



The Australia Institute is an independent research organization based in Canberra. It conducts research on a wide range of economic, social and environmental issues in order to inform the public debate and bring greater accountability to the democratic process.

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For more details see <https://www.tai.org.au/node/1>

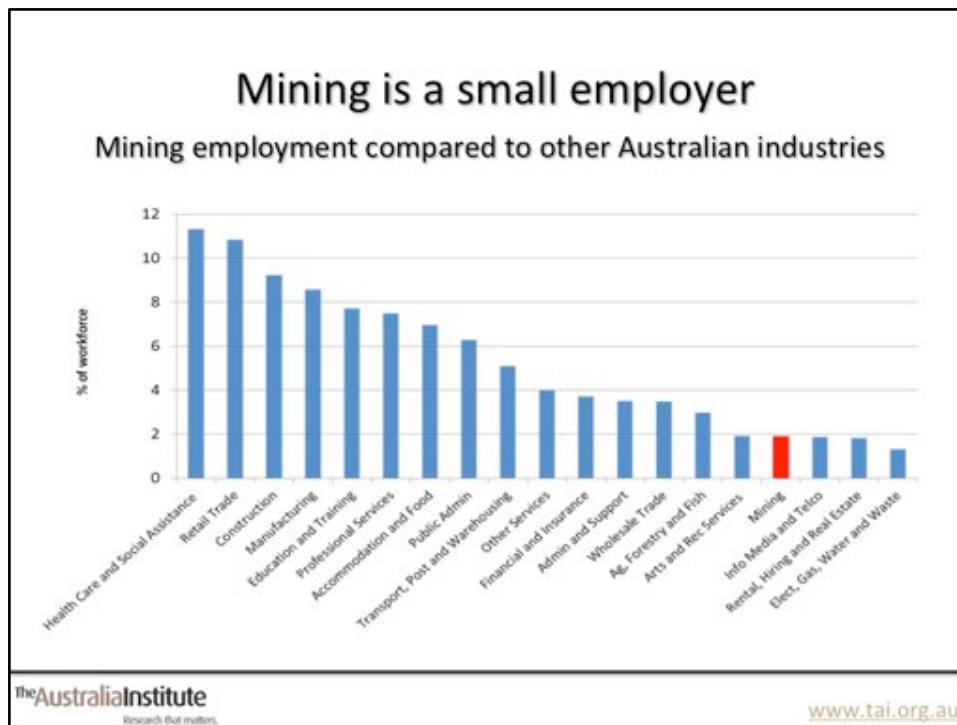
Recent Australia Institute research on mining issues

- **Mining the truth:** The rhetoric and reality of the commodities boom
- **An analysis of the economic impacts of Arrow Energy's Gladstone LNG Plant**
- **Pouring Fuel on the Fire:** The nature and extent of Federal Government subsidies to the mining industry
- **Measuring Fugitive Emissions:** Is coal seam gas a viable bridging fuel?
- **CSG economic modelling:** On the alleged benefits of the Santos coal seam gas project in North West NSW
- **Job creator or job destroyer?** An analysis of the mining boom in Queensland
- **Too much of a good thing?** The macroeconomic case for slowing down the mining boom
- **James Price Point:** An economic analysis of the Browse LNG project
- **An analysis of the economic impacts of the China First mine**
- **Beating around the bush:** The impact of the mining boom on rural exports
- **Still beating around the bush:** Continuing impacts of the mining boom on rural exports

An important stream of our research is the impact of mining on other industries in the Australian economy. This is a list of recent Australia Institute papers on this issue.

These reports are all available for free download on the Australia Institute website: www.tai.org.au

Part 1. Key facts about the mining industry



Mining employs 263,500 people, which is around 2% of the Australian workforce.
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Feb%202013?OpenDocument>

The coal industry employs around 55,000 workers, which is less than half of 1% of the Australian workforce.

<http://www.australiancoal.com.au/employment.html>

The oil and gas industry employs 24,700 people, which is less than one third of 1% of the Australian workforce.

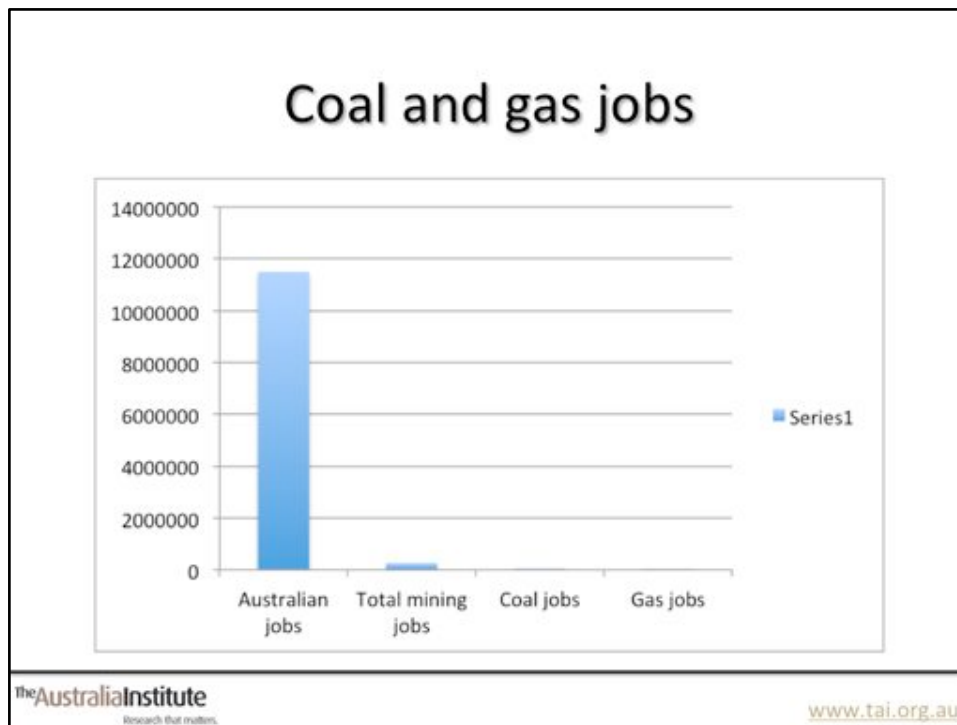
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003May%202013?OpenDocument>

The mining industry often argues that although it is a relatively small direct employer, it creates “**indirect jobs**”, and often multiplies the amount of people it employs by a “jobs multiplier” of around 3 to estimate this. However all industries create “indirect jobs”, and if all other other industries in Australia counted the jobs they created in the same way, there would be 30 million jobs in Australia which is clearly absurd.

Graph from “Mining the Truth”, Richardson and Denniss, 2011, p. 16

<https://www.tai.org.au/?q=node/384>

Source: ABS 2011j. Labour force, Australia, Detailed, Quarterly, May 2011. Cat no



This graph compares jobs in the mining industry, and the coal and gas industries to Australia's total workforce.

References:

- Total Australian employment July 2013, 11.659 million <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Feb%202013?OpenDocument>
- Total mining employment; 263,500 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Feb%202013?OpenDocument>
- The coal industry employs around 55,000 workers, which is less than half of 1% of the Australian workforce <http://www.australiancoal.com.au/employment.html>
- The oil and gas industry employs 24,700 people, which is less than one third of 1% of the Australian workforce. <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003May%202013?OpenDocument>

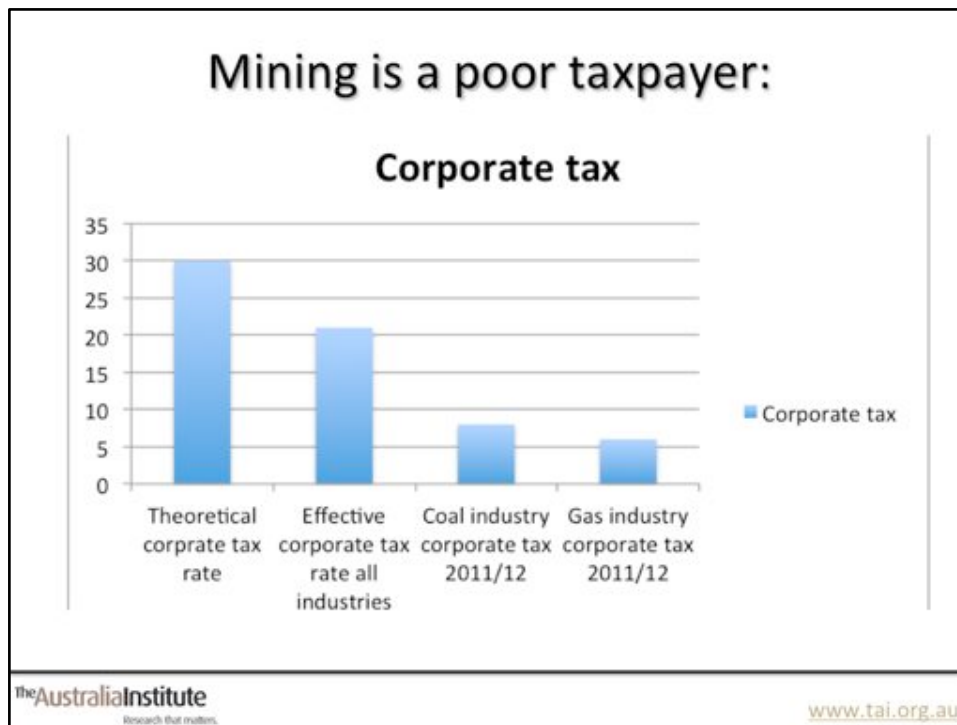


The mining industry in Australia is 83% foreign owned.

