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2019-20 Pre-Budget Submission

Submission to the State Government

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About CME

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia. CME is funded by its member companies who are responsible for most of the State's mineral and energy production and employment of the sector's workforce in the State.

In 2017-18, the value of Western Australia's mineral and petroleum industry was $115 billion. Iron ore is currently the State's most valuable commodity at $61 billion. Petroleum products (including liquefied natural gas, liquefied petroleum gas, crude oil, condensate and natural gas) followed at $26 billion, with gold third at $11 billion. Both commodities saw an increase in value of 39 and five per cent respectively from the previous financial year.

The resources sector is a major contributor to the State and Australian economy, with an estimated $108 billion of Western Australian projects in the pipeline[1]. The value of royalty revenue the State received from the sector totalled $5.8 billion (iron ore providing 77 per cent), accounting for 19 per cent of the State Government's revenue.

Recommendations

With a shift in the resources sector, from greenfields construction towards operations and brownfields expansion, it is vital the State Government consider the budgetary and policy recommendations made in this submission. This submission should be read in conjunction with CME's 2018-19 Pre-budget submission[2].

The cost of doing business, burden of regulation and changes in Australia is often cited by many of CME's member companies, as well as by peak bodies from other industry sectors as a barrier to doing business. To attract and sustain investment into Western Australia, particularly with the recent release of the State's *Future Battery Industry Strategy*[3] in mind, there should be no additional taxes, compliance fees or cost recovery charges imposed on the resources sector.

CME commends the State Government's success to date in curbing general government expense growth down to an average of 1.3 per cent per annum[4]. However, to foster diversification, economic growth and secure a sustainable future for the State, continued efficient funding and provision of institutional support by the State Government is still needed across a number of priority areas. As a positive feedback loop, royalties collected from the sector should be used to sustain and fund the budgetary and policy recommendations made in this submission.

Key recommendations for the State Government's 2019-20 Budget include:

Economic Competitiveness

- CME does not consider there is justification for any increase or changes to any commodity royalty rate in the 2019-20 Budget, nor over the forward estimates.
- State Government should improve the ability and flexibility of port authorities to undertake minor capital works by providing increased budgets, particularly for key regional ports.

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[1] Department of Mines, Industry Regulation and Safety, *2017-18 Statistics digest: Industry activity indicators*, page 13, October 2018: http://www.dmp.wa.gov.au/Documents/About-Us-Careers/Stats_Digest_2017-18.pdf

[2] CME, *2018-19 Pre-budget submission*, February 2018: https://www.cmewa.com/policy-and-publications/annual-reports-submissions-publications/preview?path=2018-19%2BState%2BPre-Budget%2BSubmission.pdf

[3] Government of Western Australia, *Future battery industry strategy Western Australia*, January 2019: https://www.jtsi.wa.gov.au/docs/default-source/default-document-library/future-battery-industry-strategy-wa-0119.pdf?sfvrsn=ccc7731c_6

[4] Government of Western Australia, *2018-19 Government mid-year financial projections statement*, December 2018: https://www.treasury.wa.gov.au/uploadedFiles/_Treasury/State_finances/2018-19-myr.pdf

- The 2019-20 Budget should not contain provisions for any new fees and charges imposed on the resources sector. Where fees and charges for cost recovery already exist, there should be no further increases. Full transparency in determining applicable fees and reporting disclosures on expenditure, as well as a continued focus on delivering cost efficiencies should be required.
- It is critical sufficient Departmental budgets, policies and resources is dedicated to facilitating efficient and fit-for-purpose regulatory approval processes.
- To prevent monopolistic abuse, the State Government should consider long term leasing or sale of infrastructure assets, accompanied with suitable regulatory arrangements, to ensure timely access for users at reasonable commercial rates.

