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HD **Commodity Hangover: A Boom Town Feels Chill**

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MORANBAH, Queensland -- Two years ago, real-estate agent Bella Exposito said she was selling as many as 25 houses a day as soaring **coal** prices lured workers and investors to this flyspeck Outback town.

As of May this year, she has sold three.

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A cream-and-brown weatherboard house near her office rented for nearly US$7,000 a month when the region's **coal** industry was booming; now it has been empty for 12 months. Downtown shops have gone vacant. At Cafe 17, a local diner serving eggs and baked beans in the morning, visitors could fire a cannon and not hit a soul some days.

"There is a lot of hurt in the town," says one mine worker employed at the Goonyella Riverside **coal** mine run by BHP Billiton Ltd. and Mitsubishi Corp., which is among the many **operations** to pare workers over the past year. "It feels like it is dying a slow death."

After a decade of soaring commodity prices, this is what it looks like when the party starts to end.

For years, the global grab for **coal**, **iron ore**, **copper** and other commodities brought riches to small **mining** communities across the globe. It also helped lift the broader economies of resource-rich nations from Peru to Mongolia to Indonesia. In Australia, a heavyweight in the industry, the boom helped the country sidestep recession when other developed economies hit the wall in recent years.

But more recently, commodity prices have fallen, in some cases dramatically, because of jitters over the cooling economy in **China** -- where growth in commodity imports has slowed -- and rising supply from mines planned when markets were booming.

Prices for steelmaking **coal** have slumped by half since the start of 2012 to around US$110 a ton, their lowest level in seven years. **Iron**-**ore** prices have dropped to less than $95 a ton from a peak of more than $190 in 2011, while **copper**, **gold** and other commodities have also declined.

While current prices are still generally higher than a decade ago, and optimists hope for a recovery, prices are low enough that some mines are now losing money. Big resources firms like BHP, Rio Tinto PLC and Anglo American PLC have vowed to strip **billions** of dollars from their annual costs to safeguard profits and improve returns to shareholders.

That means shuttering mines, delaying new projects and slashing jobs in communities that have benefited from the boom. While not all **mining** towns are as bad off as Moranbah, the downturn is a reminder that overreliance on commodities can be dangerous, even in places that seemed to have everything going for them not long ago.

In South Africa, producers of platinum, **gold** and **coal** have cut thousands of jobs, including in smaller communities like Carletonville, west of Johannesburg in the country's Witwatersrand goldfields. Municipal leaders there expressed regret in their most recent annual report for a "problematic" over-dependence on **mining**, while the national government is licking its wounds from lost funding from **mining** and petroleum royalties and leases, which dropped 20% in the year ended March 2013.

Overall economic growth in South Africa slowed to 1.9% last year from a 2000s peak of 5.6% in 2006, in part because of weaker resources revenues.

In Brazil, whose economy soared on the back of **iron ore** and other commodity exports, forecasters now expect growth to be as little as 1.5% this year, down from 7.5% in 2010. Jobs at mines in places like Parauapebas -- a town that sprouted up on the edge of the Amazon when **mining** giant Vale SA started producing **iron ore** in the nearby Carajas hills in the 1980s -- have become scarce.

"I've been living here since '97, and there has never been such a lack of jobs," said 38-year-old Benildo Oliveira dos Santos, a mechanic, as he waited in line outside an unemployment office late last year.

In Australia, leaders are struggling to replace revenue and jobs from a resources boom many people thought would last for years to come, based on the expectation that **China**'s heated growth would absorb ever higher amounts of resources for decades.

Iron ore and **coal** are the country's largest exports, and eight of the country's top-10 goods and services sold abroad are commodities. At the peak of the commodity surge a few years ago, labor was in such short supply that mine-site truck drivers commanded salaries of A$200,000 (US$185,750) a year.

Over the past 18 months, the Australian **mining** sector has cut an estimated 30,000 jobs, according to Jody Elliott Consulting, a resources recruitment specialist. Last year was the worst year for job growth in Australia in almost two decades, largely because of commodity-sector weakness, while the national jobless rate recently reached a decade-high of 6.1%.

Australia's economy is still growing: it expanded about 2.4% last year compared with a recent high of 4.5% in 2007. But it is getting harder to plug holes in the national budget without surging **mining** royalties. The national government recently forecast a A$47 **billion** budget shortfall for the current fiscal year ending June 30. Spending on resources projects has been falling at its fastest pace in 14 years.

Some of the worst pain has been felt in **coal**-rich Queensland state, where Moranbah is located. Nearly 10,000 **coal**-mine workers have been laid off with many mines operating at a loss, according to the Queensland Resources Council.

The Queensland state government reported a A$650 **million** plunge in the year through June 2013 to A$2.1 **billion** in revenue from royalties, a set percentage from the **sale** of commodities demanded by the government for extracting the country's resources. State officials have deferred plans to ease payroll taxes and are looking to sell assets like toll roads, among other steps, to balance the books.

For Moranbah, a tiny town more than 600 miles north of Brisbane surrounded by cattle stations, low-lying scrub and gum trees, that is a bitter pill to swallow.

