

MEDIA RELEASE

Thursday, 23 August 2012

Steel prices set to crash in week of horror for Australian mining boom

Australia's mining boom is in danger of ending before anyone anticipates, according to John Shipp, Director of the ANDEV/IPA North Australia Project.

Mr Shipp's warning came in response to a report in *MarketWatch.com* that prices are set to crash as China stockpiles steel but continues to ramp up production.

Chinese demand is slowing much quicker than expected. Blue Scope Steel chief executive Paul O'Malley warned earlier this week that China had already reached steel capacity.

"China is stockpiling steel as growth slows. The prospect of collapsing commodity prices and steadily increasing costs are turning investors away," Mr Shipp said.

"Across North Australia, major mining and resource projects are being shelved or scaled back as commodity prices continue a downward trend.

"The Queensland government's expansion of the Abbot Point coal port (valued at \$8.6 billion) has been shelved. Major West Australian projects like Aquila Resources' multibillion dollar iron ore project have been scaled back to an absolute minimum. And now BHP has announced they're cutting expansions in Australia by \$US30 billion off the back of declining profits," Mr Shipp said.

Making matters worse, the slowdown has coincided with the introduction of major taxes that disproportionately affect North Australia's resources sector.

"With declining global demand and slumping commodity prices, this is the wrong time to be imposing more costs on the industry. The government must swallow its pride and scrap the mining and carbon taxes," Mr Shipp said.

"Instead of stifling growth, the government should encourage more investment."

For Australia to become more competitive, a low tax, low regulation Special Economic Zone should be introduced in North Australia.

"By reducing taxes and needless regulatory overlap, the government can ensure Australia remains an attractive destination for investment," Mr Shipp said.

The North Australia Project is a joint project of Australians for Northern Development and Economic Vision and the Institute of Public Affairs.

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