Australian Government
Department of Industry and Science

Industry Growth Centres and the METS Sector

Elizabeth Lewis-Gray
Chair
METS Growth Centre

April 2015

Building on Australia’s competitive strengths

- A sectoral approach to industry policy is not about picking winners or protecting industries
- Targeted and strategic investment, prioritising limited government resources to remove impediments in areas of Australia’s competitive strengths
- Sectors where Australia either enjoys a comparative advantage, is currently internationally competitive, or is likely to have an opportunity to exploit favourable global market developments or has a significant impact on the Australian economy within the Industry Portfolio are:
  - Food and Agribusiness
  - Mining Equipment, Technology and Services
  - Medical Technologies and Pharmaceuticals
  - Advanced Manufacturing
  - Oil, Gas and Energy Resources

The five growth sectors

Overview

Food and agribusiness

Mining equipment, technology and services

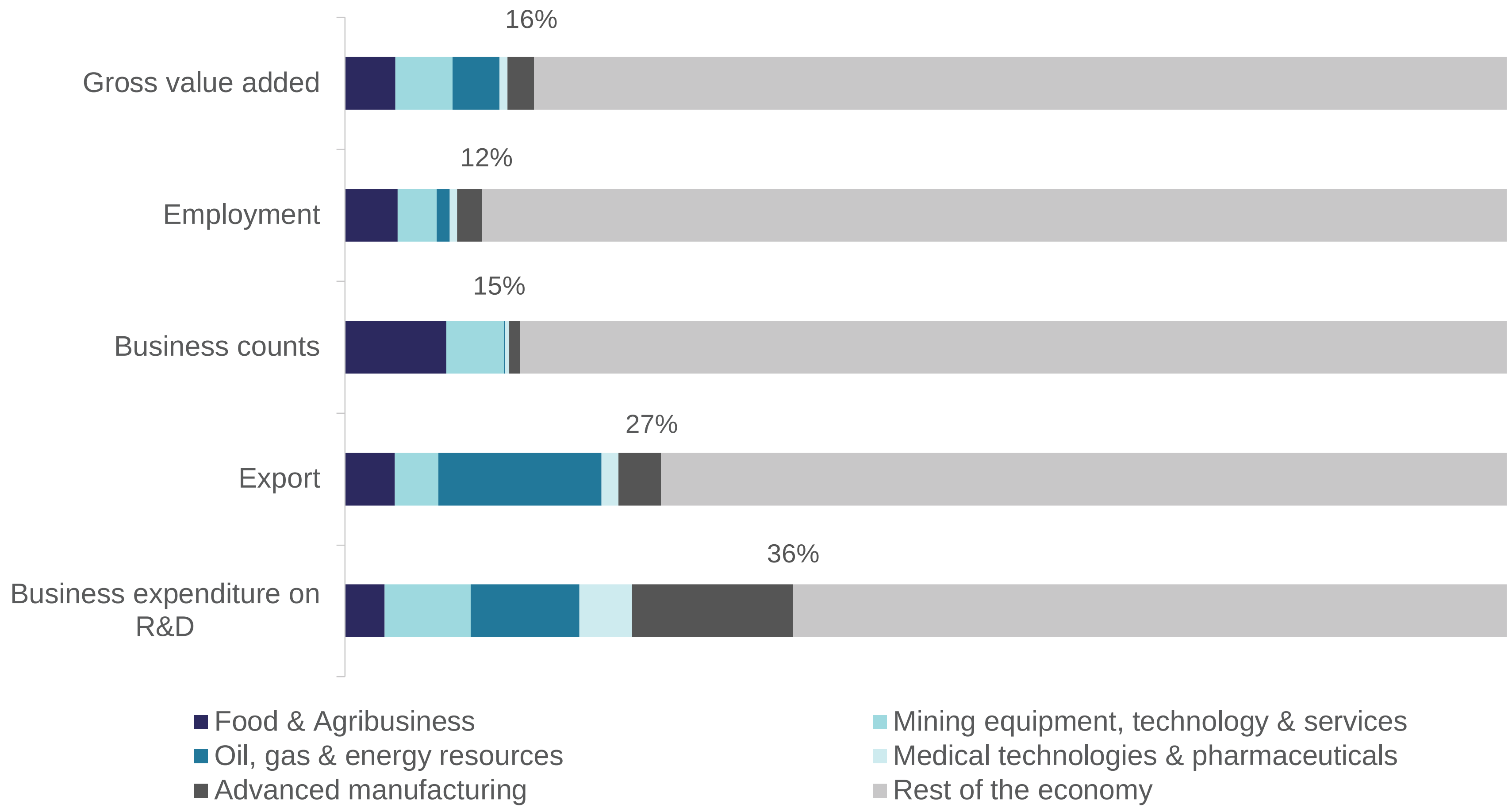
Oil, gas and energy resources

Medical technologies and pharmaceuticals

Advanced manufacturing

The five growth sectors

Play a large role in the economy



Source: ABS releases for 2011-12 to 2013-14

Five growth sectors

	Food & Agri.	Mining equip.	Oil, gas & energy	Medical tech.	Advanced mfg
GVA ($b)	58.3	65.4	53.9	9.3	30.6
GVA growth	0.9%	6.3%	7.3%	2.0%	1.1%
Employment (‘000)	526.6	385.6	128.3	71.1	250.2
Employment growth	–1.4%	4.8%	9.5%	0.4%	–0.4%
Labour productivity (GVA / hr worked)	57.5	87.3	203.2	72.2	66.5
Labour productivity Growth	2.9%	1.5%	–1.9%	2.0%	2.2%
Export ($b)	13.2	11.4	43.0	4.4	11.2
Firm count	181,712	104,287	2,111	19,203	6,709

