



AGENDA

FOR GROWTH

SECURING AUSTRALIA'S MINING FUTURE





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Photographs courtesy of Glencore, New Hope Group, Newmont and St Barbara Limited.

There has been a lot of talk about what comes after the resources boom. **Often overlooked is a simple fact:** what comes after the resources boom is a much larger mining industry.

FOREWORD

In advance of the 2016 federal election, this document sets out the policy priorities that will help to ensure all Australians continue to reap the benefits of a strong and competitive minerals industry.

A critical industry for Australia

The minerals industry is a large contributor to the nation's economy and a critical industry for Australia's future. It accounts for around half of Australia's export income and supports hundreds of thousands of high wage jobs across the country. More than 60 per cent of those jobs are in regional and remote Australia where the industry is the largest private sector employer of Indigenous Australians.

Despite lower commodity prices in recent years, by various measures the industry is now almost four times its scale at the start of the 21st century. In 2000-01, Australia earned \$42 billion from minerals exports. In 2014-15, that figure was \$149 billion.

Mining employment is more than double what it was prior to the mining boom, while growth has delivered more in the way of taxes and royalty payments. The minerals industry paid an estimated \$165 billion in company tax and royalties alone in the decade to 2014-15. Survey evidence confirms that the industry pays nearly half of every dollar of profit to governments as royalties and company tax.

The challenge ahead

The challenge in 2016 is to build on this legacy of strong mining growth and to position Australian mining for the next wave of economic opportunities.

That will require further improvements in productivity and continued innovation. Innovation underpins Australia's comparative advantage in minerals and energy by supporting operations that are more competitive, safer and more environmentally sustainable. The mining sector spends

nearly \$3 billion a year on research and development and works closely with Australia's leading research bodies.

It will require further investments in infrastructure and skills. Mining produces more economic value per employee than any other industry (double the finance sector) and pays Australia's highest wages. As well as skilled mining trades, the industry employs professionals in a diverse range of areas, including engineers, environmental scientists, geologists, geophysicists, mathematicians and financial officers. Ensuring our workplace relations framework supports higher workplace productivity is the key to supporting more jobs in the mining industry.

It will require stable and internationally-competitive tax settings. Australia is a relatively high tax mining jurisdiction and more can be done to ensure this country attracts future investment from exploration through to development of mining projects.

Australia needs to stay the course on open and transparent markets if we are to remain competitive and capture new export opportunities. And there needs to be a renewed focus on ensuring domestic regulation does not delay and push up the costs on mining projects.

Jobs, growth and prosperity

The policy reforms outlined in this document align with an overarching focus on growth, jobs and national prosperity, supported by sensible government investments and a robust and sustainable social safety net. More than the foundation of a stronger mining industry, we regard them as critical to ensuring Australia remains a strong, fair and prosperous nation.

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Commodities will always have a place in Australia – that's part of this country's heritage. The natural resources that this country is endowed with are fundamental to life.

”

Andrew Mackenzie
Chief Executive Officer
BHP Billiton

RISKS & OPPORTUNITIES

The 2016 election provides an opportunity to agree a new national task. We should aim to return to the world's top 5 most competitive economies by 2022 and to be the world's most competitive economy by 2026.

The slide in Australia's competitiveness

Source: World Economic Forum



Over the last 15 years Australia has slipped from a top 5 ranking in 2001-02 to 21st in the World Economic Forum's Global Competitiveness Index in 2015-16.

Unless we urgently reverse this trend, the living standards of current and future generations of Australians will fall.

To maximise the opportunities, we need to:

- Bring Australia's company tax rate into line with our major competitors by reducing the company tax rate to 25 per cent by 2022
- Promote flexible and productive workplaces by simplifying agreements, curbing abuse of entry rules and modernising greenfield agreements
- Reduce unnecessary delays in project approvals
- Ensure the provision of affordable, reliable electricity to households and businesses.

The risks to Australia's competitiveness include proposals to:

- Impose new taxes on businesses operating in regional Australia
- Shut down Australia's coal export sector which provides energy and resource security to East Asia
- Maintain or increase regulatory burdens on export industries.



Australia's tax system has fallen out of step with the rest of the world.

Sam Walsh
Chief Executive
Rio Tinto



Unless we urgently reverse this trend, the living standards of current and future generations of Australians will fall.

