

**Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry, Innovation and Science Portfolio  
2017 - 2018 Budget Estimates  
31 May – 1 June 2017

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY, INNOVATION AND SCIENCE

**TOPIC:** Resource Sectors effect on trade balance

**REFERENCE:** Questions on Notice (Hansard, 1 June 2017, page 104)

**QUESTION No.:** BI-56

**CHAIR:** I might just ask a couple of questions myself. I am acutely conscious of time. We have a lot to get through. I do not want to ask about the gas market specifically, but I would like it if the minister would give us an overview of the resources sector generally, with specific reference, I think, to the coal sector and how that coal sector affects communities and employment.

**Senator Canavan:** It has been a successful year for our resources sector. In our quarterly update on the sector, we are projected to reach a record level of exports of resources, I think, of around \$215 billion. Those include strong results particularly for iron ore and coal, as volumes have held up since the boom times and prices have increased substantially over the past year. Of course, we are also expanding LNG exports, and that industry is set to become the world's largest LNG exporter, which would mean that we would be in the position, I think, of being the world's largest iron ore, coal and LNG exporter. We sometimes jump up and down with Indonesia on coal. So that is a sign of incredible success of our sector that we should be proud of and that we all benefit from in terms of the returns that the sector provides to our country.

We have had some disruption in coal exports over the last few months because of Cyclone Debbie. Particularly, a rail line in Central Queensland, the Goonyella line, was out for a period of time. But I caught up with Aurizon, who own that line, the other day. Their estimation is that we will not lose volumes over time because, now that the line is open, exports are going to go at a pace above average to catch up, if you like. Prices in the coking-coal market have surged rapidly because of the outage of that rail line, but they are coming back down. It is yet to be really determined how it will wash out in terms of our value of coal exports, I suppose, even though volumes will hold up despite that disruption.

The higher thermal-coal and coking-coal price is already having a positive impact on mining communities around Australia. In my part of the world, there are three mines that are seeking to reopen at the moment and a number that are seeking to expand, given the higher price over the last year. A number of coal companies have already called me to say that they are already seeing labour shortages emerge in the market. It is remarkable how quickly that can turn around, but there is still a very fraught employment situation generally across North Queensland. But these are positive developments for the resources sector. Mr Bradley, do you want to add anything to that?

**Mr Bradley:** Thank you, Minister. I guess the only thing I would add to that is that it is a significant employer of about 220,000 Australians, or 220,000 workers, across the country. That is not a lot in a national sense, but in particular communities it can be 30 per cent or 10 per cent in some areas. The sector is highly innovative as well. It is our fourth largest industry in terms of R&D to GBA, for example. Otherwise, Minister, I think you have said it all.

**CHAIR:** Can I ask you very briefly to give us an indication of the effect of this particular sector on our trade balance, and also what commodity price forecasts suggest the influence will be over the forward estimates.

**Senator Canavan:** I might ask Mr Bradley to go to the details. We did have a record level in our national accounts, I think, that were released in January. I do not have the exact figures in front of me here, but that result for our terms of trade did deliver a trade balance surplus, I think, as well as

perhaps a current—did we get to a current account surplus, Mr Bradley? Can you remember? We might take it on notice.

Mr Bradley: We might take it on notice.

## **ANSWER**

Australian Bureau of Statistics figures released in February show a trade surplus of \$6.1 billion for the December quarter, and a current account deficit of \$3.5 billion.

The March 2017 Resources and Energy Quarterly publication reported that resources exports summed to \$30.0 billion in the December quarter, while resources and energy exports combined summed to \$52.1 billion. This accounts for a substantial share of total exports, which were worth \$94.5 billion in the December quarter.

The March 2017 Resources and Energy Quarterly estimated that the value of resource and energy exports would rise to \$215.1 billion in 2016-17. Resource and energy exports thereafter are forecast to reach:

- \$220.0 billion in 2017-18
- \$218.2 billion in 2018-19
- \$223.3 billion in 2019-20
- \$227.1 billion in 2020-21
- \$227.2 billion in 2021-22.

The resources sector also affects trade on the import side, through imported capital equipment, but precise figures on capital equipment imports by sector are not available.