Mining equipment, technology and services

Have grown strongly

	2013–14	Average growth (5 yrs)	Deviation from national average (ppt)
Gross value added ($b)	65.4	6.3%	3.6
Employment (‘000)	385.6	4.8%	3.5
Labour productivity ($/hr worked)	87.3	1.5%	–0.4
Export* ($b)	11.4	N/A	N/A
Firm count#	104,287	N/A	N/A

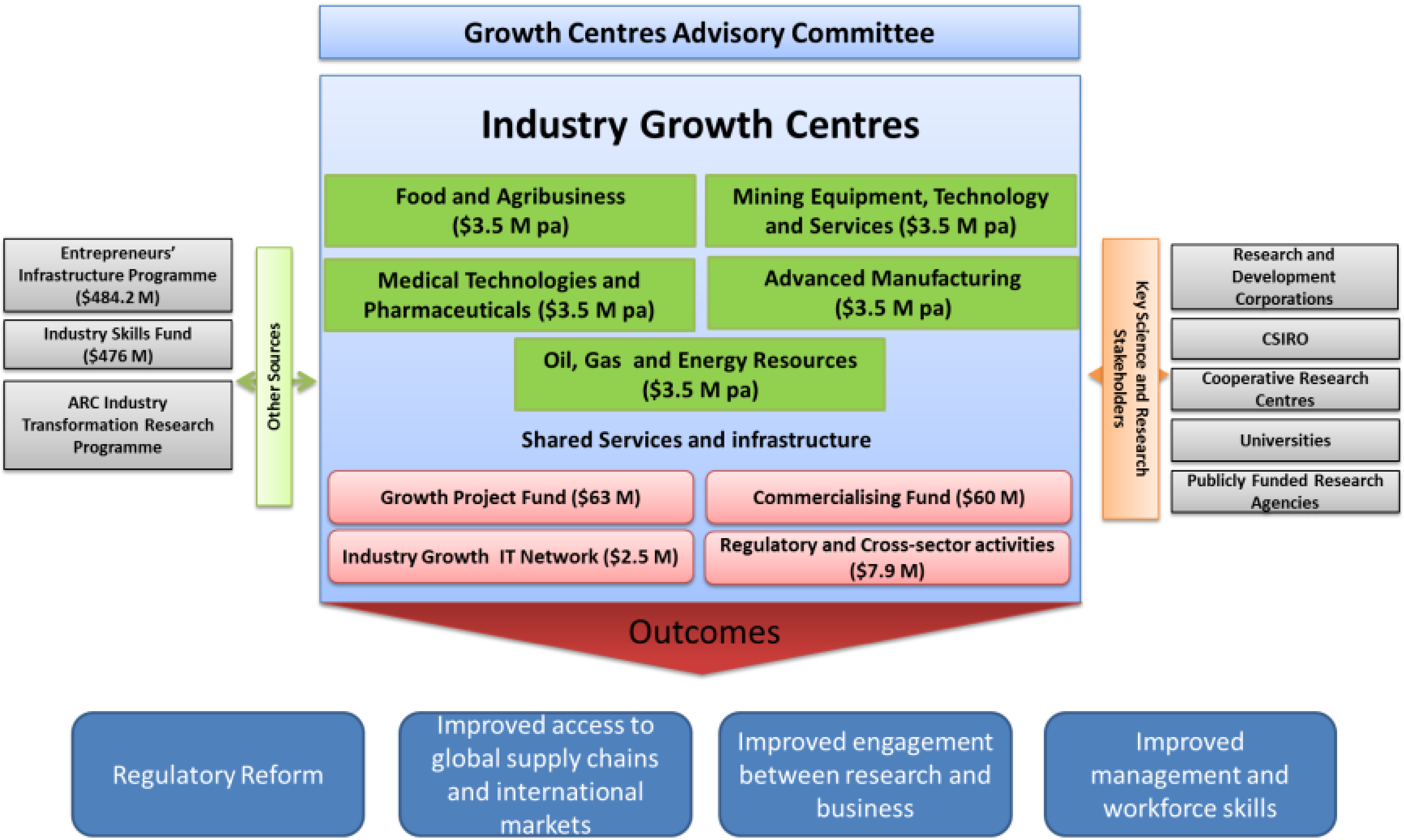
*2012-13 data, # As at June 2013

This sector is the largest in output across the five sectors

The sector benefited from strong investment in Mining

Access to new international markets will be crucial to sustainable growth of the sector

Industry Growth Centres Overview



Strategic objectives

Each Growth Centre will set a long-term strategy for their sector and deliver activities, under a Sector Competitiveness Plan, addressing four themes:

- Identify regulations that are unnecessary or overburden-some for the key growth sectors and impede their ability to grow, and suggest possible reforms
- Improve engagement between research and industry, and within industry, to achieve stronger coordination and collaboration of research and stronger commercialisation outcomes in the key growth sectors
- Improve capability of the key growth sectors to engage with international markets and access global supply chains
- Improve management and workforce skills of key growth sectors

The Initiative will also facilitate connections between key growth sectors and enabling capabilities and services, such as information and communication technology.

