15 September 2025

Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Productivity Commission

Productivity Commission Interim Report – Pillar 1 – Dynamism and Resilience

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for 24 per cent of Australia's company tax receipts in 2023-24.[1] In 2023-24, the WA resources sector accounted for 56 per cent of Australia's resources exports,[2] half of Australia's resources capital expenditure[3] and 51 per cent of Australian resources employment.[4]

CME welcomes the Australian Government's focus on productivity to boost Australia's living standards, economic growth and global competitiveness. The WA resources sector is proud of its long history of undertaking capital investment, adopting new technologies and developing our workforce to be one of the highest productivity sectors in the economy.

The outcomes of the Productivity Commission's (PC's) Five Pillars Inquiries will play an influential role in informing the public debate and policy actions required to revitalise Australia's productivity performance. We appreciate the opportunity to provide feedback on the PC's Interim Reports to contribute to this important national discussion.

CME Positions

- **CME commends the Australian Government's continued commitment to no new taxes on the resources sector and strongly opposes the introduction of a new 5 per cent net cash flow tax**.
- **We recommend the proposed whole-of-government statement to drive regulation that supports economic dynamism focuses on reducing the cumulative compliance burden across and within state, national and international jurisdictions.**
- **CME supports stronger scrutiny of regulatory proposals to ensure their impact on growth and dynamism is more fully considered**.
- **We support the Australian Government strengthening expectations on public servants to improve accountability for delivering growth, competition and innovation through regulatory systems.**
- **CME strongly supports the role of the Australian Centre for Evaluation (ACE) within Treasury to identify and address inefficient or ineffective Government spending, and champion more effective policy solutions and delivery.**

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[1] Includes company tax, fringe benefits tax, petroleum resource rent tax and excise duty. Commonwealth of Australia, Final Budget Outcome 2022-23, The Treasury, 22 September 2023, Note 3: Taxation revenue by type, p 39.
[2] Government of Western Australia, 2022-23 Economic Indicators Resource Data File, Department of Energy, Mines, Industry Regulation and Safety (DEMIRS), 9 January 2024. Australian Bureau of Statistics (ABS), 5368 International Trade in Goods, Table 32a.
[3] Investment refers to capital expenditure as measured by gross fixed capital formation, current prices. ABS, 5220 Australian National Accounts: State Accounts, Table 25. ABS, 5206 Australian National Accounts: National Income, Expenditure and Product, Table 34.
[4] ABS, 6291 Labour Force, Australia, Detailed, Table 5.

Context

Australians enjoy a standard of living that is among the highest in the world. Our ability to attract international investment, skilled labour and technology, alongside bold economic reforms such as the deregulation of the financial sector, the floating of the Australian dollar and the introduction of the GST, drove strong productivity growth through the late 1900s and has contributed significantly to the prosperity our nation enjoys today.

The resources sector has been central to Australia's success story. It has invested over $1.7 trillion in capital assets that improve labour productivity over the past 2 decades,[5] pays the highest average wages of any industry,[6] and has underpinned State and Federal Government budget positions for decades.[7] These outcomes have occurred thanks to Australia's strong investment fundamentals, including timely access to land, attractive investment and policy settings, a skilled and productive workforce and reliable, low-cost energy.

However, Australia now finds itself at a crossroads. Australia's poor productivity growth outcomes since the early 2000s and rising demand for public goods and services have created significant pressures on the federal budget, with the Australian Government's underlying cash balance forecast to be in deficit for the coming decade.[8] At the same time, Australia's investment fundamentals have become increasingly uncompetitive:

- Gas and electricity prices have roughly doubled across Australia since 2020,[9] creating severe financial pressures on energy-intensive sectors.[10]
- Federal-state approvals processes are lengthy, duplicative and increasingly uncertain, due in part to spurious legal challenges.[11]
- Australia's corporate tax settings are increasingly uncompetitive with the OECD average.
- Industrial relations reforms have increased cost and complexity while reducing productivity.

