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TITLE: Coal royalties a tiny part of state revenue

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In the old Chinese proverb, the frog in the well thinks he knows everything about the world, based on the little patch of sky he can see. Those of us who live outside the well know the world is a lot bigger and more complicated than that.

The view from the bottom of an open-cut coalmine might be a little wider than that of a well, but NSW Minerals Council chief executive Stephen Galilee's discussion of the role of mining royalties in NSW is just as narrow ("Time for coal cash to fill some of the holes", Herald, 20/1).

Mr Galilee's claim that the \$1.3billion in coal royalties paid last year helps "to pay for hospitals, schools and public transport" is true— but it needs to be put in context.

Total NSW government revenues for 2012-13 were \$59.9billion.

Coal royalties accounted for just 2per cent of state government revenues.

The real funding for our hospitals, schools and public transport comes from the Commonwealth (47per cent) and from state taxes (37per cent).

Coal royalties are less important to the state than gambling taxes (\$1.8billion) or taxes on motor vehicles (\$2.1billion).

Let's also consider how much it costs to fund schools, hospitals and transport.

According to the latest budget papers, NSW spends \$11.2billion on schools, \$12.7billion on hospitals and \$11.3billion on transport.

If we relied on royalties alone, these services would run for only two weeks of the year.

If you include all the other services provided by the state – such as police and courts – coal royalties would only fund a few days.

It is pleasing to see Mr Galilee lobbying for more money to be spent in mining-affected local government areas.

Considering the negative impacts on air quality, noise and amenity to which some residents are subjected, this seems only fair.

The compensation about which he is talking is trifling, however – \$160million over four years, or \$40million a year.

As NSW produces about \$16billion worth of saleable coal a year, this is about a quarter of 1percent of the value of the coal.

By lobbying for this money to come out of existing royalty revenues, Mr Galilee is taking money away from schools and hospitals elsewhere in the state.

If he were serious about using coal revenues to assist the NSW community, he would look at raising royalty rates, rather than redistributing what is currently paid for the state's coal.

But the last thing the NSW Minerals Council wants is for the NSW community to get more for its coal. This would take money away from the largely foreign companies that the lobby group represents.

The NSW and Hunter economies are diverse and modern, with an emphasis on services.

It is Mr Galilee's job to present a favourable image of his industry.

For the public, it is important to take his claims with a grain of salt.

His frog's-eye view of NSW is limited by the walls of the coalmine.

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