Graph from "Mining the Truth", Richardson and Denniss, 2011, p. 17

<https://www.tai.org.au/?q=node/384>

Source: Rio Tinto



This graph compares the rate of corporate tax paid by the coal and gas industries in 2010/11, compared to the theoretical corporate tax rate of 30% and the average rate paid by all companies operating in Australia.

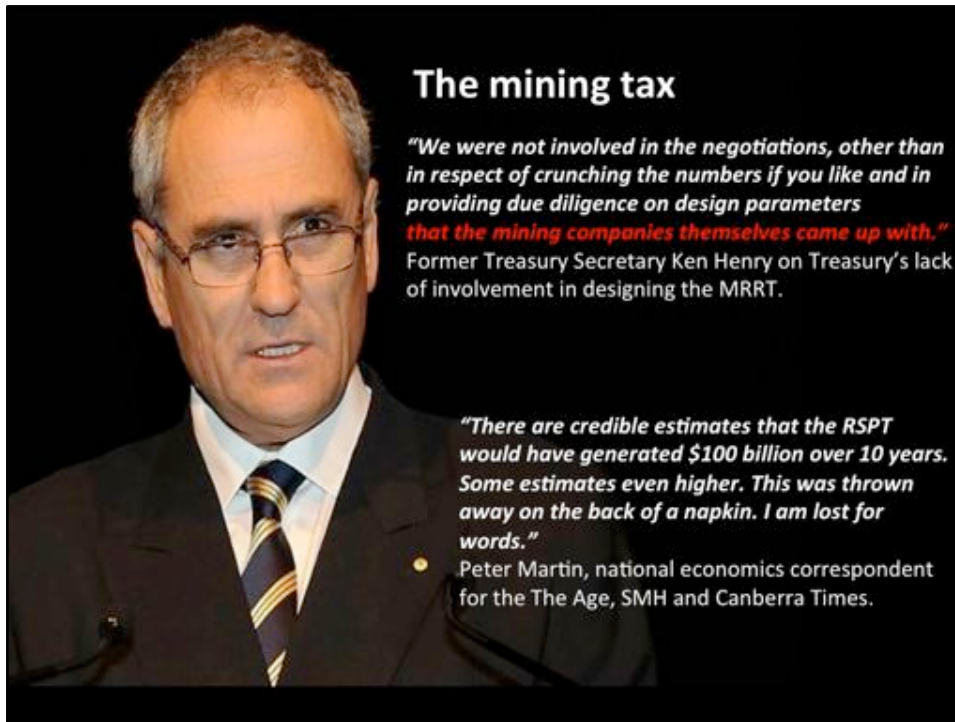
The coal industry had an operating profit before tax in 2010/11 of \$16.26 billion, and paid \$1.29 billion dollars in tax, meaning that it paid an effective corporate tax rate of just 8%.

The oil and gas industry had an operating profit before tax in 2010/11 of \$20.19 billion, and paid \$1.27 billion dollars in tax, meaning that it paid an effective corporate tax rate of just 6%.

All companies pay less than the theoretical corporate tax rate of 30% because they are able to claim tax exemptions, but the coal and oil and gas industries fare far better than many other industries in this regard. The average for all other industries is 21%.

References

ABS Operating profits before tax ,2010/11
ATO, Net company tax 2010/11



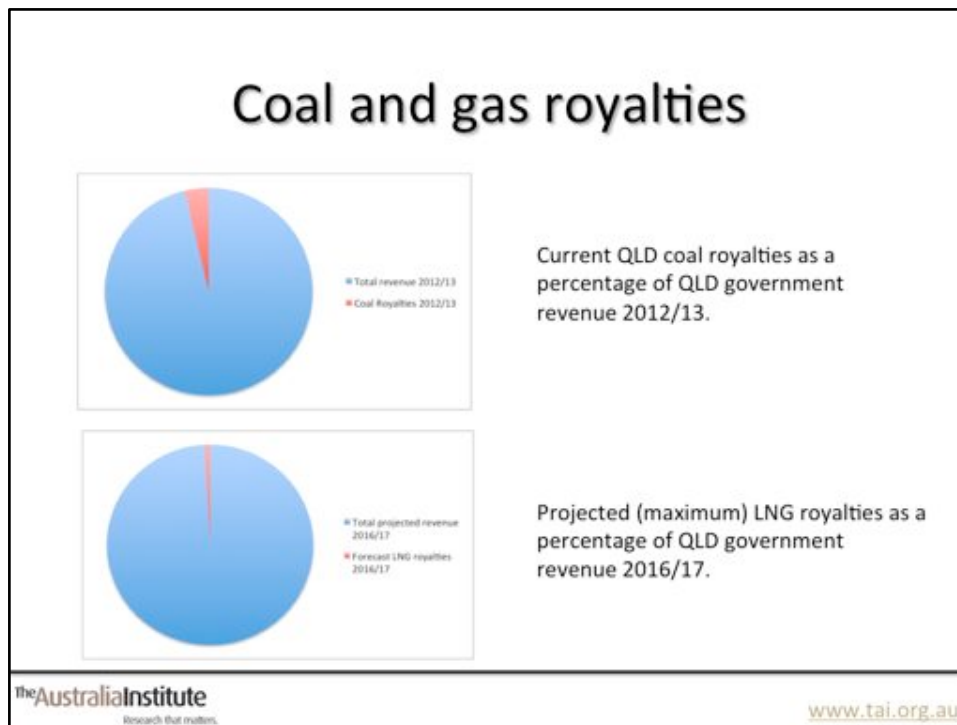
Resource Rent Taxes

The coal and gas industries also pay resource rent taxes. These are taxes designed to ensure that the Australian people gain a reasonable benefit from the once off exploitation of their non-renewable and are only only paid when projects are very profitable.

They is no reason for mining companies to pay less corporate tax as a result of paying these resource rent taxes.

The Mining Resource Rent Tax was actually designed by the three largest (and foreign owned) mining companies operating in Australia, Rio Tinto, Xstrata and BHP Billiton (yes, BHP Billiton is majority foreign owned). It is not the usual practice for taxpayers to write laws on how much tax they will pay, so it is not surprising that the the MRRT has to date raised very little tax revenue, and these companies have actually accumulated credits that will reduce their future liabilities.

The Petroleum Resource Rent Tax (PRRT) paid by the oil and gas industry is more successful in raising revenue than the MRRT, however while it adds a further 8% tax on oil and gas industry profits, the combined contribution of corporate tax and PRRT are still around 14%, well below the average effective corporate tax rate of other industries.



State Government Royalties

The mining industry often combines its corporate tax rate with royalties in order to argue that it is highly taxed. However mining is treated differently to other industries in this regard. Royalties are the cost of raw materials, no different than when a restaurant buys food to sell or a builder buys bricks. These industries don't count their raw material costs as tax.

It is important to remember that the natural resources that the mining industry profits from are owned by Australian citizens. If they didn't pay royalties they would be getting resources that belong to all Australians for free.

In fact royalties are considered a business expense that are actually tax deductible against their corporate tax.

References;

QLD coal royalties 2013/14: \$1.743 billion

QLD Budget papers 2012/13 Revenue statement Table 3.17 p.72

<http://www.budget.qld.gov.au/budget-papers/2013-14/bp2-3-2013-14.pdf> Table accessed 20/8/13
Revenue \$44,677 billion table 3.1 p48

Projected total Revenue QLD 2016/17; \$52.20 billion

<http://www.budget.qld.gov.au/budget-papers/2013-14/bp2-3-2013-14.pdf> Table accessed 20/8/13
see table 3.1

Projected LNG royalties 2016/17; \$450 billion

http://www.afr.com/p/national/qld_increases_taxes_as_royalties_wlkbI9NjHxJs4j7gcycE7M

Mining is highly subsidised

Federal taxpayer subsidies to the mining industry

Table 1 – Federal government subsidies to the mining industry

Subsidy	Year	Source	(\$ million)
Fuel tax credits – mining	2011-12	Taxation statistics 2010-11 (p121)	2,349
Deduction for capital works expenditure	2012-13	Tax Expenditures Statement 2012 B93 (p110) ⁵	495
Exploration and prospecting deduction	2012-13	Tax Expenditures Statement 2012 B90 (p108)	550
Statutory effective life caps	2012-13	Tax Expenditures Statement 2012 B91 (p109) ⁶	400.5
Capital expenditure deduction for mining, quarrying and petroleum operations	2012-13	Tax Expenditures Statement 2012 B88 (p107)	2
Coal Sector Jobs Package	2011-12	Trade and Assistance Review 2011-12	218.8
R&D tax concessions	2011-12	Trade and Assistance Review 2011-12	370.8
Various budget outlays to mining	2011-12	Trade and Assistance Review 2011-12	110.8
Total			4,496.9

Mining receives more subsidies from Australian taxpayers than any other industry.