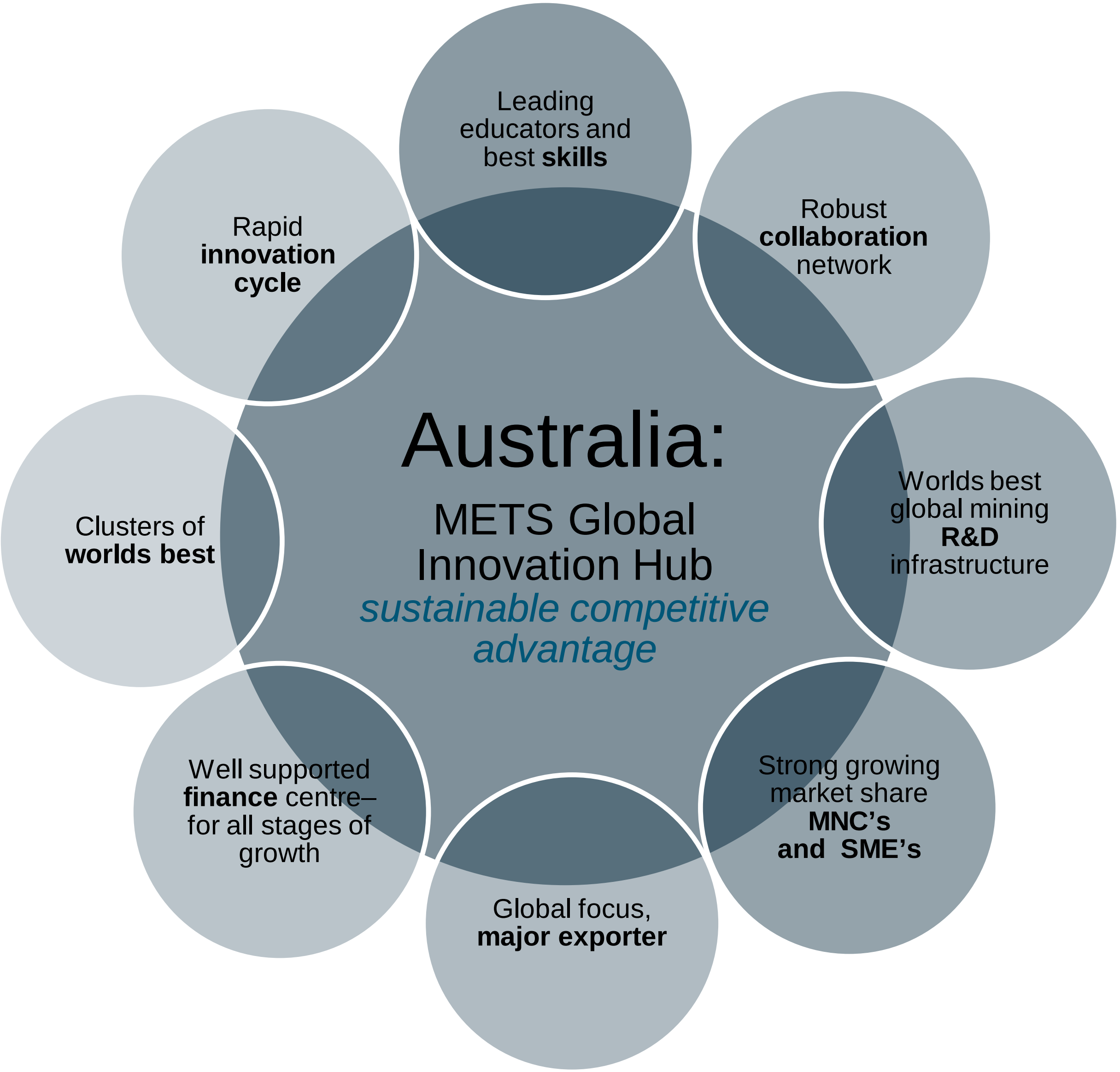
METS Industry Growth Centre

Set up and implementation

Australian METS

Innovation and opportunity

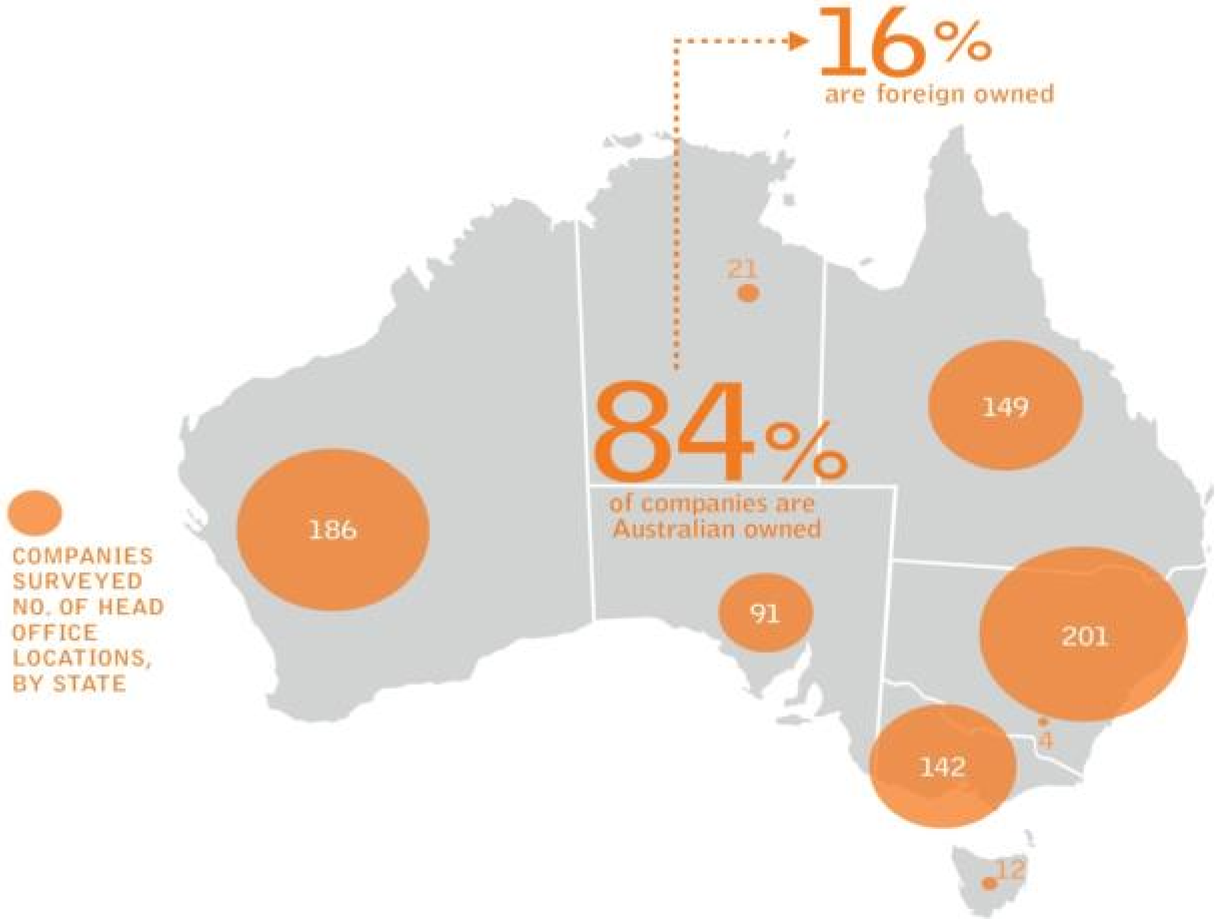
Vision



Leading educators and best **skills**
Robust **collaboration** network
Rapid **innovation cycle**
Australia:
METS Global Innovation Hub
sustainable competitive advantage
Worlds best global mining **R&D** infrastructure
Clusters of **worlds best**
Well supported **finance** centre– for all stages of growth
Strong growing market share **MNC's and SME's**
Global focus, **major exporter**