Coal mining is so ingrained here that the local newsstand sells postcards of **coal** trains and **mining** equipment -- like dragline machines, which can haul hundreds of tons of waste rock in a single sweep -- while the local child-care center uses a cartoon dump truck as its logo.

The town was established in 1969 to serve new mines in the region, like the Goonyella operation set up by Utah Development Co., which would be acquired by BHP Billiton in 1984.

More mines opened, and Moranbah grew rapidly in the 1970s and 1980s, despite an inhospitable climate with temperatures of 104 degrees or above in the summer. Locals put down roots and took pride in their expanding community, winning multiple "Tidy Towns" awards from the Keep Australia Beautiful Council. A key moment: In 1982, residents established their first cemetery, which meant they no longer had to transport bodies elsewhere to be laid to rest.

After leveling off for a while in the 1990s, growth took off again in the 2000s, when Asian demand for **coal** spiked and prices surged.

A McDonald's opened and the area's population ballooned by more than 1,000 people a year, including temporary workers who would fly in for stretches at the mines.

At the Moranbah Community Workers Club, a bar and bistro with flat-screen TVs and designer chairs, proprietors borrowed to finance a A$5 **million** dollar renovation in 2012 and 2013 that included a new A$100,000 keg room. Housing prices went through the roof as local mines worked around the clock.

"We thought: Finally, you know, we are all going to get somewhere," said Leanne Ellis, who runs Cafe 17 and has lived in the town for 26 years.

Then, almost as quickly as it began, the boom stopped.

The BMA joint venture of BHP and Mitsubishi Corp., the area's largest employer, closed its nearby Norwich Park and Gregory mines in 2012, wiping out some 1,200 jobs. Now it is axing 230 more at its Saraji mine, half an hour's drive south of the town, though it said some positions could be relocated elsewhere.

In all, BMA has pared its workforce in the Bowen Basin -- a series of mines for which Moranbah serves as a northern hub -- to around 7,000 staff and contractors from more than 10,000.

Other companies including Arrow **Energy**, a joint venture of Royal Dutch Shell PLC and PetroChina Co. that operates a **coal**-seam-gas field nearby, have laid off staff. So, too, have many shop owners and other small businesses that rely on resources investment. Resources companies cut spending in the area to about A$1.6 **billion** in the year to June 2013, from around A$1.8 **billion** the previous year, according to the latest data collected by local industry.

The Isaac Regional Council, a government body that includes several towns in the area, said annual income from taxes and other revenues dropped to A$142.9 **million** in the last fiscal year, from A$147.6 **million** the year prior, and its cash holdings have fallen sharply. The council has cut the budget for infrastructure works and upped tax rates for homeowners.

Many residents have bailed out entirely. Moranbah's population fell to 12,865 from 13,575 in the last fiscal year, with declines likely to continue this year, authorities say. For the Moranbah Bulldogs, who play Australian Rules Football in a local league, it can be a struggle to field a team.

Homes valued around a **million** Australian dollars are now lucky to get a bite at half that price, according to Ms. Exposito, the real-estate agent. About 300 of the town's 4,000 privately owned houses are vacant, she says.

Ms. Exposito, who grew up in northern Spain, says she loved the community feel of Moranbah and would hate to see it disappear. She landed in Moranbah in her 20s after moving to Australia and looking for a community that didn't have its own real-estate agency. She says now she spends part of her time consoling depressed residents. She has worries of her own: She owns 20 properties, five of which sit empty.

At Cafe 17 down the road, Mrs. Ellis says she only needs two staff a day now from five previously. Her husband, Michael, who will celebrate his 50th birthday this year, is among those who have lost their jobs in the mines. They are now debating whether to leave.

"My husband and I love Moranbah, it is our town," said Mrs. Ellis, who moved there at age 19 after growing up in a smaller community to the south. She recalls doing small things to make life better, including banding with merchants to convince the local council to pipe music through the Town Square retail strip. "We look out for each other," she said, as Aretha Franklin's "I Say A Little Prayer" streamed through the loudspeakers.

Local leaders have talked about new industries as diverse as tourism, defense and even algae production for biofuels, but few investors have expressed interest in a place so remote with such high costs.

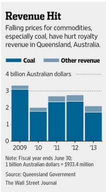
At least Moranbah still has hundreds of years' worth of **coal** below the surface. Some of the world's older **mining** towns, including some in America's Appalachian states, face a bleaker future because their resources are drying up.

That gives leaders hope they may only need to get through a temporary period of pain, especially if **China**'s economy stabilizes and its demand for imported **coal** outpaces new supply growth, as some experts believe could happen a few years from now.

Ashley Dowd, the 38-year-old manager of the Moranbah Community Workers Club, says it will take years to repay debts after his bar's recent renovation. He receives job applications from residents laid off by local miners but says he is usually not able to provide much work, having cut his own staff to 15 from 20 as fewer townsfolk stop by to indulge in Jack Daniel's-soaked pork ribs.

"It will be batten-down-the-hatches and try and ride through this period the best we can," Mr. Dowd said.

Paul Kiernan contributed to this article.



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