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MINERALS COUNCIL OF AUSTRALIA

INFRASTRUCTURE BLUEPRINT FOR RECOVERY AND PROSPERITY

Statement by Mitchell H. Hooke, Chief Executive Officer Minerals Council of Australia

There are significant gaps in Australia's export infrastructure and some of the nation's existing capital is in a state of disrepair, the first ever audit of the nation's critical minerals export chain has revealed.

To ensure Australia is equipped to come through the current economic malaise, new physical and social infrastructure will be needed and much of the existing export capital will need to be repaired or expanded, the nationwide audit found.

This comprehensive examination of existing and projected infrastructure needs in Australia's key minerals regions released today sounds a warning to both governments and industry that a failure to address key shortfalls in the nation's infrastructure could see a repeat of past failings – when ships queued off the coastline, skilled employees were difficult to attract and retain and international competitors increased their share of the global market at Australia's expense.

The findings suggest some of Australia's export infrastructure has suffered from a cancer of neglect and is in a critical state of inadequacy.

The messages from this report are clear: there is an urgent need to recognise the joint public and private effort required to bolster social and physical infrastructure and for better planning and streamlined regulation.

Despite extensive investment by the minerals sector in both industrial and community infrastructure - some \$30 billion during 2008 - too often governments in the past have abrogated their responsibility to local communities and thus constrained the investment that private sector has wanted to make.

It is through a real commitment to the importance of the industry and the communities in which it operates that we can engender confidence in investors to finance and build the infrastructure that exporters need.

The MCA has long argued that the priority should be on investing in infrastructure rather than fuelling consumption.

It is encouraging and welcome to see governments have begun to address these challenges, particularly the spending in the Federal Government's 2009/10 Budget and the Western Australian Government's commitment to boost regional investment and training.

This is good start to build on.

It also means governments must get the policy settings right on encouraging investment – and that means better regulation and planning, reducing and not increasing sovereign risk and the careful crafting of other relevant policies, such as the Carbon Pollution Reduction Scheme, to ensure that Australians can share in this twenty-first century economic revolution.

The report – *The Australian Minerals Industry's Infrastructure Path to Prosperity* – catalogues existing road, rail, port, energy, water, telecommunications and community infrastructure in 21 minerals growth regions and identifies what needs to be done to boost exports and maintain or grow Australia's position as a premium global supplier of minerals and energy.

The report highlights the need to upgrade and expand transport networks and introduce whole-of-supply-chain strategies in the planning and regulation construction of ports, railways and roads. Extensive investment in hard infrastructure - the main contribution the private sector can make - will depend on getting the regulatory environment right so that investors feel confident about putting their money into building capacity.

Increasingly, growth regions and their supply chains are overlapping, offering more choice and competition for suppliers and increasing the nation's reliability as a supplier of minerals products.

The Report also highlights that access to reliable, adequate and affordable energy supplies, proper water management, better telecommunications links and the social infrastructure to support the communities in which the industry operates will be equally critical to realising the sector's potential and maximising the returns to the nation from the joint venture between companies and the community in turning Australia's minerals resources into societal capital. This will be a challenge for governments as well as industry.

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The MCA has identified that if capacity constraints are overcome and market share expanded, Australia could be \$129 billion – or 8.5 per cent of today's national income – better off by 2020. Nations such as China and India have a strong desire to boost the prosperity of their people and the task of industrialisation and urbanisation will re-start. We are confident that the underlying fundamentals of the economic super-cycle are checked but not compromised.

Background

The Australian Minerals Industry's Infrastructure Path to Prosperity report was released at Minerals Week 2009 in Canberra and is the product of a year's consultation with State and Territory minerals and resources chambers, infrastructure operators and governments by respected research firm, ACIL Tasman under the guide of Ian Satchwell and John Söderbaum.

It forms part of the Mineral Council of Australia's Vision 2020 Project – a project with the objective of addressing capacity constraints to growth that have afflicted the minerals industry in the past and are likely to return and erode Australia's market share and thus visit opportunity costs on the industry and the nation into the future. The aim of the Vision 2020 Project is to avoid repeating the mistakes of past inactivity in building the social and physical infrastructure needed to meet the burgeoning global demand of the industrialising and urbanising emerging economies.