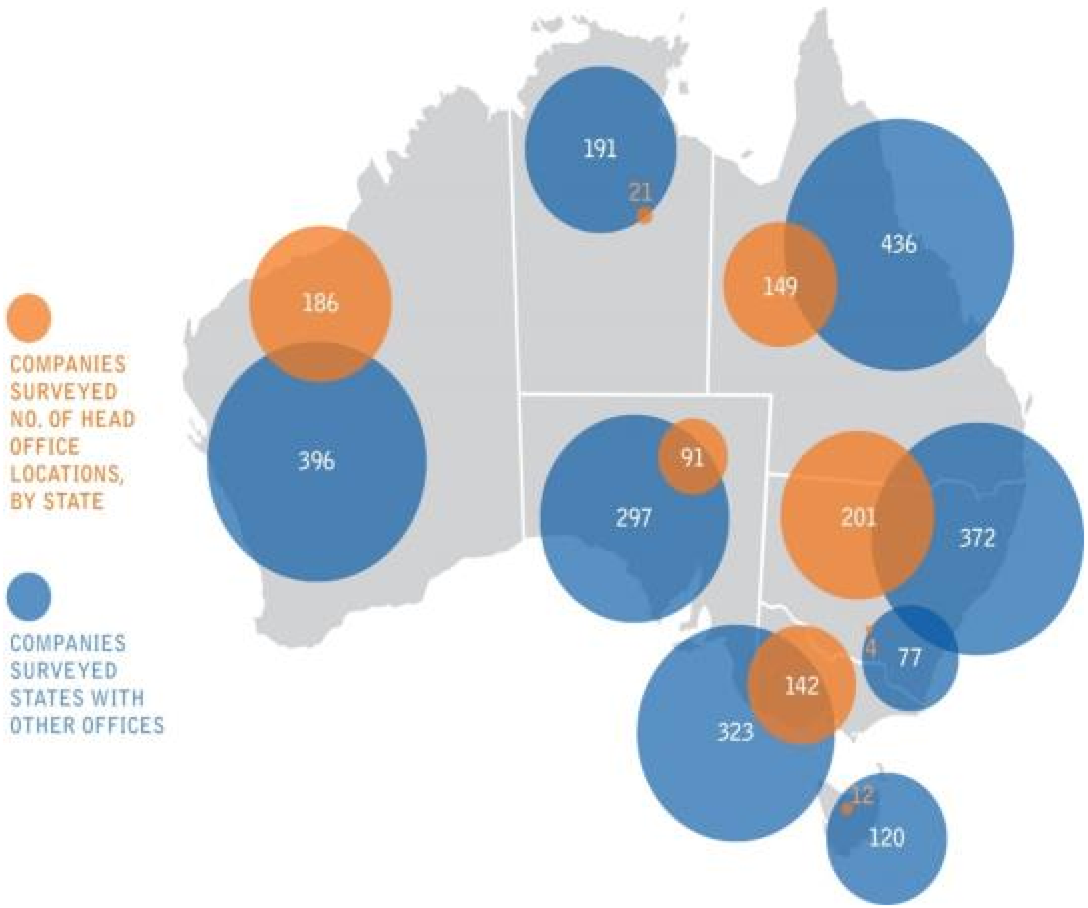
METS companies

National reach : 84% Australian owned



METS companies

National footprint



METS sector gross revenue

Significant contributor to the economy (fy12)

State	Gross Revenue	%
WA	$23.18 b	26
NSW/ACT	$22.79 b	25
QLD	$21.22 b	24
VIC/TAS	$16.73 b	19
SA/NT	$1.62 b	2
Unaccounted	$4.39 b	4
Total	$89.9 b	100

