MINERALS COUNCIL OF AUSTRALIA

PRE-BUDGET SUBMISSION 2025-26

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1. EXECUTIVE SUMMARY

Australia's enviable economic reputation is under significant threat.

Economic growth remains weak. Productivity continues to languish. Inflation has depressed consumer confidence and distorted household spending, causing a substantial fall in real disposable income. Business conditions are sluggish, constraining investment and job creation. Businesses invest in innovation, but the potential is not realised in the face of negative and derogatory politics aimed at those committed to creating prosperity and opportunity.

And the outlook, both here and abroad, remains challenging, with no genuine signs on the horizon of a material and sustained turnaround in economic growth, productivity and investment.

This alarming picture is driving dangerous pressures on the government's budget position; creating a tendency toward wasteful spending and a lack of fiscal discipline.

Without a proper economic vision for prosperity, the government does not have the tools to distinguish between worthy and wasteful spending, creating a risk for the future.

December's Mid-Year Economic and Fiscal Outlook (MYEFO) brought into stark relief the challenges facing the economy and the government's fiscal position over the coming years. The budget is projected to remain in deficit for at least the next decade. There is a growing risk of the budget deficit deteriorating if there are increasing demands for government spending and a lack of fiscal discipline, along with smaller tax revenue upgrades than successive governments are accustomed to. The fiscal quandary this presents for the government is occurring when gross debt is around one trillion dollars and there are headwinds to economic growth from domestic and international inflationary pressures, high interest rates, low productivity growth along with a volatile geopolitical environment.

While the government incorrectly blamed mining for revenue downgrades in MYEFO, the prevailing market conditions in mining are more likely to result in a $4 billion to $6 billion upward revision of company tax receipts 2024-25.

The past two budget surpluses could not have occurred without the economic contribution of the mining industry. It was unforeseen revenue upgrades, partly thanks to mining revenues, that turned two forecasted budget deficits into surpluses. With this considerable influx of tax revenue from mining, the government has basked in an unprecedented boost to its spending power.

Unfortunately, rather than using this additional revenue to undertake long-term budget repair, the government has allowed spending to rise to unsustainable levels, missing a golden opportunity to show fiscal restraint and ensure that Australia's finances remain healthy for future generations. Tough decisions on spending have not only been delayed, but dismissed outright, showing a lack of economic judgement and discipline.

Reviving Australia's long-term economic growth must be the top policy priority of the government. Any serious attempt to alleviate the structural budget deficit and reduce public debt requires a growth agenda that prioritises policies and actions targeted at lifting the nation's productivity without adding additional pressures to the budget bottom line. Lifting productivity requires both the government and business being better at what they do – improving their efficiency. The government and business must also be better at working together.

The MCA has ten recommendations for the 2025-26 federal budget that will help the government lift the living standards of all Australians by ensuring mining remains a vital pillar of our nation's prosperity.

These recommendations address the key barriers to investment, productivity and growth, both within the minerals sector and across the broader economy. They focus on removing regulatory blockages, improving workplace flexibility and strength, and ensuring Australia reverses the alarming decline of its global competitiveness through enabling tax and energy policies.

They also build on previous policy recommendations from the MCA that have delivered significant outcomes and opportunities for the sector, specifically junior exploration companies.

These recommendations are straightforward and designed for immediate impact, strengthening the sector and the broader economy, while building on the mining industry's immense contribution to Australian communities and fiscal stability.

If the government was serious about unlocking Australia's vast resource potential, and providing prosperity to Australians for generations to come, it must get the policy fundamentals right first.

The hour is too critical and the opportunity too immense, for piecemeal policy reform. It must be bold. It must be focussed on making the Australian economy stronger and more competitive, one that attracts investment, drives innovation, and creates jobs. Too often the reverse has been true, where targeted policy has dragged our economy backwards.

Band-aid solutions, tax incentives and all the positive rhetoric in the world will not be enough to revitalise Australian industry, boost lagging productivity, and attract the necessary investment the nation's struggling economy requires.

It requires a holistic approach to policy reform — building the blocks that will enable growth, but also dismantling unproductive and costly policies that are holding Australia back from realising its potential.

This means addressing Australia's uncompetitive tax regime and resisting the urge to impose further imposts to suit ideological positions, or cover for overspending. It means scraping the government's reckless industrial relations changes that are strangling productivity and have made doing business in Australia more expensive. It means embracing energy solutions that drive down costs, strengthen increasingly fragile energy grids, and turbo-charge our industrial capacity.

Fix these fundamentals, and investment will flow — without the need for unnecessary government spending.

It is futile for the government to expect business to do the heavy lifting in strengthening the economy when policies are making it harder for them to become more efficient. Inefficient regulation is making it increasingly difficult for project proponents to seek approvals and invest. Onerous aspects of the new workplace relations regulations will weaken the job market and make Australian businesses less competitive. By limiting the scope of technologies considered for clean energy generation, such as nuclear, the federal government risks overlooking least-cost, efficient solutions and imposing internationally uncompetitive energy costs on the economy.

The Australian economy needs the government to implement a strong productivity growth agenda combined with greater fiscal discipline to ensure public spending is efficient. Repairing the budget by strengthening the economy requires the government avoiding both wasteful spending and exposing taxpayers to high-risk endeavours that may undermine the net worth of the government's balance sheet.

How policy is developed and implemented is as important as what policies the government chooses to focus on. We urge the government to become more efficient in its functions by improving the way policy impacts are assessed, that is each policy should not be considered in isolation, and improving stakeholder consultation and effective collaboration, and moving to a fiscal strategy based on disciplined spending and accountability, such as public fiscal net worth.

The MCA would like to see policies that drive greater efficiencies in the economy.

Businesses need certainty in policy settings to make investments and flexibility in how they operate. A commitment from the government to no new taxes and ensuring business tax settings like the fringe benefits tax (FBT) and accelerated depreciation rules are fit-for-purpose to encourage investment.

Productive workplace relations are crucial for business efficiency. As a priority, the productivity-destroying workplace relations changes introduced by the government should be reversed along with a commitment to not impose further changes, which will remove a substantial risk to Australia's international competitiveness.

The government can play a more active role through industry policy in driving the investment needed to reshape the economy. The announcement of the $3.4 billion precompetitive geoscience funding last year is an excellent example, but this should be made permanent. To build on this, public investment in junior explorers is required. Continuing the Junior Mining Exploration Incentive (JMEI) also as a permanent scheme and removing the cap on credit allocations will ensure junior explorers have the certainty and flexibility to continue to find the mineral deposits of the future while delivering a high return on public investment. Allocating $20 million over the next four years to fund mobile assay laboratories for junior explorers will alleviate some of the cost pressures of exploration activities.

Public provision of infrastructure can catalyse investment in critical minerals. Coordinated development of common user infrastructure between federal, state and territory governments will accelerate the establishment of new minerals mining and processing provinces. The MCA proposes the first area for consideration is the corridor between the West Arunta and the Port of Wyndham.

The costs imposed by government regulation is an impediment to mining investment. Streamlining the current environmental regulatory framework, along with eliminating duplication in environmental and climate change polices between jurisdictions, will reduce costs for project proponents.

An efficient energy transition uses a total system cost approach that considers all technologies to balance short term costs against affordable, secure, clean energy in the long run. Removing the prohibitions on nuclear activities, including uranium mining, in the EPBC Act and considering all clean energy technologies, will provide the best chance of achieving long run competitiveness for businesses.

Host communities are critical to the success of Australian mining and the industry fosters relationships at a local level to ensure that heritage is preserved and benefits flow to them. Removing the duplication of existing legislative frameworks of industrial relations and taxation from the Community Benefits Principles in the *Future Made in Australia (Production Tax Credits and Other Measures) Bill 2024* (FMIA (PTCOM) Bill) will improve economic empowerment in Traditional Custodian communities. The MCA proposes redirecting government funding from the Environmental Defenders Office to the Aboriginal and Torres Strait Islander legal services to ensure culturally appropriate legal representation and for the government to establish a sustainable funding model for Prescribed Bodies Corporates.

