

TITLE: Newman is digging in wrong hole

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In his televised address, Premier Campbell Newman warned Queenslanders that spending cuts were needed to rein in debt.

This follows his announcement that the state cannot afford to pay 20,000 public-sector workers.

But how can this be when Queensland is the second most resource-rich state in the middle of the biggest mining boom in Australia's history? Shouldn't the economy be booming?

In 2010, Queensland exported 186 million tonnes of coal, and this is expected to rise to 250 million tonnes by 2015. The state has \$75 billion worth of projects that are either under construction or about to start.

While UNESCO has raised concerns about the increase in ship traffic through the Great Barrier Reef that some of these projects will generate, Newman responded by saying: "We're in the coal business." He is keen to see the coal and coal-seam gas industries grow.

So why the need to tighten the belt? Not only is the Queensland economy not booming, but it is actually one of the worst-performing states. Last year Queensland had the lowest economic growth rate of any state or territory and the second highest unemployment rate.

There is no polite way of saying this: Queensland has a nasty case of Dutch disease. Dutch disease occurred in the Netherlands in the 1960s after a natural-gas boom pushed up its exchange rate, which wreaked havoc on its manufacturing industry. After the boom ended, the nation suffered years of economic hardship because it had lost its manufacturing industry.

In Queensland, the effects of Dutch disease are clear for all to see. The Queensland manufacturing sector has been shedding jobs for the past four years. The accommodation and food services industry, which includes a large portion of the tourism industry, has not had positive economic growth in five years. The continued growth in exports of Australia's resources has pushed up the exchange rate and, as a result, other industries are declining.

When Newman says "we're in the coal business", he wants the mining industry to expand as fast as possible, but he is also saying he doesn't want to be in the manufacturing, tourism and agriculture businesses.

With high demand for mining jobs, it seems impossible that Queensland could have the second-highest unemployment rate.

But the reality is that far more people are employed in manufacturing and tourism than are employed in mining.

Indeed, over the past four years the mining industry in Queensland has added 35,000 jobs, but the Queensland manufacturing industry has lost 25,000 jobs and agriculture has lost 13,000. And now Newman wants to slash 20,000 jobs in the public sector.

What the Premier needed to talk about in his televised address was how he intends to start managing the mining boom. It is the unconstrained growth of the mining industry that is causing Queensland's economic woes.

The Queensland Government needs to ask the question: What rate of growth in the mining industry is in Queensland's best interest?

This might be a tough question, but it shouldn't be beyond a can-do Premier who has indicated he is willing to take tough action.

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