

## **Speech Given by Hon. Ian Macfarlane MP, Minister for Industry at the National Mining and Related Industry Day on 22nd November 2013**

Thank you for your warm welcome and for the opportunity to speak with you today about an industry that is one of the building blocks of our economy.

It's a pleasure to join you at the Inaugural National Mining Day launch.

The mining industry is one of the constants behind Australia's prosperity, and while it is subject to ups and downs like any sector of the international economy, it has been the mainstay of the Australian economy for decades, including providing a basis for Australia to weather the global financial crisis.

Therefore, it is only fitting that we celebrate mining's contribution to the Australian economy and society.

As Australia's longest serving resources minister in the Howard Government, and now as the Minister for Industry in the Abbott Government, I have always been an advocate of the benefits of the mining sector, and the way it can work with local towns, regions and communities for mutual gain.

There is no doubt about where this Government stands – we want the mining sector to thrive and continue to build Australian prosperity.

We want all Australians to be proud of the resources sector and to recognise its role in generating national income and employing tens of thousands of people, particularly in regional areas.

The figures speak for themselves.

During the last financial year alone, the mining sector contributed a record \$151.2 billion to the Australian economy.

That is 10 per cent of GDP for that year and 8.8 per cent higher than the previous year.

And I am proud to say that many of the projects delivering these benefits began planning and development under my watch when I was previously the Minister for Resources.

Employment in the resources sector has nearly tripled in the 10 years to August 2013, from around 87,000 in August 2003, to around 180,000 workers today.

While employment in the resources sector has now stabilised, it is still high—over 2 per cent of total industry employment.

I know there has been much talk lately that the current cycle of resources investment may have peaked. But our minerals and energy production is projected to increase as new mines are commissioned and infrastructure expansions are completed, but I hasten to add – so long as the right conditions are in place, including the national policy framework.

The upshot is this: year after year for nearly two-and-a-half decades, Australia has recorded economic growth and our resources have played a key role in this success.

And we expect this contribution by the sector to continue well into the future, especially given a priority of the Abbott Government is to reboot the resources boom and send a very clear signal to investors that Australia is back open for business after six years of policy upheaval and uncertainty.

### **The Government's economic agenda**

Unlike the previous Government, with its record of heavy taxing and tearing down the resources sector, the Coalition Government will give priority to this industry in our economic agenda.

We have a clear plan for the energy and resources sector, including scrapping the carbon tax and the mining taxes, cutting red tape and green tape in project approvals, introducing an exploration development incentive scheme and working to address infrastructure issues.

It's been just over nine weeks since a new Australian Government was sworn into office.

Since then, legislation has passed the House of Representatives to repeal both the mining tax and the carbon tax.

It's now up to the Labor Party to decide whether it will stand against the clear will of the people as expressed at the election and block this legislation in the Senate. Along with these two signature policies, my ministerial colleagues and I have been working hard to help create a low-cost operating environment for Australian industry and business.

This is one of my key priorities as Minister for Industry. And it is high on the Government's economic agenda.

### **Repeal of the carbon tax and the mining tax**

At the first sitting of Parliament last week, the Government introduced legislation to repeal the carbon tax. Make no mistake, this is the Government's top priority in this Parliament. The Labor Opposition will stand in the way of this at their own peril.

At the September election the people of Australia made crystal clear their views about the carbon tax.

The Coalition went to the election with the clearest of plans to scrap the carbon tax and the voters of Australia gave emphatic support to that plan. It is what we said we would do and we are determined to follow through with it. We want to see power bills, gas bills and other bills go down to relieve households and businesses of cost pressures.

It is unbelievable that Labor now wants to completely disregard that message from voters and stick with a policy that will do nothing but continue to drive up electricity prices and add to the cost of doing business in Australia. The carbon tax is a \$9 billion hit on the economy this year alone and it hits every home, every hospital, every school, every charity.

A Galaxy poll in Queensland showed that both Labor and Coalition voters want the carbon tax scrapped with two out of three voters saying Labor should stop standing in the way. It's only Labor that doesn't get the people's verdict – the carbon tax must go: It is very simple—reducing cost of living pressures and those cost pressures arising from operating a business.

Lower cost to business will give the necessary boost to jobs and manufacturing and enhance Australia's international competitiveness.

And that's why we've also prioritised the repeal of the minerals resource rent tax. Abolishing the mining tax on iron ore and coal will boost investor confidence in Australia.

It will strengthen our standing as a stable place for resource investment and as a secure supplier of resources.

### **Reducing red tape and green tape**

Reducing the burden on industry of excessive regulation and red tape was another key election commitment and I'm particularly keen to see delays in environmental approvals reduced. I am glad we are making progress with the Government's plan for a one-stop shop for environmental approvals.

