



MEDIA RELEASE

MINERALS COUNCIL OF AUSTRALIA

PROFITABLE MINERALS INDUSTRY GEARS UP FOR CONTINUED BOOM – SURVEY

Investment in the minerals industry expansion rocketed by 93 percent over the past year reflecting positive expectations of continued strong global demand and high prices, the 2007 Minerals Council of Australia/PricewaterhouseCoopers Minerals Industry Survey shows.

The Minerals Council of Australia Chief Executive Mitchell H Hooke hailed the results of the Survey as a measure of the continued favourable conditions in the minerals industry.

"We have enjoyed another strong year and the industry is gearing up, big time! We expect the current surging global demand to continue for some time yet and the minerals industry is investing in capacity to meet this continued robust growth. As investment proceeds and production expands, Australia will be well placed to meet the strongest global growth in demand for minerals and energy in a generation," Mr Hooke said.

The Survey report released by Mr Hooke, showed between 2005-06 and 2006-07:

- 93 percent increase in investment from \$7.7 billion to \$14.9 billion;
- 21 percent increase in net profit from \$12.3 billion to \$14.9 billion;
- 38 percent increase in exploration from \$1.2 billion to \$1.7 billion;
- 18 percent increase in total revenue from \$56.1 billion to \$66.6 billion;

- Increases in total expenses by 17 percent from \$39.4 billion to \$46.4 billion comprised:
 - 16 percent increase in labour costs from \$6.5 billion to \$7.5 billion;
 - 18 percent increase in Government rail and port charges from \$0.7 billion to \$0.8 billion;
 - 18 percent increase in production and operating costs from \$22.9 billion to \$27 billion;
 - 15 percent increase in depreciation and amortisation from \$4.2 billion to \$4.8 billion
 - 46 percent increase in interest payments from \$2.3 billion to \$3.4 billion.

"Although Australia still lags behind its overseas competitors in exploration spending, the increase indicates the industry's confidence in the underlying demand for minerals and energy will continue into the future.

"The Rudd Government's commitment to promote investment in exploration by allowing the selective use of flow through share schemes for smaller operators in the minerals sector is a welcome first step in ensuring Australia does not lose further market share to other countries", Mr Hooke said.

The Survey report noted that chronic shortages in skilled labour and key construction and production inputs such as tyres, locomotives, mining draglines and grinding mills continue to cause delays and project cost increases. Delivery times for these essential inputs has increased dramatically from 5-20 months to 20-50 months. While employment in the minerals industry grew by 4 percent, this was well short of the estimated 9 percent increase per year needed until 2015 to meet the needs of the industry and reflected continued shortages, especially in skilled labour. The MCA estimates that by 2015 the industry will require an additional 70,000 employees.

Infrastructure problems were found to be particularly acute in the coal industry where despite considerable investment in recent times, the capacity of Australia's coal transport system continues to struggle. The Survey indicates only a 2 percent increase in coal production between 2005-06 and 2006-07.

"The MCA for the past several years has identified the problems posed by supply capacity constraints, advocating Governments' increase investment in social and physical infrastructure and accelerated regulatory reform. Capacity constraints are the key economic policy issue of the moment. We welcome the Rudd Government's commitment to work with industry to reduce capacity constraints and invest in transport and export infrastructure as well as in measures to reduce shortages of skilled labour.

"The MCA is adamant that without significant regulatory reform, institutional capacity building and better planning to align export infrastructure systems, the industry and all Australians will not reap the full benefits of the current unprecedented global growth opportunities" Mr Hooke said.

The 2007 Minerals Industry Survey is available on the MCA website: <http://www.minerals.org.au/mis> and is available in hard copy upon request.

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The Survey is a joint initiative of the Minerals Council of Australia and PricewaterhouseCoopers- companies participating in the survey represent 90 percent of Australia's mineral production