the Fair Work Act and clarify the entitlements owing to casuals in national employment standards.

The government should pursue further modest workplace reforms. Making the process of terminating an expired enterprise agreement less onerous and costly would enable minerals companies to remove outdated, irrelevant and restrictive clauses, and lower the risk of coordinated protected industrial action by unions party to multiple single-enterprise agreements with the same employer.

Consistent with the Productivity Commission, the MCA supports removing the availability of protected industrial action for matters not directly related to the employment relationship.¹³ This would discourage the insertion of clauses in enterprise agreements that restrict the fundamental right of an employer to manage its own business, or which have little to do with employer-employee relations.

Every employee, business and industry cannot and should not be expected to flourish under the same workplace rules. Workers earning above the high-income threshold for unfair dismissals (currently \$148,700) should be permitted to opt out of an enterprise agreement and enter into individual agreements.

¹² Australian Bureau of Statistics, [Labour Force, Australia, Detailed, Quarterly, October 2020](#), ABS cat. no. 6291.0.55.003, released 26 November 2020; [Characteristics of Employment, Australia, August 2019](#), ABS cat. no. 6333.0, released 9 December 2019. Deloitte Access Economics, [Economic effects of changes to labour hire laws](#), report prepared for the Minerals Council of Australia, MCA, 4 June 2019, p. 35.

¹³ Productivity Commission, [Workplace Relations Framework: Inquiry Report, Volume 2](#), Canberra, 21 December 2015, p. 683.

6. STRENGTHENING INDIGENOUS PARTNERSHIPS

- First Nations landholders and communities are fundamental partners in mining and the economic and social contribution the industry makes to all Australians.
- The minerals industry aspires to be a global leader in how it partners with First Nations. The MCA will support this aspiration by co-developing national engagement principles, supporting enhanced industry capacity and transparency around industry performance.
- The Australian Government should continue to deliver on commitments to better enable Indigenous-led development through Native Title Act and CATSI Act reform, increased support for Traditional Owner organisations and broadening Indigenous asset management options.

Developing and sustaining strong and positive relationships with Aboriginal and Torres Strait Islander landholders and communities has been an industry priority for more than two decades. Expanding opportunity, particularly for people to work on country and for young people, is a major shared focus. As a result, almost 10 percent of mining apprentices and trainees nationally are Aboriginal and Torres Strait Islander people. Mining is also a major customer for the growing Indigenous business sector.

The Australian Government's shift towards co-designing policies and programs with Aboriginal and Torres Strait Islander people will enhance approaches and outcomes.¹⁴ The Australian Parliament should pass the Native Title Legislation Amendment Bill 2020, which includes long-considered improvements to support a more practical, equitable and stable regime for all system participants.

Increased stable government funding and support for Prescribed Body Corporates is needed to assist these specialist native title organisations to establish strong foundations and support Traditional Owner aspirations. Modernisation of *Corporations (Aboriginal and Torres Strait Islander) Act 2006* should seek to establish proportionate governance, transparency and engagement requirements, avoid unnecessary regulatory burden and support local autonomy. Guidance and education for land users regarding the CATSI Act obligations should be part of the reforms.

The Australian Government should also commit to consider impediments to deployment of native title monies for community-led economic development as part of CATSI Act modernisation. Charitable trusts are commonly used asset management structures in the absence of fit-for-purpose vehicles tailored for native title holding organisations. The National Native Title Council's 'Prescribed Body Corporate Economic Vehicle Status' proposal recommends a new optional vehicle to simply and consistently enable Traditional Owners to undertake a broader range of economic development and access tax concessions available to address disadvantage.

Aboriginal and Torres Strait Islander heritage is a living connection to First Nations cultures, and integral to Australia's broader identity. The MCA recognises the distress caused to the Puutu Kunti Kurrama and Pinikura People (PKKP) by the destruction of the Juukan Gorge caves last year and the effect on First Nations people and the broader Australian community. The MCA is deeply sorry. The MCA is developing a national industry response the recommendations of the Joint Standing Committee on Northern Australia interim report on this matter to embed lessons across the sector.