This decline in competitiveness is confirmed by Australia's IMD World Competitiveness Ranking falling five places to 18th in 2025.[12] Similarly, the Fraser Institute's 2024 Survey of Mining Companies found Western Australia's attractiveness as a resources jurisdiction has fallen from 4th to 17th, with jurisdictions in the US, Canada and Europe now comprising the top 10 most attractive jurisdictions.[13]

The Government's Future Made in Australia ambition relies on Australia's ability to attract the substantial capital investment, technology and skills required to drive additional value-adding, job-creating industries in Australia. This will not occur without urgent action to address Australia's declining fundamentals, with reliable and low-cost energy especially important for energy-intensive manufacturing activities. Other jurisdictions are competing fiercely for these 20-30 year investments and if they occur elsewhere then Australia will lose out on the associated jobs, local procurement and taxation revenues for decades to come.

Delivering fiscal and policy reforms that improve Australia's competitiveness and attract investment into Australia's resources sector is vital to achieving productivity growth and improving the welfare and prosperity of all Australians.

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[5] Mining gross fixed capital formation, chain volumes; figures cover 2004-05 to 2023-24. ABS, Australian System of National Accounts, table 64.
[6] Productivity Commission, Trade and Assistance Review 2022-23, 24 July 2024, pp 31-32. ABS, 6302.0 Average weekly earnings, Australia, table 10.
[7] The resources sector has paid an estimated $356.6 billion in company tax and royalties in the decade to 2022-23. Minerals Council of Australia, Royalty and Company Tax Payments, 21 May 2024.
[8] Commonwealth of Australia, Mid-Year Economic and Fiscal Outlook 2024-25, The Treasury, December 2024, pp 86-87.
[9] CME 2024, Energy Costs in Transition: Decarbonising WA's SWIS; AEMO, 2024 WA GSOO, December 2024; AEMO, NEM Data Dashboard; AER, Gas Market Prices, accessed 7 August 2025.
[10] Nyrstar to get $135 million bailout for struggling smelters, 5 August 2025; Rio pushes for 'eye-watering' Tomago bailout, 6 June 2025; Australian region facing 17,000 job losses as copper pressures hit, 31 July 2025.
[11] *Munkara v Santos NA Barossa Pty Ltd (No 3)* [2024] FCA 9.
[12] IMD 2025, World Competitiveness Ranking, accessed 8 August 2025.
[13] Fraser Institute, Anuual Survey of Mining Companies 2024, July 2025

Response to Pillar 1 Interim Report Proposals

Taxation

Australia's company and personal income taxation levels are very high by international standards, with these taxes ranked 59th and 58th, respectively, in the 2025 IMD World Competitiveness Yearbook, and Australia's full company tax rate of 30 per cent well above the 21.1 per cent OECD average.[14] As the Chair of the Productivity Commission noted in her recent speech – "our current system does not treat all investment equally. It imposes the biggest cost on higher risk, long-lived and capital-intensive investment..." – which are exactly the type of investments Australia needs to deliver large productivity benefits.[15]

With economic consensus clear that taxes on consumption are more efficient than taxes on income, attracting skilled labour and capital to grow the economy, drive productivity and increase the tax base will require less distortionary tax settings that encourage investment.

As a starting point, **we support the Australian Government's continued commitment to no new taxes on the resources sector.**[16] This commitment recognises that the cumulative burden of taxation on resources companies across company and fringe benefits taxes, royalties, payroll taxes, petroleum resource rent taxes and other government fees and charges, is already well above the tax burden on other sectors of the economy. In the past financial year resources companies have reported effective Australian marginal tax rates of over 40 per cent,[17] well above the statutory corporate tax rate of 30 per cent.

Large businesses drive investment and productivity in Australia. Research shows that the largest 1 per cent of firms account for around half of all non-mining investment activity in Australia, and that larger businesses drive productivity growth and innovation.[18] In part this reflects their larger balance sheets allowing them to undertake large industry-creating capital investments, such as those undertaken during Australia's mining investment boom.

CME strongly opposes the introduction of a new 5 per cent net cash flow tax. Increasing Australia's already uncompetitive corporate tax settings for large businesses would be inconsistent with the national objective of boosting productivity and economic growth. It would also be an experimental change that hasn't been tried anywhere else in the world. Concerningly, it is likely that a cash flow tax may actually disincentivise businesses from investing, or at the very least create damaging unintended consquences.

