



Submission to:

Economic Regulation Authority

Microeconomic reform inquiry

ASSOCIATION OF MINING AND EXPLORATION COMPANIES

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## Introduction

Thank you for the opportunity to comment on the *Microeconomic reform inquiry – Draft Report dated 11 April 2014*.

The Association of Mining and Exploration Companies (AMEC) is the peak national industry representative body for hundreds of explorers, miners and the companies servicing them, the majority of which are based or have projects in Western Australia.

## Executive Summary

AMEC supports the overarching purpose of the Inquiry to *'identify a package of microeconomic reform measures to improve the efficiency and performance of the Western Australian economy'*.

AMEC also notes and supports the general thrust of the recommendations which could result in more efficient planning and implementation of infrastructure solutions and addressing investment disincentives.

## Recommendations

AMEC also makes the following recommendations:

1. **Government to provide increased leadership and strategic planning to meet the infrastructure needs of the mining industry.**
2. **Public policy settings, strategic planning and funding models should be creative and innovative in order to attract much needed investment and development.**
3. **Government should identify 'stranded assets' and where possible develop strategies to release those assets in the State and National interest.**
4. **Government to develop strategies and initiatives that attract and encourage private capital investment into infrastructure provision, including collaborative funding models.**
5. **A full review should be conducted on the current inefficient and ineffective infrastructure regulatory and approvals framework, including 'third party access' arrangements and 'anti hoarding' provisions.**
6. **Establish a State wide regulatory reform program to reduce red tape.**
7. **Conduct a review of state taxation reform options to abolish inefficient taxes.**

## Specific comments on the Overview'

### Infrastructure

#### Strategic planning and funding framework

The provision of a cost effective, efficient and an integrated public and private infrastructure framework is critically important for future national growth and productivity, and should be afforded priority attention by respective State and Federal Governments.

AMEC considers that structured planning for regional transport, roads, rail, ports, water, energy and communication is essential for the mining and mineral exploration sector, as is the provision of essential public infrastructure and services to encourage regional employment and growth.

The importance of such infrastructure cannot be underestimated in order that Australia, and Western Australia, can compete successfully in international markets in the short and medium terms. This is even more critically important in building the infrastructure needed to export revenue generating mineral resources to the rest of the world. Cost effective transportation infrastructure is fundamental to this objective.

AMEC notes the large number of stakeholders involved in regional infrastructure planning at the regional, state / territory and federal levels. Unfortunately, much of that planning appears to lack clear strategic leadership or a coherent and effective planning strategy to meet the increasing demands of the Australian and Western Australian mineral resources sector, with the result that many remote regional resource projects and their assets are 'stranded' as they are uneconomical due to the lack of, or access to appropriate infrastructure.

This is a critical issue that must be addressed, by **Government providing increased leadership and strategic planning to meet the infrastructure needs of the mining industry.**

As such, **public policy settings, strategic planning and funding models should be creative and innovative in order to attract much needed investment and development.** These funding models also need to recognise the different sizes of proponents (such as explorers to mid-tier and established producers).

Development of viable and contemporary funding models is paramount. It is not satisfactory to leave it to another stakeholder.

Creative public private partnerships are essential in remote regional locations where investment attraction is a major challenge. Strong governance frameworks are an imperative to ensure that the right projects are selected. There should therefore be increased and more effective liaison between decision makers and the resources industry (including AMEC).

Planning should also allow for incremental expansions of smaller projects and not just target major projects.

#### 'Stranded asset' projects

AMEC notes that in the mineral resources sector there are a number of projects involving explorers and smaller emerging miners that do not have access to appropriate infrastructure (such as port, rail or energy), or adequate funding, and are therefore unable to finalise the development to its potential.

Accordingly, these 'stranded asset' projects are not being deployed to maximum economic efficiency, to such an extent that the regional communities, State and Commonwealth Governments are not enjoying full social, financial and economic benefits and subsequent revenue streams that would normally be available in the short and medium term.