The MCA supports modernisation of Australia's cultural heritage laws where needed, including the Commonwealth-led process to assist this process. The existing division of Commonwealth and state/territory responsibilities in managing cultural heritage remains appropriate. Increased funding to improve administration of the *Aboriginal and Torres Strait Islander Heritage Protection Act 1984*, a safeguard enabling the Commonwealth to intervene to protect Indigenous cultural heritage, should continue.

¹⁴ The Hon Ken Wyatt AM MP, Minister for Indigenous Australians, [National Indigenous Australians Agency turns one](#), media release, Australian Government, Canberra, 1 July 2020.

7. ENSURING BUSINESS TAXATION IS STABLE AND GLOBALLY COMPETITIVE

- Australia's economic recovery will be led by the private sector and a competitive business tax system is a critical policy setting for encouraging investment in long-lasting mining projects.
- Mining investment and jobs should not be put at risk through any move to increase the already high tax burden on the sector. In particular, the fuel tax credit scheme, which operates to avoid taxing a vital business input, should remain in its current form.
- The Australian Government should make the Junior Minerals Exploration Incentive permanent and implement the recommendations of the Board of Taxation's reports on changes to capital gains tax exemptions for business amalgamations and restructures, and improvements to the voluntary tax transparency code.

The Australian minerals industry paid \$25.2 billion in company tax and \$14.1 billion in royalties in 2018-19, benefitting all Australians through better services and infrastructure. Over the past 14 years, the minerals industry paid \$281 billion in royalties and company tax – enough to build 11,000 schools or 390 hospitals.¹⁵

Recent low rates of capital accumulation in the Australian economy have had a direct impact on labour productivity and growth in wages in Australia. Tax competitiveness is a critical factor to attracting the investment required to grow both the mining industry and economy.

Australia's large business company tax rate has stayed at 30 per cent since the last century, while other countries have reduced their rate, rendering Australia an uncompetitive jurisdiction. Other mining destination countries can also be expected to introduce COVID-19 recovery stimulus measures. It will be important that Australia responds appropriately to those measures to ensure its company tax regime does not become even less competitive for new investment.

In addition, numerous anti-avoidance provisions targeted at large and multinational businesses have been introduced over the last decade, but no longer-term measures have been put in place to encourage large business investment. This is particularly important in the minerals industry, which invests significant amounts on long-life projects. Indeed, the recent budget temporary stimulus measures, excluded large mining companies.

It is vital that the Australian business tax system is internationally competitive in order to attract future large-scale investments and development projects. In the absence of comprehensive tax reform aimed at making the business tax system more internationally competitive, there should be no additional tax imposts or changes to longstanding tax policy, such as the fuel tax credit scheme which is essential to competitive mining businesses and jobs in regional and remote Australia.

The Junior Minerals Exploration Incentive (JMEI) has been used by junior explorers to attract funding for drilling programs and other exploration activity, which is vital to seed future development projects. The JMEI should be made permanent to give industry certainty and sustain regional jobs and investment.

The Board of Taxation has provided the government with reports in relation to changes to capital gains tax exemptions for business amalgamations and restructures and improvements to the voluntary tax transparency code. The capital gains tax changes will allow for business structures to be enhanced and made more efficient and effective without triggering a tax cost. This would generate ongoing benefits to the economy.

The changes to the voluntary tax transparency code will improve the reporting of tax payments and governance by large business and bolster community confidence in the integrity of the business tax system. Both of these reports contain recommendations that will improve the business tax system at minimal cost to revenue, which should be implemented immediately.

¹⁵ Deloitte Access Economics, [Estimates of royalties and company tax accrued in 2018-19](#), report prepared for Minerals Council of Australia, 1 May 2020.