- Most businesses undertake large investments in cycles rather than annually, reflecting multi-year asset lives and, in the case of the resources sector, commodity price cycles. As building cash buffers in intervening years to finance this investment will now be taxed, firms are less likely to be able to invest without seeking external finance and paying interest costs.
- Lower cash buffers would also increase liquidity and insolvency risks during economic shocks, particularly as lower cash buffers may make it more difficult to access finance during these periods.
- A net cash flow tax would not be frankable, which would also adversely impact small businesses.
- Within the resources industry, exploration would be particularly susceptible to adverse consequences from the proposed measure, as capital raisings to fund multi-year exploration and operating costs would now be taxed despite not earning any operating revenue.
- Finally, the complexity created by a multi-layered corporate tax system will increase administrative and regulatory costs. The uncertainty created by exploring an unproven net cash flow tax is also likely to discourage investment at a time Australia is trying to attract substantial private capital.

[14] New OECD data highlight stabilization in statutory corporate tax rates worldwide, 11 July 2024
[15] 'Growth mindset: How to fix our productivity problem', 18 August 2025, Productivity Commission Chair speech to National Press Club
[16] The West Australian, Anthony Albanese rules out mining tax, 9 January 2025.
[17] Rio Tinto's Australian effective income tax and royalty rate on underlying earnings in 2024 was 41.5 per cent, while BHP's Australian adjusted effective tax rate including royalties in 2024-25 was 45.7 per cent.
[18] RBA, Which Firms Drive Business Investment? New Evidence on the Firm-size Distribution, *Bulletin*, December 2021. Productivity Commission, Housing construction productivity: Can we fix it?, February 2025; CEDA, Size Matters: Why construction productivity is so weak, 2025.

CME notes that the net cash flow tax proposal arose within a notional constraint of needing to ensure budget neutrality within the narrow scope of the corporate tax system in the Pillar 1 Interim Report. A more holistic approach to tax reform that improves the efficiency of Australia's overall tax mix, while shielding vulnerable households, would yield better outcomes for the economy. Should the Government prioritise reducing other distortionary taxes such as personal income tax rates over company tax rate reductions as part of such reforms, the introduction of a permanent, broad-based 20 per cent investment allowance (such as an instant asset write-off) could stimulate investment and drive the desired increase in capital deepening across the economy in a broadly revenue-neutral manner over time.

Whilst outside of the Australian Government's direct remit, there is broad consensus that the following reforms to State Government taxation arrangements would minimise economic distortions, drive more efficient use of Australia's housing stock and aid labour mobility and job matching:

- The abolition of stamp duty and replacement with broad-based land taxes
- Harmonising payroll tax rates across states and territories at a minimum,[19] and reducing or abolishing payroll tax if more efficient revenue sources can be implemented.

Transformational tax reform that drives productivity, maintains Australia's social compact and enables sustainable budgets is likely to involve substantial federal-state cooperation and negotiation.

Improving regulation

Tax settings are a critical component of Australia's investment attractiveness, but competitive tax settings alone cannot make up for deficiencies in the other key investment fundamentals of streamlined approvals, energy, skills and infrastructure. It is therefore pleasing to see the PC's focus on improving regulation to boost Australia's business dynamism. The increase in regulatory compliance on businesses over recent decades is a roadblock for productivity, in many cases detracting resources from productive tasks with little to no benefit.

CME has long advocated for a simplified and streamlined regulatory system, and welcomes the draft recommendations in the PC's Interim Report**. We recommend the proposed whole-of-government statement to drive regulation that supports economic dynamism focuses on reducing the cumulative compliance burden across and within state, national and international jurisdictions**. We believe there are opportunities to consolidate similar requirements, streamline data input, reduce complexity of self-assessment for tax and ensure that requested information is linked to an outcome. We strongly support the PC's approach of 'report once, use often' when it comes to reducing the duplication of regulation.[20] This 'tell us once' approach by the Government across both individuals and businesses would significantly reduce unnecessary administrative regulatory costs and support business dynamism.

