The Australian

Decades of wealth from boom as commodities exports forecast to hit $480bn

- **EXCLUSIVE Scott Murdoch**
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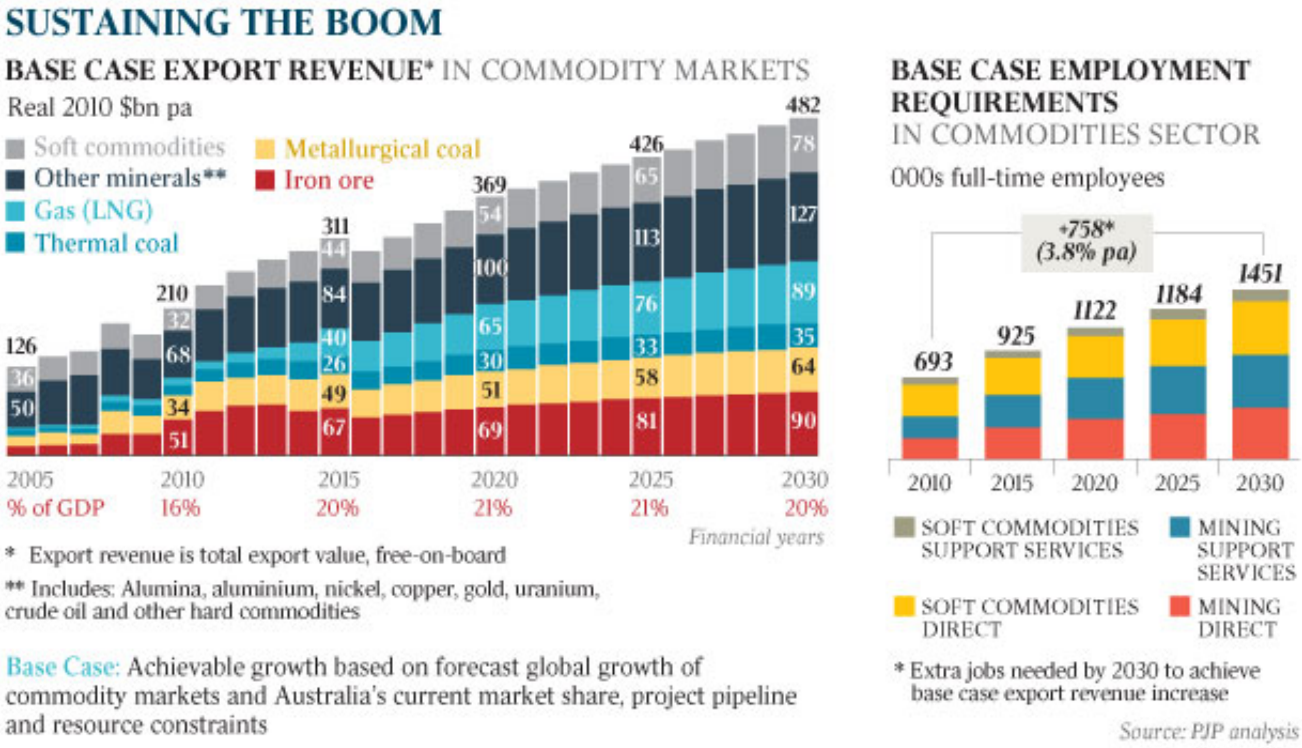
- **53 comments**



'ource: The Australian

AUSTRALIA stands poised to capitalise on an economic transformation unparalleled in the nation's history, with a resources and commodities boom capable of generating $480 billion of exports in the next 20 years and creating 750,000 jobs.

A landmark report by ANZ Bank and economic consultants Port Jackson Partners, released exclusively to The Australian, finds that almost $2 trillion needs to be invested in the Australian economy for the nation to capitalise on the mining boom caused by the developing world's march towards urban industrialisation.

The report finds a new economy will be formed, based primarily on mining, but the benefits will flow through to the services, education and tourism sectors. It forecasts that commodity export earnings will grow from $210bn last year to $480bn by 2030, shoring up the nation's revenue growth.

The number of workers employed in the mining industry is expected to more than double from 693,000 to 1.45 million.

"This is not the stuff of a routine commodities boom but rather a more fundamental global process under way that will see billions more people achieve middle-class living, and it has decades to run," the report says.

The report - entitled Earth, Fire, Wind and Water - warns Australian policymakers to resist the temptation to try to slow the boom and urges them to guard against "Lucky Country" complacency. Instead, the government needs to show greater political and policy leadership and encourage investment to lift economic output and increase the nation's capacity.

ANZ has forecast that the Australian dollar could hit $US1.25 because of sustained commodities prices and higher global infrastructure investment.

The bullish report comes amid a mixed outlook for the Australian economy. The unemployment rate, published yesterday, jumped from 5.1 per cent in July to 5.3 per cent last month, pushing 40,000 people out of the workforce. However, the economy grew by a strong 1.2 per cent in the June quarter, driven by improved consumer spending.