8. ENCOURAGING INTERNATIONAL INVESTMENT AND EXPLORATION

- Australian mining relies on access to international investment to fund exploration, develop and sustain job-creating projects, and provide access to the technologies and know-how necessary to capitalise on emerging opportunities.
- The Australian Government's decision to extend Geoscience Australia's 'Exploring for the Future' program with funding of \$125 million over four years is a positive development. However, the implementation of major reforms to Australia's foreign investment review framework represents a significant risk to investment that government must carefully manage.
- The government should review and clarify its major reforms to the foreign investment framework to reduce risk and uncertainty for those sectors that do not directly affect national security.

Australian mining relies on high inflows of international investment each year to provide the capital needed to sustain existing operations, discover new opportunities, develop new job-creating projects and grow new capabilities in emerging areas such as new technology minerals. The massive economic benefits that Australia's resources exports have delivered to Australia in successive years would not have been possible without the nearly ten-fold increase in foreign direct investment (FDI) that occurred between 2001 and 2019, from \$36.8 billion to \$360.1 billion.¹⁶

International investment brings more to mining than its dollar value. The joint ventures and partnerships facilitated by FDI have allowed the minerals industry to adopt and adapt technologies and methodologies that have made Australian mining one of the most productive industries in the world. However, in recent years, Australia has had an investment shortage and has been attracting less of the world's foreign investment because of uncompetitive policy settings and increasing competition from lower cost jurisdictions.

Recent major reforms to Australia's foreign investment review framework are likely to make the prospect of investment in the Australian mining sector significantly more uncertain.

The MCA recognises the responsibility of government to respond to national security risks – and that the foreign investment review regime plays an important part in managing risks. Foreign investment reforms should also be designed on principles of transparency, proportionality, efficiency and certainty and be free of unintended consequences that unduly erode the national interest.

The Australian Government should improve key regulatory concepts in the reforms such as the definition of 'national security business' to enhance investor certainty, reduce the length of time the call-in power is available, and carefully monitor unintended consequences of the reforms with a post-implementation review that measures the effect of the reforms on investment.

In the past decade, Australian companies have invested nearly \$24 billion on exploration. Exploration is the mining equivalent of research and development. While it can provide an avenue to new business opportunities, there is no guarantee of success.

The minerals industry welcomes the government's decision to extend Geoscience Australia's 'Exploring for the Future' program with funding of \$125 million over four years to deliver precompetitive geological data in under-explored areas to improve investment opportunities.

To maximise the private sector exploration investment arising from this precompetitive data the government should prioritise exploration activities in these areas for tax credits under the Junior Minerals Exploration Incentive scheme. The government should also provide additional funding to the Exploring for the Future program to scope and develop a single national geological database that enables greater use of advanced analytical methods being developed for identifying potential mineral systems.

¹⁶ Australian Bureau of Statistics, [International Investment Position, Australia: Supplementary Statistics, 2019](#), ABS cat. no. 5352.0 released 7 May 2020.

9. PROMOTING MUTUALLY BENEFICIAL TRADE

- Free trade and access to international markets has allowed the minerals industry and its workforce to deliver a record \$289 billion in export dollars in 2018-19 providing a significant boost to national income that has helped Australia mitigate the COVID-19 economic shock.
- Longstanding trade relationships have been challenged by geopolitical tensions. Australian mining remains well-positioned to meet the growing demand for high-quality mineral and energy commodities from emerging economies, especially with the signing of new comprehensive regional trade agreements.
- The Australian Government should continue working to reverse adverse trade outcomes and maintain key partnerships, while pursuing trade agreements that deliver a robust multilateral trade network within the Asia-Pacific region, as well as with the EU and UK. The government should also oppose any protectionist proposals and reiterate the benefits to all Australians of free trade and open investment.

Australia is a trading nation with a comparative advantage in the export of high-quality mineral commodities, delivering \$283 billion in export dollars in 2019-20. This success has been built on the deep regional and global trade integration that has occurred over the past 35 years.

