



8 January 2017

Commissioner Lindwall
Transitional Regional Economies
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Commissioner

Productivity Commission Terms of Reference – Study on the Transition of Regional Economies

The Association of Mining and Exploration Companies (AMEC) is seriously concerned with the language used in the Terms of Reference for the Productivity Commission's geographic study into Transitioning Regional Economies.

AMEC is particularly concerned with the suggestion that regions transitioning away from mining would be, for reasons not stated, "*transitioning to a more sustainable economic base*".

The Terms of Reference reflect a view within Government that appears to be talking down investment in mining, and perpetuating the false narrative '*transitioning from the resources boom*'.

The "transition from the mining investment boom" narrative resonates among the public as a transition away from mining full stop. This is incorrect and emboldens the opponents of resources whilst providing public misinformation that resources and mining are not important to Australia's economic future.

Australia's most recent mining investment cycle between 2003 and 2014 injected over \$400 billion into the Australian economy. The Reserve Bank estimated that by its peak in 2013, mining investment had "*raised real per capita household disposable income by 13%, raised real wages by 6% and lowered the unemployment rate by about 1¼ percentage points*"¹.

Over the last decade Australia's resources industry has expanded its productive capacity and demand for many commodities.

It would be far more constructive for Government to have a positive message that Australia has a world beating resources industry that is already recovering. The economy can be

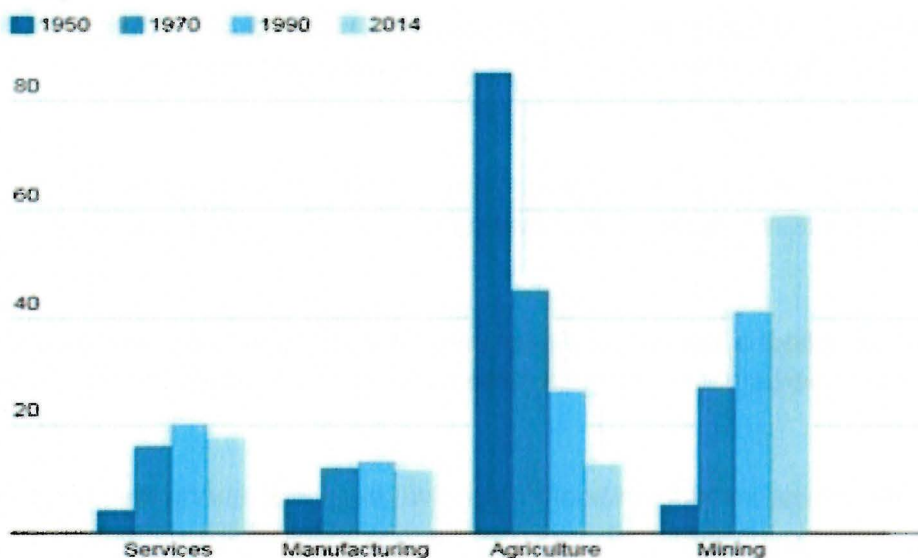
¹ Page 1, Reserve Banks' Research Discussion Paper The Effect of the Mining Boom on the Australian Economy <http://www.rba.gov.au/publications/rdp/2014/pdf/rdp2014-08.pdf>

broadened from the sound economic foundation of a strong resources industry. An industry that continues to expand production in the key commodities to meet growing global demand. Innovation can flourish in a country built on these foundations while continuing to economically prosper through the comparative advantage of Australia's primary industries.

It does not have to be an "either or" proposition as it is often explicitly and implicitly presented. It should be a reasonable mix to build on Australia's strengths and comparative advantages. Innovation will contribute but is not the only answer and any transition is likely to take many decades. A recent paper by Anne Garnett, Senior Lecturer in Economics, Murdoch University provided some historical context on economic transition in Australia. (See graph below)

Contributions to exports

Percentage contributions to Australia's exports by major sectors, (1950, 1970, 1990 and 2014)



Source: Australian Bureau of Agricultural and Resource Economics, Australian Commodities Statistics, and Department of Industry and Science [Get the data](#)

Figure 1

The Hon. Peter Costello AC, made a similar point in his presentation entitled MINING AND THE IDEAS ECONOMY, 12 September 2016: *"I do not suggest that mining is better than IT or the old economy is better than the new, any more that I would suggest the reverse....When they suggest that the ideas economy will replace it they should ask it when they expect the tech sector to be in a position to earn an annual \$130 billion of export dollars for the country. Would you see it in a decade, or two, or five?"*

Resources production growth is generating significant royalties, taxes and economic benefits for Australia, especially in regional and local communities. Australia has high mineral prospectivity and, with correct Government policy settings, the probability of discovering further economic resources remains high.

The December 2016 Quarter edition of the Resource and Energy Quarterly produced by the Office of the Chief Economist in the Department of Industry, Innovation and Science stated that "*Australia's resource and energy export earnings (will) increase by 30 per cent in 2016–17, to a record \$204 billion.*"² The benefit of these earnings will flow through to all Australians in the form of jobs, export income, royalties and taxes.

Given that the large majority of Australian mining occurs in remote and regional Australia, the main beneficiaries are in those communities.

AMEC is concerned that the Productivity Commission geographic study into Transitioning Regional Economies Term of Reference do not reflect the significant and ongoing contribution of mining to the Australian economy.

The challenges of regional economic development have been apparent since the 1950s when the transition from agriculture to resources began and well before the recent most recent investment cycle in resources. The terms of reference appear to be designed to allocate blame for the structural challenges of economic development in the regions to a cyclical resources industry and FIFO work practices.

It should also be noted that Australian mining and mineral exploration companies operate in a complex, discerning, sensitive and high risk capital market involving thousands of current and prospective shareholders.

Public comments such as those contained in the Terms of Reference are eroding confidence and have the potential to influence investment and business decision making.

It is critically important the narrative from Government supports the next wave of resource investment.

I would be more than pleased to meet with you and discuss the industry's concerns as described above at a time that is convenient to you.

Yours sincerely

Simon Bennison
Chief Executive Officer

² Page 4, Resources and Energy Quarterly, Office of the Chief Economist