



29 May 2017

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Dear Richard

The Ministry of Business, Innovation and Employment's response to questions from the Decision Making Committee.

On 2 March 2017, the Ministry of Business, Innovation and Employment (MBIE) presented its submission a series of question on Trans-Tasman Resources Ltd' application for marine consent. The Decision Making Committee asked several questions which the Ministry would respond to in writing.

This response addresses each of those questions in turn below.

Question 1: How far along is New Zealand in terms of meeting the Business-Growth Agenda target of increasing exports to 40% of GDP?

The latest GDP figures were released on 16 March 2017 and were for the December 2016 quarter. As at December 2016, exports were at 28 per cent of real GDP.¹

The data showed exports of goods and services by volume (i.e in real terms) fell 3.8 per cent in the quarter. However for the full year to December 2016, exports of goods and services grew 1.6 per cent. Even so, real GDP grew at a much faster rate (0.2 per cent in the quarter or 3.9 per cent in annual terms on an expenditure GDP basis) and as a result, the export to GDP ratio has declined.

In contrast, in value terms, exports of goods and services increased 0.9 per cent in the December quarter (reflecting higher export prices) although were flat over the full year. Again, growth in the economy lifted at a faster rate, and so export to GDP ratio in value terms continued to decline.

¹ Stats NZ website.



Question 2: Provide a breakdown on the minerals royalty collection and employment (in terms of numbers of people) trends over the last five years.

Minerals Royalty Collection

Government revenue (NZ\$) from petroleum and mineral royalties and ERLS – 30 June Year						
	16-17 Forecast	15-16	14-15	13-14	12-13	11-12
Royalties – minerals (excluding coal)	11,609,469	11,704,627	7,492,152	8,207,110	7,741,151	10,789,115
Royalties – coal	1,469,622	1,470,484	2,051,278	2,066,570	1,250,300	2,756,508
Total royalties – minerals	13,079,091	13,175,111	9,543,430	10,273,680	8,991,450	13,545,623

Employment in Minerals Sector

As at 31 December 2016, the New Zealand mining industry, which includes both petroleum and minerals mining, employed 5093 people.² Of this, the minerals sector employed 3501.³ A further 720 people were employed in mining support services.

Over the last five years, employment trends within the minerals sector have been varied. For example, employment in gold ore mining has decreased by about 10 per cent each year since 2013, while employment in gravel and sand quarrying has increased by about 5 per cent each year since 2012. However in terms of employment in the minerals sector overall, employment levels have been decreasing. Employment numbers in the minerals sector have declined from 4,664 employees in 2012, to 3,501 in 2016. This has been largely due to significant decreases in employment in the coal mining industry.

² Data received upon request from Stats NZ.

³ This figure is made up of the following industry categories; coal mining, iron ore mining, gold ore mining, mineral sand mining, other metal ore mining, gravel and sand quarrying, other construction material mining, other non-metallic mineral mining and quarrying, mineral exploration.



Number of employees in various parts of the mining sector					
	2012	2013	2014	2015	2016
Coal mining	1950	1600	1250	1150	820
Iron ore mining	120	160	170	220	230
Gold ore mining	1300	1300	1150	1100	990
Mineral sand mining	3	3	3	6	6
Other metal ore mining	21	9	12	12	15
Gravel and sand quarrying	340	360	380	460	470
Other construction material mining	680	660	650	670	750
Other non-metallic mineral mining and quarrying	120	120	180	140	180
Mineral exploration	130	75	95	40	40
Total Employment	4664	4287	3890	3798	3501

Question 3: Provide information on the range of salaries in the minerals sector.

Surveyor \$40k - \$80k

Miner/Quarry Worker \$60k - \$80k

Geologist \$55k - \$130k

Mining Engineer \$70k - \$140k

Mine/Quarry Manager \$100k - \$210k

Note this information relates to the wider mining industry and includes both the petroleum and minerals sectors. Minerals specific salary ranges were not available.⁴

⁴ Careers New Zealand website.



Question 4: What is the current iron ore spot price, and what has the trend been over the last ten years?

The current iron ore spot price (as at 11 April 2017) is US\$74.71 per tonne after declining over eight per cent in a week. However iron ore prices are still up by 38 per cent from last year due to increased Chinese steel production.⁵

Global iron ore demand is dominated by steel production in China with Australian and Brazilian companies occupying the vast majority market share for Chinese iron ore imports. Iron ore imports into China totalled approximately one billion tonnes in 2016.

Iron sands prices have been affected by the large volume of higher-grade iron ore available on the market. In order to remain competitive, iron sands have been subjected to benchmark price discounts, reducing profit margins for producers.

New Zealand iron sands production has steadily increased by 46 per cent over the last eight years from 1.72 million tonnes in 2007 to 3.19 million tonnes in 2015.⁶

Question 5: Information on the economic contribution of mining iron ore since the 1960's.

It is not possible to release information on the royalties received from mining iron ore. The small size of the industry means that specific figures could easily be attributed to the relevant companies. As a result, royalty figures are commercially sensitive.

However, minerals royalties excluding coal are forecast to be \$11,609,469 (NZD) in 2016/2017, of which iron ore contributes. This has been outlined above in question two.

Yours Sincerely

AJ Millward

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Energy and Resources Markets

Ministry of Business, Innovation and Employment

⁵ Figures provided to MBIE by Woodward Partners Limited.

⁶ Figures provided to MBIE by SNL Metals and Marketing.