

TITLE: Miners cause problems then complain about them

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Like a man who buys a cheap house next to a pub and then complains that the noise late at night is depressing his house price, the Minerals Council has come out and complained that Australia is now an expensive place to do mining.

The Minerals Council of Australia released a report by Port Jackson Partners that pointed out that cost pressures are increasing in the mining industry. It showed that since 2007, the cost of producing new capacity in thermal coal and iron ore has almost doubled. It claimed we have also lost our dominance in mining competitiveness to other nations around the world.

Then in predictable fashion, it called on the Government to fix all their problems. Large global mining companies thinking governments have all the answers - whatever happened to market forces?

They called on government to address infrastructure bottle necks, falling productivity, skills shortages, and even went as far as calling for relief from the high exchange rate. They asked for all of this without ever mentioning that all these economic problems are caused by the mining boom itself.

This is because the mining industry is intent on building too many new mining projects at the same time, as well as exporting as much dirt as they possibly can.

A recent economic impact assessment commissioned and paid for by Arrow Energy for its proposed LNG plant in Gladstone highlights what effect the mining boom is having on Australia.

The report says that because the LNG plant would increase gas exports, it would have the effect of maintaining the strength of the Australian dollar. It is the increase in mineral exports, including gas and oil, that is causing the high exchange rates. But rather than point that out, it is more convenient to complain that the high exchange rate is increasing the cost of doing business.

Also, because the mining industry wants to export their minerals in greater quantities, they are creating infrastructure bottlenecks as they overwhelm their existing infrastructure. Again, the strategy appears to be to call on government to fund more infrastructure.

Arrow's LNG report goes on to say that the plant would be built at a time when many other similar projects are being constructed. It would therefore be competing for what it describes as "constrained labour resources". The report then says that because of the high salaries the LNG project can offer, they "will attract labour away from other businesses both locally and further afield".

Put simply, the mining industry is paying higher wages to poach staff from other businesses. By wanting to construct all their projects at once, they create excess demand for key professions and push up the cost of construction. The next step is then to complain that the cost of doing business has also gone up.

The Minerals Council report also notes the fall in productivity rates in Australia over the past 10 years, and suggests this is something the government should be concerned about. A closer look at the productivity numbers shows that mining productivity has seen the biggest fall over the past 10 years and this is dragging down Australia's overall productivity rate.

The big drop in mining productivity has been mostly caused by large investments in new mining projects that have not yet started to produce, along with the fact that the mining industry is mining increasingly less productive deposits. They are doing this because these less productive deposits are still profitable due to the historically high commodity prices.

Of course, faced with falling productivity rates caused in no small part by the mining boom, the solution seems to be to call on government to stop slacking and do something about it.

Fortunately there is a solution to all the problems the Mineral Council's report highlights. The government could always take the pressure off by slowing the mining boom. Just like the Reserve Bank increases interest rates to slow the economy when it's running too hot, the government can ration out mining projects so that the mining boom doesn't run too hot.

Of course, the mining industry is not interested in that solution. It is far easier to complain about the rising cost of doing business, demand the government do something about it, and then just hope nobody notices the hypocrisy.

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