AMEC considers infrastructure provision must keep pace with development, and accelerate mineral project delivery however that does not appear to have occurred in recent years.

AMEC strongly considers that **Government should identify 'stranded assets' and where possible develop strategies to release those assets in the State and National interest.**

## Private capital investment

It is therefore necessary for respective **Government to develop strategies and initiatives that attract and encourage private capital investment into infrastructure provision** in order to maximise Australia`s mineral resource and economic potential.

In doing so, consideration should be given to increased **collaborative funding models** involving ‘public-private partnerships’ and other alternatives (such as superannuation funds, equity participation, special purpose infrastructure bonds, Government underwriting).

## Regulatory framework

AMEC also notes the complexity of the infrastructure regulatory framework, which affects the overall efficient and effective access to common user infrastructure (such as port and rail). Access by small emerging miners is extremely complex and the current regulatory framework does not appear to be meeting a ‘third party use’ objective. This is despite the existence and role of the Trade Practices Act (Part IIIA) to promote the economically efficient operation of infrastructure promoting effective competition in upstream and downstream markets.

A number of stakeholders exist in relation to infrastructure matters and clarity is required on the role and relevance of parties such as the Australian Competition and Consumer Commission, National Competition Council, Australian Competition Tribunal, and National Transport Commission, particularly in relation to achieving third party access outcomes.

AMEC considers that a **full review should be conducted on the current inefficient and ineffective infrastructure regulatory and approvals framework** in conjunction with the mining industry and State and Territory Governments. Such a review should closely assess the effectiveness or otherwise of ‘**third party access**’. In addition, consideration should be given to ‘**anti hoarding**’ provisions so that a party cannot sit on rights to infrastructure development.

## **Regulation**

### Red tape

AMEC notes that the Western Australian Government has implemented a number of recommendations (particularly by the Department of Mines and Petroleum) emanating out of the Red Tape Reduction Group (RTRG) 2009 *Reducing the Burden Report*.

AMEC is unaware of any publicly available status report on the 100+ recommendations made by the RTRG.

As detailed in the ERA Overview document there is still further scope to reduce the regulatory burden across Government, and therefore AMEC strongly supports the recommendation to **establish a State wide regulatory reform program** to continue the progress that has already been made to reduce red tape. AMEC would be willing to participate in any such forum to discuss and implement further reforms that reduce the regulatory burden on industry, including:

- implementation of ‘risk based assessment’,
- identification and removal of any duplicated approval processes,
- single portals for information required in multi-agency approval processes,
- across government application lodgement and tracking systems,
- identification and removal of any redundant and unnecessary legislation and / or regulations

## State taxes

In addition to royalty payments, the Western Australian mining and mineral exploration sector contributes significant revenue streams to the State Government in the form of payroll tax, transfer duty, land tax, motor vehicle registrations, vehicle related permits and licences.

The industry also makes payments to the State Government for the mine safety levy, mining rehabilitation fund levy, tenement rentals, licensing and application fees and charges.

The gradual growth in the number and extent of these taxes, levies, fees and charges is of major concern to industry.

When accumulated, these are major cost impediments to business decisions, which directly affect economic growth, and have the potential to distort investment decisions.

In the *Western Australian Policy Platform 2013* AMEC called for a change in the threshold and a reduction in the rate in order to:

- address the 'bracket creep' which has occurred over the last decade,
- bring the State more in line with the national average,
- ensure that genuine small businesses are not caught in the 'payroll tax net' by virtue of the high inflationary and demand driven growth in wages over the last decade.

Any savings achievable from a change in the threshold and / or the rate could be re-directed by small businesses towards additional staff or improved cash flow for operational purposes and business growth, and economic benefits.

Perceived revenue losses from changing payroll tax thresholds or rates may be offset by positive economic and employment multipliers.

AMEC would therefore support **a review of state taxation reform options** to ensure that inefficient taxes are abolished.