Table from “Pouring more Fuel on the Fire” Grudnoff, 2013.

<https://www.tai.org.au/index.php?q=node%2F19&pubid=1178&act=display>

Primary sources are listed in the table.

NB: The subsidies listed in the table on the slide include only federal sources and **do not include:**

- **Subsidies from state governments** (particularly subsidies to road, rail and port infrastructure). See: <http://www.couriermail.com.au/business/coal-and-gas-paid-7b-in-subsidies/story-fn7kjcme-1226301312395>
- **Infrastructure costs incurred by local government.** See: Local Government Association of Queensland (LGAQ), *Scoping Study: impact of fly-in fly-out/drive-in drive-out work practices on local government*, May 2012, p. 10, see: http://www.ancelg.org.au/upload/program5/1336624408_ACELG_Scoping_Study_FIFO_May_2012.pdf

5. Mining did not save us from the GFC

“In the first six months of 2009, in the immediate aftermath of the shock waves occasioned by the collapse of Lehman Brothers, the Australian mining industry shed 15.2 per cent of its employees.

Had every industry in Australia behaved in the same way, our unemployment rate would have increased from 4.6 per cent to 19 per cent in six months”

- Ken Henry: Former Treasury Secretary, 2001-2011

Source: Maiden, S. “Mining super-profits tax won’t hit cost of living: Ken Henry tells Senate Estimates”, *The Australian*, May 27, 2010: <http://www.theaustralian.com.au/business/in-depth/mining-super-profits-tax-wont-hit-cost-of-living-ken-henry-tells-senate-estimates/story-fn5eo6td-1225871907112>

Part 2. The impact of mining on non-mining industries and jobs



Mining **“crowds out”** other industries or **“hollows out”** the economy.

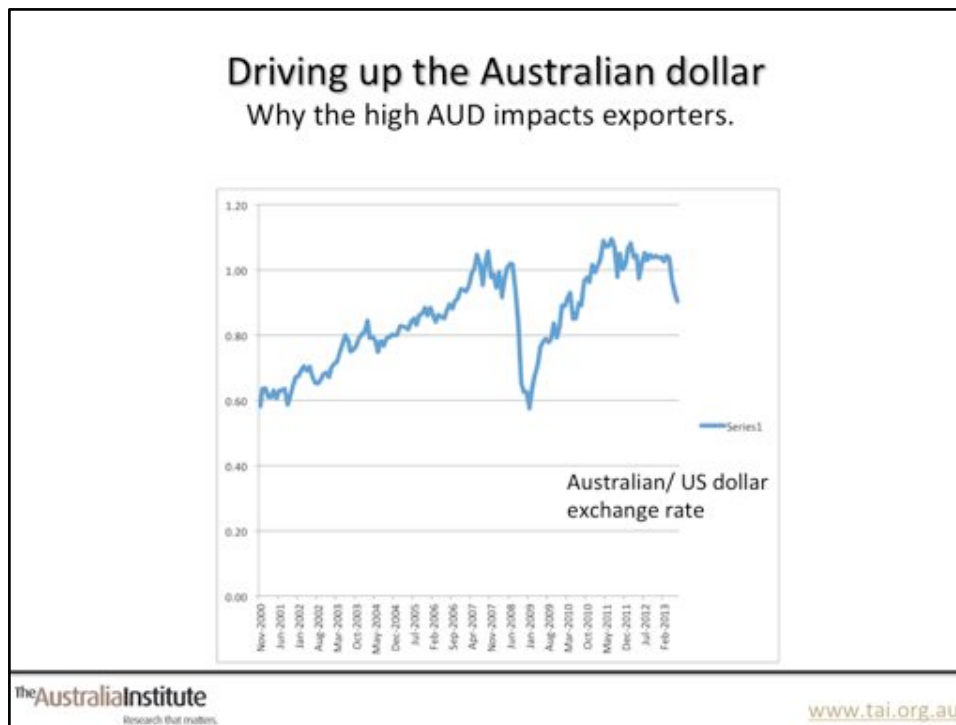
This impact is also known as the **“two-speed economy”** or **“Dutch Disease”** or the **“resource curse”** and is a long recognised phenomenon around the world.
See: http://en.wikipedia.org/wiki/Dutch_disease

Key causes:

1. The mining boom has driven up the Australian dollar by increasing demand for the currency. This makes Australian exports more expensive in overseas markets relative to our competitors.
2. The mining boom has created a severe skills shortage: the simultaneous construction of so many mining projects drives up labour costs, and makes it increasingly difficult for non-mining industries to recruit and retain staff.

These causes will be examined in more detail in the following slides.

How does mining crowd out other industries and jobs?



Why the high AUD impacts exporters.

Even small increases in the Australian dollar have big impacts on our export industries.

When the Australian dollar is high relative to other currencies, our export industries receive less for the goods they export.

If the Australian dollar increases by 10%, Australian manufacturers and farmers receive 10% less for the goods they are selling overseas.

For 20 years, from 1983 when the AUD was floated, until 2003, just prior to the mining boom, the average value of the dollar was 70c US. During the boom it has climbed to around \$1.05 US, and is still over 90c (August 12, 2013) which is very high by historic standards. This has meant effectively up to a 35% loss in income to our non-mining export industries over this period

This long period of a high dollar has had a devastating impact on many of Australia's non-mining businesses. It has enormously reduced the export income of our manufacturers, farmers and tourism operators, and at the same time made imports far cheaper undermining their markets in Australia.

How mining drives up the Australian dollar.



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Why mining drives up the Australian dollar.

The main reason for the high AUD is the mining expansion over the last decade.

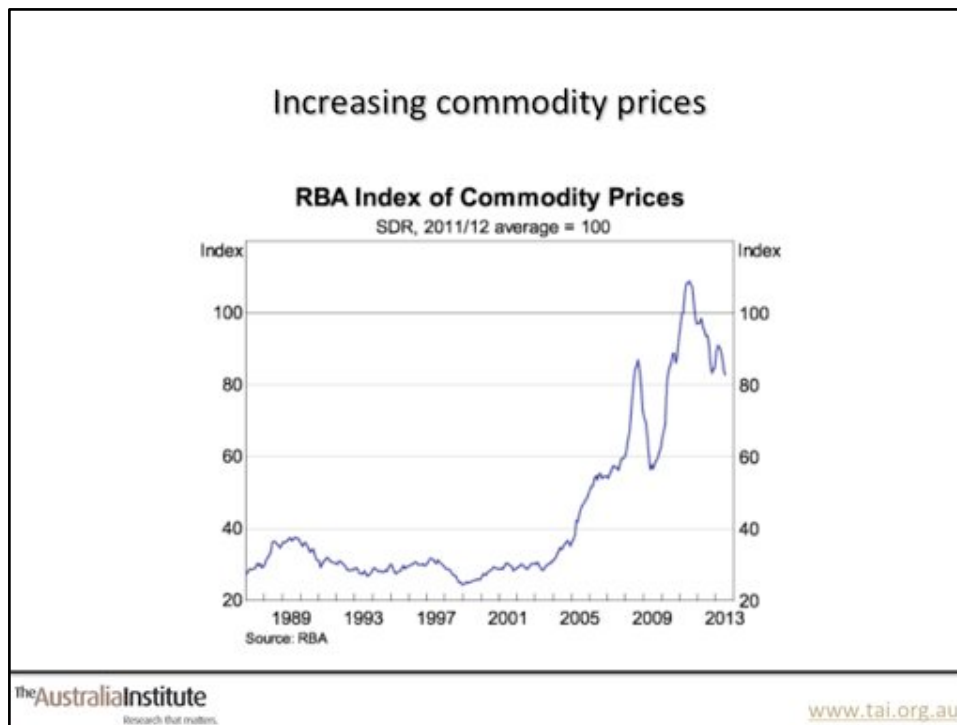
The value of all floating currencies fluctuate, but the largest single upward pressure on the Australian dollar over the last decade is undoubtedly the expansion of mining.

There are 3 main ways that the mining boom drives up the Australian dollar.

1. Increasing commodity prices.
2. Influx of foreign capital to build mining infrastructure.
3. Keeping interest rates high.

These will be explained in more detail on the following slides

Graph Source: Reserve Bank of Australia.



