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Maules Creek Community Council

Media Release – Economic Impacts of the Mining Boom hollow out Regional Australia

The Australia Institute Released a report today called [Beating the Bush](#). The report outlined the impacts to the Rural Sector of the increased Australian Dollar as a result of the mining boom.

The Australia Institute's work echoes what Economists at Large and the Maules Creek Community Council (MCCC) have been saying for nearly 2 years – that assessment of resource projects in the region has ignored the economic downsides and overstated the upsides.

“Major mining developments in our region affect the availability of services to agriculture and the prices we pay for them“ said local farmer and spokesman for the MCCC, Peter Watson.

“Local businesses find it hard to hire and retain skilled staff and as a result charges have had to increase” he said.

“This makes it harder to farm and harder to sell anything to the rest of the world. We are experiencing first hand the local level impacts of the findings of the Australia Institute” he concluded.

“Economic assessments of coal projects in the Maules Creek area have, without exception, ignored the impact of mining on exchange rates, labour availability and local prices,” says Rod Campbell from Economists at Large.

“All economists understand that this is inappropriate, locals can tell that they're not getting the promised benefits, but consultants and planning departments seem happy to ignore these facts.”

The MCCC has included in submissions to the Dept of Planning detailed reports that outline the deficiencies in Economic Impact Assesments and Agricultural Impact Assessments produced by several mining proposals. These reports can be found at maulescreek.org/research/ecolarge

Ph Peter Watson (0427) 434 643 or Rod Campbell (0438) 503 249 for comment or interview

The summary findings of The Australia Institute report “Beating the Bush” are shown below. The report can be downloaded at <https://www.tai.org.au/index.php?q=node%2F19&pubid=1060&act=display>

Report Summary

Since the beginning of the mining boom Australia's rural sector has lost \$43.5 billion in export income. This includes \$14.9 billion in 2010-11 alone. These losses have occurred because the mining boom has forced the Australian dollar to historic highs.

The damage the mining boom is doing to other sectors has created what has been dubbed the 'two speed economy'. The booming mining industry has pushed up the Australian exchange rate and in doing so has cut the export earnings of trade-exposed parts of the economy.

Most Australian exporters are price-takers. They do not set the world price but rather accept the current world price. So when the value of the exchange rate increases, the amount the exporter receives in Australian dollar terms falls.

The rural sector is heavily reliant on export earnings. In 2010-11 it exported over \$36 billion worth of produce, but in Australian dollar terms this has been reduced by \$14.9 billion. This represents a decrease of 41 per cent in export income because of the high exchange rate attributable to the mining boom.

Within the rural sector the beef and veal industry has also been adversely impacted with exporting income being cut by \$2 billion in 2010-11 and \$6.2 billion over the boom. The sugar industry lost \$566 million in 2010-11 and \$1.8 billion over the boom.

Just as the Reserve Bank of Australia tries to smooth the ups and downs of the economy with monetary policy, state and federal governments need to manage the ups and downs of the commodity cycle. The growth in the mining sector has come at a cost to other sectors of the economy, especially the rural sector – and these costs are substantial.

The idea that any growth in the mining sector will serve to enhance Australia's income is simply untrue. The macro economy is far more complex, with unintended consequences like the high Australian exchange rate negatively impacting on non-mining sectors – particularly, as has been shown here, the rural sector.

The mining boom has not been managed well. It has been allowed to expand with little consideration for the collateral damage it causes to other sectors of the economy. The rural sector is one part of the economy that has been badly affected. 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 resource sector is in Australia's national interest.