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The Coordinator-General  
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Land Acquisition and Delivery Division

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**Re: Abbot Point Stand Alone Jetty: Application for Approval as  
'Infrastructure Facility of Significance',**

North Queensland Conservation Council (NQCC), based in Townsville, represents an area that includes Abbot Point. NQCC asks that the following comments be taken into account when considering the application by Waratah Coal Pty Ltd. NQCC was alerted to the extension of the deadline for submissions on this issue, from 5 to 12 April 2013.

**Economic impacts**

The jetty at the heart of this submission is a direct consequence of the proposed China First mine (now referred to as the Galilee Coal Project). Thus, the data pertaining to the proposed mine is essentially tied to the jetty.

**The Australia Institute analysis of the China First mine**

The 2010 analysis of the China First mine by AEC was reviewed in 2011 by The Australia Institute (tAI).<sup>1</sup>

This tAI paper, based on the Economic Impact Statement commissioned by Waratah for the projects, notes that:

*... while the profits flowing to the owners of this mine, which is rather accurately known as the 'China First Project', will be substantial, the net economic benefits to Australia will, at best, be small. Indeed, this paper highlights that even the mine's proponents concede that there will be substantial economic costs for significant parts of the broader economy. Indeed, according to the Economic Impact Statement commissioned by Waratah Coal to help make the case for the China First mine the consequences of the mine's approval for the broader*

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<sup>1</sup> Denniss, R 2011 *An analysis of the economic impacts of the China First Mine*, The Australia Institute, Canberra.

economy include:

- 3,000 jobs will be lost across Queensland and Australia, particularly in manufacturing, agriculture and tourism.
- \$1,249.4 million of manufacturing activity will be lost.
- Inflation will rise.
- Small and medium sized businesses will be hit with higher bills for payroll and rent. This will result in some of them shutting down.
- Housing affordability will decline for those who are not employed in the new mine.
- Wealth will become less evenly distributed, with most of the benefits accruing to those employed in the China First mine.

The Australia Institute goes on to state:

*The authors of the economic impact assessment conducted for the proponents of the China First mine found that:*

- *Manufacturing output will decline by \$1,249.9 million per year between 2013 and 2017 (p. xii)*
- *Manufacturing jobs will decline by 2,215 in Queensland alone between 2013 and 2017 (p. xvi)*
- *'The draw of labour to the mining and transport and storage sectors...is estimated to result in some other sectors recording a decline in employment compared to what would be achieved without the China First Project' (p.xvi)*
- *'Manufacturing employment in the (mine region) is also estimated to be adversely impacted by the China First Project's influence in terms of strengthening Australia's exchange rate and subsequent impacts on trade exposed industries' (p.xvi)*
- *'Support for the strength of the Australian dollar which may adversely impact the profitability and long term prospects of some sectors that are exposed to international competition, in particular manufacturing, some agricultural commodities and tourism related sectors' (p. xxv)*
- *'of note, the manufacturing sector is estimated to record a considerable decline in overall industry output during operation. It is expected that the mining- related manufacturing sub-sector will benefit from the China First project through demand for, and provision of, goods and services to support the project once operational. However, offsetting this it is anticipated the manufacturing sector will be one of the hardest hit sectors in terms of the reallocation and draw of labour to the China First Project given the relatively similar skills sets employed...further, the export of \$4.6 billion of coal will likely place some upward pressure on Australia's exchange rate, which may impact on the global competitiveness of manufacturing goods produced in Australia.'* (p.24)
- *'overall manufacturing output is estimated to decline in Queensland relative to what would be achieved if the project does not proceed' (p.24)*
- *'the increase in Australia's (coal) exports will assist in maintaining the value of the Australian dollar, which may have some negative ramifications for the 'trade exposed' industries that operate on relatively tight margins and*

*compete in a global market against low cost overseas producers (e.g. Manufacturing and agriculture) potentially leading to industry rationalisation' (p.52)*