1. Increase in commodity prices:

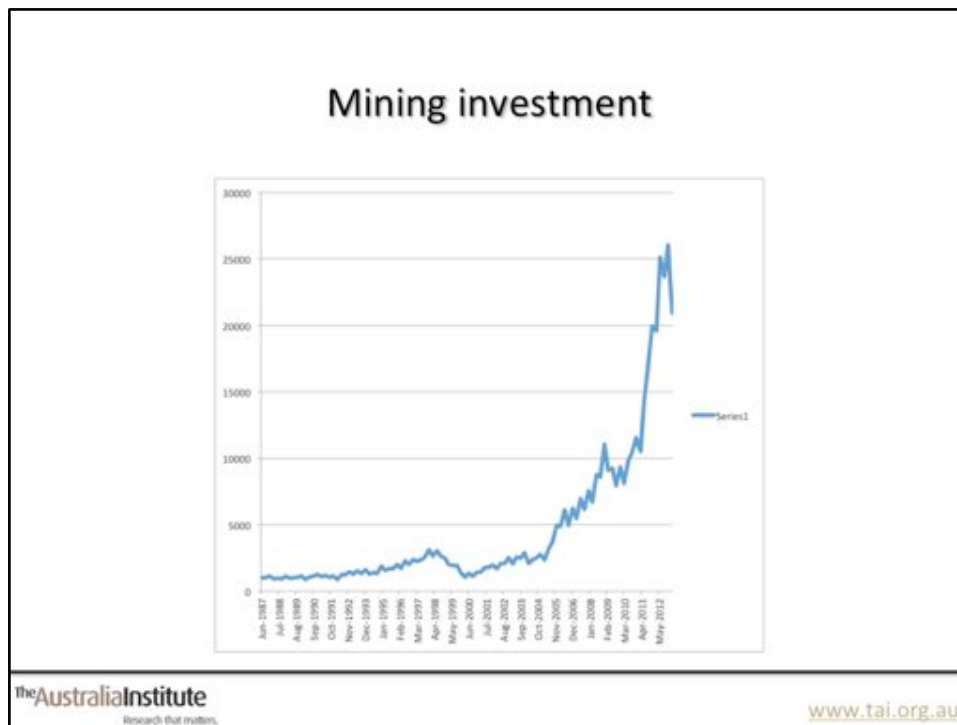
When commodity prices increased dramatically in the initial stages of the mining boom, foreign buyers of our mineral resources had to pay far more for the same product. This has driven a huge increase in demand for the Australian dollar, pushing the value of the currency up relative to almost all other major currencies.

Between June 2004 and June 2010 the value of Australia's mineral resources was estimated by the ABS to increase from \$240 billion to \$560 billion. (1)

Recently the price of coal and iron ore dropped significantly, although they remain well above pre-boom levels. Gas prices remain high.

(1) ABS 2010a. *Australian system of national accounts, 2009-2010. Cat no 5204.0. 29 November.*

Graph; Reserve Bank Of Australia.



2. Influx of foreign capital: The investment pipeline.

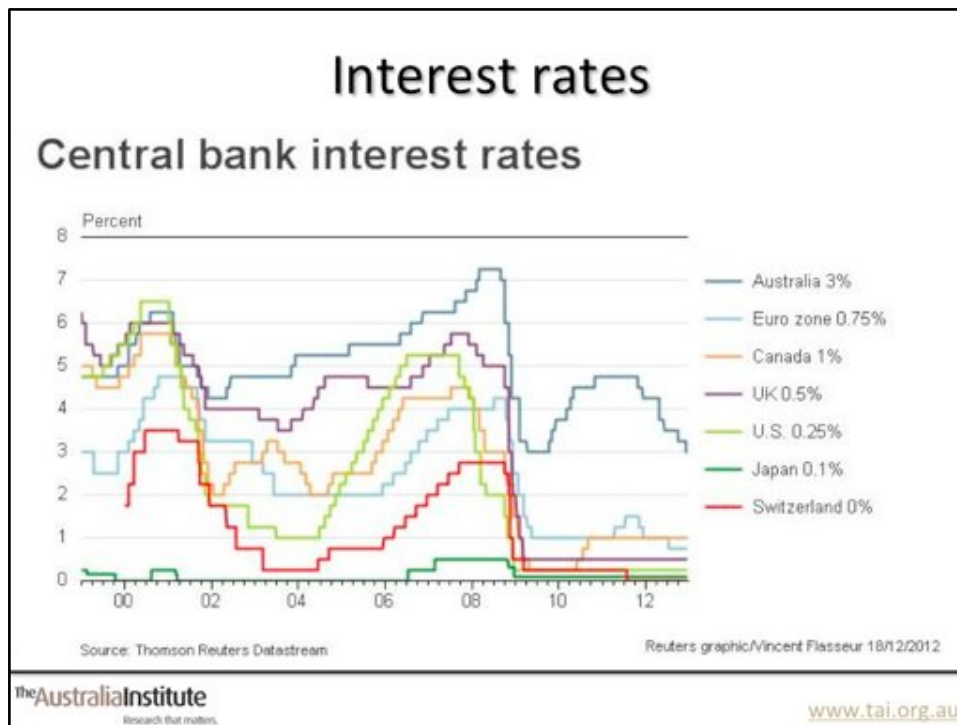
The rising value of our mineral resources has driven a massive investment in new mines, mine expansions and gas fields. To build these projects, mining companies have borrowed huge amounts of money overseas and spend a large proportion of this constructing mines and gas fields in Australia.

While the amount mining companies are spending has fallen recently, as can be seen from this graph, mining expenditure is still at record levels.

This has created a large additional demand for the Australian dollar, and been a major factor in keeping it high. The recent drop in mining expenditure has contributed to a drop in the Australian, however this must be seen in context, both mining expenditure and the value of the Australian dollar are still very high.

As capital investment in new mines drops off however, the mines and gas fields that have been built will begin producing. This is the transition of the mining boom from the “construction phase” to the “production phase”. As the volumes of coal and gas exports from these new mines increases, this will put additional upward pressure on the Australian dollar.

Graph, ABS <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5625.0March>



3. Interest rates

The Reserve Bank of Australia has maintained interest rates at relatively high levels to cool overheating of the economy resulting from the mining boom. This has resulted in Australia having higher interest rates than it otherwise would have, and higher relative to other developed countries. Due to this, foreign investors have invested more money in Australia to take advantage of the higher interest rates.

This has little impact on resource projects as they are mostly funded from international sources, but it has a large impact on other businesses. In effect it slows the rest of the economy to make more room for mining. The RBA has cited the mining boom as a reason for increasing interest rates in every decision to increase interest rates since the beginning of the boom.

Australia's interest rates have recently fallen, due in large part to concern by the reserve bank that the rest of the economy is performing so badly as mining investment drops off. This is largely the result of the crowding impact of the mining expansion. With the mining boom slowing there has been less need for the RBA to worry about overheating in the economy. As such it has had more capacity to lower interest rates which in turn has put downward pressure on the exchange rate.

While interest rates have fallen, they remain higher than other developed countries, and higher than they would be without the mining expansion.

Volatility



The Australian dollar has increased against most currencies, just the \$US

The Australian dollar also increased in value against all of our major trading partners. The Trade Weighted Index (TWI) is a measure of the value of the AUD against all our trading partners, proportional to the amount we trade with them.

Volatility

The dollar will remain a “commodity currency” and continue fluctuate wildly as long as the Australian economy remains so dependent on mining. This volatility will remain a constant barrier to Australia developing non mining industries and a more diverse economy.

For manufacturers to invest the huge amounts of money required to build factories, they need a relatively stable Australian dollar and labour costs.

Large fluctuations in the AUD mean they cannot make reasonable predictions how much they earn from goods they export, or the cost of imported goods they compete with in the Australia. Similarly, if we face regular skills shortages as a result of the resource industry building too many projects simultaneously, they cannot have confidence in being able to recruit and retain skilled staff, and a stable cost structure.

This kind of volatility and uncertainty will discourage investment, particularly manufacturing, but from any industry that requires significant upfront investment

Creating the skills shortage

WA tradies world's highest paid

24 April 2012 Cole Latimer 4 comments

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Western Australia is one of the best places to be a trade or labourer, with workers earning up to four times those in other states and overseas.

According to new research, WA labourers working a 50 hour week can make \$130 000 annually, while trades in the UK and the US are only paid around \$30 000 a year. **the West Australian reports.**

Unsurprisingly, Ryan Hathrill from Robert Walters recruitment pointed to the resources sector as the main driver for this labour boom.

WA is clearly one of the best, if not the best place in the world for a tradesman, where they can earn good coin and spend good coin," Hathrill told The West.



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The second main way that mining crowds out other industries is through creating a chronic skills shortage across Australia.

Demand for skilled workers: The massive pipeline of simultaneous projects being built requires a large amount of skilled workers in certain fields. These skilled workers need to be recruited from other industries.