COMPETITIVE TAXATION

Competitive company tax

Australia's 30 per cent company tax rate is too high for a capital hungry country. Australia has the sixth highest company tax rate among 34 OECD countries as other countries have substantially reduced their corporate tax rates over the last decade.

Australia's mining industry also faces a heavy tax burden compared to competitors with a combined tax and royalty ratio of 47 per cent.

A 2016 University of Calgary study found Australia had the third highest tax burden on iron ore of nine countries examined behind only Zambia and South Africa.

Fuel tax and exploration

Stable tax arrangements for fuel, exploration and R&D are essential to maintain economic activity in regional Australia. Regional industries rely on off-road use of diesel. Any reduction to

Total tax take ratio on mining (%)



Source: Deloitte Access Economics

fuel tax credits would constitute a new tax on regional and remote Australia.

Immediate deductibility for exploration costs helps secure a future pipeline of mining projects and the R&D tax incentive supports innovation in the mining industry including collaboration with Australian universities.

A more competitive company tax rate; stable fuel taxation, R&D and exploration arrangements; and practical approaches to transparency are essential to drive future investment in Australian mining.

Tax transparency

The Board of Taxation's voluntary tax transparency code will significantly increase disclosures while minimising compliance costs.

The MCA also supports Australia's implementation of the Extractive Industries Transparency Initiative (EITI).

“

Most industrialised countries have been reducing company income tax rates in the past decade and yet Australia has become stuck in the quicksand, watching others pass by.

”

Professor Jack Mintz
School of Public Policy
University of Calgary



\$165b

Federal company tax and state and territory royalties paid in the decade to 2014-15.

47%

Combined tax and royalty ratio. Australia has the 6th highest company tax rate in the OECD.

19%

The mining sector contributed 19 per cent of all corporate tax collected in 2013-14.

TAX AGENDA 2016 AND BEYOND

- A phased reduction in the company tax rate to at least the OECD average of 25 per cent
- No road tax on fuel used off-road and retain immediate deductibility for exploration
- A voluntary tax transparency code as recommended by the Board of Taxation.

ENERGY & CLIMATE CHANGE

Affordable, reliable energy

Australia's approach to climate and energy policy must not reduce household living standards or the competitiveness of Australia's export and import competing businesses. The failed carbon tax simply raised \$15 billion in new tax and weakened support for efforts to address climate change.

Proposals to require 50 per cent of Australia's energy be provided by expensive renewable energy will inexorably lead to much higher electricity prices.

Getting the right mix

A better approach is for all low emissions energy sources to compete to provide Australia's clean energy future. New generation super-efficient coal fired power stations can reduce CO₂ emissions by 50 per cent compared with existing plants.

Carbon capture and storage technologies would see emissions from these power stations cut to negligible levels over time.

With 30 per cent of the world's uranium reserves, Australia should also embrace the zero emissions base load power provided by nuclear energy.

Australia is playing its part

Australia has performed better than most other nations at constraining CO₂ emissions growth and meeting agreed targets over the past 25 years. Under the Kyoto Protocol between 1990 and 2012, Australia met its targets while the US, Canada and many other nations failed to do so.

Australia's 2030 emissions target of a 26-28 per cent reduction off 2005 levels is credible and appropriate. A higher target will impose much higher costs on Australia than those facing our trading partners including the US, Canada and the European Union.

Australia's 2030 emissions target of a 26-28 per cent reduction off 2005 levels is credible and appropriate. To ensure Australia meets this target at the lowest cost, all clean energy options should be treated equally, with none excluded or granted preferential treatment.



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By the time you get to 2030... you are talking around \$150 [billion] to \$200 billion for the 26 per cent target, and you are talking for the larger target of 43 per cent, you are probably talking around \$300 [billion] to \$400 billion.

”

Professor Warwick McKibbin
Respected economist (discussing respective costs to GDP of different emissions reduction targets).



Australia's electricity price competitiveness has fallen from cheapest in 2000 to the 27th most expensive in 2014.



Cost to consumers by 2030 from the Renewable Energy Target and other subsidies.



Mining's energy consumption increase per year since 2000. Output per year is up 22 per cent.