Trade integration has allowed Australian mining businesses to access new markets and build strong partnerships across borders. It has also contributed to vastly improved living standards and incomes in Australia and around the world. One in five Australian jobs is trade-related and exporting companies on average pay 11.5 per cent higher wages than non-exporting companies.¹⁷

Trade integration and the prosperity it delivers is underwritten by a rules-based international order that has provided the foundations of global certainty and stability. For example, Australia and China have a strong, enduring and mutually beneficial economic and trade relationship, particularly in Australia's reliable supply of high-quality minerals. Unfortunately, some difficulties have recently emerged.

Therefore, the government should continue to invite constructive dialogue and a supportive environment for continued industry and business partnership, cooperation and trade – activities that have in many cases been developed for more than fifty years and supported economic growth, jobs and prosperity in Australia, China and the Asia-Pacific region. The government should also resist any counterproductive pressures or proposals that would undermine Australia's established and bipartisan support for free trade and open investment.

Australian mining remains well positioned to meet the tremendous opportunities in the diverse emerging economies of the Asia-Pacific region – especially with the recent signing of new comprehensive trade agreements. The Regional Comprehensive Economic Partnership (RCEP), signed this year is predicted to increase trade among signatories by \$428 billion by 2030.¹⁸

Australian mining supports the government in developing new export opportunities through pursuing a sophisticated and targeted agenda to broaden Australia's trade relationships, build on trade opportunities and accelerate the development of cooperative partnerships where opportunities to do so exist. This includes deeper regional trade integration with ASEAN, working towards the incorporation of the United States and India into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and RCEP, finalising high quality bilateral agreements with the UK and the EU, and accelerating the Australia-India Comprehensive Economic Cooperation Agreement.

¹⁷ R. Tuhin and J. A. Swanepoel, '[Export behaviour and business performance: Evidence from Australian microdata](#)' Department of Industry, Innovation and Science, Research Paper 7/2016, February 2017, p. 10.

¹⁸ P. Petri and M. Plummer, '[East Asia Decouples from the United States: Trade War, COVID-19, and East Asia's New Trade Blocs](#)' Peterson Institute for International Economic, Working Paper 20-9, June 2020, p. 17.

10. ADVANCING EFFICIENT AND EFFECTIVE ENVIRONMENTAL REGULATION

- Reducing delays in approvals and removing unnecessary regulation increases confidence and boosts investment, productivity and employment in the Australian minerals industry.
- The MCA participated actively in the twenty-year review of the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) and the Productivity Commission study of resources sector regulation. The MCA has made the case for pragmatic reforms that will reduce duplication and unnecessary delays to project approvals, uphold high environmental standards and meet community expectations.
- Guided by the EPBC Act review, the Australian Government should implement National Cabinet's single-touch environmental approvals process, supported by outcomes-based national environmental standards and assurance arrangements. Straightforward improvements to existing assessment and approval processes should also be progressed.

The Australian minerals industry uses leading practice environmental management based on science and risk-based approaches to protect the country's unique environment.

The independent review of the EPBC Act presents an important reform opportunity for a better environment, more jobs and faster economic recovery from the COVID-19 pandemic. The review found significant deficiencies in the operation of the Act, including unnecessary complexity and overlap between Commonwealth and state/territory processes. Many of the review's interim recommendations will make the EPBC Act more efficient and effective and enhance business and community confidence.¹⁹

The MCA endorses the review's interim report proposals to establish national environmental standards, devolve EPBC Act assessment and approvals to states and territories and establish an independent assurance function. The MCA also supports the commitment of National Cabinet to progress bilateral agreements between the Commonwealth and all states and territories to enable these reforms.²⁰

To ensure the stability of bilateral agreements, the Australian Parliament should immediately pass reforms contained in the Environment Protection and Biodiversity Conservation Amendment (Streamlining Environmental Approvals) Bill 2020, alongside reforms to establish national environmental standards and assurance arrangements.