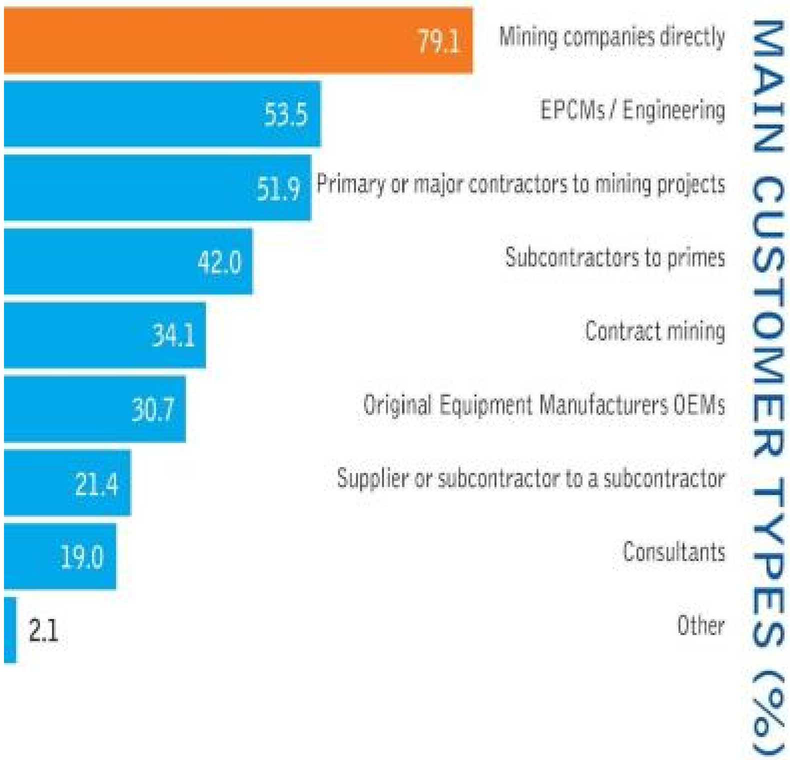
3% Aust GVA

METS development

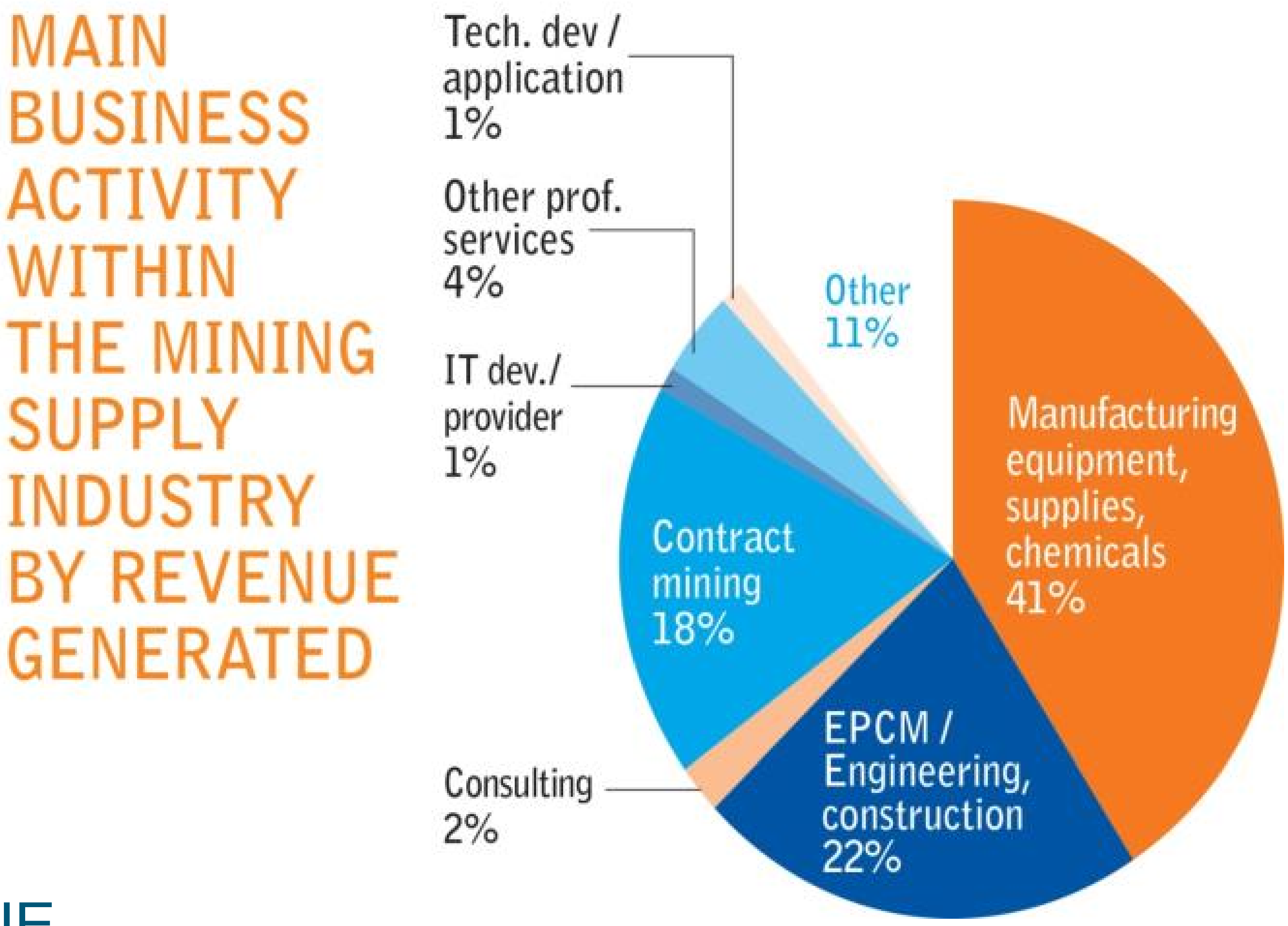
Investing in the future

METS competitive advantage

Customer focused and collaborative



METS companies by activity
Manufacturing and goods supply 41%



BY VALUE

Some of Australia's largest METS

Company	2013 Total Income Global	2014 Total Income Global	**2014 Mining division income**	Total no. Employees Global 2014	Country
Leighton Holdings	A$24.4B	A$24B	**A$4B** **Contract mining only**	52,000	AUS
Downer EDi	A$9.1B	A$7.7B	**A$2B**	3,500 Downer mining	AUS
ORICA	A$6.8B	A$6.8B	**A$5.7B**	14,000	AUS
Monadelphous	A$2.6B	A$2.3B	**A$1.67B** **Engineering construction div**	5,521	AUS
AUSDRILL	A$1.1B	A$826.3M	**A$723M**	4,578	AUS

Scandinavian sectoral leaders

Company	2013 Total Income Global	2014 Total Income Global	**2014 Mining division income**	**Total no. Employees Global 2014**	**Country**	Country Population (2014 estimate)
SANDVIK	A$14.3B	$13.3B	**A$4B**	**44,545**	**Sweden**	9.5 million
Atlas Copco	A$13.8B	A$14B	**A$3.9B**	**40,241**	**Sweden**	9.5 million
metso	A$5.7B	A$5.1B	**A$3.7B**	**15,644**	**Norway**	5 million
FLSmidth	A$5.4 bn	A$3.9B	**A$1.8 bn**	**14,765**	**Denmar k**	5.6 million
Outotec	A$2.8 bn	A$1.9B	**A$921M**	**4,571**	**Finland**	5.4 million