Natural Resources

- State Government should ensure all additional funds obtained from the resources sector through the Mining Tenement Rental increases is reinvested in the Exploration Incentive Scheme (EIS). This includes channelling back additional revenue obtained above the budgeted $10 million per annum and annual shortfall in co-drilling refunds.
- Ensure Mining Tenement Rental increases do not continue to result in a compounded cost of doing business to the sector through increased rates payable to local governments.
- The State Government should urgently increase funding for the Geological Survey of Western Australia (GSWA) to initiate and implement a data quality review and strategy that can facilitate the ongoing curation and provision of high-quality data capable of supporting future exploration.
- Allocate funds to the Department of Mines, Industry Regulation and Safety (DMIRS) to ensure it is able to maintain a world-class online system.
- Ensure appropriate funding is budgeted to support continued operation and financial sustainability of the Minerals Research Institute of Western Australia (MRIWA).
- Funding for the Western Australian Biodiversity Science Institute (WABSI), should be maintained through the forward estimates to ensure better informed decisions about biodiversity conservation can continue to be made.
- CME supports the continued implementation of the Mining Rehabilitation Fund (MRF) with no changes to the existing scope, unit rates and contribution rate of one per cent. These elements should be reviewed as part of the 10-year legislative review due in 2023.

People and Communities

- Adoption of a cap and differential rate on payment of the Building and Construction Industry Training Fund and Levy (BCITF) on engineering construction in the resources sector.
- CME encourages the State Government to provide full fee relief to stimulate participation in selected priority vocational education and training courses.
- Continue funding to support programs that have proven successful in attracting and retaining high quality teachers to regional schools.
- DMIRS must address the deficit in the Mines Safety and Inspection Levy Fund (MSL) by improving operational efficiency, and not by simply increasing the MSL rate. Given the higher than expected work hours in the resources sector, there should be no provisions for increases in the 2019-20 Budget.
- The MSL's governance framework should include oversight by the Mining Industry Advisory Committee (MIAC) of the Mine Safety Branch. Educational and proactive assistance activities should support the delivery of risk-based regulation.

- Sufficient funding is provided to DMIRS to appropriately support the significant work, health and safety reforms being pursued by the State Government.
- Effort should be directed to support a range of initiatives across Western Australia, which improve the wellbeing of all employees regardless of industry sector.
- State Government funding should be allocated to ensure future mental health research is conducted to support all workplaces to ensure mental health initiatives are targeted appropriately.
- Further State Government funding should be provided to ensure there is support and access to mental health services and suicide prevention strategies for all communities across Western Australia.

Context

Given the current finances of Western Australia, the State Government has a significant challenge on its hands to continue reducing costs, whilst also making targeted investments in areas to stimulate productivity, economic growth and job creation.

CME welcomes the unanimous passing of the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Bill 2018* (Cth) in Commonwealth Parliament in 2018. CME has long advocated for a greater share of redistribution of the Goods and Services Tax (GST) to Western Australia. With a greater share, returning to the State, tax reform policies and productivity should be encouraged. The Government's commitment to using the first three years of GST top-up payments to reduce the State's debt burden is commended.

Following the Commonwealth Government's release of the *Resources 2030 Taskforce Report*[5] and inquiry focus on reducing red tape[6], it is critical the State Government continues to encourage the strong contributions made by the Western Australia resources sector to the State and Australian economy. CME notes the State Government is currently pursuing a number of regulatory reforms across various Departments, including Streamline WA[7], which may significantly affect the sector.

Economic Competitiveness

Royalties

Royalties provide a major contribution to State Government earnings, with revenue from the State's mineral and petroleum producers totalling $5.8 billion in 2017-18[8]. The 2018-19 Budget confirmed these royalties will continue to account for approximately 19 per cent of the State's revenue. This is despite projected lower iron ore returns causing a decline in royalty payments.

Since handing down of the 2017-18 Budget, the State Government has said much on the return to the State from the resources sector via royalties, particularly in respect to gold. A return relative to the benchmark of ten per cent of the mine-head value is not and was never intended to be an exact science, but rather an approximation. The 1981 Cabinet submission to the Premier the benchmark was intended to be a broad principle, rather than a fixed benchmark policy. The submission stated actual levels of royalty set for a particular commodity will need to continue to take into account profitability, mine remoteness, infrastructure contributions, nature of the operation and difficulty of separating the mineral from the ore, etc.[9]

It is now several years after the release of the recommendations made by the *Minerals Royalty Review Analysis* (MRRA)[10]. At the time the MRRA was released, the sector pointed to serious flaws in its analysis. The MRRA did not apply the ten per cent benchmark consistently across commodities in forming its recommendations. A ten per cent of the mine-head value should not be adopted as a strict benchmark, but retained as a broad approximation of total revenue across all commodities.