ENERGY AGENDA 2016 AND BEYOND

- ✓ Adopt a technology-neutral approach to low-emissions technologies, including HELE power generation and CCS
- ✓ Allow the use of international carbon permits in climate change policy mechanisms
- ✓ Remove the ban on the use of nuclear power
- ✓ Australia's 26-28 per cent emissions reduction target by 2030 is credible and appropriate.

WORKPLACE RELATIONS

A well-functioning workplace relations framework promotes collaboration and teamwork, as well as close alignment between individual effort and reward. It supports jobs, enterprise, investment and productivity growth.

Fair Work Act 2009

Unfortunately, Australia's workplace relations framework – the *Fair Work Act 2009* – is failing on all these fronts. It imposes too many cumbersome laws and regulations that act as a drag on productivity, growth and the mining jobs of today and tomorrow.

It also stifles direct engagement between employers and employees, impedes innovation and reduces the capacity of firms to respond to changing business conditions. Renewed workplace relations reform is essential to future prosperity.

Cost competitive

Mining jobs pay on average about \$140,000 a year. The minimum wage and penalty rates are not all that relevant to high-skilled, high-wage mining workers. What is relevant is ensuring Australia is a reliable, cost-competitive supplier of mineral resources, with firms able to adapt to fast-changing global markets.

Productivity performance

The Fair Work Act has made our workplace laws more complex and prescriptive.

It has damaged Australia's productivity performance, pushed up business costs and made it harder to preserve and create high wage mining jobs.

Australia needs a modern workplace system that supports jobs, investment and productivity growth. High wage jobs are not created by regulation. High wage jobs depend on high productivity workplaces.



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The standout weak points for Australia's competitiveness continue to be a highly inflexible labour market and excessive government regulation.

”

Professor Tony Makin

 \$515k

Mining generates around \$515,000 for the economy for every worker employed.

 2x

There are more than twice as many jobs in the industry today than before the mining boom.

750  pages

The Fair Work Act has more than 750 pages and another 1,400 pages of regulations.

IR AGENDA 2016 AND BEYOND

- Simplify agreements and agreement-making, with the focus on wages and conditions
- Curb abuse of union entry rules which cause unnecessary disruption in workplaces
- Stop the abuse of adverse action provisions which can result in large costs imposed on businesses
- Modernise the 'greenfields' agreement framework to stop unions holding investors to ransom on new projects.

THE ENVIRONMENT

Streamlined approvals

Delays and uncertainty in project approval processes pose a major risk to the industry's global competitiveness.

The costs of delays for projects can be substantial. A one year delay can reduce the value of a major mining project by up to 13 per cent and cost up to \$1 million every day.

Unnecessarily complex and duplicative processes, driven in part by poor alignment between state and federal approval processes, and a lack of regulatory certainty all contribute to lengthy approval timeframes and delays.

High environmental standards

The Productivity Commission has found overlap and duplication between state and federal government processes can be greatly reduced without lowering the quality of environmental outcomes.

State processes should be fully accredited under the EPBC Act to create a single assessment and approval process. Monitoring and reporting arrangements will ensure the Commonwealth retains oversight and high environmental standards continue to be met. The Parliament should approve the necessary changes to the Act and allow these reforms to proceed.

Land use coexistence

Future land access is critical to industry growth. Land use coexistence can be improved by taking a more co-operative and long term approach.

These processes should consider all land use values, including conservation, agricultural and minerals potential of the land together.

Streamlining environmental approval processes to remove duplication, unnecessary delays and complexity will improve business certainty and encourage more investment while upholding high environmental standards.

“

By 2025, Australia's real GDP would be 1.5 per cent higher, or \$32 billion higher in today's dollars, if the average delay in project approvals is reduced by one year.

This GDP gap will further increase to 2.4 per cent, or \$51 billion in today's dollars, if the average delay is reduced by two years.

”

BAEconomics



 **0.02%**
Proportion of Australia's land mass temporarily disturbed by mining activities.

 **3.0%**
The mining industry's net water consumption in 2013-14.

 **\$426m**
The annual saving to Australian businesses by streamlining environmental approvals.

APPROVALS AGENDA 2016 AND BEYOND

-  A 'one-stop shop' for state and federal environmental approval processes
-  Reforms to prevent vexatious legal challenges to approved projects
-  Streamline approval processes across state, territory and local government
-  The COAG Multiple Land Use Framework should guide consideration of landholder and industry interests and state obligations to develop community resources.