The minerals industry has an important role to play in lifting Australia's productivity growth by remaining a vital pillar of the economy. Acknowledging the industry's strength – the combination of things that it does better than any other sector in the economy – and looking to how policy can leverage mining to capture opportunities further along value chains provides Australia the best chance of achieving higher and secure living standards.

2. SUMMARY OF POLICY RECOMMENDATIONS

LEVERAGE MINING'S COMPARATIVE ADVANTAGE

1. Commit to no new taxes and ensure business tax settings are fit-for-purpose

- Commit to no new or additional tax imposts on the minerals industry, including retaining the fuel tax credit scheme (FTC) in its current form.
- Ensure the fringe benefits tax (FBT) concessions relating to remote-worker travel and accommodation are fit-for-purpose.
- Introduce permanent accelerated depreciation measures to all businesses to bring forward the timing of new investment without materially affecting the budget.

2. Reverse productivity destroying workplace relations changes

- Abolish involuntary multi-employer bargaining and repeal amendments to the 'intractable bargaining' laws.
- Restore the requirement that unions obtain majority employee support to initiate enterprise bargaining and oppose any further removal of 'majority support' requirements.
- Address the perverse outcome of 'same job, same pay' laws, including protecting service contractors and recognising the legitimate role of labour hire.
- Abolish the powers given to unions to exert control over workplaces including union delegates and union right of entry powers.

3. Extend the Junior Mining Exploration Incentive (JMEI) to assist junior explorers to find the deposits of the future

- Continue the JMEI as a permanent annual scheme.
- Remove the annual cap on credit allocations as part of the JMEI program.

4. Invest in common-user mobile assay laboratories to improve efficiency of exploration for junior explorers

- Fund the provision of mobile assay laboratories for junior explorers, alleviating some of the cost pressures associated with exploration activities.
- Allocate $20 million over the next four years to set up a pilot lab program, followed by a review to determine the merit of multiple labs across Australia.

5. Prioritise common-user infrastructure to develop new mineral corridors

- Prioritise new funding to accelerate the establishment of new minerals mining and processing provinces through coordinated evaluation, planning and development of common user infrastructure.
- Commonwealth and state governments agree to coordinate planning, approvals and investment in common-user (shared) infrastructure projects, starting with the West Arunta mineral mining, processing and export corridor.

6. Drive efficiency in the environmental regulation of projects

- Establish a single front door function for project approvals led out of the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and eliminate duplication in environmental and climate change policies across jurisdictions.
- Develop an environmental information function to build and maintain a stock of environmental and social data in an agency such as Geoscience Australia.

- Establish a national environmental restoration fund to collect proponent contributions and invest in landscape restoration to manage environmental offset requirements.

7. Remove the nuclear prohibition in the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) and consider all technology options to establish a clean energy system

- Remove the legislated Commonwealth, state, and territory prohibitions on nuclear activities in Australia by specifically removing the ban under the current EPBC Act.
- Assess all technology options able to deliver least-cost, reliable, and clean energy systems for the success of the government's priority industries, while ensuring Australian mining and minerals processing are not competitively disadvantaged.

8. Formulate a credible long-term fiscal strategy focused on productivity

- Commit to Australian Public Service (APS) reforms that put business at the centre of policy decision-making.
- Reinstate the regulatory impact assessment function back into the Productivity Commission.
- Commit to fiscal net worth reporting to inform policy spending decisions.

9. Ensure the Community Benefits Principles in the FMIA (PTCOM) Bill meet the needs of host communities and project proponents

- Remove the duplication of existing and separate legislative frameworks of workplace relations and taxation from the Community Benefits Principles.
- Review the intent of the Community Benefits Principles to ensure proponents and host communities are encouraged to develop sustainable localised approaches based on the needs of the host community.

10. Improve the capacity of Aboriginal and Torres Strait Islander community-controlled organisations to better support localised decision-making on cultural heritage matters

- Direct the Productivity Commission to undertake a public inquiry into activities that will unlock investment opportunities and increase economic empowerment in Traditional Custodian communities.
- Establish a nationally consistent and guaranteed baseline funding model for Prescribed Bodies Corporates to allow for sustainable operations and enhanced collaboration with industry on cultural heritage matters.
- Redirect government funding from the Environmental Defenders Office to the Aboriginal and Torres Strait Islander legal services.

3. THE AUSTRALIAN ECONOMY NEEDS MINING INVESTMENT

Australians are facing a decade of deficits and debt

The mid-year economic and fiscal outlook (MYEFO) has again brought into stark relief the challenges facing the economy and the government's fiscal position over coming years. The budget is forecast to be in deficit in 2024-25, not returning to balance until 2034-35. Australia's national debt will reach $1 trillion in 2025-26, with gross debt forecast to peak at 36.7 per cent of GDP in 2026-27 and remain at that level until 2028-29.[1]

As bleak as the national fiscal situation is, it is at risk of getting worse. The budget deficit will deteriorate if there are increasing demands for government spending and a lack of fiscal discipline, along with smaller tax revenue upgrades than successive governments are accustomed to. This would compound challenges facing both the government and businesses given the headwinds to economic growth from sticky inflation, high interest rates, low productivity growth along with a volatile geopolitical environment.

The government requires a strong productivity growth agenda combined with efficiency in spending to address the structural deficit. It will be difficult to reign in the deficit and materially reduce the size of government debt without budget discipline. The government will need to commit to well targeted and efficient delivery of necessary services and policy outcomes and clamp down on discretionary election spending.

The government's fiscal position and the mining industry's performance are linked

Australia's budget position has fared better than many other advanced economies. The amount of debt as a percentage of the economy is relatively low in comparison to other economies. The mining industry's contribution to taxation revenue over the decade created a strong fiscal position – $206.2 billion over the period 2013-14 to 2022-23. It is the company tax paid by the mining industry that has enabled the Australian Government to delay the tough spending decisions that will inevitably be required to restore budget discipline.

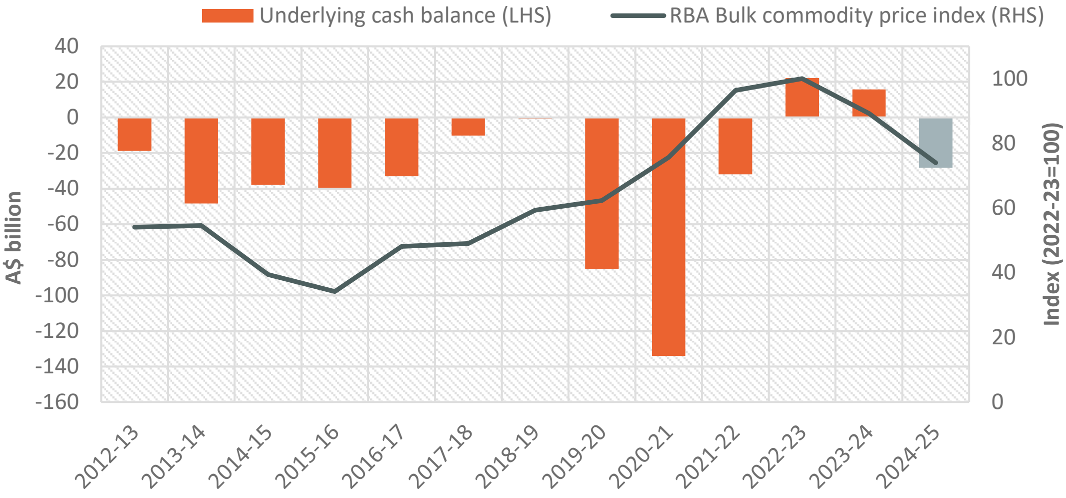
The past two budget surpluses could not have occurred without the economic contribution from mining. It was unforeseen revenue upgrades partly thanks to mining revenues that turned two forecasted budget deficits into surpluses.

The budget's underlying cash balance and government debt is strongly linked to the mining industry's financial performance, which is in turn largely determined by commodity prices (figure 1). However, because mining is exposed to the largest variation in profits compared to all other industries (figure 2), the federal budget is exposed to volatile revenue variations. This variation in mining profits from volatile and cyclical commodity prices can lead to broader variations in company tax receipts than just from the industry owing to its comparatively large size and widespread connectedness to other industries.

[1] The Commonwealth of Australia, *Mid-Year Economic and Fiscal Outlook 2024-25,* p.59 and p.104.