During and after the MRRA, the sector expressed concern over the methodology to calculate the benchmark return. The current approach used by DMIRS does not take into account the full range of costs, and consequently, underestimates the return of royalty payments back to the State. This is an issue across all commodities. The sector also proposed an alternative

[5] Commonwealth of Australia, *Resources 2030 taskforce: Australian resources – Providing prosperity for future generations,* September 2018.
[6] Commonwealth of Australia, *Policy and process to limit and reduce red tape*, December 2018.
[7] Premier, *Streamline WA: Making it easier to do business in Western Australia*, December 2018.
[8] DMIRS, *Mineral and petroleum statistics digest 2017-18*, November 2018.
[9] Minister for Mines, *Submission to the Western Australian Cabinet – Mineral royalties*, September 1981.
[10] Department of Mines and Petroleum, *Mineral royalty rate analysis – Final report 2015*, March 2015.

methodology for calculating the benchmark, which is consistent with what was adopted by the Commonwealth for the purposes of calculating the Minerals Resources Rent Tax liability.

The MRRA acknowledged in part there was an issue with the benchmark calculation and recommended "*…when such [royalty] reviews are undertaken in the future, the benchmark calculation should include an estimated return on capital.*" This was an element of CME's alternative benchmark calculation methodology. It is possible to demonstrate the sector is delivering a return above ten per cent across all commodities using either methodology.

Given the acknowledgement of issues with the current benchmark calculation methodology, and the manner in which it underestimates the return to the State, **CME does not consider there is justification for any increase or changes to any commodity royalty rate in the 2019-20 Budget, nor over the forward estimates**.

Port Fees

Ports are critical enablers of the State's export industries, and therefore, of the State and Australian economies. The ports are in a strong financial position, with some recording substantial returns and thus dividends and tax equivalent payments back to the State Government. Increased exports by the resources sector have notably contributed to this.

However, the ports are legislated to obtain a return on assets deployed only to the extent the return does not compromise their commercial remit to facilitate trade. In 2017, a substantial 17 per cent increase in fees and charges was announced for Port Hedland and Dampier through the Pilbara Port Authority. CME understands the ports have a duty to provide a sustainable financial return to the State. Ports are, however, natural monopolies. Unlike a market operating with perfect competition, port users are unable to respond to an increase in fees and charges by adjusting their usage.

CME understands port authorities are unable to access cash reserves to fund major capital works. All capital works require State Government funding approval, including those internally financed. CME also understands increases to the ports' minor capital work budgets over the last five years has been limited. **State Government should improve the ability and flexibility of port authorities to undertake minor capital works by providing increased budgets, particularly for key regional ports**. Ongoing appropriate expenditure on minor capital works may defer the need for investment in major capital works. Major capital works should be funded with existing compliant and approved Port Improvement Rate charges. Where possible, these charges should be prioritised efficiently and effectively for directly improving and maintaining key infrastructure shared by port users.

Taxes, Fees and Charges

Expansion of other fees and charges, including transition to a cost recovery approach for undertaking mandated regulatory responsibilities continue to challenge the State's economic competitiveness and attractiveness for investment by the resources sector. In particular, cost recovery for regulation of environmental approvals.

The Department of Water and Environmental Regulation's (DWER) application of cost recovery[11] under the *Environmental Protection Act 1986 (WA)* is an example of an inefficient and inequitable regime. DWER does not charge for service delivery on a consumption basis. Instead charges are calculated on greenhouse gas emissions and industry sector unit rates. Cost recovery is therefore irrespective of DWER's actual effort needed to provide the necessary service. This results in a disproportionate small number of licensees being charged more than 50 per cent of DWER's service delivery costs across all industry sectors.

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[11] DWER, *Cost recovery for the DWER – Supporting the delivery of improved environmental and water regulation*, discussion paper, August 2018: https://dwer.wa.gov.au/sites/default/files/Cost%20recovery%20discussion%20paper.pdf

In addition, recovery of application costs for water licenses 7only applies to the resources sector and public water supply scheme sectors. Water licenses are a service used by all sectors of the economy. By charging only specific sectors, it may lead to market distortions and therefore an inefficient allocation of finite resources. The current proposal to introduce an additional fee payable by the resources sector only for native vegetation clearing permits may also exacerbate this distortion.

The 2019-20 Budget should not contain provisions for any new fees and charges imposed on the resources sector. Where fees and charges for cost recovery already exist, there should be no further increases. Full transparency in determining applicable fees and reporting disclosures on expenditure, as well as a continued focus on delivering cost efficiencies should be required. The State Government should be transparent and accountable for justifying any increase in taxes, fees or charges that are well above the consumer price index (CPI) rate of inflation.