High wages: It is difficult for manufacturing and agriculture in particular to compete with the high wages paid by the mining industry.

Training: The mining industry provides very little training but attracts workers away from other industries that have invested significant time and resources in training.

Many non-mining businesses including manufacturing and agriculture have difficulty recruiting and retaining the staff they need to operate. The higher wages they need to pay to compete with the mining industry also significant costs. This causes non-mining businesses to close or wind back their operations, and as a result, jobs are lost.

Example: China First - We can look at the impact of just one mine in Queensland to demonstrate this. Consultants for Clive Palmer's *China First* coal mine in the Galilee basin estimated, in the company's EIS, that this effect of driving up labor costs would mean that 3000 jobs will be lost in other parts of the economy, with manufacturing being the hardest hit.

Ref: "An analysis of the impacts of the China First mine", Denniss, 2011, <https://www.tai.org.au/index.php?q=node%2F19&pubid=939&act=display>

Image source: <http://www.miningaustralia.com.au/news/wa-tradies-world-s-highest-paid>

Impacts on Australia's non-mining export industries

The following slides examine the impact of the mining boom on individual industries; manufacturing, tourism, agriculture and education.

1. Manufacturing impacts



BlueScope Steel workers Shane Burd (left) and Billy Hassan (centre) speak after they were greeted with job cuts after the Christmas break. Photo: Michael Clayton-Jones

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Manufacturing is significantly impacted by both the rising AUD and skills shortage. There have been large manufacturing job losses in recent years as a result of the mining boom.

The following high profile examples all cite the high AUD as key reason for the manufacturing job losses:

Bluescope; 1000 job losses at Pt Kembla 2011, 170 job losses Victoria 2012

<http://www.smh.com.au/business/bluescope-starts-year-with-job-cuts-20130114-2co7y.html>

Onesteel: 3000 job losses since 2007, 430 in 2012

<http://www.smh.com.au/business/onesteel-cuts-jobs-looks-to-mining-20120221-1t1pa.html>

CSR; 150 job losses 2012

<http://www.theaustralian.com.au/business/companies/csrs-glass-cuts-mirror-factory-flaws/story-fn91v9q3-1226595059172>

Ford; 330 job losses 2012

<http://www.abc.net.au/news/2012-11-15/ford-workers-facing-job-cuts-2/4373760>

Rosella; 275 jobs in 2012

<http://www.smh.com.au/national/rosella-jobs-on-the-line-20121203-2arji.html#>

Holden; 270 Job losses in 2012

<http://www.news.com.au/business/companies/holden-to-axe-170-jobs/story-fnda1bsz-1226509315015>

Holden; 500 Job losses in 2013

<http://www.news.com.au/national-news/holden-announces-another-500-job-cuts-the-bulk-of-them-from-south-australia/story-fncynjr2-1226615030091>

Overall 127,000 manufacturing job losses between 2008- 2012

<http://www.theage.com.au/business/strong-dollar-a-local-nightmare-20120209-1rxaj.html#ixzz21QG0ZDSK>

2. Tourism impacts

Australian beach paradises left half-empty

Angela Saurino, National Travel Writer | News Limited Network | December 13, 2012 2:25pm | 13 comments



Whitehaven Beach in the Whitsundays.

AUSTRALIA'S beachside holiday spots are struggling in the wake of the strong Australian dollar, with hotels and resorts languishing half-empty outside peak season.

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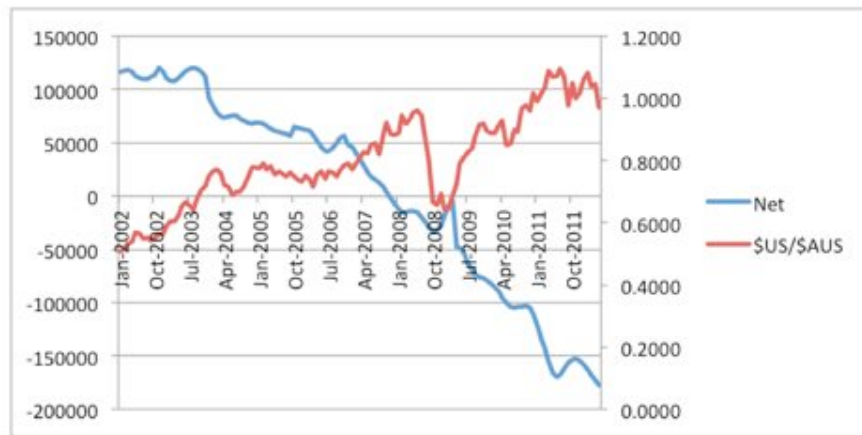
Tourism has also suffered badly as a result of the mining expansion.

Although holidays are not physical goods, like manufactured goods or beef or sugar, the effect of the high dollar is the same. Hotels, meals, tours of the Great Barrier Reef, hire cars etc all become more expensive relative to other tourist destinations.

The Australian tourism industry is affected on two fronts by the high AUD: international tourists choose to go elsewhere, and Australians choose to take their holidays overseas rather than in Australia.

Image source: http://article.wn.com/view/2012/07/15/Australia_to_Fund_Local_Tourism_Industry_Training_at_Borobud/

Tourism impacts continued:
**250,000 per annum drop in net
international visitor arrivals to Australia**



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This graph plots the decline of net tourism arrivals to Australia as a whole against the rising AUD over the period of the mining boom.

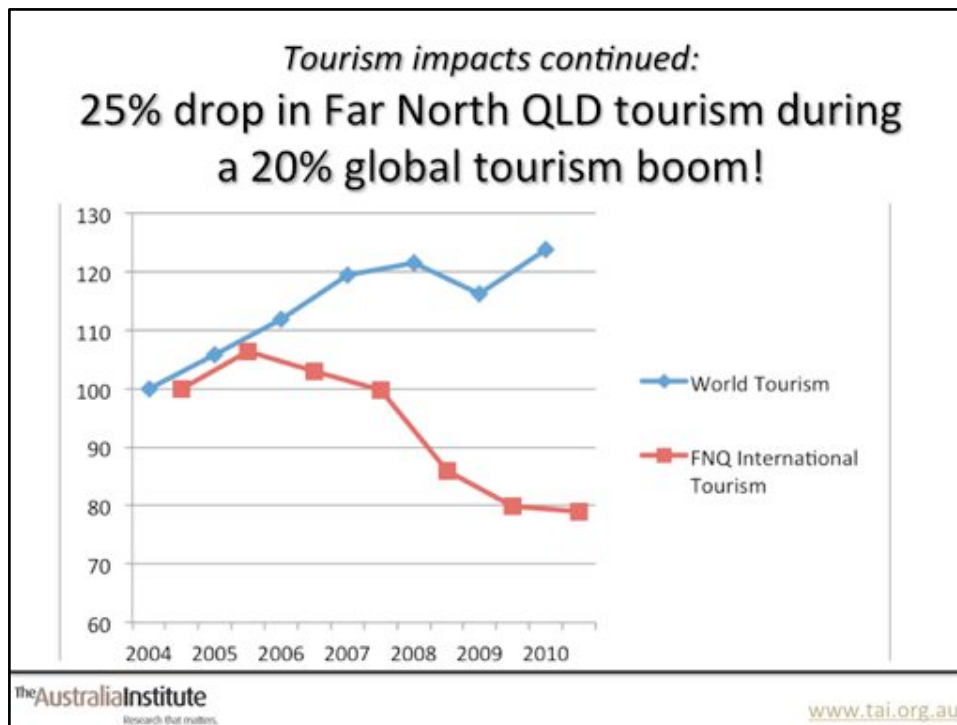
Australia has around 250,000 fewer visitors per year than it did a decade ago.

Sources:

ABS, 3401.0 – Overseas Arrivals & Departures, Australia, November 2012
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3401.0>

RBA, Historical monthly exchange rate data

<http://www.rba.gov.au/statistics/hist-exchange-rates/index.html>



This graph shows the downturn in international tourism in Far North Queensland over the period of the mining boom.

Global tourism has actually increased by 20% since 2004, largely as a result of rising affluence in developing countries and cheaper air travel.

Over the same period, international visitor numbers to Far North Queensland have dropped by 25%.