METS international footprint

Significant exporter

55%

CURRENTLY EXPORT PRODUCTS, SERVICES OR TECHNOLOGY

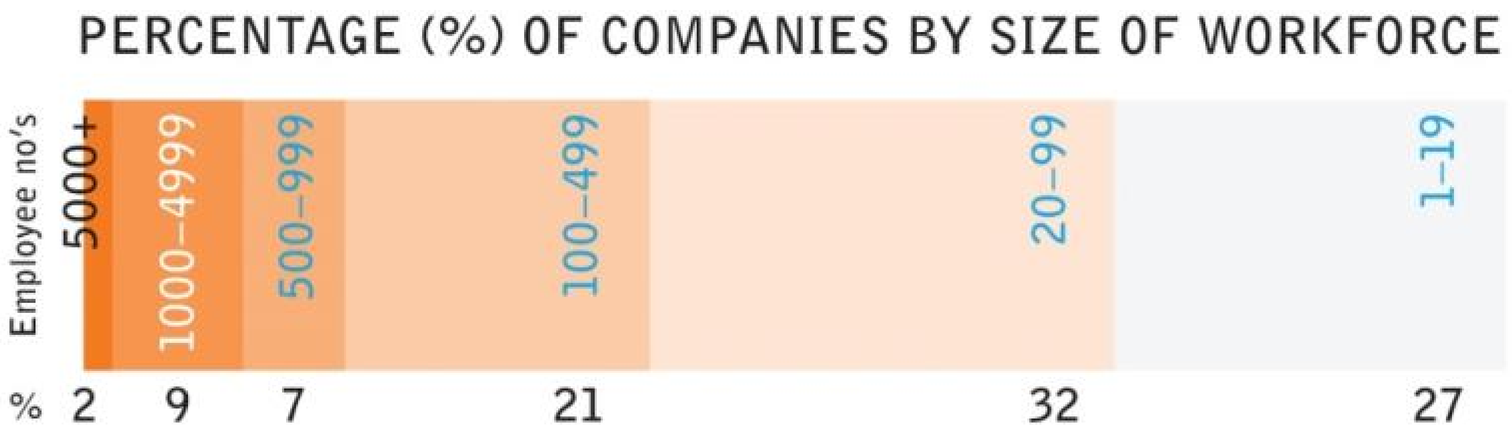
$15 bn

METS EXPORTS ESTIMATE

METS workforce

Significant employer

386,000 employees in Australia

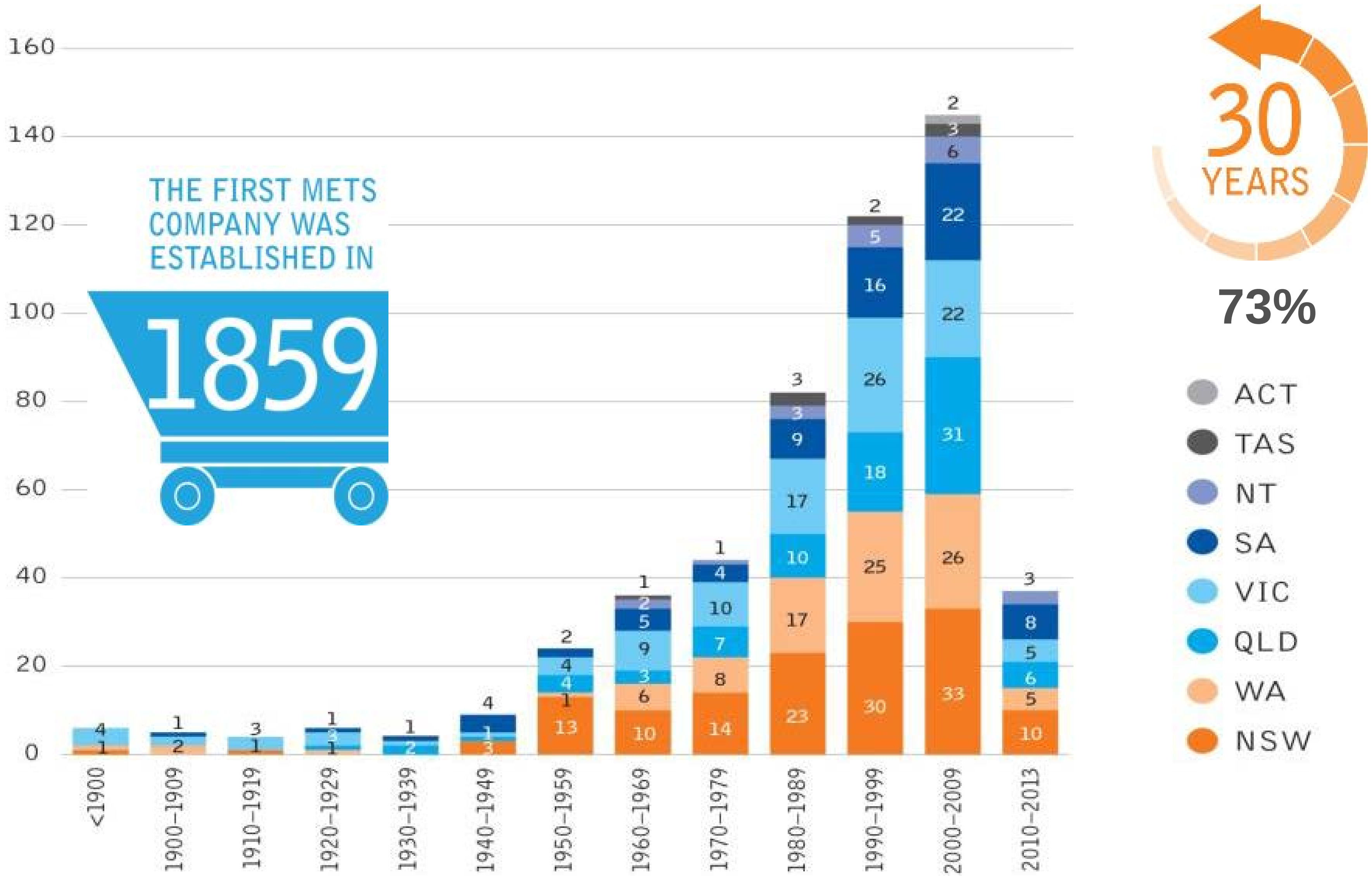


2% unknown

Represents employees of all METS related companies

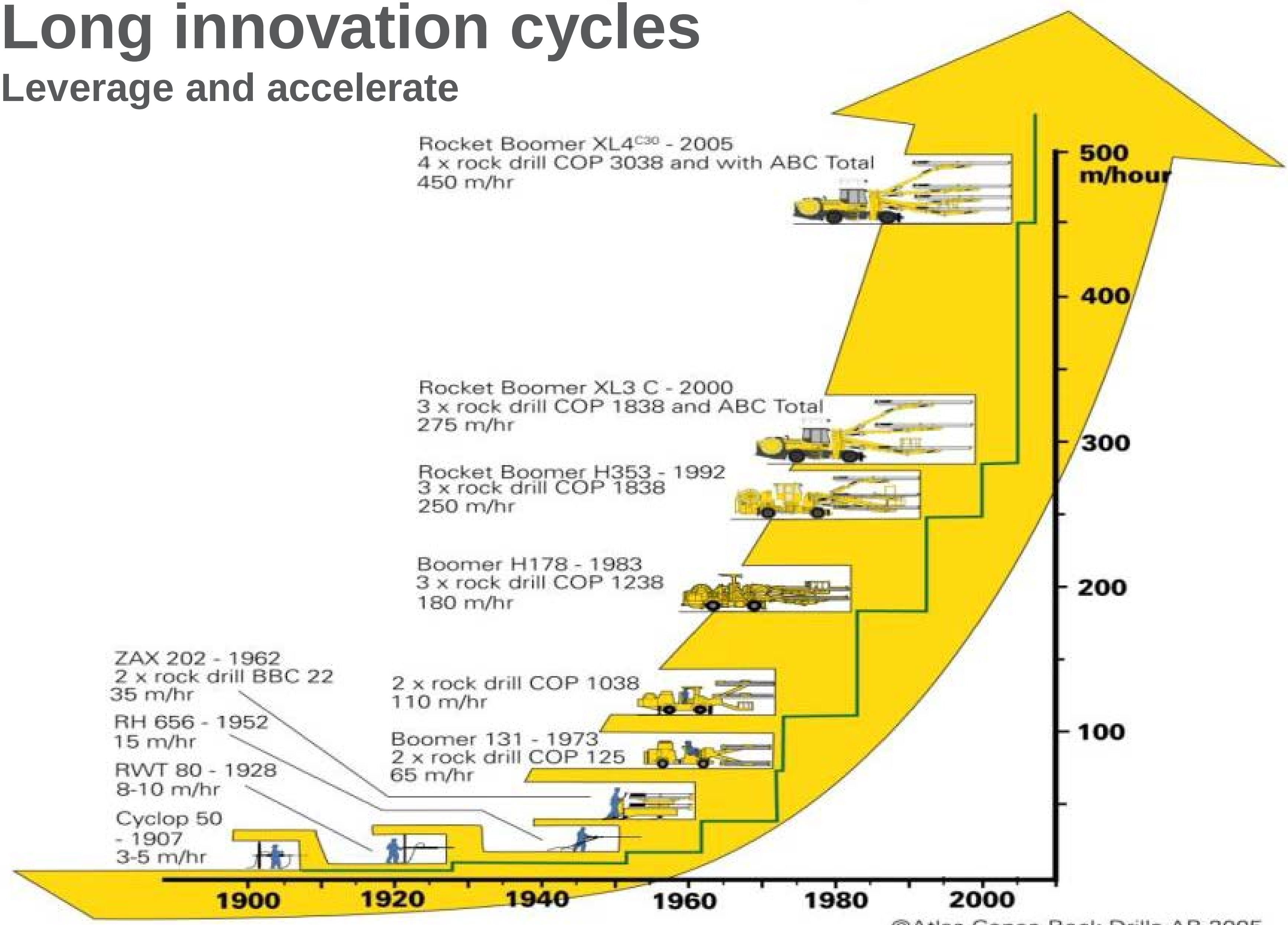
Years METS companies established

By state



Long innovation cycles

Leverage and accelerate



Challenges for sustainable growth

Find high quality resources

Win license to operate

Mine & refine efficiently

Mineral resources
- Deeper
- More remote
- Lower grades
- More complex

Environmental resources
- Water scarcity
- Energy costs
- Fragile ecosystems
- More waste

Human resources
- Ageing workforce
- Skill shortages
- Hazardous workplaces
- Technical complexity

Social & corporate resources
- Accountability
- Community development
- Sovereign risk
- Scrutiny
- Slow development cycle

Increasing…
- Costs
- Technical Complexity
- Social & political complexity
- Risk
- Capital requirement

Source: MCA Report , Don Scott- Kemmis 2013

The Australian METS Sector

Key opportunities for step change

- Capital Productivity
- Automation, remote mining
- Big data, knowledge, real time
- Site productivity
- Value added service models
- New “shared outcomes” business models

Four questions

1. How do we improve collaboration between research and industry to achieve commercialisation? (2 groups)
2. How do we improve management/leadership and workforce skills?
3. How do we improve capability to engage internationally, in global supply chains, export?
4. How do we identify unnecessary regulation?

Thank you