TRADE & INVESTMENT

Free trade agreements maximise opportunities for the Australian minerals industry to boost export income, attract investment and create and sustain high-value jobs.

Australia's mining sector accounts for more than 9 per cent of the economy, with minerals exports accounting for nearly half of Australia's total exports of goods and services (\$149 billion).

Free Trade Agreements

Free trade agreements (FTAs) open up new markets and enhance the competitiveness of Australian minerals exports by removing tariffs. FTAs also encourage additional flows of capital and technology into Australia's minerals industry by streamlining foreign investment thresholds.

The trifecta of FTAs now in place with Japan, Korea and China is delivering substantial benefits. For example, the China-Australia FTA eliminated \$600 million in tariffs on bilateral minerals trade.

Trade liberalisation

The MCA supports continued trade and investment liberalisation, including ratification of the Trans-Pacific Partnership Agreement (TPP) and a free trade deal with India.

The TPP will abolish tariffs on key Australian minerals and facilitate expansion of exports

of Australian mining equipment, technology and services (METS), including into new FTA markets of Canada, Mexico and Peru.

A deal with India will boost opportunities for the minerals industry to supply India's growing demand for resources, including coal and uranium.

Share of Australia's total exports of goods and services (%)



Source: Australian Bureau of Statistics



 **\$93b**
Annual export earnings from Australian iron ore and coal.

 **\$295b**
Stock of foreign direct investment in the nation's mining sector.

 **77%**
Share of revenue from major iron ore producers that stays in Australia i.e. taxes, suppliers.

TRADE AGENDA 2016 AND BEYOND

- Ratification of the Trans-Pacific Partnership and conclude a high-quality FTA with India
- Ensure ratified FTAs are implemented fully so that Australian minerals companies are able to maximise the benefits they bring
- Show that Australia is still open for business by minimising the burden of new reporting requirements for foreign owners of agricultural land and water entitlements.

MINING INNOVATION

Innovation enables the mining industry to extract and process ores more efficiently and to extract deposits that are deeper or more remote. New techniques and technologies allow firms to increase productivity and remain on the lower end of global cost curves.

A collaborative approach

The Australian minerals industry is an exemplar of innovation through collaboration, including cooperative research centres, the Australian coal industry's research program (ACARP), the COAL21 Fund for low emissions coal technologies and AMIRA International which leverages mining research and development.

Innovation at work

The R&D tax incentive encourages business innovation that benefits the broader economy. One example is the SmartCap – wireless sensors built into a baseball cap that measure and display driver drowsiness.

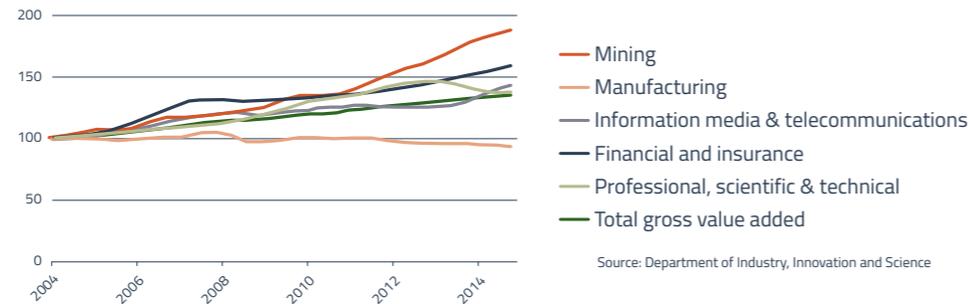
Smart Cap innovation was generated through mining industry collaboration but also has application in maritime, defence, aviation, transport and logistics.

Exploration

Exploration is analogous to market research; it is fundamentally exploring for business. The long-term challenge for Australia is that the discovery of new deposits has not kept pace with depletion.

The UNCOVER initiative – which involves unprecedented collaboration between government geoscience bodies, industry and academia – seeks a step-change in earth sciences and technology to boost minerals exploration for deeper deposits.

Economic value of knowledge-intensive industries (100=Dec 2004)



Innovation underpins Australia's comparative advantage in minerals and energy by supporting operations that are more competitive, safe and environmentally sustainable.



\$3b

Spent on R&D by the Australian mining industry every year. That is 17 per cent of the total R&D spend in Australia.

