



## MEDIA RELEASE

# MINERALS COUNCIL OF AUSTRALIA

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### AUSTRALIA MUST ADDRESS CAPACITY CONSTRAINTS OR RISK LOSING FURTHER SHARE OF GLOBAL MINERALS MARKET – NEW RESEARCH

Australia has already lost market share to international competitors in the race to meet the strongest global growth in demand for minerals and energy in a generation and could lose more if capacity constraints are not addressed, new research has found.

The research by Access Economics which was commissioned by the Minerals Council, showed that if Australia had maintained its global market share between 2002 and 2007, the minerals industry would have earned another \$17 billion in today's prices - the equivalent of 1.6 percent of nominal national income in 2007.

The benefits of successfully addressing capacity constraints are massive. The research shows if capacity constraints are overcome and market share expanded, Australia could be \$129 billion – or 8.5 percent of today's national income - better off by the year 2020.

In order to maintain Australia's present global market share by the year 2020, Access Economics found that massive increases in minerals production will be required, specifically:

- nickel production will have to grow by more than 120 percent;
- iron ore by more than 100 percent;
- zinc and copper by more than 80 percent;
- coal and lead by more than 40 percent;
- aluminium by more than 20 percent; and
- gold by around 15 percent.

The research was commissioned by the Minerals Council as part of a new flagship *2020 Vision* Project outlined today during the *Minerals Industry Seminar* by Mr Ian Smith, Minerals Council Chairman and the Managing Director & Chief Executive Officer of Newcrest Mining Limited.

The project was commissioned to provide a framework for the future development of the minerals industry and to identify appropriate policies and strategies to build capacity enabling Australia to maintain its position as a premium global supplier of minerals products well into the future.

Mr Smith said the research findings: "indicate the current expansion in global demand for minerals is set to continue well into the future. This is great news for the industry and great news for Australia. The challenge will be to ensure that the present capacity constraints limiting supply are addressed – this is the economic policy issue of the moment.

"The speed and extent to which we address supply constraints is increasingly the key determinant of a country's and an enterprise's competitiveness. It presents Australian policy makers and the industry with an enormous challenge but also the prospect of great rewards," Mr Smith said.

Access Economics found that mining was one of the few industries where Australia is a global productivity leader.

"Mining is a rich field of comparative advantage for the Australian economy relative to the rest of the world – in part due to the quality and quantity of the natural resources on the continent, but also reflecting the high levels of productivity in the industry", the research found. But Access Economics warns that once global market share is lost, it may be difficult to win back.

"If Australia fails to expand its production base at optimal pace, then we are foregoing that income to another region or country. And if that happens, the production gap, once opened will not be easily closed".

A key issue identified by Access was the importance of getting the management of the supply chain right, including resolving issues around infrastructure development, regulation and ongoing management to allow the minerals industry to expand and export as quickly as possible. The capacity constraints include: chronic skills shortages, congested and poorly functioning export corridors, inadequate social and physical infrastructure in remote and regional communities, emerging shortages of energy and water and duplicative and excessive regulations.

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Access Economics research reports available on [www.minerals.org.au](http://www.minerals.org.au)