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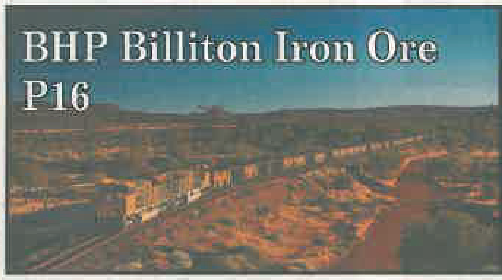

'Mining bust' just a phase, experts claim

JANE GOLDSMITH

RESOURCE industry professionals and economic analysts are speaking out against allegations of an Australian 'mining bust', stating the claims are based on rhetoric rather than fact.

The resources sector was a central topic of media speculation in early 2013, with reports analysing the scaling back of exploration activity, rising employment cut-back figures, a reduction in investor capital and confidence, and the delay or suspension of a number of key mining projects.

An alleged overreliance on mining, combined with the nervous volatility of the wider international economy, led to calls for Australia to diversify its income into new market sectors.

However, many in the industry argue that Australia's resources sector is simply transitioning through the stages of an otherwise healthy industry, albeit, within an expensive business environment and depressed market mentality.

Port Hedland Port Authority general manager John Finch said his statistics did not match reports of a mining bust: Port Hedland's port in northwest WA posted a 17 per cent rise in exports across the last 12 months, and exports have not shown any signs of signs of slowing as demand from port users continued to rise.

"We're fielding a lot of demand. Not only have we got the large iron ore players BHP and FMG [Fortescue Metals Group] in the port at the moment, but we have Hancock Prospecting and the North-West Infrastructure Group planning their new developments for the next few years ahead too," he said.

Reserve Bank of Australia governor Glenn Stevens echoed the sentiment.

"As a matter of fact, talk of the 'end of the mining boom' has been somewhat overhyped," he said.

"The 'boom' is not so much ended as simply evolving, as these events would be expected to."

WA Chamber of Minerals and Energy managing director Reg Howard-Smith said the mining industry was not going 'bust'.

"There are some people that are hurting and some soft commodity prices currently, but the long term of this industry still looks positive," he said.

"A lot of the media is just focussing on the reduction of construction, and saying 'the boom's over'.

"They're referring to the construction/investment phase coming to an end in new projects, and not focussing at all – wrongly – on the pickup of significant production that's going to happen over the years ahead."

During the Global Financial Crisis in 2008, Australia broadly entered the first phase of mining development – the design and construction phase.

Mr Howard-Smith said this phase was the most labour-intensive part of a 'boom' cycle and contributed employment to the economy – despite being restricted to mining towns and regions.

"The construction phase is when the employment numbers really [picked] up, and [peaked]; although, it [was] more based on 'direct' employment: [this phase was] built on shorter term jobs picking up, operating jobs and unskilled jobs," Mr Howard-Smith said.

During this phase, foreign investment accumulated and employment was strong;

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The Port of Port Hedland posted a 17 per cent rise in exports in the last 12 months

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effectively launching the resources sector's reputation as the industry that 'saved' Australia from the Global Financial Crisis.

Mr Howard-Smith explained that Australia's mining industry was transitioning into the second stage – production.

The ultimate goal of the industry, the operational phase of development traditionally sees shareholders gain returns on their investments, while governments begin earning royalties and charging tax on production; delivering large income benefits across the wider community.

Despite this, the production phase maintainsitsownintrinsiccharacteristics, which Mr Howard-Smith said had been misinterpreted by the media. He said a drop in investment was characteristic of the production phase, as the crux of investment already occurred in the previous phase.

He said fewer people were needed to run a mine than construct it, which typically led to substantial cutbacks – however employment was longer term in the production phase and required more qualified workers, he said.

"[Direct employment in mining will fall] away from people with training and unskilled jobs", he said.

"We're now moving to a phase where [directly employed] people are professionally qualified – typically engineers or those with a technical qualification [or] an apprenticeship or something of that nature.

"Indirect employment – those jobs that are not directly employed by mining, or working for mining companies, but the jobs the service sector creates – fabrication jobs, IT, law, economics, accounting and so on; there's been a phenomenal growth in those. [Within the third phase, indirect] job growth is greater than that of the direct employment, and probably long lasting."