6,539

Mining inventions patented in Australia between 1994 and 2011.

754

Collaborative projects between the Australian coal industry and researchers.

INNOVATION AGENDA 2016 AND BEYOND

- Retain the R&D tax incentive in its current form
- Preserve the immediate deductibility of exploration expenditure in the tax system
- Maintain the Exploration Development Incentive and public support for UNCOVER

A PRODUCTIVITY AGENDA

Regulatory settings

Competition for markets, investment and talented people is intense in a world where mineral resources are widely available. Increased domestic costs cannot simply be passed on to customers.

Regulatory settings have a profound impact on the minerals industry's cost competitiveness, productivity and capacity to adapt to changing market conditions.



The average time to achieve new approvals has increased from 12 months to more than four years.



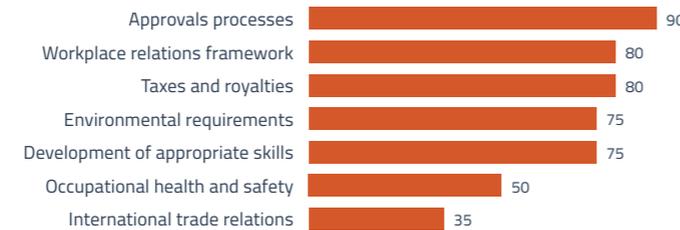
MCA member company

Productivity survey

A survey of MCA member companies found that environmental approvals processes and 'green tape' in general is the area of greatest policy concern, followed (with equal frequency) by the workplace relations framework and taxes and royalties.

Areas nominated as 'important' or 'very important' to improving productivity (%)

Survey of MCA member companies



Source: Minerals Council of Australia

To seize future opportunities, Australian mining must be more competitive, productive and flexible.

Coastal shipping

The participation of foreign ships is integral to the efficient and timely movement of freight around Australia.

However, the onerous and inflexible provisions of the Coastal Trading Act have reduced industry's access to foreign shipping. This is especially problematic because Australia's coastal shipping fleet is small, ageing and expensive to run and maintain.



4+ yrs

Minerals industry estimate of the average time for new environmental approvals.

\$160b

National output gain to 2025 from reducing project delays by one year.

\$786.2m

Net national gain to 2035 from the deregulation of coastal shipping.

REFORM AGENDA 2016 AND BEYOND

- Focus on deregulation, not just 'better' or 'best practice' regulation
- Cut green tape, reform workplace relations and maintain stable and competitive tax settings
- Deregulate coastal shipping to improve efficient freight movements

SKILLS & TRAINING

Highly skilled, highly paid

The Australian minerals industry workforce is younger, better paid, better trained and contains a much higher share of Indigenous Australians and apprentices than the all-industry average.

The industry is a major contributor to employment in regional and remote Australia, particularly in Western Australia, Queensland, the Northern Territory and New South Wales.

Vocational training

Industry will continue to seek specialist skills as it continues to unlock new resources, boost productivity, protect the environment, enhance worker safety and generate additional value for the wider community.

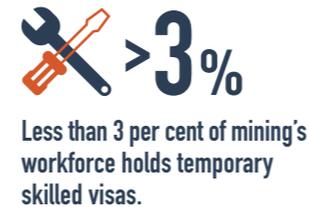
The higher education sector must provide future graduates with the skills the minerals industry will need in the decades to come.

Mobile workforce

Long distance commuting is now a common factor in the modern Australian economy with most (80 per cent) of long distance commuters working outside the mining industry.

In the case of the mining industry, one quarter of the workforce commutes long distance to the workplace. The remote location of Australian mining operations makes FIFO/DIDO a necessary and desirable option for many producers and their employees.

Australia's mining industry workforce has nearly tripled over the last 15 years, providing well-paid, rewarding employment for skilled professionals and tradespeople mostly in regional Australia.



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Mining offers many Indigenous populations a significant source of employment and contracting opportunities, as well as an alternative to the welfare transfers upon which many remote and regional Aboriginal communities depend.

”

Professor Marcia Langton

SKILLS AGENDA 2016 AND BEYOND

- Higher education reform that combines fee deregulation with strong safeguards to ensure the long-term viability of minerals-related disciplines
- Improving the VET system and ensuring industry training packages are responsive to industry requirements
- An effective skilled migration program and labour mobility (including fly-in, fly-out and drive-in, drive-out) to sustain mining activity in regional and remote areas.

