TheAustraliaInstitute

Research that matters.

TITLE: **Dig a little deeper for full mining story**

AUTHOR: **Matt Grudnoff**

PUBLICATION: **Newcastle Herald**

PUBLICATION DATE: **28/11/12**

LINK: ***http://www.theherald.com.au/story/1150360/opinion-dig-a-little-deeper-for-full-mining-story/***

THE NSW Minerals Council is out spruiking the benefits of the mining industry in the Hunter region in a new economic study. Using the same old tricks to inflate their numbers and ignoring any economic downside they manage to spin the result into a rosy picture that reaches the epic proportions of claiming that the mining industry is responsible for a quarter of the economic output of the Hunter region.

The Minerals Council has said mining companies spent $4.6billion on wages, goods and services and community contributions in the Hunter in 2011-12. They go on to claim that this figure can be increased to $9.3billion when indirect spending is taken into account.

But indirect spending is simply an economic sleight of hand employed by industries that can afford to pay economic consulting firms to inflate their numbers.

All industries create indirect spending. The retail industry, for example, pays transport companies to deliver their goods and cleaners to clean their shops.

The health industry spends money on maintaining its equipment and hires IT experts to run its computer systems.

For any industry you could come up with hundreds of different areas of indirect spending. The mining industry is not unique in this.

If you uncritically read the NSW Minerals Council's report you could only conclude that the Hunter region must be booming on the back of the mining industry, but a quick look at the Hunter Valley Research Foundation's (HVRF) latest Hunter Region Economic Indicators shows that while coal exports are up, employment is down.

How is that possible? The HVRF explains why. It is due to the "difficulties of the trade-exposed manufacturing industry". In other words, the high exchange rate driven up by the mining boom is crippling one of the Hunter region's biggest employers. Census data shows that between 2006 and 2011 the manufacturing industry in the Hunter region shed 1766 jobs.

While the mining industry is keen to take credit for spending, it is strangely silent on the economic havoc it is causing to manufacturing, along with other trade-exposed industries such as tourism, agriculture and export education.

The NSW Minerals Council has identified Singleton as the biggest beneficiary of mining spending.

Yet, for many locals I imagine, such spending is a two-edged sword. Traffic and transport issues are plaguing the Singleton area as drive-in drive-out workers and other mining-related transport clog over-stretched public roads.

Housing affordability is also a problem as well as access to community services such as health. You won’t find any of this in the NSW Minerals Council’s report.

So why are they so keen to inflate their economic importance? Because in reality the mining industry is a tiny employer. It employs only about 2per cent of the labour force. Even in the Hunter region, manufacturing employs more than twice as many people as mining.

But the mining industry knows the economic pain the high exchange rate is causing. It therefore needs to convince Australians that our economy would be lost without them and that any attempt to manage the runaway boom would have such ruinous consequences that it should never be considered.

But the government should be managing the boom.

Mining in Australia has been allowed to expand with little consideration for the collateral damage it causes to other sectors of the economy. There needs to be a stronger focus on the boom’s full effects rather than a reliance on the simple belief that unrestrained growth in the mining industry is in Australia’s national interest.

While the NSW Minerals Council might be happy to release a report built on inflated numbers, it is not in the Hunter region’s best interests to believe in such magical outcomes.

Matt Grudnoff is a senior economist with The Australia Institute, a Canberra-based think tank, www.tai.org.au