Figure 1: The federal government's fiscal position is linked to the mining sector's performance

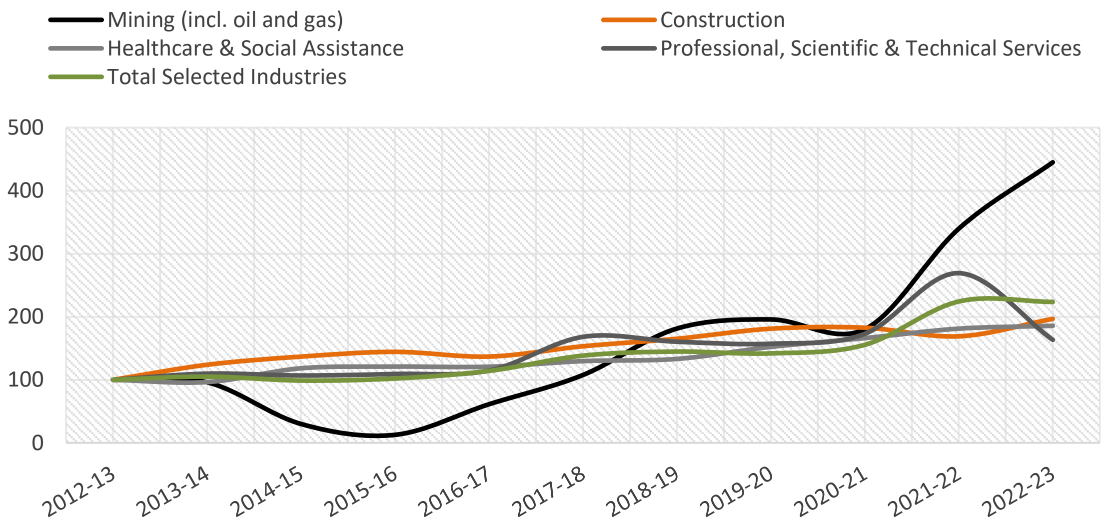
Underlying cash balance and bulk commodity price index (2022-23 = 100)



Source: Commonwealth of Australia, *Budget paper 1*, Budget 2024-25; RBA, *Index of Commodity Prices*, Nov 2024.

Figure 2: Mining profits are more variable compared to those in other industries

Operating profit before tax (index 2012-13 = 100)



Source: ABS, *Australian Industry*, 2022-23, table 1, released May 2024.

Revenue upgrades are expected to mining company tax in Budget 2025-26

The Treasurer acknowledged the link between mining profits and the budget bottom line by attributing MYEFO's downward revisions in forecast company tax receipts to weaker mining profits from lower volumes.[2]

Forecasts from the government's own key resource economic adviser, the Department of Industry, Science and Resources (DISR), shows export volumes of iron ore and coal over the forward estimates are stable.[3] In fact assumptions about lower coal export volumes are in stark contrast to the International Energy Agency forecasts over recent years (figure 3). And bulk mining commodity prices

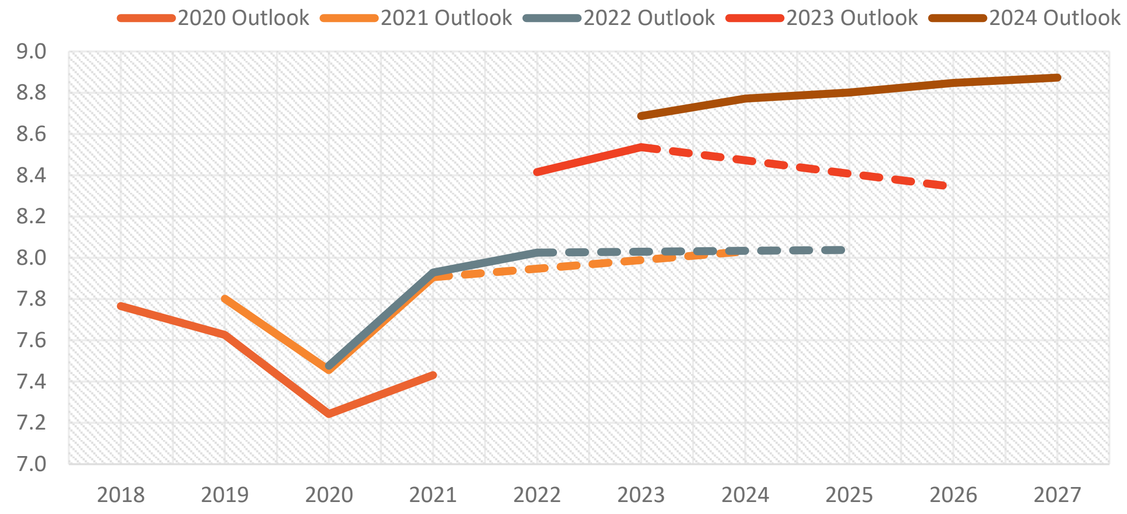
[2] AFR, China slowdown to rip $8.5b from federal budget: Chalmers, https://www.afr.com/politics/federal/china-slowdown-to-rip-8-5b-from-federal-budget-chalmers-20241215-p5kyfh (accessed 15 December 2024)
[3] Department of Industry, Science and Resources, *Resources and Energy Quarterly,* December 2024

have so far remained above the federal budget forecasts this financial year and major producers are forecasting sustained demand over the medium term.

Consequently, conservative estimates based on the Budget's upside price scenario and DISR's price forecasts suggest there is likely to be an upward revision of company tax receipts from mining in 2024-25 of between $4 billion to $6 billion, respectively.[4,5] Given the prospects of other revenue upgrades in 2024-25 and absent expenditure blowouts, it is likely that the forecast deficit will be considerably narrowed.

Figure 3: Global coal demand continues to defy forecasts

Total projected coal consumption (billions of tonnes)



Source: IEA, *Coal Analysis and Forecast*, 2020-2024

The reality is that the budget bottom line will not improve over coming years until federal government spending is brought under control. At just over 12 per cent of nominal gross domestic product, government spending is at historically high levels.[6] And MYEFO revealed that policy decisions alone have added $19.1 billion in payments since the last budget.[7] Additional spending as part of the election campaign will add to that $19.1 billion.

Any serious attempt by the government to alleviate the structural budget deficit and reduce public debt requires a growth agenda that prioritises policies and actions targeted at lifting the nation's productivity without adding additional pressures to the budget bottom line.

A critical role for mining

While the sustainability of the federal government's fiscal position depends on the mining industry's profitability, mining has been consistently at the economy's forefront and is a critical driver of Australia's productivity growth. Various long-run estimates of the mining industry's multi-factor productivity (MFP) – the overall efficiency with which labour and capital inputs are used together in production – puts productivity growth at between 2 and 2.5 per cent on average annually.[8]

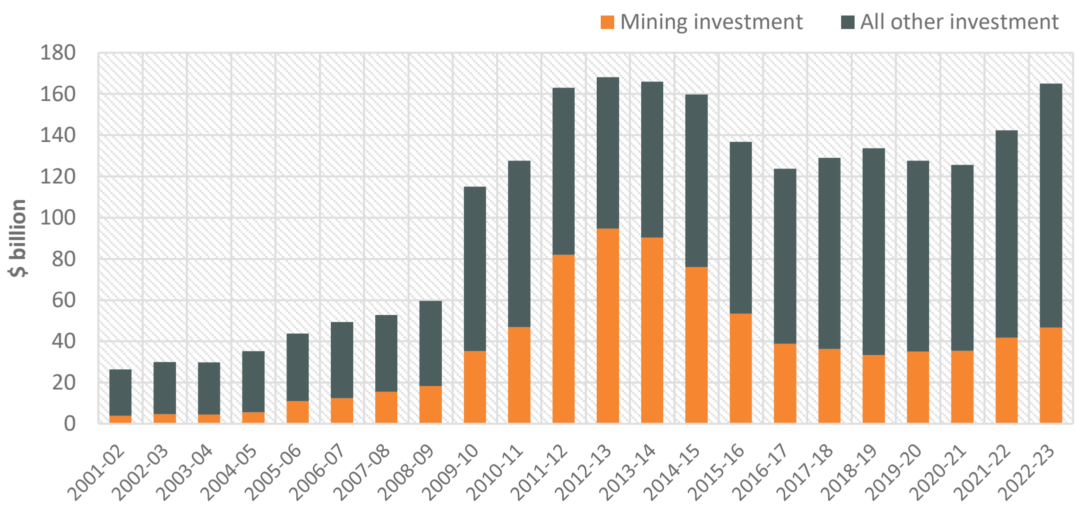
Since the mid-2000s, the mining industry has played a key role growing Australia's private sector capital investment and building on the nation's productive capital stock of the buildings and structures,

