

Forum Focus: Resources & Energy



Knowledge Influence Support

CHAMBER OF COMMERCE
AND INDUSTRY



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Chairman's Message *from Ian Fletcher, Vice President of External Affairs - BHP Billiton Iron Ore*

Dear members,

In our second meeting this year, the Forum considered the outcomes of the recent State and Federal Budgets for 2011-12. There was particular concern about funding for major infrastructure in WA from the Federal Government. The group agreed that there is a key role for CCI to play in continuing to ensure that those in Canberra understand the scale of the infrastructure challenges facing this state.

Energy was also discussed at length, with CCI having recently made its submission to the State Government's Strategic Energy Initiative (SEI). Dr Paul Biggs from the Office of Energy also visited the Forum to discuss the SEI consultation process and next steps. The Forum made clear our desire to be fully engaged on the implementation of the SEI to ensure that this opportunity for energy reform is not lost.

The Resources and Energy Forum also welcomed three new members this quarter – Sinosteel Midwest, The Retail Energy Markets Company and Lavan Legal – all of whom bring valuable perspectives and expertise to resources and energy matters in WA.

I hope you enjoy this edition of Forum Focus.

Opportunity knocks for energy reform

CCI made its submission to the Strategic Energy Initiative (SEI) in May 2011 having gauged the feedback of key members across the energy supply chain in WA. This occurred through two roundtable sessions with up to 20 CCI members, who discussed the priority energy reforms needed in WA.

The focus of CCI's submission was the need to develop competition in our energy markets. The status quo of subsidised energy prices in WA is unsustainable for the future, with the cost of energy supply continuing to rise rapidly. WA needs a plan to introduce more choice and competition in energy markets to cope with these pressures.

The State Government is aiming to finalise the SEI by the end of 2011, and CCI through its Resources and Energy Forum will continue to engage with government to ensure priority issues are addressed and implemented.

Fast Fact: The continuation of electricity price subsidies for most power users in WA will cost state tax payers around \$1.1 billion over the next four years.

[Click here](#) for a copy of the full CCI submission.

Mining tax draft bill released

On 10 June, Federal Treasury released the draft Mining Tax Bill for comment ahead of its implementation in July 2012. CCI remains opposed to the tax, which will raise around \$11.1 billion in its first three years of operation – most of this from WA. It is a concern that the design and implementation of such a large tax is being rushed into law with proper consideration of the alternatives or the impacts on our international competitiveness.

The current design itself is a worry as demonstrated by the recent royalty increase by the WA Government, which due to the design of the MRRT, undermines the revenue stream to the Commonwealth from the mining tax. This resulted in plenty of threats and rhetoric between the Federal Government and the State – all of which is unhelpful.

Fast Fact: The MRRT targets just two resources – iron ore and coal - from which nearly \$11.1 billion in tax is estimated to be raised in the first three years.

With the National Tax Forum just a few months away in October 2011, it makes sense to put the final mining tax framework on that agenda to consider it as part of broader tax reform.

[Click here](#) for a full copy of CCI's submission to the MRRT review.

Productivity Commission report on Carbon Emission Policies

Both major federal political parties have committed to reducing Australia's greenhouse gas emissions by at least 5% of 2000 levels by 2020. The Productivity Commission's recently released report on Carbon Emissions Policies in Key Economies sheds some light on how this goal could be achieved cost effectively.

The Commission found that direct carbon pricing mechanisms will generally deliver any given amount of abatement at least cost, irrespective of action in other countries. They therefore safeguard countries' economic competitiveness better than other approaches.

However, no country currently imposes an economy-wide tax on greenhouse gas emissions or has in place an economy-wide ETS. Of the countries studied, the United Kingdom, Germany, some parts of the United States and New Zealand have emissions trading schemes operating but these apply only to particular sectors, such as electricity generation. In some cases the imposition of generous caps, combined with the impacts of economic recession have meant that, at least in the early years, the caps have not been binding to any great extent and prices of emission permits have been low (for example, the Regional Greenhouse Gas Initiative in the United States). The Commission did not suggest a starting price for carbon if an emissions trading scheme is implemented.

CCI recognises that many of its members need assistance to understand and prepare for climate change related issues. CCI will be running four Industry Intelligence and Networking workshops for manufacturing SMEs on carbon pricing and climate change in July and August.

For further information please contact Margaret Gollagher, Senior Policy Adviser Climate Change and Environment, on (08) 9365 7539 or email margaret.gollagher@cciwa.com.

Concerns over Margaret River coal mining decision

The CCI recently lodged an appeal on the Environmental Protection Authority's (EPA) decision to block the development of the Vasse Coal Project by LD Operations Ltd. The project is located 15km north east of Margaret River. The project has been the focus of considerable debate and attention since it was first proposed.