- *Average annual impact on manufacturing employment in Queensland 2013-2017 -2,215*
- *Average annual impact on manufacturing employment in Queensland 2018-2036 - 1,666*
- *'The increase in competition for labour from the China First Project...will place pressure on local businesses to increase salaries and wages in order to retain and attract staff. The increase in labour costs will eat into business profitability, and will likely require businesses to either increase the price of their goods and services or cut back on their expenses in order to recover costs. This may make some businesses operating on or near the margin unviable in the medium to long term... (p.31)*
- *'On a broader scale, however, the development of a local value chain is likely to predominantly represent a transfer of activity from projects elsewhere in Queensland...rather than a genuine increase in activity' (p. 60)*
- *Under the heading 'crowding out of business due to competition for resources' the proponents identify: 'reduced profit margins for business due to higher costs of production (e.g. Wages and rents) eroding the viability of some businesses, particularly smaller businesses already operating at or near the margin' (p. 62)*
- *'Agriculture is estimated to record a decline in employment compared to the baseline scenario'. (p.36)*
- *'The draw of labour to the mining and transport and storage sectors...is estimated to result in some other sectors recording a decline in employment compared to what would be achieved without the China First Project' (p.xvi)*
- *'the increase in Australia's (coal) exports will assist in maintaining the value of the Australian dollar, which may have some negative ramifications for the 'trade exposed' industries that operate on relatively tight margins and compete in a global market against low cost overseas producers (e.g. Manufacturing and agriculture) potentially leading to industry rationalisation' (p.52)*

This devastating analysis demonstrates once and for all, and even without addressing the inevitable environmental costs, the real negative economic impact of the mine, and roundly refutes the arguments put forward in support of the mine and, thereby, the jetty.

### **The falling demand for coal terminals**

The 9 January 2012 letter from the proponent claims that, relative to the plans of various mining companies at that stage, jetty capacity will be insufficient.

However, 15 months later, the market and future for coal is significantly different. The proposed Dudgeon Point terminal, not far from Abbot Point, may well be abandoned due to falling demand for coal and for terminals. The fourth terminal at Newcastle has

been put on the back burner for 'two years'.

Australia is now facing, not a shortage of coal terminals, but a glut. There is no rationale for increasing jetty capacity when the need is obviously falling.

### **The falling price of coal**

The price for coal has fallen and is forecast to fall far further. For example, the EIS for the proposed expansion of the Port of Townsville provides evidence to show that the price of coking coal is expected to fall in the long run by over 50% (Consensus Economics, 2011, Energy and Metals Consensus Forecasts, Consensus Economics Inc, April).

Deloitte (the parent company of Deloitte Access Economics, the author of the trade forecasts for the proposed Port of Townsville expansion) itself has recently been quoted in the international media as saying: "the main problems that the mining sector faces in all countries is growing costs and uncertainty about demand for coal.... Many investment projects in coal mining have been suspended due to market uncertainty" ("Coal mining in trouble due to high costs and uncertain demand" *Warsaw Business Journal*, 20 March 2013).

In February 2013 the Reserve bank of Australia noted, "The Newcastle spot price for thermal coal has declined over the past two years, with a particularly sharp fall in the first half of 2012, broadly in line with falls in other global benchmark prices for traded thermal coal. Falls in global thermal coal prices reflected both subdued demand for thermal coal from importing countries and an increase in the volume of traded coal. The Newcastle spot price for thermal coal is now noticeably below the 2012 JFY annual contract price, which is likely to lead to lower JFY contract prices in 2013."

Obviously the price of coal on the world market will affect the production of coal in Australia. Already we see major players withdrawing from the market. With falling price, the need for jetties will also diminish.

### **The coal industry and jobs**

We refer to The Australia Institute's report, *Mining the Truth: the rhetoric and reality of the commodities boom*, to demonstrate that jobs in the mining industry are largely at the expense of other jobs. Only yesterday (10 April 2013) Holden announced the closure of its Elizabeth plant in South Australia with the loss of 500 jobs and attributed the closure to the high Australian dollar – a direct result of the mining boom. This 500 was in addition to the 220 jobs lost by Holden in 2012, and despite significant public funds being used to try and prevent the closures and job losses.

Similar job losses in non-mining sectors of Queensland have occurred.

### **Summary**

Under the Act as it applied at the time of this application, the Coordinator-General, when considering whether an infrastructure facility would be of economic or social

significance, the potential for the facility to contribute to community wellbeing and economic growth or employment levels must be taken into account.

The above information demonstrates that the infrastructure under consideration does not meet these criteria.

In the light of the uncertain future for coal, but the certainty that, within the foreseeable future, the market for fossil fuels will drop in line with the increase in the global use of non-fossil fuels, and in the light of loss of jobs in the non-mining sector, public input into coal infrastructure cannot be justified.

Queenslanders would, in the not very distant future, be left with an expensive white elephant of no use for other ventures. If risks are to be taken in this commercial enterprise it is appropriate that they be taken by the private sector applicant, Waratah Coal Pty Ltd.

A handwritten signature in grey ink, appearing to read 'Wendy Tubman', written in a cursive style.

Wendy Tubman  
Coordinator