[4] Commonwealth of Australia, *Budget 2024-25*, Box 2.4, Budget Paper no 1, Statement 2, pg. 69.
[5] Department of Industry, Science and Resources, *Resources and Energy Quarterly,* December 2024, p.30, 39, 47.
[6] AFR, Chalmers admits business must pull Australia out of growth slump, https://www.afr.com/policy/economy/growth-unexpectedly-slumps-to-0-8pc-despite-government-spending-surge-20241204-p5kvnn (accessed 4 December 2024)
[7] Commonwealth of Australia, *Mid-Year Economic and Fiscal Outlook 2024-25,* Table 3.2, pg. 58.
[8] Several studies have reported consistent results on MFP for mining, including Syed, A. et al (2015), 'Multifactor Productivity Growth and the Australian Mining Sector, *Australian Journal of Agricultural and Resource Economics*, Vol. 59, pp. 549-570; Zheng S., and H. Bloch, (2014), 'Australia's Mining Productivity Decline: Implications for MFP Measurement, *Journal of Productivity Analysis*, Vol. 41, pp. 201-212; and Topp, V. et al, (2008), 'Productivity in the Mining Industry: Measurement and Interpretation', Productivity Commission Staff Working Paper, Canberra.

equipment, machinery and technology.[9] This investment has contributed to productivity growth by increasing the amount and efficiency of capital per worker (capital deepening) and significantly contributing to Australia's long-term growth in per capita income.[10]

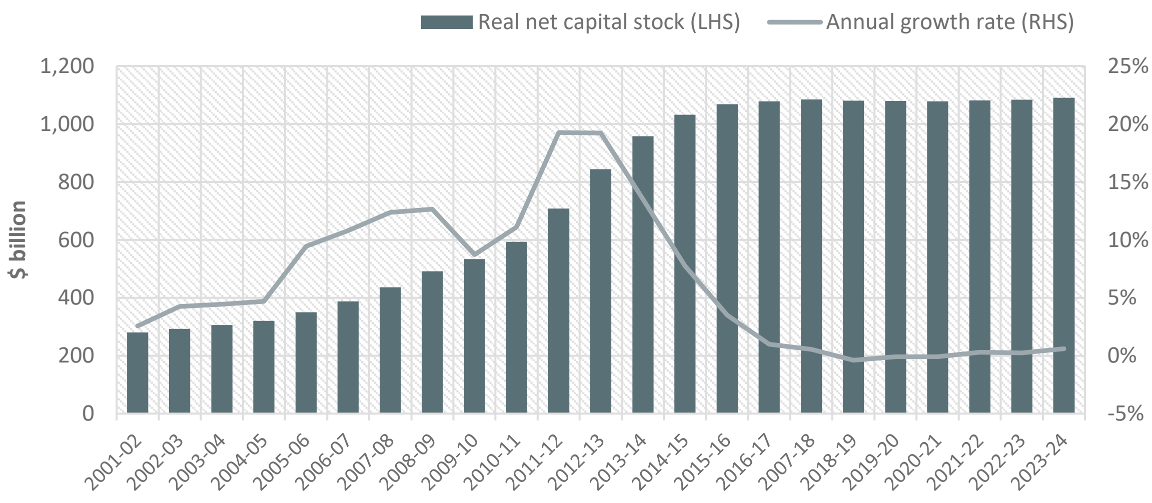
Mining accounts for the largest share of Australia's capital investment (about 30 per cent over the last 10 years). A problem for the Australian economy is that investment growth is weak and over the last seven years there has been little change in the industry's real net capital stock (figures 4 and 5).

Figure 4: Mining's share of total business investment remains weak



Source: ABS, *Private New Capital Expenditure and Expected Expenditure*, table 1, released November 2024

Figure 5: The mining industry's net capital stock is plateauing



Source: ABS, *Australian System of National Accounts: Capital Stock, by Industry*, table 58, released Oct 2024

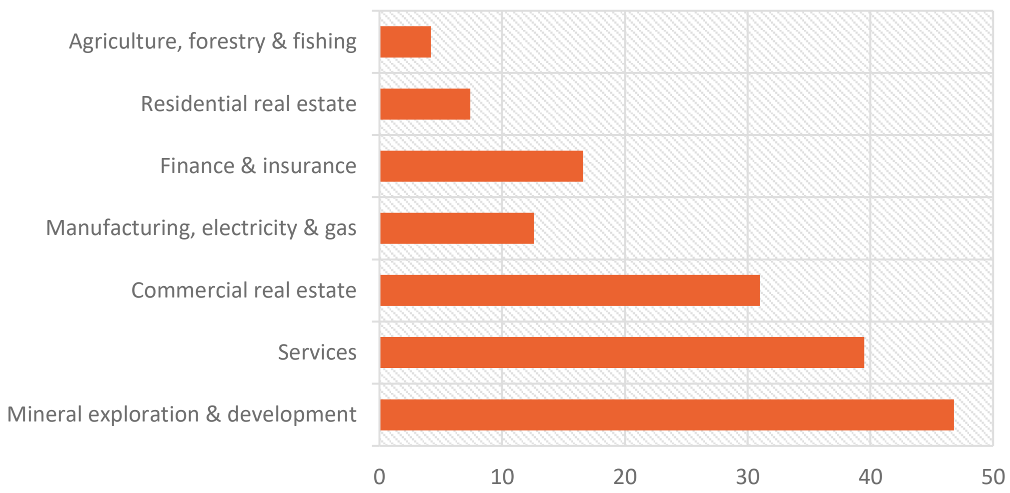
It is concerning that the mining industry's real net capital stock is plateauing at a time when it should be growing to take advantage of the increasing global demand for critical and strategic minerals. The nominal investment growth that is occurring is attributable to increasing project costs and expenditure mostly on sustaining capital rather than new project expenditure.

Although the mining industry leads foreign direct investment (FDI) approvals in Australia (figure 6), there is evidence that Australia is losing actual FDI inflows to other competing mining jurisdictions. For

[9] MCA Economic Series 01, *Australia's Productivity Opportunity*, Canberra, 2022.
[10] Productivity Commission, *PC Productivity Insights: Australia's long term productivity experience*, No.3/2020, Feb 2020, p.35.

example, FDI flows into Australian mining from OECD sources declined over the decade from a peak of US$50 billion in 2013 to US$7.5 billion in 2022. In contrast, FDI inflows from OECD sources for Canadian mining gained momentum in 2018 and 2019 – interrupted only by COVID-19 – and remained above US$10 billion in 2021 and 2022.[11]

Figure 6: Value of approved investment proposals by FIRB in 2023 ($ billion)



Source: FIRB, *Quarterly Report on Foreign Investment, Jan to Dec 2023*, Treasury, Canberra

While there is no shortage of potential resources projects in Australia, proponents face a challenging business environment when deciding whether to investment. Resources project development in Australia is plagued by high dropout rates at early stages and low conversions to final investment decision (FID). Although the stock of major resource and energy project proposals has increased year-on-year since 2017, final decision and completion rates are both low and unpredictable.[12] Only 1 in 20 major projects on average moves from 'feasibility' stage to 'committed' in any given year.[13] This situation is not sustainable if mining is to remain a vital pillar of our economy into the future.

Australia urgently needs a productivity agenda

Business conditions are weak and challenging, and there are no signs of improvement. The 2023-24 National Accounts highlighted the weakness of Australia's economy (table 1).