CME supports stronger scrutiny of regulatory proposals to ensure their impact on growth and dynamism is more fully considered. CME has previously raised concerns regarding the robustness of regulatory impact assessments for reforms, including the Closing Loopholes Bill 2023 which we believe materially underestimated regulatory costs.[21] We would support the appointment of an independent statutory commissioner to oversee the Office of Impact Analysis and raise the standards for impact analyses.

We support the Australian Government strengthening expectations on public servants to improve accountability for delivering growth, competition and innovation through regulatory systems. We support the provision of ministerial statements of expectation, which CME believes should clearly outline a desire for a less risk-averse culture that balances environmental, social and economic outcomes in line with the principles of ecologically sustainable development.[22] Such an approach is akin to the WA Environment Minister's Statement of Expectation issued to the WA Environmental Protection Agency in November 2024, which noted that the WA EPA should give regard to: aligning its prioritisation of assessments with key government policies and priorities; efficiency and timeliness of

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[19] CEDA Report, 2025, Towards a more seamless Australian Economy,
[20] 'Growth mindset: How to fix our productivity problem', 18 August 2025, Productivity Commission Chair speech to National Press Club
[21] CME Submission to Senate Education and Employment Committees, Fair Work Legislation Amendment (Closing Loopholes) Bill 2023, 29 Setpember 2023.
[22] CME, WA 2025-26 Pre-Budget Submission, October 2024.

environmental assessments; reducing duplication; and engaging with proponents.[23] We note that mechanisms must also be put in place that ensure accountability of Departments to the Minister regarding Statements of Expectation.

CME continues to support a stronger regulatory facilitation approach by the Australian Government through the investor Front Door initiative,[24] and is pleased to see a focus on this new service arising from the Treasurer's Economic Reform Roundtable.[25] We believe this service will complement the actions identified above to simplify reporting burdens and improve Australia's regulatory culture.

Government spending

While not addressed in this Interim Report, strengthening Australia's budget sustainability cannot only focus on taxation receipts, but necessarily requires the Government to continually assess the efficiency of its spending and drive cost efficiencies in delivery.[26]

CME strongly supports the role of the Australian Centre for Evaluation (ACE) within Treasury to identify and address inefficient or ineffective Government spending, and champion more effective policy solutions and delivery. There are significant opportunities to use new technologies including artificial intelligence (AI) to deliver public goods and services more efficiently and CME is pleased to see the Treasurer's announcement that a near-term outcome from the Economic Reform Roundtable on 19-21 August will be to release an AI plan for the Australian Public Service.[27]

Conclusion

In conclusion, CME supports taxation reform that reduces distortionary taxes and drives increased capital investment in Australia. With Australia's largest businesses responsible for the vast majority of capital investment, and Australia's full company tax rate uncompetitive with other jurisdictions, CME would not support a corporate tax rate reduction that excludes businesses with turnover above $1 billion. We also oppose the introduction of a new 5 per cent net cash flow tax on all businesses, which would create adverse consequences and could perversely disincentivise investment. Instead, CME supports holistic tax reform that improves the efficiency of Australia's overall tax mix, while shielding vulnerable households. Such reform will require strong federal-state cooperation in the national interest to deliver a better Australia for future generations.

Should you have any questions regarding this submission, please contact Aaron Walker – Head of Economics on [redacted] or [redacted].

Yours sincerely,

[redacted]

Brooke Fowles
A/Chief Executive Officer

[23] WA Government, First EPA Statement of Expectation to support jobs and housing, 20 November 2024.
[24] CME submission to the Treasury, Establishing a front door for major, transformational projects, 7 October 2024.
[25] AFR, These are the 10 changes Jim Chalmers will make immediately, 21 August 2025.
[26] AFR, Income taxes to rise to pay for 'stupid' policies warn economist, March 16, 2025; Business Council of Australia, ' Business Debate with Treasurer Jim Chalmers and Shadow Treasurer Angus Taylor', 24 April 2025
[27] AFR, These are the 10 changes Jim Chalmers will make immediately, 21 August 2025.