Regulatory Approval Processes

Delays in coordination and turnaround of approvals can contribute to unnecessary additional costs (time and labour). A delay of 12 months can result in a third of proposed projects being cancelled[12]; negatively increasing the cost of doing business and influencing the attractiveness of investing in Western Australia.

With the Economic Regulation Authority's inquiry into business licensing[13] and the Commonwealth's commitment to reducing red tape for regulatory environmental assessments[14], **it is critical sufficient Departmental budgets, policies and resources is dedicated to facilitating efficient and fit-for-purpose regulatory approval processes**. In committing to a deregulation agenda and "one stop shop" approach, there is room to improve addressing the duplication and lack of coordination between Commonwealth and State assessments processes. This has partly contributed to Australia's low ranking of 77 out of 140 on the global competitiveness index for institutional burden of government regulation[15]. As per the findings to the abovementioned inquiries, policies as they currently are do not encourage continuous improvement in assessment performance, productivity or economic growth for either Departments or project proponents. Without committing appropriate funding to encourage coordination and regulatory stewardship, there is a risk additional fees and charges will be imposed on the resources sector to fund these approval processes.

State Infrastructure Assets

The strategic review of State Government owned infrastructure assets should continue to be undertaken in consultation with industry stakeholders. As part of the review, **to prevent monopolistic abuse, the State should consider long term leasing or sale of infrastructure assets, accompanied with suitable regulatory arrangements, to ensure timely access for users at reasonable commercial rates**.

While CME understands there are competing priorities, the extent of reinvestment needs to be considered in the context of broader fiscal policy and the need for increased public accountability. The potential benefits of capital recycling are substantial. Reinvestment in

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[12] BAEconomics, *The economic gains from streamlining the process of resource projects approval*, July 2014: http://www.baeconomics.com.au/wp-content/uploads/2014/10/Gains-from-reduced-delays-7Aug14.pdf

[13] Economic Regulation Authority, *Inquiry into reform of business licensing in WA*, draft report, October 2018: https://www.erawa.com.au/cproot/19608/2/2017LicInq%20-%20Draft%20report.pdf

[14] Commonwealth of Australia, *Effect of red tape on environmental assessment and approvals*, interim report, October 2017: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Red_Tape/Environment/Interim_report

[15] World Economic Forum, *The global competitiveness report 2018*, October 2018: http://www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf

infrastructure through new project developments or expansions is likely to stimulate job creation and royalty revenue.

Efforts by the State Government to involve the resources sector in discussions around the establishment of Infrastructure WA and developing the Westport Strategy are positive. CME supports the need to take a long-term view on the planning of infrastructure, strategic industrial precincts and compatible land use zones in areas that are likely to be impacted by future development of the Fremantle, Kwinana and Bunbury harbours. A stronger focus, however, on coordinating investment across energy, water and transport infrastructure in areas such as great southern and the south west of Western Australia is needed.

Natural Resources

Exploration Incentive Scheme

To secure the long-term future of the resources sector in Western Australia, it is vital the State Government maintains and support policies that incentivise and advance active exploration and discovery of new resources.

Assuming 'business-as-usual' scenarios, the Centre for Exploration Targeting landmark report forecasts Australian gold production will fall by half over the next forty years (from 9.7 to 4.7 Moz per annum by 2057)[16]. The rate of exploration and discovery is the key factor in arresting this forecasted decline. Avoiding this decline, however, requires the gold sector to either double exploration expenditure or double its discovery performance.

Given the delay between discovery and development of a new mine is on average 13 years, it has never been more important to incentivise exploration to sure up supply.

The EIS encourages active exploration in Western Australia through co-funding investments in drilling, particularly in greenfield areas. Modelling on the EIS in 2015 found, in aggregate, for every $1 million invested, the long run expected net benefit to the State in terms of a higher gross state product is $23.7 million[17]. This highlights the value the State receives from this small investment in exploration.

Despite this, the State Government changed the EIS's funding model in the 2017-18 Budget. It went from being State Government funded to being industry sector funded from an increase to Mining Tenement Rental fees paid annually. A six per cent increase, which was well above CPI was applied in 2017-18, with an additional six per cent increase, which again was above CPI was applied in 2018-19. The State Government should **ensure all additional funds obtained from the resources sector through the Mining Tenement Rental increases is reinvested in the EIS. This includes channelling back additional revenue obtained above the budgeted $10 million per annum and annual shortfall in co-drilling refunds**.

