



South Australian Chamber of Mines and Energy

MEDIA RELEASE

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FEDERAL BUDGET FAILS TO DELIVER LONG TERM

FUTURE FOR RESOURCES SECTOR: SACOME

The Federal Budget has failed to deliver the exploration incentives and infrastructure support needed for the long term sustainability of the resources sector, according to the SA Chamber of Mines and Energy.

“The critical role the resources industry in South Australia plays in the growth and prosperity of Australia, including national security, is insufficiently recognized in this budget,” SACOME Chief Executive, Mr Phil Sutherland, said today.

“Similarly, the budget does not offer the stimulus necessary to ensure the industry remains the cash cow on which this Budget is reliant for future national income,” he said.

Mr Sutherland said the Federal Treasury “is awash with money, largely on the back of exports from a buoyant resources industry”.

“This has given the federal government the capacity to reduce personal and some business taxes and administer expenditure measures in a number of areas including health and medical research, defence and national security, and infrastructure.

The South Australian Chamber of Mines and Energy (SACOME) maintains that, without wishing to diminish the many positive features of the budget, from a SA resources industry perspective, the budget could have gone further. The industry was hoping that the budget would include measures designed to:

1. further stimulate the exploration effort in order to arrest the declining national mineral inventory, and
2. ensure that the infrastructure is in place regionally to support the industry going forward.

Exploration

Australia’s global position in mineral exploration has fallen sharply in recent times and Australia now reports its lowest ever recorded share of global mineral exploration

expenditure. Other regions of the world are now more attractive to investors. While world mineral exploration nears record highs of US \$5 billion, Australia has fallen from first to fifth in the world's top regions for mineral exploration. Australia's share of global exploration spending was 12.6 per cent in 2005, substantially lower than 17.6 per cent recorded in 2002.

"We mounted a robust campaign urging the federal government to improve Australia's global competitiveness by implementing a flow through shares scheme. Flow through shares schemes for exploration allows tax deductions incurred by exploration companies to be transferred to individual shareholders to reduce their tax liabilities. The treasurer has taken a short term view and allowed himself to be mesmerized by what some are describing as 'boom times'. He should be taking a much longer and more strategic view. The objective must be to ensure that the industry is sustainable in the long run. The inescapable fact is the mineral inventory in Australia is running down. If we don't ramp up the exploration effort it will only be a matter of time before the known deposits are mined out," Mr Sutherland said.

"It is a matter of concern to hear the treasurer saying on the one hand that the resources sector is booming and does not require any stimulus, and then on a separate occasion saying that the robustness of our economy has and is being driven by the resources sector and he has grave doubts about its capacity to continue as the country's main economic driver," he said.

Infrastructure

Mr Sutherland said that the most promising mining and oil and gas operations are in remote and desolate parts of South Australia with often no access to power, water, roads, rail or ports.

"The problem faced by the resources industry is that in order to capitalize on a discovery, infrastructure is required to take the project to the production phase. SACOME makes the observation that not every miner is a global mining house with the capacity to pay for the required infrastructure. Even then, it's a big ask of those companies.

"We are in danger of not taking advantage of commercially economic resource discoveries because of the often very significant costs involved in establishing and operating a mine or a petroleum or gas project and getting the product to market. Funding for a collaborative commonwealth/state/industry state wide strategic infrastructure plan would have been, at the very least, an important budget initiative.

"It is puzzling that there is no provision in the budget for an upgrade of Port Adelaide, Outer Harbour, Port Pirie or Thevenard. These are major state gateways to markets for our raw materials. The capacity of these waterways and facilities to move large volumes is limited. Planning for the development of a transport/logistics hub at Port Augusta is another initiative that could have featured in the budget. The town is the gateway to and from the resources industry. Such a hub would facilitate the seamless movement of a great deal of material in a time efficient and cost effective manner," he said.

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