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MEDIA RELEASE:

REPORT SHOWS BIG OPPORTUNITY BEING MISSED IN REGIONAL ECONOMY WHEN ADOPTING EXTENDED PAYMENT TERMS

Resource Industry Network (RIN) has released a report analyzing the effects on the mining supply chain and demonstrating that the regions will miss out new jobs and other significant flow-on economic benefits from the continuation of extended payment terms, stating the report highlights that there is clearly a widespread positive economic impact to be gained from returning to standard 30-day payment terms.

The report "Economic Analysis of Impacts of Extended Payment Terms", prepared by Lytton Advisory on behalf of RIN, includes data and breakdowns on resulting practices in the industry supply chain such as financing, payment terms, and cashflow impacts, as well as identifying the effects on local businesses and the economy.

The mining services sector is the major contributor to the Mackay economy and the report identifies that reverting to 30-day payment terms could result in hundreds of jobs, \$150m increase in wages, and \$250m in Gross Regional Product when taking into account flow-on impacts during the next five years.

RIN general manager Adrienne Rourke said the report was commissioned to demonstrate that this specific industry practice was a road block to the growth of businesses in the sector, as well as eroding their ability to invest and employ more people.

"The report highlights the significant variance in financial outcomes to two otherwise identical companies when subjected to 30-day versus 60-day payment terms," Ms Rourke said.

"It is an opportunity that is being missed for stronger outcomes for both the resources sector and the METS sector.

"There are also case studies in the report that highlight major operational differences between otherwise identical companies when subjected to varying payment terms."

The consultants also identified that amongst the RIN members interviewed there was a high level of uniformity regarding what constituted fair and reasonable payment terms: 30 days from end of the month. RIN Members also noted that there was no standard approach by large mining companies to extended payment terms with a wide array of arrangements reported.

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“As an advocate for the Resources and METS sector, Resource Industry Network wants to ensure the longevity and sustainability of all businesses and this report provides great insight for businesses, mining houses, government, and stakeholders to consider.”

RIN commissioned this report following a survey of the supply chain carried out with six other regional economic development groups last year which identified that 75% of respondents were affected by extended payment terms to the point where they were scaling back on expansion plans, restocking, employment, technology investment and acquisitions.

The launch of this report is timely given the Parliamentary Inquiry into Mining Industry Support for Regional Businesses.

“We will be using this report to support the submission on behalf of our members to the Parliamentary Inquiry, as it clearly outlines the missed opportunity to regional businesses and our regional economy as a direct result of extended payment terms,” Ms Rourke said.

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Supporting Attachments:

Report Infographic Summary

Download the report at: www.resourceindustrynetwork.org.au

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