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TITLE: Forget Holden: mark the miners

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What is the corporate equivalent of a dole bludger? For all the talk about class warfare in Australia it is interesting that the conservatives have a pejorative name for individuals who need support from the state but progressives don't even have a term for the foreign companies that make huge profits but still have their hand out for government support.

Of course the term "corporate welfare" exists, but there is no specific term for the individual companies that milk the system most effectively.

Similarly, the conservatives talk increasingly about "intergenerational welfare dependence", that is, the notion that some families pass on their desire for low incomes to their children. But again, what is the term for the "infant industries" which ask for government support to help them thrive but, decades later, simply refuse to leave the nest?

If words are bullets in the class war then it would seem that the left is out of ammunition.

The Australian government spends \$18 billion on direct industry assistance, either through the payment of cash grants or by the granting of tax concessions. While some economists argue that no such payments should be made, most agree that well-designed industry policies can help to align corporate interests with national interests. But the fact that corporate welfare can be useful doesn't mean that the present system is working well.

The best way to highlight how broken the existing system for handing out taxpayer subsidies to companies has become is to highlight that the companies that will get the most support next year will, almost inevitably, be the companies that got the most support last year.

Individual companies and industries quickly develop a strong sense of "entitlement" to taxpayer-funded support and it seems that politicians, from both major parties, are reluctant to ever stop providing what their predecessors have granted. While it is understandable that politicians might fear being blamed for a company going bankrupt or laying off staff, it is strange that they aren't similarly afraid of being blamed for impoverishing single mothers or any other group whose benefits they are willing to cut.

The car industry in Australia is usually held up as the most visible recipient of industry assistance, and this week's announcement by Holden that it is planning to shed another 500 jobs in Adelaide provides a clear example of the pickle that Australian governments have got themselves into.

The South Australian government is offering the company another \$50 million but wants guarantees about future levels of employment. Holden is not just refusing to make such guarantees but is arguing that of the \$2.17 billion pledged to it over the past 12 years by both Labor and Liberal governments, securing job numbers has never been part of any deal.

Again, the disparity between how we treat individuals who need the support of the state and how we treat companies could not be starker. There have, it seems, been no "mutual obligation" agreements negotiated with Holden. On the contrary, it seems we have just given them billions of our dollars in the hope that they will deliver the jobs that we value.

But while the car industry may be the most visible recipient of corporate welfare it is by no means the largest. While the car industry receives about \$519 million a year, the mining industry receives \$4 billion a year even though we are in the middle of a mining boom.

While the car industry attracts most of the scrutiny, the mining industry provides the clearest evidence that our system of choosing which industries deserve taxpayer support is completely broken.

The mining industry is the fastest-growing industry in Australia. Indeed, it has been growing so fast that it is not only experiencing skill shortages but shortages of both capital equipment and even materials such as concrete.

The mining industry is growing so fast that the Reserve Bank has increased interest rates over the past five years to slow down the rest of the economy in order to "make room" for the expansion of mining. As the rate of expansion of mining is much faster than its own investment in training, the mining industry has been cannibalising the staff trained by other industries as well as driving up the wages that other industries have to pay.

So, why on earth would we be providing taxpayer subsidies to further speed up the pace of the mining boom? The usual arguments made by industries asking for taxpayer money is that they will create jobs. Leaving aside how spurious many of those claims are, the mining industry is at present leading the charge to rely on foreign workers on 457 visas.

Another common argument used in the pursuit of other people's money is that the companies will, one day, pay taxes. Again, this is a stretch for the mining industry that, according to the Australian Taxation Office, pays among the lowest rates of company tax in Australia.

Finally, companies seeking taxpayer assistance usually emphasise the local benefits that their venture will deliver, but few investments face the degree of residential opposition that the miners face.

But, despite the fact that the mining industry is growing so fast that it cannot create jobs for Australians, pays relatively low rates of tax and is often opposed by local residents, the miners receive \$4 billion a year in federal assistance. The cumulative cost to the state and federal

budgets of building the infrastructure such as ports and rail lines that the miners need would likely double that figure.

So, the \$4 billion question is, what are the criteria for pouring billions on the miners, obsessing about the hundreds of millions we spend on the car industry and begrudging government support to new industries and infrastructure such as renewable energy and fast trains?

In an eight-month election campaign you would expect all the political parties would have plenty of time to explain why they love to "invest" money in some industries yet refuse to "subsidise" others.

There are good economic arguments for providing some industry assistance to some industries some of the time, but those arguments are rarely articulated in what passes for modern policy and political debate.

Both major parties expect a lot from citizens who find themselves in need of government support. But, according to Holden at least, we expect very little from foreign companies that receive billions in taxpayer support.

The very least we should expect is a clear argument from the miners about what we get out of helping them grow even faster, but I suspect this year our politicians will be more interested in getting tough on poor people than rich companies.

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