Table 1: Quarterly estimates of key economic flows, percentage changes

	Jun 23 to Sep 23	Sep 23 to Dec 23	Dec 23 to Mar 24	Mar 24 to Jun 24	Jun 24 to Sep 24	Through the year, Sep 23 to Sep 24
GDP	0.5	0.2	0.2	0.2	0.3	0.8
GDP per hour worked	1.4	0.5	0.1	-0.9	-0.5	-0.8
Real unit labour costs	1.0	0.1	-0.6	1.5	0.5	1.6

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product,* released Sep 2024

Real GDP increased by only 1.4 per cent over the year and market sector productivity (GDP per hour worked) remains low, growing only 1.1 per cent. Real unit labour costs – the average cost of labour per unit of output produced – increased by 3.4 per cent for the period indicating that recent wage gains have not been linked to productivity improvements.[14] Market sector labour and multifactor

[11] OECD, *FDI by Counterpart area and by economic activity*, BMD4, accessed December 2024.
[12] Minerals Council of Australia, *Australia's Leaky Mining Project Pipeline 2024*, accessed at <https://minerals.org.au/policies/economic-policy/>
[13] Ibid.
[14] ABS, *Australian System of National Accounts*, released October 2024.

productivity have both averaged only 0.53 per cent over the five years to 2022-23 and last December's MYEFO assumes labour productivity will remain at 1.2 per cent over the long run.

Striking the right balance between the roles of the private and public sectors is crucial

Improvements in productivity mostly come from businesses driving efficiencies in their operations, and from the government ensuring the policy and regulatory conditions enable them to do so.

The government's role in boosting productivity is to have a single-minded focus on improving the efficiency and effectiveness of policy and regulation. To support this, it is critical that the government chooses the right policy actions through stringent, evidence-based, comprehensive assessment of impacts, works better with stakeholders to understand their perspectives through improved collaboration, and commits to a robust long-term fiscal strategy based on net worth reporting that makes the government accountable for the efficiency and effectiveness of its decisions.

For the mining industry, efficient and effective government policy is required so that companies are internationally competitive in attracting investment into new projects. The government can make a difference to the efforts of industry to improve productivity and competitiveness by removing policy impediments to investment. Necessary actions include reducing the regulatory burden to attract investment, advancing policies that support competitive project returns, delivering efficient public infrastructure and services, making support for major industries and projects a political imperative, and putting business and productivity at the centre of fiscal policy.[15]

The right public investments can augment private capital

Australian businesses need internationally competitive tax settings, expanded trade and investment opportunities, efficient and effective regulatory settings, productive workplace arrangements, an efficient transformation to net zero emissions and industry focused skills and training.

In addition to providing the right fundamental policy settings, the government should also ensure a mix of well targeted policies that complement and augment private capital to drive the structural change needed to achieve Australia's net zero ambitions and supply chain security.

The government has a role in moving Australian industry closer to the technological frontier. A well-designed mix of public investment in basic research, tax incentives to incentivise applied innovation and its diffusion and grants for investment in sectors with a high social return may boost productivity and economic growth over the long term.[16] These policies need to be aligned with internationally competitive and stable tax settings as well as skills and training policy that is industry focused and based on collaborative workforce planning, so that industry has access to critical skills and the training capabilities needed to secure a productive future labour force are retained.

An industry policy must have mining at its core owing to the sector's comparative advantage. A strong mining industry is necessary to create new comparative advantages in downstream activities, such as minerals processing, refining and mining-related manufacturing. Achieving this requires an industry policy that:

- Maintains mining as the basic building block of the economy
- Unlocks private investment into mining and minerals processing
- Maximises economic returns by allocating public spending and risk taking to projects that will catalyse growth in and value from mining and minerals processing
- Supports the minerals industry in generating greater economic activity in regions.

[15] Minerals Council of Australia, *Future Critical – Meeting the Minerals Investment Challenge*, September 2023.
[16] International Monetary Fund, *Fiscal Monitor,* April 2024, p.40.

Actions can be taken now to improve the productivity of the mining industry

The Australian Government can help unlock private sector investment and drive greater potential value-add through well targeted policies and public investment to augment private capital in mining and leverage downstream opportunities in sectors connected to mining. There are many opportunities for the government to do this.

Businesses need certainty in policy settings to make investments and flexibility in how they operate. A commitment from the government to no new taxes and ensuring business tax settings like the fringe benefits tax (FBT) and accelerated depreciation rules are fit-for-purpose to encourage investment.

Productive workplace relations are crucial for business efficiency. As a priority, the productivity-destroying workplace relations changes introduced by the government should be reversed along with a commitment to not impose further changes, which will remove a substantial risk to Australia's international competitiveness.

The government can play a more active role through industry policy in driving the investment needed to reshape the economy. The announcement of the $3.4 billion precompetitive geoscience funding last year is an excellent example, but this should be made permanent. To build on this, public investment in junior explorers is required. Reinstating the Junior Mining Exploration Incentive (JMEI) as a permanent scheme and removing the cap on credit allocations will ensure junior explorers have the certainty and flexibility to continue to find the mineral deposits of the future while delivering a high return on public investment. Allocating $20 million over the next four years to fund mobile assay laboratories for junior explorers will alleviate some of the cost pressures of exploration activities.

Public provision of infrastructure can catalyse investment in critical minerals. Coordinated development of common user infrastructure between federal, state and territory governments will accelerate the establishment of new minerals mining and processing provinces. The first area for consideration could be the corridor between the West Arunta and the Port of Wyndham which would enable the export of goods with an estimated value of over $3.5 billion per annum beyond 2030.

The costs imposed by government regulation is an impediment to mining investment. Streamlining the current environmental regulatory framework, along with eliminating duplication in environmental and climate change polices between jurisdictions, will reduce costs for project proponents. This includes establishing a single front door function for project approvals and developing an environmental information function to build and maintain a stock of environmental and social data in an agency such as Geoscience Australia. Creation of a national environmental restoration fund would efficiently manage environmental offset requirements.

A broad portfolio of clean energy generation technologies is essential if Australia is to meet its net zero emissions goals by 2050 without imposing long-term higher costs on electricity users. An efficient energy transition uses a total system cost approach that considers all technologies to balance short term costs against affordable, secure, clean energy in the long run. Removing the prohibitions on nuclear activities, including uranium mining, in the EPBC Act and considering all clean energy technologies, will provide the best chance of achieving long run competitiveness for businesses.

Host communities are critical to the success of Australian mining and the industry fosters relationships at a local level to ensure that heritage is preserved and benefits flow to them. Removing the duplication of existing legislative frameworks of industrial relations and taxation from the Community Benefits Principles in the FMIA (PTCOM) Bill will improve economic empowerment in Traditional Custodian communities. The MCA proposes redirecting government funding from the Environmental Defenders Office to the Aboriginal and Torres Strait Islander legal services to ensure culturally appropriate legal representation and for the government to establish a sustainable funding model for Prescribed Bodies Corporates.

Giving effect to these policies will require a fiscal discipline from the government that is aligned with growing productivity. New policy proposals that are assessed against the net worth of the government’s balance sheet (public fiscal net worth) will make the government accountable for the efficiency and effectiveness of its fiscal strategy.

The minerals industry has an important role to play in lifting Australia’s productivity growth by remaining a vital pillar of the economy. Acknowledging the industry’s strength – the combination of things that it does better than any other sector in the economy – and looking to how policy can leverage mining to capture opportunities further along value chains provides Australia the best chance of achieving higher and secure living standards.

4. LEVERAGE MINING'S COMPARATIVE ADVANTAGE

Recommendation 1: Commit to no new taxes and ensure business tax settings are fit-for-purpose

- Stable and internationally competitive tax settings are essential to attracting business investment. Australia's effective tax rates on mining investment are among the highest compared to other mining jurisdictions. Even the threat of new taxes is enough to deter investment.
- The right tax settings could accelerate the expansion of mining, continue to put the Federal budget on a sustainable budget path, and further grow Australia's regional economies.

Proposed actions

- Commit to no new or additional tax imposts on the minerals industry, including retaining the fuel tax credit scheme (FTC) in its current form
- Ensure that fringe benefits tax (FBT) concessions relating to remote-worker travel and accommodation are fit-for-purpose.
- Introduce permanent accelerated depreciation measures to all businesses to bring forward the timing of new investment without materially affecting the budget.

Outcomes

Long-term: A shift by policy makers toward identifying reforms which generate government revenues by growing a productive minerals industry, through investment in exploration, new and expanding mines, and minerals processing, rather than deterring investment.