The CCI Appeal is not on the grounds as to whether the project should proceed or not. Rather it reflects CCI's concerns about the State project approvals process. In particular a need for transparency and fair process.

The matter is currently being reviewed by the Office of the Appeals Convenor.

Survey shows labour cost challenges

Over the past month, CCI conducted a survey of the WA business community along with WA Business News as part of our aim to tackle the high cost of doing business in WA. The preliminary results reveal the type and extent of cost pressures on WA businesses.

Overall, 90% of respondents said their business' total costs are higher over the past year and, on average, the survey showed an increase in business costs of one-third over the past 5 years.

In terms of what issues were having the largest cost impacts on businesses, labour costs were foremost - ahead of issues such as regulatory compliance or input price inflation. On average, respondents estimated their staffing costs had risen by 36% over the past 5 years and pointed to salaries and wages as the main driver (selected by 91%), followed by training (35%).

Fast Fact: The CCI-WA Business News Survey showed that respondents were unable to pass on higher costs to customers, with 80% saying that higher costs had impacted upon their bottom line.

More importantly, higher labour costs have not been matched by productivity gains with almost 70% of businesses saying that their workforces' productivity had remained the same or decreased over the past 5 years.

The full results of the survey will be presented in CCI's research paper into the Cost of Doing Business in the next few months.

State and Federal Budget Analysis

The Federal government failed to live up to its threat to hand down a tough budget on 10 May. The identified savings of \$22 billion in the budget amount to savings of just over one per cent. Instead, the return to surplus is reliant on increased revenue from a mining led resurgence in the economy.

Budget 2011 had a clear focus on the need to increase the size and productivity of the local workforce. However, the workforce development initiatives included in the budget won't be enough to meet the needs of WA employers, let alone those across the nation.

[Click here](#) to view CCI's analysis of the 2011-12 Federal Budget.

The 2011-12 State Budget, handed down on 19 May, provided little relief to businesses. The budget is financially responsible, in that it maintains the AAA credit rating and strong surpluses through the out years despite the revenue challenges.

Fast Fact: WA Government spending is expected to grow by 7.9 per cent in 2011-12 to \$24.8 billion.

The centrepiece of the budget was a significant funding boost for the community and social services sector. However, many other key policy areas were not addressed. Notably, funding was not allocated in the Budget to implement Skilling WA or the Strategic Energy Initiative.

[Click here](#) to view CCI's analysis of the 2011-12 State Budget.

Low level waste management

The issue of low level waste management facilities in WA has been a focus of the CCI Manufacturing Forum since December last year.

The discussion was driven by members concerns about the lack of low level waste facilities for Class 3 and 4 category waste in the North West. The lack of facilities means such waste has to be trucked 2,000km to Perth for disposal. With more than \$150 billion in planned new resource projects for the Pilbara and Kimberley it is clear that a new low level waste facility in the North West will be needed to lessen the environmental impacts of these projects.

Of further concern are some forecasts that existing landfills of all types in the Perth metro area are forecast to be full within the next 10 to 15 years.

Fast Fact: In 2004 more than 2.8 million tonnes of commercial, industrial, construction, demolition and municipal waste was disposed in landfills around Perth.

CCI has been corresponding with the WA Minister for the Environment on the issue and is arranging to meet with key Departmental officials to action it in the near future. CCI will advise members on future developments relating to low level waste management in WA.

Recent CCI Policy Papers

Key submissions and discussion papers that CCI is working on in its advocacy capacity include:

Completed

- Submission to Department of Education, Employment and Workplace Relations (DEEWR) on Review of Education Funding
- Submission to DEEWR on National Adult Foundations Skills Strategy
- Submission to Office of Energy on Strategic Energy Initiative Directions Paper
- Submission to Infrastructure Australia on National Land Freight Strategy
- Submission to the 2011 Fair Work Australia Minimum Wage Review
- Submission to Australian Building and Construction Commission Inquiry into Sham Contracting
- Submission to the 2011 Fair Work Australia Minimum Wage Review
- CCI Discussion Paper, Industrial Relations for Modern Enterprises

Near Complete

- Submission to the 2011 WA State Wage Review
- Submission to the WA Government on Review into WA Industrial Relations System
- Background briefing on Climate Change Issues relevant to SMEs

Commenced

- CCI Discussion Paper on Labour shortages in non-resource industries
- CCI Discussion Paper on Reducing the Cost of Doing Business in WA
- CCI Discussion Paper on Water Issues in Western Australia
- CCI Discussion Paper on Tax Reform
- Background Scoping Paper on Social Policy