Sources:

Queensland Government Office of Economic and Statistical Research, International visitors by tourism regions

<http://www.oesr.qld.gov.au/products/tables/internat-visitors-qld-tourism-region/index.php>

The World Bank, International tourism number of arrivals

<http://data.worldbank.org/indicator/ST.INT.ARVL/countries?display=graph>

3. Agriculture impacts

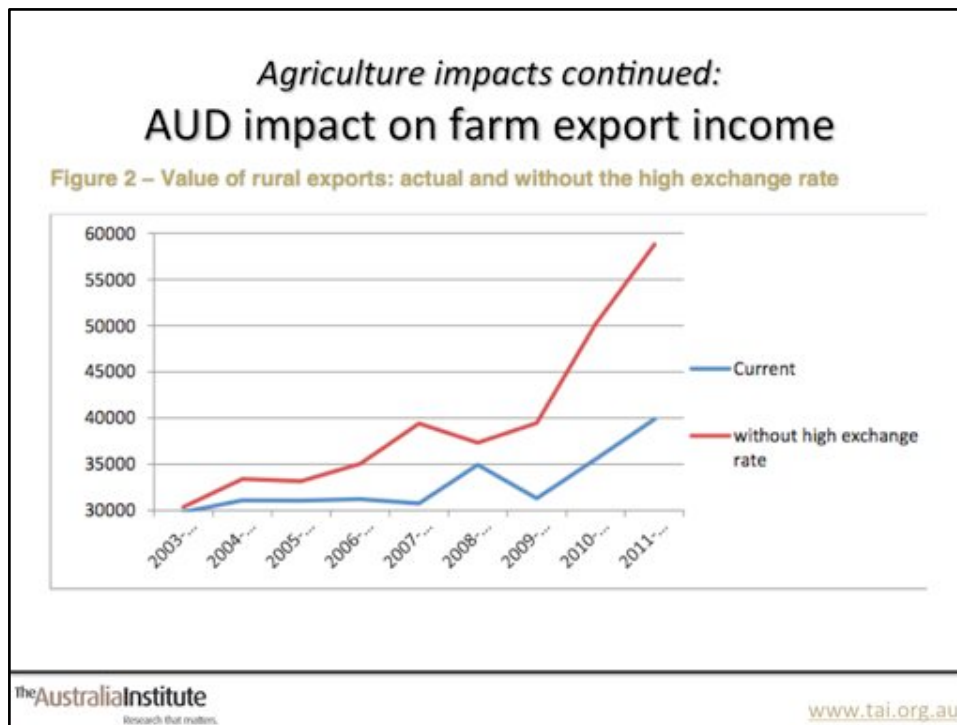


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The mining boom also results in a loss of export income to Australian farmers. Just as with manufacturing, the high Australian dollar means that farmers receive far less for the produce they export. They also have to compete with the mining industry for skilled labour.

Image source: <http://www.theaustralian.com.au/national-affairs/water-wisdom-lacking-in-race-for-coal-say-farmers/story-fn59niix-1226085181060>



The Australia Institute has recently published two research papers looking specifically at the impact of the high AUD on farm exports over the course of the mining boom.

1. *“Beating around the bush: The impact of the mining boom on rural exports”*, Grudnoff, 2012, <https://www.tai.org.au/index.php?q=node%2F19&pubid=1060&act=display>
2. *“Still beating around the bush: The continuing impacts of the mining boom on rural exports”*, Grudnoff, 2013, <https://www.tai.org.au/index.php?q=node%2F19&pubid=1100&act=display>

The research found that since the beginning of the mining boom Australia’s rural sector has lost \$61.5 billion in export income. This includes \$18.9 billion in 2011/12 alone.

Analysis for these papers used US70c as a baseline value for the AUD. This was the average value of the AUD since the time the currency was floated in 1983 to the beginning of the mining boom in 2003.

The loss to specific agricultural industries in 2011/12 were as follows:
Beef and veal; \$2.3 billion; Sugar; \$815 million; Wheat; \$3.0 billion; Cotton; \$1.3 billion.

These losses have occurred because the mining boom has forced the Australian dollar to historic high levels.

Graph from *“Still beating around the bush”* Grudnoff, 2013, p. 6
<https://www.tai.org.au/index.php?q=node%2F19&pubid=1100&act=display>

4. Education impacts

High Dollar Decreases Number of International Students OFFICIAL

NL By NewsLook + Follow

3 views



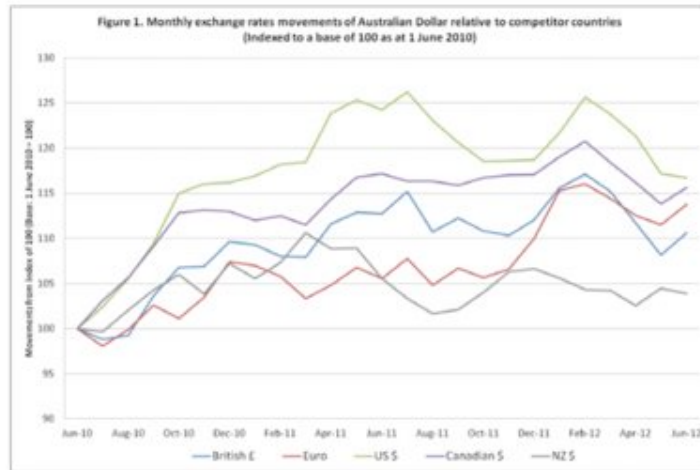
Education of international students is also a very important industry for Australia, generating around \$15 billion in export income for Australia each year.

Like manufacturing and tourism, the high dollar makes studying in Australia more expensive relative to other countries.

Ref: <https://aei.gov.au/research/Research-Snapshots/Documents/Export%20Income%202011-12.pdf>

Image source: <http://www.abc.net.au/news/2012-10-10/high-dollar-decreases-number-of-international/4306370>

Education impacts continued:
**10% drop in student enrolments in 2 years
as AUD rises against all competitor nations**



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This graph shows the AUD going up against the currencies of countries which are our closest competitors as destinations for international students since June 2010.

Over the past two years the AUD has increased against all Australia's traditional competitor nations in education, and between the Australian dollar and the currencies of Australia's top 10 source countries for international students. This has coincided with a 10% drop in international student enrolments.

Ref: <https://aei.gov.au/research/Research-Snapshots/Documents/Exchange%20rates%20movements%20to%20June%20Qtr%202012.pdf>

Economic impact of individual mining projects

The following slides highlight the mining industries' own economic analysis that acknowledges some of the damage the mining expansion has on other industries, and the resultant job losses.

1. The impact of the Arrow LNG gas project

Arrow Energy's own Environmental Impact Statement (EIS) acknowledges:

- The loss of 1,600 jobs across Queensland and Australia; 1,000 in manufacturing.
- \$441.5 million of manufacturing activity will be lost.
- Upward pressure on inflation.
- Small and medium sized businesses will be hit with higher bills for payroll and rent. This could result in some of them shutting down.

In Queensland, mining companies are required to look at the impact of their projects on the wider economy in their Environmental Impact Statements.

Arrow Energy's own economic analysis acknowledged the project would result in a loss of around 1,600 jobs in non mining industries around Australia, 1,089 in manufacturing. While the project would employ around 2,500 workers for the short construction phase of the project, it would only provide 450 ongoing operational jobs.

For an analysis of Arrow Energy's Economic Impact Statement see:
"Submission on Arrow Energy's Gladstone LNG project", Grudnoff, 2011
<https://www.tai.org.au/index.php?q=node%2F19&pubid=1002&act=display>

Primary sources;

Arrow Energy (2012a) Arrow LNG Plant Environmental Impact Statement, Appendix 21: Economic Impact Assessment

Arrow Energy (2012b) Arrow LNG Plant Environmental Impact Statement, Appendix 22: Implications for Domestic Gas Markets

2. The impact of the China First coal mine

Waratah Coal's Environmental Impact Statement (EIS) acknowledges:

- 3,000 jobs will be lost across Queensland and Australia particularly in manufacturing, agriculture and tourism.
- \$1,249 million of manufacturing activity will be lost.
- Inflation will rise.
- Small and medium sized businesses will be hit with higher bills for payroll and rent. This will result in some of them shutting down.
- Housing affordability will decline for those who are not employed in the new mine.

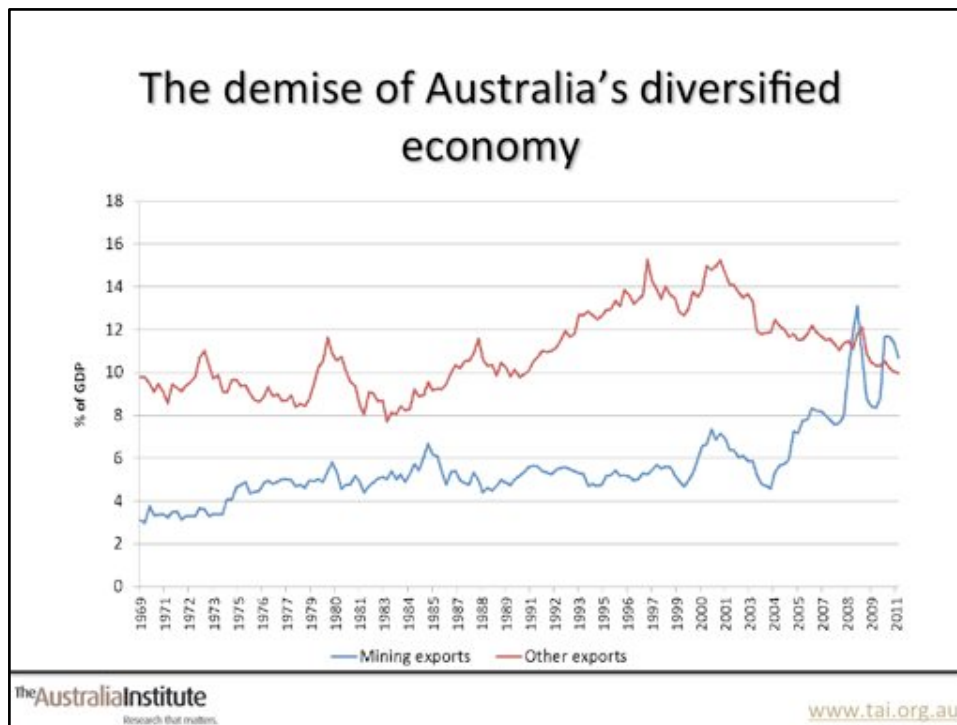
Waratah Coal's own economic analysis of their "China First" mine in Queensland's Galilee Basin acknowledged that the project will result in the loss of 3,000 jobs across Australia, mostly in manufacturing.