The First Phase of the Project, released in 2008, examined the global demand potential for the minerals industry through to 2020 and assessed the supply-side requirements, including the skilled labour, needed for Australia to maintain or grow its share of the global market.

This study, the Second Phase, examines existing and potential capacity constraints in ports, railways and roads; energy, telecommunications and water networks; as well as housing, labour and other social needs that affect the growth of the mining industry and the wellbeing and development of the communities in which it operates across Australia

The report examines 21 minerals growth regions and summarises the impediments to growth in these regions.

In Western Australia the regions are Kimberley, Pilbara, Mid-West, Goldfields-Esperance and South-West including Peel. The report finds principal infrastructure shortcomings are:

- Inadequate community infrastructure and services in remote regions, particularly to support families with children, educate and train workforces of the future, and support the community profile;
- Port infrastructure inadequate to meet mineral export demand;
- Impending shortages of water both for industrial and community use;
- Energy production and supply networks inadequate for growing demand;
- Rail infrastructure inadequate in several regions to meet future demand;
- Inadequate airport infrastructure in several regions and Perth; and
- Telecommunications infrastructure is inadequate in WA's regions.

In Queensland, the growth regions are Mount Isa-Townsville, Newlands-Abbot Point Bowen, Northern Bowen Basin/Mackay, Fitzroy (Gladstone) including links with western Cape York, Surat Basin and Ipswich/Moreton. The "gaps" identified here include:

- Export supply chains for minerals products (coal, base metals and other minerals) being hamstrung due to legacy issues associated with inadequate planning, poor co-ordination between infrastructure service providers, multiple definitions of capacity based on different and at times unrealistic assumptions, and an absence of performance-based contractual frameworks;
- Shortages of water in mining regions both for industrial and community use, and uncertainty as to how expected future demand for water will be met, with the risk is that the infrastructure for new water will lag demand;
- Inadequate community infrastructure and services, particularly those relating to health, education, and housing
- Inadequate road and air transport infrastructure that restricts access and mobility; and
- Inadequate telecommunications infrastructure and competition (particularly in high speed broadband) in parts of Queensland, constraining both small business and community communications.

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In NSW, there are three regions: Hunter, Southern and Central and Far West. The impediments to growth here include:

- Rail and road networks that are unable to meet the minerals industry's current or projected transport needs;
- Energy production and supply networks that are inadequate for meeting growing demand;
- Port infrastructure that is unable to meet current or projected demand for minerals export services; and
- Underdeveloped management arrangements for water for both for industrial and community use.

South Australia is made up of three regions: Northern, Eyre Peninsula and the Fleurieu/Mid North/South East/Riverland. The gaps in infrastructure include:

- Transport infrastructure that is unable to meet projected growth in minerals industry transport task, particularly ports;
- Energy production and supply networks inadequate for meeting growing demand;
- Access to adequate water supplies both for industrial and community use; and
- Community infrastructure, particularly accommodation and health care.

Victoria consists of two regions: Gippsland and Western Victoria: Among the impediments to growth are:

- Inadequate transport networks, including using a mixture of broad and standard rail gauges;
- The need for new bulk port facilities outside of metropolitan Melbourne and direct rail and road links from production regions;
- Energy supply networks inadequate for growing demand in regional Victoria; and
- Common-user carbon capture and storage (CCS) infrastructure.

In the Northern Territory the principal shortcomings are:

- Darwin port needs to be upgraded to handle increases in throughput of mineral products from the Northern Territory and South Australia;
- Additional railway spur lines, sidings, loading facilities and passing loops are required to service new mines and mineral transport requirements;
- Electricity supply reliability in parts of Darwin is poor, and generation, transmission and distribution capacity is inadequate for growth;
- Land for housing and industry in Darwin needs to be developed;
- All classes of community infrastructure are inadequate for projected growth; and
- Telecommunications services in rural and remote areas are poor.

In Tasmania:

- Single lane road networks are inadequate for the growing volume of users from multiple sectors – mining, forestry and tourism;
- Rail networks and port facilities with insufficient capacity for expected growth in minerals traffic;
- Lack of gas supplies to the West Coast; and
- Lack of broadband telecommunications competition.

In all these regions there is a critical need to address these inadequacies if the resources sector is to continue to grow.

For copies of the report and other publications from the Vision 2020 Project, go to www.minerals.org.au .

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