The Government has now signed MOUs with Queensland and New South Wales to fast-track these approvals by eliminating duplication.

We want all states and territories on board within 12 months and we are on track to achieving that. Green tape is costly to business and costly to the Australian economy. In the resources sector, it could delay major projects up to a year and cost hundreds of millions of dollars, as the Productivity Commission has found.

With a one-stop shop, only one approval will be needed, leading to a speedy commencement of projects, without compromising environmental standards.

Already my colleague, Environment Minister Greg Hunt has given the environmental go ahead for projects worth \$160 billion.

### **Company tax cut**

Cutting company tax is also on the Government's agenda. The Government will cut the company tax rate by 1.5 per cent from 1 July 2015 to strengthen the economy, boost job creation, and help workers. This means that businesses will benefit from a new tax rate of 28.5 per cent when it comes into effect. This will encourage investment in Australian businesses and jobs.

The company tax cut is a key part of the Government's plan for a stronger economy and higher living standards for all Australians.

Productivity and competitiveness are key challenges for the resources and energy sector. Softening commodity prices are changing the economic environment for resource operations in Australia.

The Government understands the concerns of the sector over the cost of major resources projects in Australia in recent years.

One of my first acts as Industry Minister has been to work with industry to address these issues.

Our aim is to help reduce production costs, ensure access to skilled labour and increase productivity and efficiency.

Improving business processes and reducing input costs also increases productivity and I know industry is taking steps to improve efficiency where it can.

In reality, Australian mining multifactor productivity grew at a positive rate over the past decade – as shown in a discussion paper released by the Bureau of Resources and Energy Economics in March.

What this means is that, taking into account the influence of resource depletion and investment production lags, we still had productivity growth as a result of technical efficiency and scale of projects. The next part of the equation is more exploration to replace declining resource assets – a point I will return to later.

### **Reducing infrastructure costs**

The cost of infrastructure is another area where we are focusing our attention. Last week the Government announced a Productivity Commission inquiry into infrastructure costs and financing in Australia.

This inquiry delivers on a key commitment of the Government and will inform decisions on our ambitious infrastructure agenda.

Australia, like other countries in our region, faces infrastructure cost challenges, including how to engage with the private sector on infrastructure financing.

In order to attract private investment, we need to reduce the cost of building infrastructure and red tape.

The Productivity Commission inquiry will help identify ways to lower construction costs and how to leverage private investment to build the infrastructure of the 21st century. We are also taking steps to strengthen Infrastructure Australia.

This body was established in 2008 as an independent body providing advice on infrastructure reform and investment initiatives. T

he Government will take steps to strengthen the body including by appointing a chief executive to replace the current statutory infrastructure coordinator position.

Cost-benefit analyses for major federally funded projects will be published. And a dedicated funding and finance advisory unit will be created within the body to advise on projects and funding models to boost private sector investment.

At present, Infrastructure Australia is developing a 15-year pipeline of major infrastructure projects. This will be revised every five years based on national, state and local infrastructure priorities.

### **Exploration Development Incentive**

I touched on exploration earlier. Australia has a lot of under-explored resources potential waiting to be discovered. Exploring these resources is the key to sustaining our resources sector into the future. This is why from 1 July 2014, the Australian Government will introduce an Exploration Development Incentive.

This will enable Australian resident shareholders to deduct the expense of mining exploration against their taxable income.

The incentive will only be available to junior minerals explorers incurring exploration expenditure in eligible hard rock mineral 'greenfields' in Australia.

The scheme will not cover petroleum exploration, exploration for natural gas from coal seams and oil shale.

The scheme will be capped at \$100 million over the forward estimates.

The Government is working out the final implementation details in consultation with industry.

### **Labour and skills development**

Ensuring sufficient and suitable labour and skills are available also enables the resources sector to develop and operate productively.

The skills mix is changing as the current cycle of investment and construction transitions to the production phase.

Skill shortages may continue in specific occupations where a combination of training and skilled migration may be needed to meet demand.

I'm committed to working with the sector to ensure we build the skills needed to boost productivity, business competitiveness and growth.

### **Conclusion**

There's no question about the enormous importance of the resources sector to Australia's prosperity. It has served us well in the past and will continue to do so into the future.

I believe significant opportunities still exist for investment in the Australian resources and energy sectors.

This is not to say there aren't challenges in realising these opportunities.

But I'm determined to make sure we create an enabling environment for as many projects as possible. By working together, we can ensure the resources industry continues to flourish and make ongoing contribution to our economy.

Thank you.