For an analysis of Waratah Coal's Economic Impact Assessment of their China First mine see:

"An analysis of the economic impacts of the China First mine", Denniss, 2011
<https://www.tai.org.au/index.php?q=node%2F19&pubid=939&act=display>

Primary source: Waratah Coal 2010. Economic Impact Assessment for the China First Project EIS - Final Report. Online: <<http://www.waratahcoal.com/publications.htm>> Accessed 14 Dec 2011.

The big picture



This graph shows the value of Australian mining exports as a percentage of GDP plotted against all our other exports, including manufactured goods, agricultural produce, tourism and education.

From the early 1980s until around 2002, the beginning of the mining boom, Australian manufacturing, tourism, education and agriculture exports were growing steadily. This was a healthy, diversified economy.

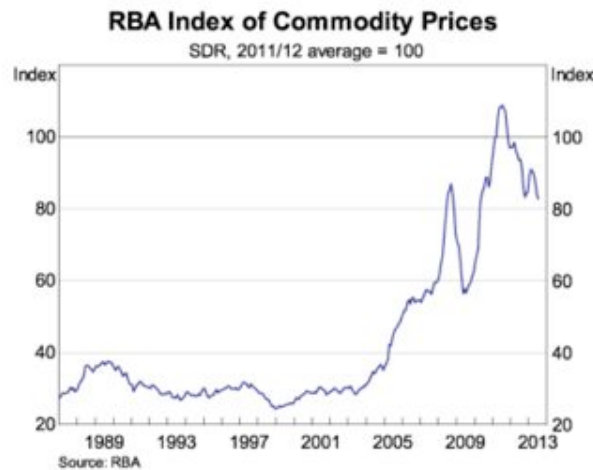
Since the beginning of the mining boom, all other Australian exports have contracted. This graph illustrates clearly the overall “crowding out” effect of mining on Australia’s other export industries.

Graph from “Mining the Truth”, Richardson and Denniss, 2011, p. 28

<https://www.tai.org.au/?q=node/384>

Source: ABS 2011c. Balance of Payments and International Investment Position, Australia, March. Cat no 5302.0. 5 May.

Most crowding out to date is a result of increasing commodity prices



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The impacts of mining on other industries in Australia to date have mostly been as a result of increasing commodity prices. As previously noted, overseas buyers of our mining exports have had to pay far more for the same amount of coal, gas and iron ore, due to the increase in international prices. As such, the impacts of the mining boom to date haven't been primarily as a result of an increase in the **amount** we export, but of an increase in the **value**.

However, future impacts will be primarily as a result of the huge expansion in mining projects.

Graph from "Mining the Truth", Richardson and Denniss, 2011, p. 13

<https://www.tai.org.au/?q=node/384>

Source: Reuters

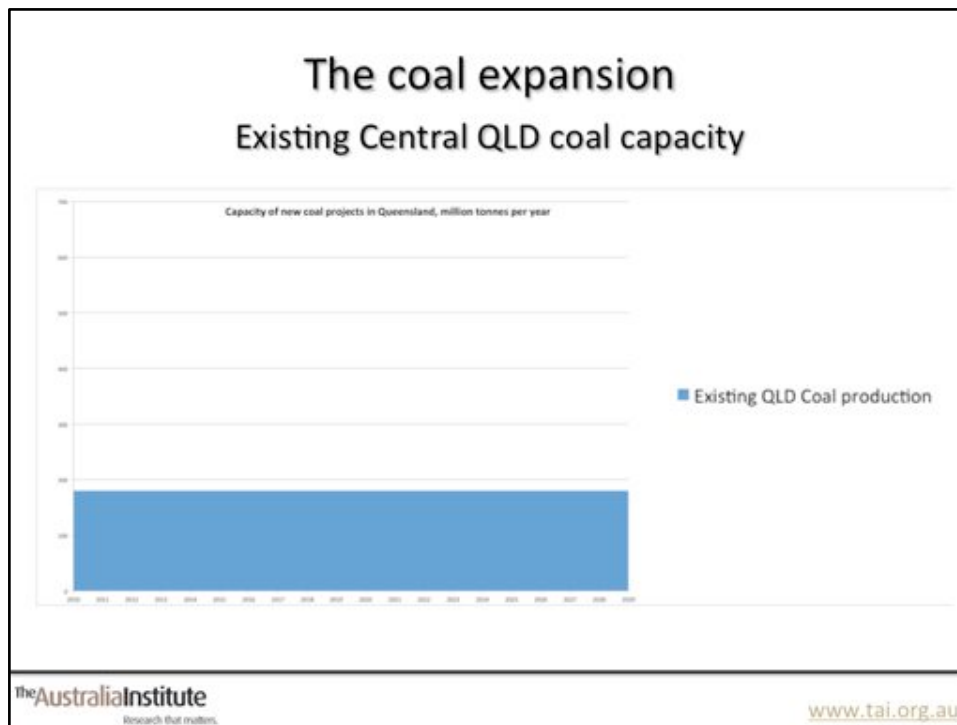


Australia's manufacturing, tourism, agriculture and education industries are yet to feel the full impact of the planned mining expansion.

If all the planned mines and gas fields are allowed to go ahead, the impact on these industries could be devastating, especially at the local level.

Good economic management requires managing protecting Australia's most important long term industries against an irresponsible expansion of mining.

The following slides indicate the size of that expansion.



The blue bar represents existing coal mines in Central QLD.

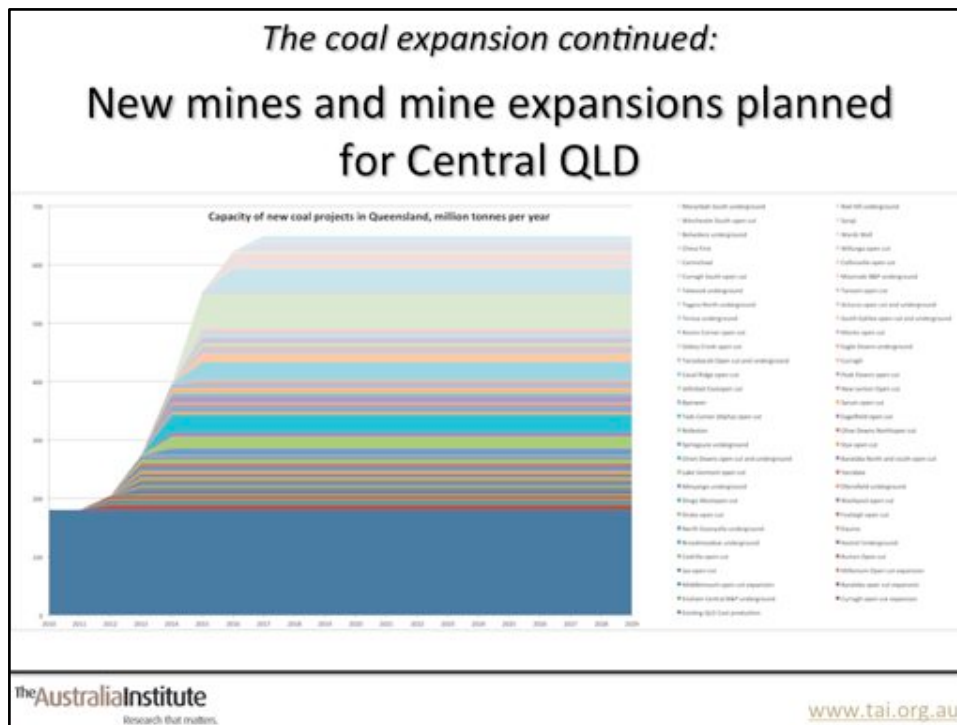
Australia is the largest coal exporter in the world and Central QLD is the largest coal producing region in Australia.

