

Rio Tinto
GPO Box 153
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Australia

Queensland Productivity Commission
PO Box 12112
George St QLD 4003
Email submission to: www.qpc.qld.gov.au

7 September 2017

Dear Commissioner

Re: MANUFACTURING IN QUEENSLAND INQUIRY

Rio Tinto welcomes the opportunity to make a submission to the Queensland Productivity Commission (*the Commission*) on the Draft Report Manufacturing in Queensland, 20 July 2017 (*the Draft Report*). Nothing in this submission is confidential.

In our submission of 10 January 2017 on the Commission's Issues Paper, we noted that significant increases in Queensland electricity and gas prices, relative to other countries, would further reduce the international competitive advantage of Queensland as a location for manufacturing.

The Draft Report appropriately identifies that our concerns are shared widely amongst Queensland manufacturers. This is particularly important when, as noted by the Chamber of Commerce and Industry Queensland, "*Energy is the most significant input cost for Queensland manufacturing businesses*". As the Draft Report recognises, this has prompted a number of reviews and initiatives, including those of the Queensland Government through the Powering Queensland Plan (detailed in Box 10.2 of the Draft Report). However, the Commission has chosen to engage in only a limited manner with this fundamental issue in the Draft Report and only make a single, high-level recommendation regarding electricity pricing as part of Draft Recommendation 2 "*The Queensland Government should ensure that its energy policies and regulation promote the long-term interest of consumers and efficient energy prices. This includes avoiding policy or regulatory changes that impede the efficiency of the electricity market and place further pressure on energy prices*".

The limited engagement with this critical issue is disappointing and is something that should be corrected before the Draft Report is finalised. We believe there is a role for the Commission, as an independent entity, to advise on the extent to which the manufacturing sector is already being damaged by high prices and inefficiencies in the electricity and gas industry and the extent to which the initiatives announced and being considered are likely to be effective in supporting the sustainability of Queensland manufacturing. We believe the Commission is well placed to do this, particularly given the depth of analysis and information available to it from its 2016 inquiry into Electricity Pricing and the ability to compare its conclusions and recommendations from 2016 to both subsequent events and those of more recent reviews.

Queensland is rich in both thermal and renewable energy resources and, with the rapid advancement of technology, the opportunity is there with the right policy context for Queensland's energy endowment to once again be a source of competitive advantage for

Queensland manufacturers. We are confident Queensland manufacturing can rise to meet the future challenges outlined in the Draft Report provided the playing field on which it competes globally is not tilted by uncompetitive energy pricing.

If you have any questions regarding this submission please contact Lesley Silverwood at lesley.silverwood@pacificaluminium.com.au.

Yours sincerely

A handwritten signature in blue ink that reads "Bruce Cox". The signature is written in a cursive style with a large initial 'B'.

Bruce Cox

Managing Director, Rio Tinto Aluminium – Pacific Operations