It should be noted the increase in Mining Tenement Rental has also affected local government rates. Consequently, the overall cost impact to the sector is greater than the amount ($10 million) intended to be recovered through changing the EIS's funding model. As part of the Phase 2 review of the *Local Government Act 1995 (WA)*, the State Government should **ensure Mining Tenement Rental increases do not continue to result in a compounded cost of doing business to the sector through increased rates payable to local governments**.

[16] Schodde, RC, *Long term trends in global exploration – Are we finding enough metal?*, October 2017: https://www.minexconsulting.com/publications/FEM%20Conference%20FINAL%20Oct%202017.pdf

[17] ACIL Allen Consulting, *EIS – Economic impact study*, April 2015: http://geodocs.dmp.wa.gov.au/search.jsp?cabinetId=1101&Combined=N15H

Online Systems and Data Curation

A key competitive advantage for attracting exploration investment to Western Australia has historically been the strength and availability of pre-competitive data, the core library and the geoscience programmes implemented by the GSWA. In 2017, Western Australia's global ranking for the geological database quality fell from number one down to 17[18]. Given the emerging issues with data curation for the State's geological survey and the dramatic decrease in the annual budget for the GSWA, this result is unsurprising. CME recommends **the State Government should urgently increase funding for the GSWA to initiate and implement a data quality review and strategy that can facilitate the ongoing curation and provision of high-quality data capable of supporting future exploration.**

Additionally, the current suite of online systems used by DMIRS requires upgrading to facilitate timeliness of regulatory approval processes. The State Government should **allocate funds to DMIRS to ensure it is able to maintain a world-class online system.**

Minerals Research Institute of Western Australia

MRIWA is a statutory body established by the *Minerals Research Institute of Western Australia Act 2013 (WA).* Its purpose is to stimulate minerals research to support investment in, and the operation of, a globally competitive minerals industry in Western Australia.

In 2017-18, MRIWA received $4.1 million in State Government grants; however, this funding was not extended through the forward estimates for the 2018-19 financial year onwards. As noted in MRIWA's *Annual Report*, the financial leverage on MRIWA's investments in research in (i.e. the level of co-investment by other parties), was $1.46 for every $1 invested by MRIWA[19]. This demonstrates a clear value to the future health of the resources sector and consequently the State's economy. The State Government should **ensure appropriate funding is budgeted to support continued operation and financial sustainability of MRIWA.**

Western Australian Biodiversity Science Institute

WABSI is an independent institute that helps identify end user needs and biodiversity knowledge gaps. Through collaborative research it brings together industry sectors, State Government, researchers and community to help address Western Australia's strategic biodiversity priorities. As the south west of Western Australia is recognised as, a world biodiversity hotspot by Conservation International it is important research is dedicated to its conservation. WABSI is currently funded through the Department of Jobs, Tourism, Science and Innovation with $6.68 million of funding over five years to 2020.

Importantly, many research priorities for Western Australia require long-term investment and scientific studies. Without ongoing funding through the forward estimates, the ability of WABSI to continue to leverage other funds, promote the necessary long-term biodiversity research needed for Western Australia and deliver on its stated purpose will be diminished. State Government **funding for WABSI should be maintained through the forward estimates to ensure better informed decisions about biodiversity conservation can continue to be made.**

Mining Rehabilitation Fund

CME has strongly supported the MRF since its inception. This policy approach strikes the right balance between managing potential future liabilities and incentivising progressive

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[18] Refer to various the various years of the Annual Survey of Mining Companies published by the Fraser Institute (https://www.fraserinstitute.org)

[19] MRIWA, *Annual report 2017/2018*, August 2018: https://www.mriwa.wa.gov.au/wp-content/uploads/2016/08/MRIWA-AR-2018.pdf

rehabilitation without placing a prohibitive cost on performance by the resources sector nor detracting Western Australia's attractiveness for investment.

Crucially, the ability of the State Government to mobilise funds and respond to the abandonment of Ellendale diamond mine in 2015 clearly demonstrates the MRF's effectiveness. The State is in a position to manage such events should they arise in future. The progress made by DMIRS on the Abandoned Mine Program pilot projects (Black Diamond, Pro-Force, Elverdton and Bulong Nickel) further demonstrate the value of the scheme. Such remedial activity for abandoned mines would not have been possible in the absence of the sector's financial contributions through the MRF.