Both the national environmental standards and the architecture to implement them need to be carefully developed to ensure they are practicable. The standards should be applied at a regional level and reflect existing EPBC Act requirements with a timeframe for review. Appropriate transitional arrangements are required for existing projects and those in jurisdictions where agreements are yet to be established.

The Australian Government should implement 'quick win' reforms arising from the independent review. These include statutory timeframes for post-approval processes, risk-based scoping of environmental assessments, flexibility to vary existing approvals for non-significant actions and consistent application of environmental offsets. Subsequently, the government should develop a financial-based national biodiversity offsets mechanism and invest in the collection and collation of national environmental data (in cooperation with with the states and territories).

In parallel to reforming the EPBC Act, the government should work through National Cabinet to progress the recommendations of the Productivity Commission study of resources sector regulation, encouraging state and territory adoption of leading-practice approaches.²¹

¹⁹ Professor Graeme Samuel AC, [Independent Review of the EPBC Act – Interim Report](#), Canberra, June 2020.

²⁰ The Hon Scott Morrison, Prime Minister of Australia, [Media Statement](#), 24 July 2020.

²¹ Productivity Commission, [Study of resources sector regulation – final report](#), 30 November 2020, released 10 December 2020.

11. MORE RESILIENT MINING AND MANUFACTURING

- The success of the mining equipment, technology and services (METS) sector shows that manufacturing in Australia can and should be commercially competitive, technologically advanced and built on proven national strengths.
- Improving the availability and efficiency of capital (including raw material), labour, land (including water) and energy is essential for established and emerging industries.
- The Australian Government's roadmaps on manufacturing, low emissions technology and 5G rollout should operate together to complement the growth and productivity agenda. Value-adding to manufacturing resilience should concentrate on safety, low emissions and digital innovation and products which bring together customers and producers.

The mining industry is a world leader in developing and adapting transformative technologies, from automated drills, conveyors and trains to retrofitting diesel engines for battery operation in underground mines. This opens new opportunities for Australian manufacturers and technology companies to create new products and services that increase economic resilience.

Business success in the next decade will be more dependent on the efficiency of the entire export supply chain, from research, exploration, mine or product development through to final shipment. Improvements in technology transfer, productivity, cost competitiveness and enterprise flexibility are necessary if Australia is to unlock its growth potential across industries.

In the emerging markets for hi-tech minerals such as rare earth elements, graphite and high-purity alumina, companies are focused on investing in projects that extract ores in Australia but send untreated minerals to other countries where it is more cost effective to undertake downstream processing. Australia's uncompetitive corporate tax rate, relatively high costs of construction and operation (including energy) and complex and prescriptive regulatory regime can all combine to reverse the natural advantages of processing near the site of extraction.

The most effective solution that the government can offer is to pursue a comprehensive and consistent agenda which encourages investment, innovation and productivity – a fact acknowledged by the Prime Minister in his articulation of the policy foundations of a post-COVID recovery.²²

At the same time, the government's roadmaps for modern manufacturing and low emissions technology – and its support for 5G telecommunications – should operate together to complement its broader reform agenda. The priority for the government's modern manufacturing road map should be:

- Safety
- Low emissions
- Digital capability
- Direct policies to encourage priority areas and
- Collaboration in downstream processing.

The MCA works closely with representatives of manufacturing and technology producers to enhance collaboration between the mining and METS sector. The government could do more by:

- Supporting public-private research in low emissions resources technology projects, such as the Carbon Transport and Storage Company project in Queensland
- Using existing loan vehicles such as the Clean Energy Finance Corporation and the Northern Australia Infrastructure Fund and related policies to encourage downstream manufacturing
- Developing a nationally coordinated approach to downstream processing by providing infrastructure and transport networks, technology precincts and reducing related costs.

²² The Hon Scott Morrison, Prime Minister of Australia, [Address to National Press Club](#), 26 May 2020.