

**Submission to the Federal Government Resource Statement
Roy Hill Holdings Pty Ltd
8 March 2016**

Introduction

Roy Hill Holdings Pty Ltd (RHH) welcomes the opportunity to make a submission in relation to the preparation of the Federal Government Resource Statement. RHH applauds the Government's intent of consulting widely with the industry to develop a strategic blueprint to guide policy-making for this vital sector of the Australian economy. The resource sector is a major contributor to export income for Australia and has been pivotal to driving Australia's close integration with the dynamic economies of Asia. The industry is also a source of significant innovation and technology development which benefits Australia's wider economy.

RHH is Australia's newest and single largest iron ore mine, located in the Pilbara region of West Australia. RHH represents the single largest project financed mine development in the world with total capital costs greater than A\$10 B. It will produce 55 million tonnes per annum saleable iron ore at full capacity and consists of mine, process plant, a 340 Km heavy haul rail and port facility. RHH commenced export of iron ore on 10th December 2015 and at full capacity and current prices will generate approximately A\$2 - \$3 B in revenue. Over 50,000 workers have been employed during construction and around 2,000 staff will be employed full-time during operation.

RHH is in a unique position to contribute to the development of the Resource Statement due to its recent experiences of planning and implementing a major capital project including overcoming major productivity impediments and navigating the complexity of Federal, State and local government regulatory regimes.

Under Australia's parliamentary system, Federal and State Governments have shared responsibility for promoting development in the resource sector. This means that it is critical that the Federal and State Governments have shared objectives and synergistic policy instruments and avoid jurisdictional differences that hamper resource projects.

Importance of the resource sector to the Australian economy

Mega projects such as Roy Hill make substantial contributions to the Australian economy in terms of direct government revenue streams from taxes and royalties, jobs and training and associated personal income flows, the development of exciting new and innovative technologies, and significant economic flow-on benefits throughout the economy, with multiple support and supplier industries, contributing to an increase living standards. The WA Iron Ore Industry has earned more than \$460 billion in export revenue.

Roy Hill is at the forefront of embracing best practice technological and innovative solutions to drive business success. These have potentially wider applications across the economy.

A preferred Future-state for the Resource Industry

RHH recommends that the Government is realistic about the current circumstances of the industry and ambitious in its vision for the future of this vital sector. Only with this approach will the Government be able to identify the key drivers that will propel the industry and the Australian economy forward. RHH recommends the focussed pursuit of all policy instruments which create a globally competitive, vibrant resource industry and related industries.

RHH has identified some key building blocks that will ensure a profitable and growing resource sector which continues to be a major contributor to the prosperity of Australia.

Crucially Australia must simplify and improve the regulatory regime operating for the industry at all levels of government. The RHH experience of Australia's regulatory regime is of duplication, overlap, complexity and redundancy. While government's at all levels are making efforts to reform their regulatory regime much more needs to be done and greater coordination between all-level of government is required. The test of minimum effective regulation should guide the reform process:

- It must deliver a net benefit to the community
- It must be an effective way of addressing the issues; and,
- It should improve the least possible burden on those regulated and the community

Some simple lessons from the Roy Hill perspective are

- The need to learn from the experience of varying State Agreements. No one proponent should be allowed to disadvantage another for competitive reasons. There must be an overarching process which allows the State to intervene when there is misuse of rights even under an agreement act
- There should be a much stronger, single, fast track macro approach to approval processes which can provide an overarching government approach to major projects
- Reporting and assurance should be risk based rather than administratively based. It should reflect the risk of the activity it seeks to monitor rather than simply requiring routine reporting for no material benefit to the State or agencies.

Importantly, we are not advocating major inquiries into further streamlining of regulation. Inquiries are too often a cover for inaction. This scale of change cannot be delivered incrementally. It demands courage and action by leaders with vision, who are focused on delivering transformation rather incrementalism.

While steps are being taken by this Government to improve industrial relations legislation further improvements are urgently needed to ensure that Australia's construction industry can regain international competitiveness. It is noticeable that Australia lags in productivity for major capital projects.

Key recommendations

In order to ensure the industry is put on a more globally competitive and sustainable footing, Roy Hill strongly recommends the adoption of the following measures:

- Simplify and improve the regulatory regime operating for the industry at all levels of government through removal of duplication and greater coordination, utilising the minimum effective regulation test.
- Immigration programmes are more effectively geared to ensure adequate supply of appropriate skills.
- The Education and Training sector contributes to world class productivity and innovation by more effectively anticipating and addressing the changing education, skills and training needs of the workforce.
- An Industrial Relations environment where wages and salaries in both construction and operations phases are globally competitive, including by accommodating the changing technological environment. It is noted that the current system allows entrenched groups to level up construction rates which makes the capital works uncompetitive (short term jobs) and as such does not facilitate the generation of long term operating jobs This must address and enable:
 - wage rate and job role flexibility in a changing technological environment
- A taxation system that facilitates incremental Research and Development and productive investment.
- The adoption of a more globally competitive Corporate Tax Rate to ensure Australian mining remains an attractive investment opportunity. (The Australian corporate income tax rate at 30% reflects unfavourably when compared to the OECD economies average of 23%)
- Maintenance of Fuel tax credits as these provide an essential tax redress (repayment of excess fuel excise) ensuring off-road activities are not inequitably hit with a road user tax, without which the resource industry's competitiveness will be undermined.
- Reviewing the current Australian Standards to reflect international standards, this will have the benefit of reducing the cost of facilities constructed in Australia by facilitating access to more cost effective equipment goods but also it will encourage Australian industry to face the much larger world market (than Australia) and increase the potential market for their services or products.
- A reduction in the local content requirements to a level that recognises the essential need for globally competitive inputs.
- Implement measures to provide greater encouragement or structural support for value adding downstream processing.
- Properly planned investment in adequate infrastructure provision particularly in regional Australia where most resource projects are located.

Conclusion

RHH recognises that the extensive consultation to develop the Resource Statement is a critical first step in developing a powerful policy process to support growth and productivity in the resource sector. RHH looks forward to the publication of the Statement and progress in developing and implementing the identified policy initiatives.