Writing in The Australian today, ANZ chief executive Mike Smith says the nation is facing more than a one-off mining boom; a major structural shift is under way. He urges the Labor government to broaden its approach in managing the supercycle to ensure the benefits flow through to the rest of the economy.

"Australia is currently experiencing the kind of 'problem' that makes us the envy of the rest of the developed world," Mr Smith writes.

"If Australia can expand capacity rapidly enough, export revenues from hard and soft commodities could reach half a trillion dollars in real terms by 2030.

"The scale of investment required is unprecedented."

The report forecasts up to $1.8 trillion needs to be injected into the economy to allow Australia to maximise the benefits from the growing appetite in China and the region for commodities. But it warns the transformation will not happen without a greater focus on increasing the size of the nation's skilled workforce; tapping foreign capital, including Chinese ownership of mines and farms; reversing the productivity slump; applying new research and development; and accelerating planning and water access approvals for mine and farm development.

Most of the investment would centre on the development of new mines, but there would be afocus on agriculture as growing nations sought to secure food supplies.

The next waves of the boom are forecast to create 758,000 full-time jobs in export-related sectors over the next two decades, with nearly 400,000 of those positions on investment projects alone.

Mr Smith says: "Clearly there's more Australia needs to do to shape our economy more strategically so we can manage this structural shift and maximise the opportunity for all Australians."

ANZ chief economist Warren Hogan said it was vital the government did not rely on the "Lucky Country" tag and the government needed to implement more ambitious economic reforms.

The decision in the budget to increase skills and training funding was a positive, but more labour market flexibility was required.

Mr Hogan said governments should increase infrastructure, school and hospital spending to attract workers in regions already facing skills shortages, which would only worsen as mining investment grew. "One of the most important parts of this is the mobility of labour," he said. "We have a shortage of labour in some areas but we will also see some job losses in other areas.

"There is a lot of noise around about this economy, but the bottom line is we are doing okay and will go from strength to strength."

Labour mobility has become a major issue for the mining companies, which increasingly rely on "fly-in, fly-out" workforces for remote mines. BHP Billiton wrote to the 1400 workers affected by steelmaker BlueScope's job cuts in the Illawarra, offering work in Queensland and the Pilbara.

"There's a role for government to make it appealing for families to move to Gladstone or the northwest of WA," Mr Hogan said.

Port Jackson Partners director Angus Taylor, the report's author, said the government should not try to slow the boom but instead design policy to increase capacity.

He said the government should streamline commodities development processes and encourage greater foreign investment.

ACTU president Ged Kearney yesterday likened structural change in the economy to "collateral damage" experienced by civilians in war, as she called for stronger government action to moderate the mining boom.

She was speaking at a conference hosted by the think tanks Australia Institute and Catalyst that examined policies to deliver lasting benefits from the boom. "Government has a role to try to manage the changes in our economy, the speed and nature of the adjustment," she said.

Additional reporting: Paul Cleary

Have your say

Comments on this story

- ***RichoPerth of Perth*** *Posted at 10:12 AM September 09, 2011*

  PM Gillard already has policies in place to ensure that Australia does not suffer from the excess prosperity of a prolonged mining boom. The future indeed looks bright for mining projects in Argentina, Mozambique, Brazil, Kazakhstan, Angola, and other developing economies. Meanwhile, in Australia, the one remaining nationalised, union-run mine will struggle on, with all income paid directly to Wall Street emissions traders, "to ensure that Australia plays a leading role in the fight against carbon pollution".

- ***Ken Parkinson of Brisbane*** *Posted at 10:10 AM September 09, 2011*

  ANZ is the major lender to the mining industry Mining makes up 9% of our GDP. Agriculture makes up 12%. Add industries related to Agriculture and its much larger The reserve bank estimates 80% of the mining industry is foreign owned Mining employs 1.9% of Australia's workforce. Agriculture employs 3.4%. Add industries related to Agriculture and the number is almost 20%. Agriculture produces more, creates more jobs and the profits mostly stay in Australia. So much for the boom! It's more like a barbarian raid.

- ***Rodger Riach*** *Posted at 10:00 AM September 09, 2011*

  I see only greed & stupidity of mining us into a quarry. At what cost. Investments or more to the point foreign ownership. A once only mineral shipped offshore with bulk of profits leaving craters. Very ordinary thinkers in our Politicians & Business leaders will be lining up to tell us. Laziness, inflexible will be again in vogue. So Miners & Government must import workers, capital, investors and all the equipment. As they con us we have no money or labour and we could never build the machinery to maximize the minerals extraction . But the nation will have to accommodate extra immigration / quest / temp. workers. Build rail, roads, hospitals, house and ongoing cost for health etc until after boom boom. Solution Assie Superfunds , move workers from east to west on a nine day rotation. Open steel mills to turn raw material into steel value add, transport less. Australia has ample unproductive and under employed. Exports earn . Imports cost large amounts to the economy up front and usually ongoing. Importing Goods, services, money, people all costs a nation in dollars quality of life & social cohesiveness. Does any one do a cost Benefit check. For the NATION

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