Medium-term: Improved outlook for Australian mining investment conditions through commitment to a stable tax regime that fosters productivity and growth and provides confidence to both domestic and international investors.

Short-term: Current tax settings are quarantined against any further erosion of Australia's international investment competitiveness for exploration and mining and minerals processing projects.

Policy rationale

Internationally competitive tax settings are essential to deliver Australia's future prosperity. With the right tax settings, Australia could accelerate the expansion of mining to supply the growing global demand for mineral commodities and enhance the industry's significant contribution to the economy. Australia's effective tax rates on mining investment are among the highest of international mining jurisdictions and our international competitiveness is threatened by increases in taxes or royalties.[17]

The FTC must be retained in its current form. Reducing or removing the FTC would increase taxation on regional and remote Australian businesses and result in lost output and reduced international competitiveness for the minerals industry. Similarly, the FBT concessions and exemptions relating to remote-worker travel and accommodation are essential for the international competitiveness of mining operations and must be fit-for-purpose.

Sustainably repairing the structural budget deficit will require a comprehensive and coordinated policy agenda to encourage trade, investment and productivity growth. An effective way for government to achieve these outcomes without having a significant impact on the budget would be through making permanent accelerated depreciation available to all businesses.

[17] P. Bazel and J. Mintz, *Corporate tax reform to help address Australia's weak investment performance*, School of Public Policy, University of Calgary, prepared for the MCA, 2022.

Recommendation 2: **Reverse productivity destroying workplace relations changes**

- The government's major changes to the workplace relations system have given unions new powers to impose industrial outcomes without the need to negotiate with an employer or have the support of employees and risk undoing thousands of successful workplace arrangements.
- Workplace relations policy must refocus on protecting existing agreements that have been freely entered into and supporting commercial arrangements that have delivered mining's strong wages.

Proposed actions

- Abolish involuntary multi-employer bargaining and repeal amendments to the 'intractable bargaining' laws.
- Restore the requirement that unions must obtain majority employee support to initiate enterprise bargaining and oppose any further removal of 'majority support' requirements.
- Address the perverse outcome of 'same job, same pay' laws, including protecting service contractors and recognising the legitimate role of labour hire.
- Abolish the new powers given to unions to exert control over workplaces including the new powers given to union delegates and new loopholes for union right of entry powers.

Outcomes

Long-term: A modern and adaptable workplace system that attracts investment, drives sustainable wage growth, supports communities and contributes to national prosperity.

Medium-term: Reform of workplace relations law that repeals regressive changes made since 2022 that have damaged productivity and confidence in the industry.

Short-term: Prevent further attacks on existing workplace arrangements that have delivered high paying and secure jobs and made mining Australia's highest-paying industry**.**

Policy rationale

The government's changes to the workplace relations system since 2022 are imposing cumulative constraints on business that work against productivity growth and therefore sustainable wage growth.

Multi-employer bargaining reverses the previous bipartisan position that the workplace relations system should promote employment conditions negotiated at the enterprise level. Rather than delivering higher wages, it will progressively expand through the economy to undermine enterprise bargaining and entrap competitors in unproductive and inflexible industrial arrangements.

'Same job, same pay' laws undermine enterprise agreements by allowing negotiated rates of pay to be overridden on the application of a union. Contrary to stated policy intent, the legislation goes beyond labour hire to capture service contractors. 'Same job, same pay' orders impose ongoing costs on 'host' businesses in their engagement of future contractors, as they also have a positive duty to litigate those contractors to include them in an order.

Amendments to the *Closing Loopholes Act 2023* require the Fair Work Commission to deliver one-sided outcomes in forced litigation because unions have nothing to lose. These changes result in intractable bargaining and arbitration, destroying incentives for business and unions to cooperatively bargain for 'win-win' outcomes.

The requirement that unions must obtain majority employee support to initiate enterprise bargaining has been removed. Unions can now force employers into enterprise bargaining even where there is no desire to from the employer or the employees. These changes are exposing high-paying mining operations in the Pilbara region to forced bargaining and industrial uncertainty, regardless of the wishes of workers.

Recommendation 3: Extend the Junior Mining Exploration Incentive (JMEI)

- The Junior Minerals Exploration Incentive (JMEI) expires in June 2025 after successfully facilitating additional capital raising by small, specialised mineral exploration companies undertaking high-social value, but high-risk greenfield exploration activities in Australia.
- The JMEI has been an important instrument to level the playing field between junior explorers and the larger companies that can deduct exploration expenditures from taxable income earned from mining activities, but it needs critical changes.
- In addition to the scheme being renewed, key changes should be made to the framework of the JMEI to enable it to more effectively encourage greenfield exploration.

Proposed actions

- Continue the JMEI as a permanent annual scheme.
- Remove the annual cap on credit allocations.

Outcomes

Long-term: A significant number of discoveries of new deposits are made, supporting a growing minerals industry in Australia.

Medium-term: Greater mineral exploration activities across all mining firm sizes and greater leverage and utilisation of public pre-competitive geoscience information across the industry.

Short-term: Additional capital raising to fund high-social value and high-risk exploration activities across new mineral provinces.

Policy rationale

Due to the high-risk nature of greenfield mineral exploration, junior explorers – companies whose sole business is exploring greenfield leases – face an asymmetry in the tax system. They generate insufficient revenues to claim tax deductable exploration expenses, whereas larger mining companies can deduct exploration expenditures against income generated from broader mining activities.

The expiring JMEI (which was $100 million over four years) levelled the playing field between small and large explorers by allowing shareholders access to a refundable tax credit on greenfield exploration expenditures allocated by the scheme with the intent of enabling eligible companies to raise additional capital.

JMEI generates additional investment in exploration which would not otherwise be undertaken. A recent evaluation estimates that for every $1 of JMEI credit allocated, an additional $6.38 was invested via capital raisings, supporting $2.41 of greenfield exploration expenditure.[18]

While the JMEI has been shown to be effective, the annual cap on the scheme is problematic. The first-in-first-served allocation of credits by the ATO means that allocations are usually exhausted within hours of applications opening. However, there is no cost to participants who are allocated credits but do not issue them, though the cap then prevents other companies from receiving an allocation. As a result, underutilisation has been a persistent feature of the program.

With an uncapped scheme all eligible participants could receive allocations without preventing other companies from participating. Even if some companies do not issue credits to shareholders, there would be no crowding out as happens with the cap, resulting in a more efficient utilisation of the scheme. A similar scheme in Canada that uses flow-through shares, does not have a cap.[19]

[18] BDO, *Junior Minerals Exploration Incentive Economic Impact Assessment Report*, prepared for AMEC, 2024.
[19] Government of Canada, *Flow-through shares (FTSs)*, https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/flow-through-shares-ftss.html (accessed 29 January 2025)

Recommendation 4: Invest in common user mobile assay laboratories

- Junior explorers undertake high-social value and high-risk mineral exploration and have accounted for a significant number of mineral deposit discoveries in Australia.
- However, due to their size and the nature of their exploration activities, they face unique challenges in accessing analytical assay services compared to larger companies.
- Improving access to assay services in remote locations will increase junior explorer efficiency by decreasing the average cost per find and increasing the number of overall finds.

Proposed actions

- Establish a program to fund the provision of mobile assay laboratories for junior explorers, alleviating some of the cost pressures associated with exploration activities.
- Allocate $20 million over the next four years to set up a pilot lab program to be followed by a review to determine the merit of multiple labs across Australia.

Outcomes

Long-term: Exploration efforts achieved more extensive coverage of Australia’s land area, with increased identification of new mineral deposits, and the development of new mineral reserves.

Medium-term: Junior explorers use the cost-effective and time-efficient mobile laboratories to focus more of their scarce financial resources on actual exploration activities.

Short-term: Junior explorers benefit from improved access to quick-turnaround analytical assay services through common user mobile laboratories located at strategic remote locations.

Policy rationale

Australian explorers must continue to identify and develop new, high-value mineral deposits to ensure the continued strength of the Australian mining industry. This is especially relevant for the minerals and metals critical to the global clean energy transition.