There are 47 operating coal mines that produce around 180 million tonnes of coal a year, around three quarters of all the coal mined in Australia, in central QLD alone.

Source of graph: "Central Queensland Coal Development Projects" Queensland Government, Feb 2012

http://mines.industry.qld.gov.au/assets/mines-pdf/CQ_mining_energy_projects_and_map_Feb2012.pdf

See also: <http://mines.industry.qld.gov.au/assets/mines-pdf/cq-me-projects-coal-sept-2012.pdf>



This graph shows the scale of the planned expansion of coal mining planned for the region over the next four years.

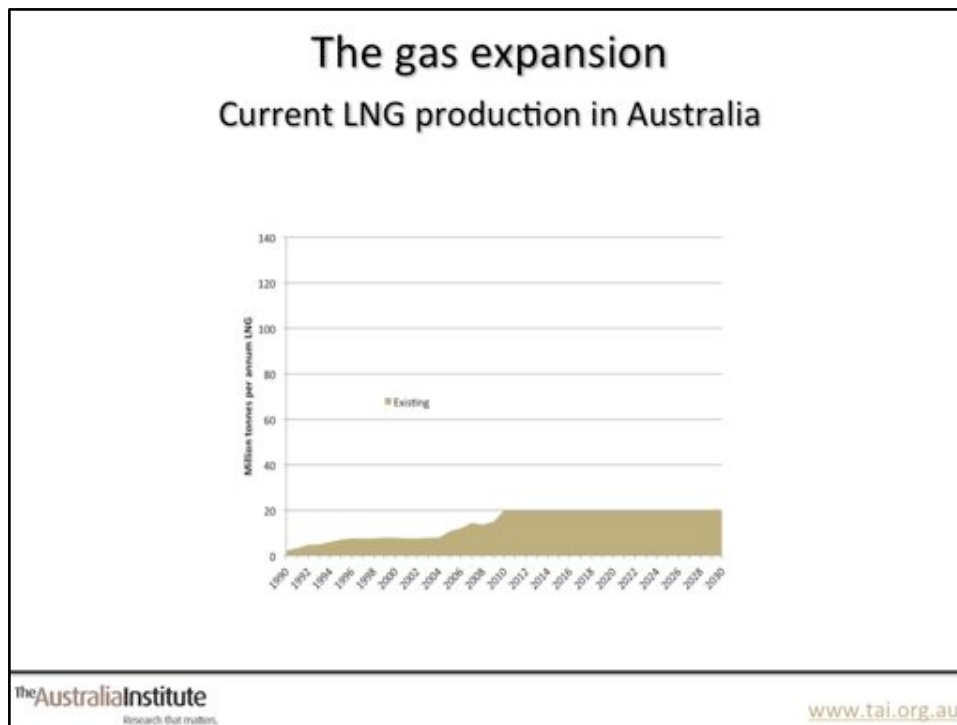
According to the QLD government, there are 60 new mines slated for completion by 2017, which will more than triple the amount of mining to 650 million tonnes per year.

Not all of these projects will be built straight away or completed by 2017 as the QLD government table predict. However, they are all serious proposals that continue to be progressed by the proponent companies, and coal port expansions are planned to facilitate this level of expansion.

Building so many new coal mines simultaneously is guaranteed to maximise the collateral damage to non mining industries by putting upward pressure on the AUD and exacerbating the current skills shortage.

Source of graph: "Central Queensland Coal Development Projects" Queensland Government, Feb 2012

http://mines.industry.qld.gov.au/assets/mines-pdf/CQ_mining_energy_projects_and_map_Feb2012.pdf



On top of that there is the gas boom.

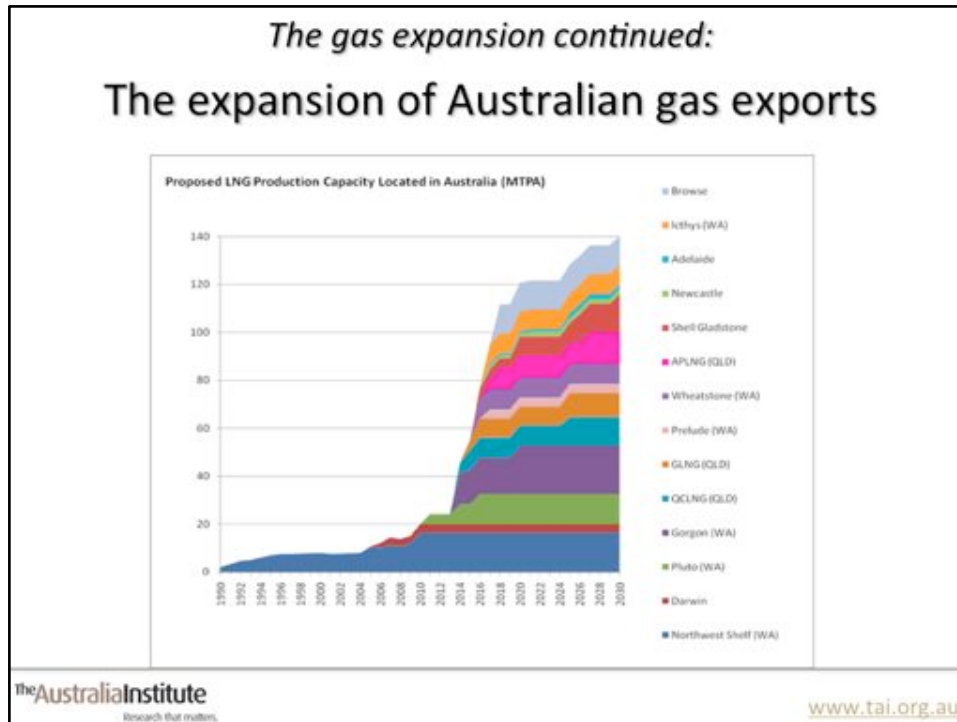
Australia currently exports 20 million tonnes of LNG from two projects: the North West Shelf Joint Venture in Western Australia and Darwin LNG in the Northern Territory.

That's about the equivalent to all the gas we use in Australia at the moment.

With only these two projects operating we are the 5th largest gas exporter in the world.

Refs: North West Shelf Project: <http://www.woodside.com.au/Our-Business/North-West-Shelf/Onshore-Production-Facility/Pages/default.aspx>; Darwin LNG: <http://www.theterritory.com.au/index.php?menuID=171>

The gas expansion continued: The expansion of Australian gas exports



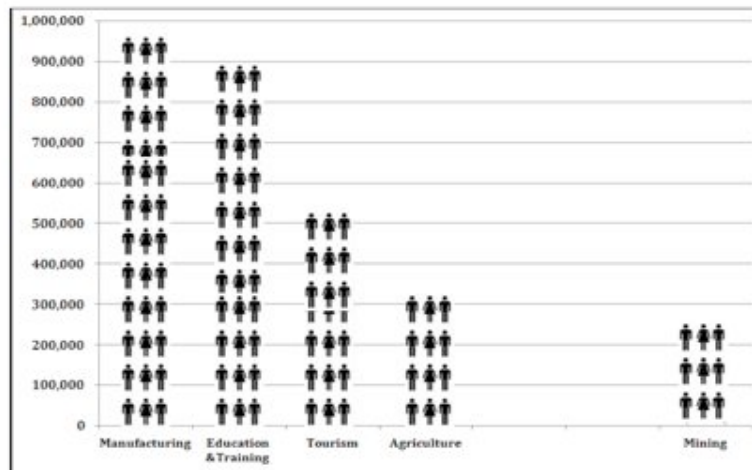
But again the planned expansion is enormous.

When we add all the projects planned for completion in Australia by 2020 we will be exporting around 120 million tonnes.

This will see Australia overtake Qatar as the largest Liquefied Natural Gas exporter in the world.

Ref: <http://www.bree.gov.au/publications/mimp.html>

Many more Australians work in industries impacted by mining, than in the mining industry



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Industries impacted by the mining boom collectively employ many times more Australians than the mining industry. If the current irresponsible rate of expansion continue, these industries will continue to suffer, businesses will close and jobs will be lost.

These industries are all represented by peak industry bodies and unions. Combined, they represent larger and more long term economic interests than the mining industry, and a far larger proportion of the Australian workforce.

They are capable of advocating effectively for more responsible economic management that protects the interests of their members against those of the mining industry.

Sources:

Australian Jobs 2011: <http://deewr.gov.au/australian-jobs-publication>;

ABS 2012. Year Book Australia 2012: <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/1301.0Main+Features342012>

Slowing the mining expansion would be good for Australia's economy and create jobs



Slowing down the mining boom would allow the manufacturing, agriculture, tourism and education industries to expand, creating jobs and strengthening the Australian economy.

These industries are far more labour intensive than mining, contribute to public revenue through taxes, and they are the long term industries that Australia will be rely on even more when the mining boom inevitably busts.

The minerals will still be in the ground for the future benefit of all Australians.

Thank you

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