The *Post-Implementation Review* published in 2018 concluded the MRF "*remains an appropriate, effective and efficient method of ensuring that funds are available for mine rehabilitation, even if the responsible company cannot be identified or pursued*"[20].

A key design feature of the MRF to remain cognisant of is that it will require many years (likely a decade) to amass sufficient capital. State Government will need to develop a "soft-landing" for fund contributions prior to this point being reached. This will ensure equitable recognition and minimise financial disadvantage to those that already have made significant contributions to the fund during its accumulation phase. CME is strongly opposed to any attempts to expedite accumulation of these funds through an increase to the MRF's scope, unit rates or contribution rate of one per cent. Any increases would place an additional cost burden that is unwarranted on existing operators who are already performing well. Accelerating the fund's accumulation beyond DMIRS's capacity to expend efficiently or effectively will further exacerbate existing and future inequities.

It should be noted the review stated "*to minimise perceived risks for industry, the MRF contribution rate could be reviewed at the time of the 10-year legislative review and on a regular interval thereafter – such as every 5 or 10 years*." **CME supports the continued implementation of the MRF with no changes to the existing scope, unit rates and contribution rate of one per cent. These elements should be reviewed as part of the 10-year legislative review due in 2023**.

People and Communities

Building and Construction Industry Training Fund and Levy

Currently the Western Australia resources sector invests significantly in education and training to ensure the needs of its current and future workforce is met. The resources sector supports ongoing investment in apprenticeships, traineeships, training (structured, on-the-job and in-house) and experience programs (vacation and graduate). Around 3.5 per cent of the workforce amongst CME's member companies invest in apprenticeships and trainee programs. Whilst 95 per cent of the resources sector, including contractors, employ apprentices and trainees. In addition, the resources sector spent around 3.5 per cent of their total payroll on broader training activities in the 2016-17 financial year. Training is 98 per cent industry funded, with only two per cent coming from Government funding.

The amendments to Regulation 3 associated with the *Building and Construction Industry Training Fund and Levy Collection Act 1990 (WA)*, which came into effect on 1 October 2018, has changed the way the BCITF applies to construction undertaken by the resources sector. CME acknowledges the State Government has demonstrated good faith regarding recent amendments to the regulations; taking on feedback to broaden the exemption for operational work. CME acknowledges the changes and exemptions offered regarding maintenance and

[20] Marsden Jacob Associates, *Mining Rehabilitation Fnd – Post-implementation review*, July 2018: http://www.dmp.wa.gov.au/Documents/Environment/MRF-PIR-July-2018.pdf

repairs are significant and not available to other sectors. However, the State Government has underestimated the impact it will have on investment in the resources sector.

CME does not consider the application of the BCITF, as it now applies, is fair or equitable given the significantly higher value of projects and long lead times in the resources sector compared to other industry sectors such as residential and commercial construction. The impact of paying an upfront levy will detract investment, leading to the abandonment of proposed projects in Western Australia or their transfer to more favourable locations interstate.

Similar to Queensland[21], CME recommends the **adoption of a cap and differential rate on payment of the BCITF levy on engineering construction in the resources sector**. The BCITF should apply only to greenfield projects, and not on the maintenance of brownfield projects. This is in recognition of the sector's current high level of investment in training and workforce development, job creation and the significantly higher project values.

Education and Training

Implementing a vocational education and training course fee freeze over the period 2018-21 was announced in the 2018-19 Budget. Whilst this is welcome, full fee relief for priority courses in other States and Territories emphasises the comparative differences and unaffordability of course costs and fees in Western Australia. This is negatively affecting participation of the State's vocational education and training sector. **CME encourages the State Government to provide full fee relief to stimulate participation in selected priority vocational education and training courses**.

Regional schools experience both the youngest teaching workforce and the shortest teaching tenure compared to the metropolitan school workforce. Therefore, initiatives aimed to not only attract and retain teachers to regional schools, but to develop a high quality and sustained teaching workforce is essential. This will support improved student outcomes and meet increased workforce needs in the regions.