Small Australian explorers face a number of unique challenges due to their size and the nature of the exploration undertaken that larger companies do not necessarily face. The junior explorers targeted by this program have limited access to analytical assay services due to the high costs, the remoteness of exploration sites, and the minimum volume required to test samples.[20] The deployment of mobile labs to remote areas would address each of these three cost factors by providing junior explorers with rapid turnover of exploration samples. This capability is currently lacking.

Taking the form of a specially equipped truck that can be driven to different locations, a mobile assay lab would prepare and analyse small-volume geological samples to determine their elemental content, quickly informing exploration activity.

Improving access to assay services in remote locations would increase junior explorer efficiency by decreasing the average cost per find. By providing both preparation and chemical analysis services, the mobile lab would allow small samples to be processed closer to the discovery site, minimising processing costs by eliminating the need for long-distance transport. Additionally, mobile labs would speed up sample analysis by being closer to exploration sites and could be pre-arranged to test for the specific minerals that explorers seek to target.

Lowering overall analytical and sample transport costs would allow junior explorers to focus their scarce financial resources on actual exploration activities, which are necessary for increasing the discovery success rate and overall finds.

[20] MinEx Consulting, *Outlook for the Australian Junior Sector*, viewed 18 December 2023.

Recommendation 5: Common user infrastructure to develop new mineral corridors

- Government committed $10.2 million in Budget 2024-25 to plan and review common user infrastructure funding. Effective infrastructure projects can unlock private investment in new mineral precincts, supporting communities, and boosting economies.
- To ensure that the money is well targeted, there is a need to identify and model the costs and benefits of shared infrastructure in new minerals provinces to support private investment in multiple new mining and processing projects.

Proposed actions

- Prioritise funding to accelerate the establishment of new minerals mining and processing provinces through coordinated evaluation, planning and development of common user infrastructure.
- Commonwealth and state governments agree to coordinate planning, approvals and investment in common user (shared) infrastructure projects, including for the West Arunta mineral mining, processing and export corridor.

Outcomes

Long-term: Mining investment and associated common user (shared) infrastructure provides a platform for long term local and regional community development and economic opportunity.

Medium-term: Australian governments and industry are cooperating, planning, and investing in major inter-jurisdictional projects capable of driving national wealth and productivity.

Short-term: Agreement on the type and location of strategic common user infrastructure and a work program on approvals, Federal-State zoning process, and long-term funding agreements in place as a platform to secure project funding and investment, including through national government alliances.

Policy rationale

Government committed $10.2 million in Budget 2024-25 to plan and review common user infrastructure funding. A first step to ensure that the money is well targeted will be to evaluate the costs and benefits of shared infrastructure in specific new minerals provinces. The provinces need to be prioritised on the basis that they can support private investment in multiple new mining and processing projects and deliver long-term benefits to local communities, state or territory and national economies.

Planning will require a collaborative exercise that is informed by geoscience data pointing to multiple potential projects within discrete areas, and project development to identify what specific common infrastructure may be needed in those areas to make projects feasible.

As a start, MCA has identified several locations across Australia where common user infrastructure would unlock private investment. MCA proposes that the first area for consideration is the corridor between the West Arunta and the Port of Wyndham. A first step has already been undertaken to upgrade the Port of Wyndham. The corridor encompasses 10 mining project proposals requiring common user infrastructure planning. Priority should be given to the following:

- Road infrastructure: Bring forward the timeline for sealing the Tanami and fast-track approval for haul road from the West Arunta to the Tanami Highway.
- Port infrastructure: Upgrade port infrastructure and its power supply to enable the export of goods with an estimated value of over $3.5 billion per annum beyond 2030.
- Power supply: Build a 45-50 MW power plant with the option to supply local communities, agriculture and other businesses.
- Water infrastructure: Build water supply and infrastructure, including processing capacity for potable water.

Recommendation 6: Drive efficiency in the environmental regulation of projects

- Efficient regulatory functions are crucial for the mining and downstream processing of minerals. But the current regulatory framework is inefficient, creating additional costs for project proponents in terms of duplication, data collection and offsets.
- The regulatory burden for project proponents and government could be lowered through improved coordination of approvals processes, better management of environmental and social data assets, and a financial mechanism to efficiently manage offset requirements.

Proposed actions

- Establish a single front door function for project approvals led out of the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and eliminate duplication in environmental and climate change policies across jurisdictions.
- Develop an environmental information function to build and maintain a stock of environmental and social data in an agency such as Geoscience Australia.
- Establish a national environmental restoration fund to collect proponent contributions and invest in landscape restoration to manage environmental offset requirements.

Outcomes

Long-term: A regulatory system for mining and downstream processing projects that is predictable, timely, efficient, and fully integrated with state and territory processes, with built-in comprehensive consultation and has sustainably and adequately resourced regulatory functions.

Medium-term: A shift towards regulation that facilitates responsible development that acts to increase the productivity of regulation and solves project delay issues, rather than an adversarial approach that deters projects from advancing.

Short-term: Lowered the regulatory cost for mining companies and government through swifter progress of proposals to decision points, better transparency of key hold-up points, and improved awareness of duplicative processes and where ad hoc negotiations can be made routine.

Policy rationale

Inefficiencies in the design of the current environmental regulatory framework mean that project proponents are faced with unnecessarily complex, uncertain, and disproportionate requirements. Regulatory overlap across jurisdictions is a key sticking point for projects. These regulatory inefficiencies impose delays and costs on projects without delivering additional environmental gains.

Compounding this inefficiency are two emerging issues: proponents must collect and recollect data for each project at significant time and cost; and identifying and securing environmental offsets is an increasing impediment for projects.

Regulatory costs for Australian mining and downstream processing can be reduced by streamlining coordination and facilitation of projects by a creation of a single front door project facilitation office with the leadership of the Commonwealth government with the long-term objective of accrediting state and territory regulations. Located in DCCEEW in collaboration with DISR (including Geoscience Australia), Treasury (FIRB) and PM&C (Comm-State Relations), the office could immediately begin prioritising backlogged projects in the first 12 months, including the implementation of agreements.

Establishing an environmental information function in an agency such as Geoscience Australia to build and maintain a stock of environmental and social data would improve efficiency in the regulation of project proposals. Making this database accessible to project proponents would reduce their costs.

The costs of time, resources, and additional approvals for identifying and securing environmental offsets would be alleviated by establishment of a national environmental restoration (offsets) fund. The fund would allow offset obligations of project proponents to be met both effectively and efficiently.

Recommendation 7: Remove the nuclear prohibition in the EPBC Act

- Reliable, affordable, and decarbonised energy systems are critical to resolving Australia's increasing energy demands.
- By limiting the scope of technology considered for energy generation, the government risks overlooking least-cost, efficient solutions.
- To ensure the delivery of least-cost, secure electricity, the government should commit to a technology neutral policy that considers all low and zero emissions technology.

Proposed actions

- Remove the legislated Commonwealth, state, and territory prohibitions on nuclear activities in Australia by specifically removing the ban under the current EPBC Act.
- Assess all technology options able to deliver least-cost, reliable and clean energy systems for the success of government's priority industries, while ensuring Australian mining and minerals processing are not competitively disadvantaged.

Outcomes

Long-term: Reliable, affordable, and decarbonised energy systems that meet Australia's energy demands, providing least-cost and secure electricity.

Medium-term: Effective transition from reliance on traditional, emissions intensive electricity generation to cleaner energy technologies without imposing significantly higher costs on users.

Short-term: A level playing field for generation of electricity is created that does not preclude any potentially viable method of clean energy generation from being adopted.

Policy rationale

A broad portfolio of clean energy generation technologies is essential if Australia is to meet its net zero emissions goals by 2050 without imposing unnecessarily higher costs on electricity users. Nuclear energy along with emissions abated coal and gas using carbon capture use and storage, and renewables must be considered as part of the solution.

Crucially, the Australian minerals industry needs least-cost and secure energy to build on its comparative strengths in mining, to attract new investment and to leverage downstream opportunities. A mix of generation technologies is needed to deliver secure, reliable, affordable clean energy in the future. While intermittent wind and solar technologies have a role to play together with storage, firmed energy like nuclear generators is required.

