The Global Mining Industry

Trends and Implications for Planning in NSW
What the Presentation Covers

• Global structure of mining industry
  – Major producers: too much consolidation?
  – Supply and demand
  – Price trends
  – Why do mine developments change so much?

• Economic performance of mining economies

• Mining’s contribution to NSW economy

• Implications and tools for planners
Global Structure: Where mining occurs now and in future
Global structure: The industry

- Diverse: exploration “juniors” to major multi-nationals
Global structure: Excessive industry concentration?

[Bar chart showing the top 5 producers for various commodities (Gold, Platinum, Copper, Iron, Aluminium, Bauxite, Nickel, Lead, Zinc) for the years 2005 and 1975.]
Prices of minerals: too high?
Global structure: Intense international competition for investment

Table 1. Top ten company decision criteria in mining investments

1. Geological potential for target mineral
2. Profitability of potential operations
3. Security of tenure and permitting
4. Ability to repatriate profits
5. Consistency of minerals policies
6. Realistic foreign exchange controls
7. Stability of exploration terms and conditions
8. Ability to pre-determine environmental obligations
9. Ability to pre-determine tax liability
10. Stability of tax regime

Notes: the survey included a total of 62 factors, not necessarily in the numerical order given.
Global structure: Intense international competition for investment
Why do mine development plans change so much?

- Industry serves global markets
- Global growth is very unpredictable
  - No one saw China coming
  - Growth in global energy demands
- Constant change: the reality – planners must accommodate this
Economic performance of resource economies

- Economic performance declines with greater resource dependancy
- The “resource curse”
## Economic performance of mining economies

<table>
<thead>
<tr>
<th>Better performers</th>
<th>Generally better</th>
<th>Weaker performers</th>
<th>Clearly poor performers</th>
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</thead>
<tbody>
<tr>
<td>Chile</td>
<td>Colombia, Guinea, Jamaica, Male, Morocco, Mozambique, Namibia, Senegal</td>
<td>South Africa (E), Tanzania (E), Guyana (E), Mauritania (E), Gabon (E + S), Peru (S)</td>
<td>Bolivia, C A Republic, DR Congo, Liberia, Niger, PNG, Philippines, Sierra Leone, Zambia</td>
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<td>Botswana</td>
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<td>Mexico</td>
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What is needed to improve performance

• Policies to encourage resource investment
  – Sound economic and legal framework
• Policies to encourage social cohesion and investment security
  – Transparency and equitable use of rents
• Policies to foster effective use of resource revenues
  – Clear understanding of development priorities
  – Effective planning and implementation
  – Focus on development needs not consumption
Mining’s contribution to NSW

• A substantial contribution (2008):
  – Largest export industry: 39% of total
  – Total value of production: $14 Bn (70% from coal)
  – Royalities: $ 574 Mn (Coal 86%)

• A diverse industry in type and location
  – 60 coal mines (31 open cut)
  – 12 major metalliferous mines
  – 11 major industrial minerals quarries
Implications for planners

Planners more effective

- Aware of global structure and influences
  - Change is a constant
  - International competition is intense and growing
  - Financial robustness of mines varies

- Best deals
  - Recognise above
  - Based on changing profitability over mines lives

- Regional plans
  - Flexible about future resource use
Tools for planners

• Good practice materials
  – Biodiversity (IUCN)
  – Emergency response (UNEP)
  – Community and economic development (World Bank and UN)
  – Mine closure and financial assurance
  – Materials stewardship
  – Health and environmental risks of metals
  – Indigenous peoples
  – Resolving local concerns and grievances
Thankyou.