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Mining Boom Makes Truck Tires Pricier Than Porsches, Condominiums in Miami

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[China](#)'s insatiable demand for commodities has prompted a tripling in the price of mining truck tires, making them more expensive than a [Porsche 911 Carrera S type](#) or a condominium in Miami.

Prices for tires about 3.5 meters (11 feet) across, used on the Caterpillar Inc. [trucks](#) that haul [iron ore](#) and coal, have touched \$100,000 on the [spot market](#), according to [Leighton Holdings Ltd. \(LEI\)](#), a contractor for mining companies including [BHP Billiton Ltd. \(BHP\)](#) and Anglo American Ltd. Prices rose as high as \$150,000 in 2008.

That compares with contract prices of about \$30,000, according to [Roesler Tyre Innovators GmbH](#), which retreads so-called off-the-road tires. Demand from China, the world's biggest metals buyer, drove copper, iron ore, gold and coal to records this year, forcing companies to compete for the equipment and labor needed to mine them.

"We fear the situation will become as tight as in 2007," Paul Roesler, managing partner of Dortmund-based [Tyre Innovators](#), said by phone from the company's Perth office, citing Michelin & Cie and Bridgestone Corp. as major suppliers. "We see tight tire supply and high prices become a challenge for mining companies again but we think that the large players have prepared for this and have better contracts with suppliers and have improved stock."

'Just Exploding'

Demand for mining tires is "just exploding," according to [Titan International Inc. \(TWI\)](#) Manufacturers are reporting full order books for off-the-road tires for the next 18 months and alerting customers to the risk of shortages this year, according to Global Markets Perspectives Ltd.

"Where we need to expand rapidly or where we have a new project, then we have to source tires on the spot market like everyone else," said Christian Sealey, a

spokesman at Sydney-based Leighton, Australia's biggest builder, in a telephone interview. "In those situations we're finding some inflation."

The last time tire prices surged was during the mining boom before the global financial crisis. [Barrick Gold Corp. \(ABX\)](#), the world's largest gold producer, said in January 2008 that it paid as much as \$60,000 a tire for its largest vehicles, while some sold for as much as \$300,000 in Internet auctions. The tire drought left companies such as [De Beers](#), the world's biggest diamond producer, unable at times to use new trucks.

The [Porsche 911](#), including tires, costs \$91,450, the carmaker says on its U.S. web site, while the median price in the first quarter of a previously owned condo in Miami-Fort Lauderdale was \$79,200, according to the National Association of Realtors.

Market Tightening

"There seems to be a tightening of the market," [Lyndon Fagan](#), an analyst at Royal Bank of Scotland Group Plc, said by phone Sydney. "There are comments there'll be a wait for tires."

In Australia, the world's biggest exporter of iron ore, coal and alumina, there are a record A\$174 billion (\$183 billion) of minerals and energy projects at an advanced stage of development, according to government forecasts last month. Rio Tinto Group, the No. 2 exporter of iron ore, is planning a \$14.8 billion expansion to double output in Western [Australia's](#) Pilbara region to 333 million metric tons by 2015.

Rio is prepared, said Gervase Greene, a Perth-based spokesman for the company. "We have appropriate arrangements with long-term suppliers to ensure that these price movements don't affect us."

The price of tires used in Australia by Newmont Mining Ltd., partner in the nation's biggest open-cut gold mine, increased 4 percent this year, though this was offset by a stronger local currency, said Brian Watt, a company spokesman.

"Smaller players and mining contractors will find it difficult to meet their demand because they don't tend to have longstanding supply contracts," said Tyre Innovators' Roesler.

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