SECURING ASIAN GROWTH

Australia has regained its ranking as the world's largest coal exporter. The reason is simple – the high quality of our thermal coal for electricity generation and coking coal used to make steel.

Australian coal has helped lift hundreds of millions of people in Asia out of poverty over recent decades. This growth will continue with the International Energy Agency forecasting that Australian coal exports will grow 37 per cent by 2040.

Energy for growth

One tonne of high quality Australian coal can produce the same energy as one and a half tonnes of lower quality coal from elsewhere. As a result, higher Australian coal exports mean more Australian jobs and lower global emissions.

Australia's high quality coal is also ideally suited to the new generation of super-efficient power stations being built in East Asia. These new plants can reduce CO₂ emissions by up to 50 per cent, and up to 90 percent when integrated with Carbon Capture and Storage technologies.

Resource security

Nearly half of Australia's coal exports are used in the manufacture of steel used in construction, transport infrastructure and even wind turbines. The continuing urbanisation in Asia – 457 million people will move to the cities in East Asia over the next 15 years – ensures robust demand for Australian coking coal.

A large-scale shift is occurring in Asia with the construction of cleaner, more efficient power plants that will require high quality coal that Australia is well positioned to provide. The opportunity for Australian coal producers is significant.



Of South East Asia's electricity generation will be coal-fired by 2040.



Coal generated grid electricity in Australia. In NSW it is 87 per cent and in Vic, 86 per cent.



Coal industry jobs in Australia. The industry paid \$38 billion in royalties and taxes in the six years to 2014.

New coal-fired plants under construction or planned, 2015

China	771
India	683
South East Asia	412
Japan	41
South Korea	20

Source: Platts, Glencore and Japanese Government



COAL AGENDA 2016 AND BEYOND

- An Asian Clean Energy Initiative to maximise adoption of HELE coal-fired generation by Australia's Asian partners
- Greater certainty around Chinese coal testing and import regulations
- Work with government on the Low Emissions Technology for Fossil Fuels Roundtable and a CCS roadmap
- Address multilateral bank financing restrictions on HELE power stations
- Efficient approval processes for new mines/infrastructure.

THE URANIUM OPPORTUNITY

Despite hosting the world's largest deposits of uranium – three times more than Canada – Australia supplies little more than 10 per cent of the global market, down from over 20 per cent just a decade ago.

In terms of global production, Australia has fallen from second to third place, while export earnings have fallen from over \$1 billion in 2008-09 to \$622 million in 2013-14. Other producers have gained market share from Australia.

Scale of the opportunity

Nuclear energy is projected to grow by between 60 and 152 per cent by 2040, according to the International Energy Agency.

This represents a substantial opportunity for Australian producers and could see the sector provide 20,000 jobs and \$9 billion in annual export revenues by 2040.

Reform required

Australia will not reach its potential as a uranium producer without changes to the regulatory and policy environment. Australia needs to improve the regulatory environment to gain the full economic benefit of its uranium resources.

There are three priority areas for reform. First, exploration and the mining of uranium are still prohibited in Victoria. Queensland and New South Wales permit uranium exploration but not mining.

Second, uranium mining faces special regulatory obstacles that are not applied to other minerals commodities.

Third, Australia should remove the outright prohibition on nuclear energy and allow future proposals for nuclear power plants to be considered on their merits.

The uranium market continues to grow substantially as more countries develop nuclear energy in their electricity mix to meet growing energy demand. Australia needs reform to capture the opportunity this offers.



South Australia has 80 per cent of Australia's uranium. Northern Territory has 10 per cent.



Global electricity from uranium, with nuclear demand to grow 86 per cent to 2040.



Australia's trading partner will be the largest nuclear power generating country by 2035.



“

By restraining and restricting uranium production, the Australian economy as a whole is not performing as well as it otherwise could.

”

Professor Sinclair Davidson
RMIT University

URANIUM AGENDA 2016 AND BEYOND

- ✓ Amend the EPBC Act to remove provisions imposing discriminatory, onerous and unnecessary requirements on new uranium mines
- ✓ Remove the prohibition of nuclear fuel cycle industries, including nuclear energy generation, from the EPBC Act and ARPANS Act. These industries are critical to help meet the climate challenge.



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