

TITLE: Coalmining industry misleads on jobs, tax, says Australia Institute

AUTHOR: Richard Denniss

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In a democracy, power is the ability to talk crap and get and away with it. And nobody talks more crap than coal companies.

The public think that mining employs far more people than it really does, pays far more tax than it really does, and that it kept Australia out of recession during the GFC. In reality, coalmining employs just 1 per cent of Australians, even in Queensland, the royalties it pays for extracting our coal once and for all accounts for only 4 per cent of revenue; and during the GFC no one sacked workers faster than the big mining companies. Treasury estimates our unemployment rate would have hit 19 per cent if all industries shed staff at the same rate as the miners.

But power is the ability to talk crap, and the miners have spun crap faster than they have caused climate change.

The mining companies, and their front groups like the NSW Minerals Council, spend tens of millions of dollars on PR, lobbyists and advertising campaigns. If they were simply wasting their shareholders' money on self-aggrandisement there would be no reason to care, but what they are actually doing is using the inflated perception they create of the industry to extract tens of billions of dollars worth of taxpayer-funded subsidies.

Most companies that want taxpayer handouts ask politely. They make their case to the public as well as to the politicians. They answer questions. Not the coal companies though. The chief executive officers of the multinationals won't even talk to the Australian public or media, they leave that to their spin doctors. And their front groups simply deny that the industry receives any subsidies.

Despite the "budget emergency" and the end of the "age of entitlement" it is simply not polite to ask questions about why taxpayers are subsidising some of the most profitable companies in the world. Power means never having to explain.

Subsidies to the mining industry cost the federal government about \$4.5 billion per year. Most of the cost comes in the form of tax concessions rather than cheques, but the economic and financial cost are the same. Imagine, for example, that you owned a restaurant and let customers from the mining industry eat for free. Letting someone off the hook for their restaurant bill, or their tax bill, is a subsidy.

Recent analysis of state government budget papers by The Australia Institute shows that taxpayer support for the mining industry totalled more than \$17 billion in the past six years. The spokespeople for the mining industry (but obviously not the companies themselves) do not deny they receive the money, but they do take offence that it is *called* a subsidy. The mining companies are lifters, not leaners. Just ask them.

In hysterical attacks on myself and my colleagues at The Australia Institute, the front groups for BHP, Rio Tinto and the other foreign-owned mining companies that operate here have called our research "an economic fraud", and a "massive economic deception". They have even likened our research to North Korean propaganda. Talk about shooting the messenger.

This nonsense flows steadily from an industry that claimed a small mine extension in the Hunter Valley would create 44,000 jobs when the judge found it would create none. The best bit is when the world's most profitable industry describes The Australia Institute as "well funded". I wish!

The problem for big, foreign-owned mining companies, is that the loyal (if not juvenile) response of their front groups has attracted more attention to the issue of their subsidies, not less. And, while in PR land the only truth that matters is the truth you are paid to believe, in budget papers, the truth is provided in black and white.

At the heart of the NSW Minerals Council's "argument", is its claim that tens of billions of taxpayers' dollars spent on coal loaders, coal rail lines and roads to coalmines are not "subsidies". According to the spokespeople, the tens of billions have been repaid so it can't be a subsidy. But the miner's argument collapses on two levels, one logical and the other empirical. Let's talk logic first.

Big mining has spent a fortune telling the public that the royalties they pay for taking our coal are what funds our schools and hospitals. But if the royalties are only repaying the billions that we spent building their coal loaders and rail lines, then the same royalties can't be funding our schools and hospitals. Not even the mining companies' money can do two things at once.

But the real problem for the mining companies is what state Treasuries say when they don't think the punters are listening. Apologies for the long quotations but I really couldn't do a better job of summing up the problem than Queensland Treasury has. In direct contradiction to claims by state politicians that mining is a boon for state budgets, the Queensland Treasury recently told the federal government the exact opposite:

"Over the last few years, Queensland has spent around \$460 million on the construction and improvement of roads and bridges that directly service the mining industry ...These expenses are not cost recovered."

"Governments face budget constraints and spending on mining-related infrastructure means less infrastructure spending in other areas, including social infrastructure such as hospitals and schools."

My personal favourite, however, is:

"One view expressed during the GST Distribution Review submission process was that infrastructure costs borne by government in support of the mining industry should not be recognised ... because the majority of these expenditures are cost recovered from industry. However, little evidence has been presented to support this assertion, and Queensland has substantial costs that are not recovered from industry, particularly in the area of roads construction."

The Western Australian Treasury make the same points in its submission, but not as succinctly.

Maybe the Queensland and Western Australian treasuries are frauds as well. Maybe their research is incompetent. Or indeed, maybe they are part of some broad "anti-mining" conspiracy.

Or maybe the mining companies spokespeople are just talking crap. And maybe that's why the mining companies themselves say nothing. Mining is, after all, a long-term business, so it makes more sense to let the PR people throw the mud and make nonsensical claims.

Taxpayers and other industries seeking assistance should be appalled at the enormous support given to some of the most profitable companies in the world. They should demand answers. But it's unlikely they will get any. Power means never having to explain.

Richard Denniss is executive director of The Australia Institute.

Twitter: @RDNS_TAI