

# Our coal prices are winding back to those boom levels of 2007

# The recovery's what they're focussing on!

By OWEN JACQUES

owen.jacques@dailymercury.com.au

AS the world ducks and covers, some of Mackay's most prolific industrial houses are bracing for news of a different kind.

They're already looking to the next surge, worrying more about export constraints than the news that coal prices may be falling as steeply as 75 per cent in some places.

Two of the largest players in our mining services sector, G&S Engineering and the Anderson Group have both backed the latest forecasts from the Australian Bureau of Agricultural and Resource Economics (ABARE) that predicts a mining upturn by the middle of next year.

Its research paints 2009 as the sharp drop in the mining cycle's rollercoaster ride, with next year acting like the steady incline before the loop-the-loop.

G&S Engineering's CEO Graham Smith said even with the price of thermal coal (used in power stations) falling by about three-quarters, it was still double what it cost coal companies to mine.

He said prices had simply wound back closer to what they were in 2007.

"And they were boom times. There should not be so much doom and gloom around.

"Every time [the media] state it, it's from a peak of \$300 a tonne but it's just that we got spoiled."

Mr Smith said 2008 was a year where flooding rains and the constrictions of port and rail forced the

prices up as demand outstripped supply.

Now, 12 months on, coal-buying nations have slowed manufacturing and power use and need less of our coal. But as the northern hemisphere winter rolls around again, Mr Smith said the demand for our coal would return to a steady climb.

This financial year, which ends on June 30, the combined value of both thermal [power making] and coking [steel making] coal will drop by 23 per cent to \$30.6 billion dollars.

But only two years ago, in the 2006/7 financial year which industry also consi-

## We haven't really seen a downturn

— Anderson Group general manager Carl Howe

dered a boom, that amount equalled the value of Queensland's entire resources industry, including gold, aluminium and even electricity production.

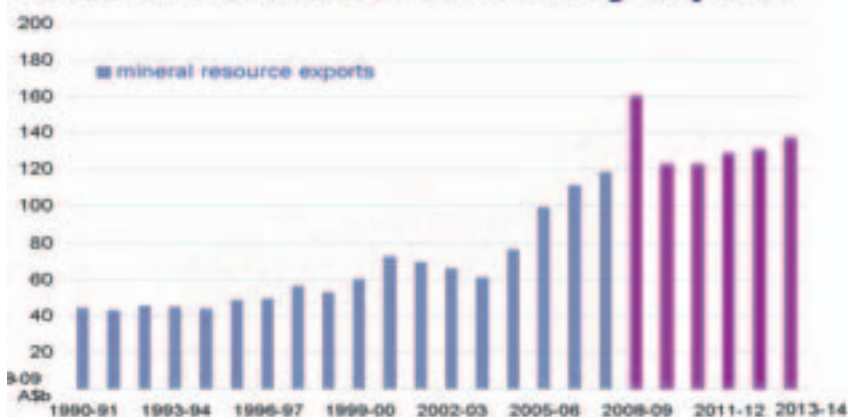
Two streets away from G&S, the Anderson Group's Carl Howe said he expected to see a pick up by the end of this year and into 2010.

The general manager said he was keeping a keen eye on China's growth as the group was planning to sell machinery to the superpower, even as the world economy slowed.

"We haven't really seen a downturn but we're in a niche part of the industry.

"It hasn't hurt us too badly."

## Value of Australian commodity exports



The huge jump in mining exports in 2008, shows that even with significant falls, our resource industry is still growing in line with historic expectations.

PHOTOS: AUSTRALIAN BUREAU OF AGRICULTURAL AND RESOURCE ECONOMICS

## Australian metallurgical coal exports



This ABARE graph shows how 2008 was an exceptional year for coal exports, because of the high price offered but its fall is in line with 2007, which was considered 'boom times'.

## THE COAL HARD TRUTH

- Coal mined in our region falls into roughly two categories: coking (or metallurgical) coal, used alongside iron ore to create steel, and thermal coal, used in power stations to create electricity.
- Australia's biggest coal buyer is Japan and coal prices are set before April, in line with the Japanese financial year.
- The drops in mining revenue for 2009/10 parallel the peaks of last year, when prices rose due to rail hold-ups and 2008's flooding rains.
- The value of Queensland's coal exports for 2009/10 will be close to double what it was in 2006/7.



## Putting decline in some context

ANOTHER year of slogging through a dented mining industry will not be good news for the many who faced the axe during the past three months.

But even in what has been the most dramatic economic decline some have experienced, our region has not been pushed back as far as it feels.

Queensland Resources Council CEO Michael Roche, speaking to a business conference in Brisbane, estimated that 4000 mining jobs in total had been lost in Queensland so far, with at least half of them from the coal sector.

"To put this in context, we added 20,000 positions in the sector over the previous four to five," Mr Roche said.

Forecasts from government research group ABARE show that resource companies mining both coking and thermal coal are expected to up their production for 2009/10.

And government analysts have already begun working out whether or not coal ports, including Dalrymple Bay and Abbot Point will be ready for another upturn.

According to the ABARE report, "World economic growth is assumed to begin recovery in late 2009 and early 2010, peaking in 2011, before easing marginally...demand for energy and minerals commodities is expected to strengthen."