

MEDIA RELEASE

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High labour costs killing Australian mining boom

Without industrial relations reform Australia risks losing billions of dollars in investment in the resources sector, according to John Shipp, Director of the ANDEV/IPA North Australia Project.

Mr Shipp's warning came in response to a Port Jackson Partners report commissioned by the Minerals Council of Australia, released yesterday, which shows Australia has lost competitiveness in the resources sector.

"Competition for minerals investment is increasingly intense, and short sighted policy is leading to higher costs in Australia that encourage investment to go offshore," Mr Shipp said.

The cost of building an iron ore mine in Australia has almost doubled over the past five years to almost \$US195 per tonne, according to the report. The world average increased from \$US96 to \$US150 per tonne in the same period.

"The report shows we have a 30 per cent cost disadvantage, which is even more pronounced in thermal coal mine construction at 66 per cent," Mr Shipp said.

"This cost disadvantage is largely due to labour, which constitutes nearly half the cost of most projects. The Fair Work Act is a big part of this. It encourages workers to strike first and negotiate later. Industrial disputes are more protracted and more common. All this creates uncertainty for investors."

Mr Shipp also said that with commodity prices in free-fall, policy needs to move from redistributing wealth toward encouraging growth and competitiveness.

"In order to encourage more investment and create jobs the government should put a low-tax, low regulation Special Economic Zone in place in North Australia, with less restrictive workplace relations regulations just one part of a suite of reforms to encourage growth," Mr Shipp said.

The North Australia Project is a joint project of Australian for Northern Development and Economic Vision and the Institute of Public Affairs. For more information visit www.andev-project.org.

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