To meet this challenge, the Pilbara Education Region, for example, has previously utilised Royalties for Regions funding provided through the Pilbara Cities Education Fund to deliver initiatives that attract, develop and retain effective teachers. Two successful initiatives were the Rural and Remote Training Schools Project and Teacher Internship and Practicum Program. Unfortunately both of these programs ceased in 2018 due to a cessation of funding. The State Government should **continue funding to support programs that have proven successful in attracting and retaining high quality teachers to regional schools**.

Mines Safety and Inspection Levy Fund

Increases in recent years to the MSL rate and a lack of transparency during consultation has been a frustration for the resources sector. Further to a commitment from the Minister for Mines and Petroleum, CME is appreciative of the recent discussions with DMIRS to address these issues.

In particular, CME welcomes the introduction of an annual stakeholder levy information session, similar to the process undertaken by the National Offshore Petroleum Safety and Environmental Management Authority. The session provides stakeholders with relevant information on levy accounts, employment hours and possible implications on the MSL rate for the subsequent financial year. While occurring ahead of the formal MSL setting process, this session is critical in facilitating communications and transparency with the resources sector.

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[21] Construction Training Fund, *Review of the operation and effectiveness of the building and construction industry training fund and levy collection act 1990*, page 6, June 2014: http://www.parliament.wa.gov.au/publications/tabledpapers.nsf/displaypaper/3911811ab1a22a94476e100548257d3200290306/$file/1811.pdf

CME recognises the significant increases to the MSL rate in recent years[22] have been to address the operating deficit of the fund, which in part resulted from lower than expected work hours in the sector. While the State Government has a responsibility to address the current operating deficit, CME considers it is imperative the MSL is managed effectively and in line with cost recovery principles. That is, the Mines Safety Branch is operating as efficiently as possible. Discussions throughout 2018 with DMIRS on this matter were welcomed by CME. However, it is critical both the MSL rate, as well as opportunities for efficiencies by the Mine Safety Branch, is considered as part of the deficit reduction strategy and ongoing management.

Further, CME notes information provided at the annual stakeholder levy information session in November 2018 indicated work hours in the resources sector are higher than initially anticipated. **DMIRS must address the deficit in the MSL by improving operational efficiency, and not by simply increasing the MSL rate. Given the higher than expected work hours in the resources sector, there should be no provisions for increases in the 2019-20 Budget**.

CME is supportive of the work achieved to date to establish a sound governance framework, in consultation with the resources sector, to provide transparency and accountability and ensure the fund is expended efficiently and effectively. CME has never sought input into the allocation of resources for core regulatory compliance functions and does not seek to do so going forward. However, provisions in the *Occupational Safety and Health Act 1984 (WA)* clearly enable the MIAC to provide advice on occupational, health and safety related matters relevant to the resources sector. This includes education, publications and training.

Therefore, in addition to a consultation framework regarding the setting of the MSL rate, MIAC should be utilised to provide ongoing advice to DMIRS on priorities and proactively educate and assist DMIRS in identifying focus areas where efficiencies can be achieved. **The MSL's governance framework should include oversight by the MIAC of the Mine Safety Branch. Educational and proactive assistance activities should support the delivery of risk-based regulation**.

Reform of Work Health Safety Laws

The State Government is pursuing a number of reforms related to the resources sector. CME is an active participant in many of these processes. For example, reforms to modernise the *Occupational Safety and Health Act 1984 (WA)*[23], a high priority for the State is being managed by Worksafe WA and the Resources Safety Branch within DMIRS. Regulatory authorities should be sufficiently resourced to ensure they can employ highly competent personnel to effectively monitor compliance, provide relevant direction and assistance to companies and support continuous improvement efforts.

CME has raised concerns with the quality of the consultations being proposed across the three sets of regulations that are being developed. The public consultation documents require the reader to cross-reference multiple sets of regulations and drafting instructions. CME is concerned this approach is being taken due to limited resourcing and pressures to meet tight timeframes, therefore resulting in documents that are not appropriately effective or efficient for public consultation. It is critical **sufficient funding is provided to DMIRS to appropriately support the significant work, health and safety reforms being pursued by the State Government**.

