TITLE: **Queensland's big free kick for coal**

AUTHOR: **Richard Denniss**

PUBLICATION: **Australian Financial Review**

PUBLICATION DATE: **02/12/14**

LINK:
http://www.afr.com/p/opinion/queensland_big_free_kick_for_coal_VDqHwxor5WBaeF7H3dI8KI

The Queensland government's decision to pour billions of taxpayer dollars into the Adani coal project in the Galilee basin proves, once and for all, that the mining industry are leaners, not lifters.

In the words of Queensland Deputy Premier Jeff Seeney: "The Queensland government, like governments across the world, have always provided some major incentives and the incentive we have decided to provide relates to infrastructure rather than the traditional handing out of grants."

I know, I know; these days it's not a "subsidy" if you call it "infrastructure" but clearly the folks at Queensland Treasury haven't caught up with the latest double-speak. In a recent submission to the Commonwealth Grants Commission, the state Treasury said: "There is a real opportunity cost in undertaking the initial capital expenditure (associated with mining infrastructure). 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."

It went on to say: "There are also risks associated with expenditure on infrastructure that must be borne by government. The continuation of the mining boom is not guaranteed."

But while Queensland Treasury is stuck in the past, talking about opportunity cost and risk, the state government is more on-trend, with a focus on the nation-building potential of "co-benefits" associated with "common-use infrastructure".

Let's break the argument down. Imagine the son of a billionaire wants to show his dad he can stand in his own two feet by setting up a new tourism venture in a beautiful but remote location. All he needs to get started is for dad to stump up the cash for a port, airport, access roads, electricity supply, and water treatment.

If only dad would just fund such “common-use infrastructure” that other projects might one day use, he’s sure to make a go of it.

Mr Seeney’s bald statement that mining always needs government support is proof that, like the billionaire’s son, the miners have no idea how to stand on their own two feet. Of course, subsidised infrastructure isn’t the only thing the Queensland taxpayer is offering the miners. The state government has already offered Adani a “royalty holiday” – meaning it can have Australia’s coal for free. With free coal and free infrastructure, Adani is confident it can make a real go of its mining enterprise.

Unfortunately for Queensland taxpayers though, Adani’s financiers aren’t nearly so confident. So far, eight of the world’s largest bankers have said no – perhaps in part because the Indian energy minister has said he wants to see India cease thermal coal imports within three years.

What’s the appeal?

Given there is a lot of risk and no royalties in the deal for Queensland, what’s the appeal? Bizarrely, it seems that the mining industry, which is using robot trucks to replace drivers, and the Newman government, which has sacked 14,000 public servants, have agreed the main goal is to create jobs.

According to Mr Seeney, 27,000 jobs will be created if the $30 billion development of the Adani, GVK and Clive Palmer mines goes ahead. In the extremely unlikely event that all three Galilee mines are constructed – without drawing workers away from other jobs – then these new jobs would represent around a 1 per cent increase to the state’s workforce.

Investing billions in hospitals, public transport or housing would create tens of thousands of jobs as well.

Mining companies have argued furiously that they receive no subsidies and pay billions in royalties. It will be interesting to hear their description of a project that pays no royalties and can only proceed with billions in subsidies.

America’s banks are saying no to a big investment into a bad project. But by the government granting generous royalty concessions and direct infrastructure “incentives”, Queensland’s taxpayers are working as investors, and they aren’t getting that same opportunity to say no.

It will be fascinating to see the analysis upon which this big decision has been based. And since the Queensland Treasurer has promised cost-benefit analysis for all major projects, there should be no reason to keep it secret.

Just don’t hold your breath.

Richard Denniss, an economist, is executive director of The Australia Institute.