Difficulty in predicting the deployment of clean energy technologies and their economic implications elevate uncertainty and raises already high investment hurdles for Australian mining and minerals processing projects. Constraining electricity systems to largely relying on weather dependent renewables risks raising the cost base and reducing the international competitiveness of the industry.

Amongst its peers, Australia is the only country that is not seriously considering implementing nuclear power. There are clear precedents for the successful use of nuclear technology in Australia. ANSTO and the OPAL multi-purpose reactor proves Australia can build and operate nuclear power facilities with the proper care and diligence. The Government's commitment to purchase and construct nuclear-powered submarines further supports the establishment of a broader nuclear industry.

Removing the legislated prohibitions on nuclear activities, including uranium mining, and considering all options to establish a clean energy system will provide the best chance of achieving least-cost electricity systems for the medium to long term. Only by considering all technologies in the supply of electricity will Australian industries be able to maintain and establish comparative advantages in those activities requiring process heat, such as hydrogen production or green metals.

Recommendation 8: Formulate a credible long-term fiscal strategy focused on productivity

- The government’s fiscal policy settings have a direct impact on the mining industry’s willingness to commit to large scale investment. The current persistent structural deficits and lack of a credible long-term fiscal strategy cloud investment decisions.
- The government must put in place a credible fiscal strategy underpinned by disciplined, evidence-based decision making so that both public and private assets grow.

Proposed actions

- Commit to Australian Public Service (APS) reforms that put business at the centre of policy decision making.
- Reinstate the regulatory impact assessment function back into the Productivity Commission.
- Commit to fiscal net worth reporting to inform policy spending decisions.

Outcomes

Long-term: The Federal Budget is built on efficient revenue and expenditure decisions that strike the right balance between addressing distribution concerns and fostering productivity growth.

Medium-term: Fiscal policy decisions are made in alignment with growing productive public and private assets without adding large contingent liabilities to the budget.

Short-term: Businesses have more certainty over how the structural budget deficits and national debt will be made sustainable.

Policy rationale

The persistent structural deficits forecast in the Federal Budget will be a concern to Australians for at least a decade and require a credible long-term fiscal strategy to be managed to a sustainable level. Growing the economy by expanding the productive sectors is the only sustainable way to deal with structural deficits, and improving productivity is a key part of long-term fiscal strategy.

Cost of living issues are a priority of government and have engendered a short term focus, which has meant that government has prioritised redistribution in its fiscal policy.

While cost of living should be a government policy priority, it need not come at the expense of productivity enhancing policies that grow productive assets, and reduce the burden of government spending decisions on future taxpayers. Unlike risky industry policies that are largely off-budget and expose future taxpayers to potentially large contingent liabilities.

A sustainable long-term fiscal strategy puts business and productivity at its centre. When businesses have certainty over economic and fiscal conditions they are better able to innovate, invest and acquire the workforce capabilities and flexibilities to be more competitive and grow.

To ensure policy decisions improve productivity, the regulatory impact assessment function needs to be reinstated back into the Productivity Commission alongside the Australian Government Competitive Neutrality Complaints Office. This will improve the credibility of policy decision making.

Where government spending on assets is deemed appropriate, the fiscal net worth of the government’s balance sheet should improve. Broadening out the government’s fiscal indicators to include net worth reporting improve accountable for the efficiency and effectiveness of its fiscal strategy.

Recommendation 9: Ensure the Community Benefits Principles in the FMIA (PTCOM) Bill meet the needs of host communities and project proponents

- Host communities are critical to the success of Australian mining and the industry fosters relationships at a local level to ensure that benefits flow to them.
- The government's Community Benefits Principles in the FMIA (PTCOM) Bill cannot be used as an excuse for policy overreach and should not create regulatory duplication for project proponents.

Proposed actions

- Remove the duplication of existing and separate legislative frameworks of industrial relations and taxation from the Community Benefits Principles.
- Review the intent of the Community Benefits Principles to ensure proponents and host communities are encouraged to develop sustainable localised approaches based on the needs of the host community.

Outcomes

Long-term: Increased wealth generating opportunities for Australian regional host communities.

Medium-term: The government and industry work together to develop appropriate policy that meets the needs of host communities and maintains Australian industry competitiveness.

Short-term: Fit-for-purpose Community Benefits Principles that encourage sustainable, localised approaches to project development.

Policy rationale

To maintain the minerals industry's competitive edge and increase wealth generating opportunities for Australians living in regional host communities, government and the mining industry must continue to work together to develop appropriate enabling policy frameworks that maintain Australian industry competitiveness. To this end, the Community Benefits Principles are an essential element of the government's FMIA (PTCOM) Bill.

The Australian mining industry fosters relationships at a local level to ensure that benefits flow through to host communities. The industry recognises that host communities are critical to the success of Australian mining operations. However, the government's Community Benefits Principles in the FMIA (PTCOM) Bill cannot be used as an excuse to embed greater policy reach; and they should not create more costs to project proponents through regulatory duplication.

As currently configured, the Community Benefit Principles would place an unnecessary burden on project proponents by duplicating existing legislative measures. For example, managing tax affairs and mandatory pay and conditions already have existing legislative frameworks and their inclusion in the principles will create inefficiencies and duplicative costs.

The MCA supports measures that are localised based on the needs of host communities, with agreed-upon principles being assigned to local jobs and skills development, increasing opportunities for innovation, for youth and women, collaboration with Traditional Custodians and increasing the sustainability of local supply chains.

The aim of the Community Benefits Principles must be focused on project proponents demonstrating the positive and long-lasting effect that a new development will have on host communities, not arbitrarily duplicating compliance with mandatory legislative frameworks.

Recommendation 10: Improve the capacity of Aboriginal and Torres Strait Islander community-controlled organisations to better support localised decision making on cultural heritage matters

- Culturally appropriate legal representation and greater autonomy for recognised Traditional Custodians on heritage matters is essential to improve the effectiveness of local community initiatives.

Proposed actions

- Direct the Productivity Commission to undertake a public inquiry into the activities that can unlock investment opportunities to increase economic empowerment in Traditional Custodian communities.
- Establish a nationally consistent and guaranteed baseline funding model for Prescribed Bodies Corporates to allow for sustainable operations and enhanced collaboration with industry on cultural heritage matters.
- Redirect government funding from the Environmental Defenders Office (EDO) to Aboriginal and Torres Strait Islander legal services.

Outcomes

Long-term: Indigenous community-controlled organisations' spending decisions match longer-term community development priorities, thereby leveraging the social outcomes from mining, and improve the effectiveness of local community initiatives targeted at Closing the Gap.

Medium-term: Indigenous community-controlled organisations have greater certainty of staffing providing robust and consistent advice to Traditional Custodians on cultural heritage matters, which will reduce risks to investment of mining operations that provide localised economic outcomes.

Short-term: Improved funding certainty and long-term planning capacity for Indigenous community-controlled organisations to support culturally appropriate legal services and health services

Policy rationale

Australia must improve the capacity for Traditional Custodians to sustainably manage native title rights and interests. It is clear that the current heritage protection system is not working as it should. Heritage protection laws have increasingly been weaponised by activist groups (for example, EDO), often funded by taxpayers, to delay or block mining projects. This is not what these laws were designed for. Most concerning is that these actions frequently override the voices of local Traditional Custodian communities who have supported these projects and stand to benefit from them.

Traditional Custodians and industry need a system that ensures heritage is preserved while supporting responsible development. Responsible mining works hand in hand with robust heritage protection, but the process must be transparent, fair, and reflective of the communities it impacts. The current system is failing everyone it is meant to serve.

Commonwealth intervention that overrides states and local Traditional Custodian communities undermines investor confidence by creating uncertainty and making it more challenging to secure financial backing for projects. Investors need stability and clarity in the decision-making process. When that is absent, the ripple effects are that significant projects are delayed or abandoned, jobs are lost, and communities miss out on economic opportunities

The uncertainty created by commonwealth intervention has far-reaching consequences. It puts Australia's reputation as a stable and reliable destination for investment at serious risk. It also jeopardises the critical partnerships mining companies build with Traditional Custodians and local communities—partnerships that deliver skilled, well-paid jobs and meaningful economic benefits to the regions. An independent review by the Productivity Commission will establish the appropriate activities to unlock investment opportunities in Traditional Custodian communities.