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[22] ABC, *Mining lobby slam WA government's 'unbelievable' safety levy fee hike,* June 2017: https://www.abc.net.au/news/2017-06-24/mining-lobby-slam-wa-government-safety-levy/8649044

[23] DMIRS, *Modernising work health and safety laws in WA – Proposals for amendments to the model work health and safety bill for adoption in WA*, consultation paper, July 2018: https://www.commerce.wa.gov.au/sites/default/files/atoms/files/whs_act_consultation.pdf

Mental Health and Suicide Prevention

Mental health issues exist throughout the entire community. As a major employer and as part of its ongoing commitment to health and safety, the Western Australia resources sector is committed to ensuring the mental health and wellbeing of its workforce.

The sector has long recognised the importance of addressing health and wellbeing in the workplace, with a range of different formal and informal strategies in place. CME member companies invest significantly in the health and wellbeing of their employees and are continuously improving their support programs. These programs are directed to all employees in the resources sector, not just those undertaking Fly-in Fly-out (FIFO) work.

Throughout 2018, CME has been actively involved in the development of the DMIRS draft code of practice[24] and Curtin University's research project[25] into the mental health and wellbeing of FIFO workers that was funded by the Mental Health Commission.

CME remains concerned that limiting the focus of mental health to FIFO work practices is a missed opportunity to address mental health in a comprehensive way. CME does not support the State Government's limited focus in managing the mental health of FIFO employees. Rather, an **effort should be directed to support a range of initiatives across Western Australia, which improve the wellbeing of all employees regardless of industry sector**.

Access to robust data is critical for developing evidenced-based solutions to promote mental health and suicide prevention across Western Australia. In the context of workplaces in the resources sector, Curtin University's research project contributes valuable information that will greatly assist companies in reviewing existing strategies to ensure they are directed in the most appropriate areas and are achieving meaningful results.

Given the high level nature of the research project and acknowledging there is a need for further research into many of these areas, a key recommendation of Curtin's final report is for further research to be undertaken. For example to greater understand the value of specific mental health interventions.

CME supports the ongoing development of evidenced-based material to assist all workplaces in identifying and implementing effective workplace wellbeing strategies. Ongoing funding it critical to facilitate this. As Curtin's project was limited in scope to FIFO workers, CME considers there is significant potential for further studies to examine the mental health impacts across a broader range of workplaces. **State Government funding should be allocated to ensure future mental health research is conducted to support all workplaces to ensure mental health initiatives are targeted appropriately**.

Further, the research found a range of factors related to the workplace, individual and external environment are equally significant in influencing a person's mental health and wellbeing. Mental health is a community issue and a holistic approach is required to meaningfully influence improvements to mental health and wellbeing. Organisations, workers, all levels of government and the wider community all have a role to play in this regard.

CME supports the need for industry, government and communities to work together with a focus on reducing the stigma and early intervention to improve mental health outcomes across the Western Australian community. It is essential State and Commonwealth services are coordinated and directed to areas of most need, particularly in regional communities where there may be limited access to mental health support services.

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[24] DMIRS, *Mentally healthy workplaces for FIFO workers in the resources and construction sectors – Draft code of practice,* public comment summary report, August 2018: http://www.dmp.wa.gov.au/Documents/Safety/Public_comment_report-MHW_FIFO_workers_resources_construction_sectors-Draft-COP.pdf

[25] Centre for Transformative Work Design, *Impact of FIFO work arrangements on the mental health and wellbeing of FIFO workers*, September 2018: https://www.mhc.wa.gov.au/media/2548/impact-of-fifo-work-arrangement-on-the-mental-health-and-wellbeing-of-fifo-workers-summary-report.pdf

CME is aware of insufficient funding allocations for significant community projects in regional Western Australia. For example the construction of a step-up step-down mental health facility in Karratha. **Further State Government funding should be provided to ensure there is support and access to mental health services and suicide prevention strategies for all communities across Western Australia**.

Conclusion

The Western Australia resources sector is a diverse and complex industry covering exploration, processing, downstream value adding and refining of over 50 different types of commodities. With the Commonwealth Government's *Resources 2030 Taskforce* and the State Government's lithium and energy materials strategy, it is important the 2019-20 Budget considers the matters outlined in this submission. Policy reform and deregulation is needed to ensure Western Australia remains a stable and attractive location for investment by the resources sector locally, nationally and internationally.

CME looks forward to your response to this submission and ongoing engagement on the matters raised. If you have any further queries regarding the above matters, please contact Caroline Cherry, Manager Economic Competitiveness, on (08) 9220 8514 or c.cherry@cmewa.com.

Authorised by	**Position**	**Date**	**Signed**
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CME