

TITLE: Jobs claims a cover for coal largesse

AUTHOR: Richard Denniss

PUBLICATION: Australian Financial Review

PUBLICATION DATE: 27/01/15

LINK http://www.afr.com/p/jobs_claims_cover_for_coal_largesse_Rxv2aj34lQ3ljaSeBtlj00

Once upon a time if a project couldn't make a profit without government support conservative politicians would have called it a bad investment. Not these days. Take, for example, the Queensland government's plan to spend \$2 billion on coal transport infrastructure trying to make marginal mines in the Galilee basin financially viable.

Even after enormous taxpayer largesse, the Galilee coal mines still look unviable. Private banks won't touch them, but fear not, the Queensland LNP is so determined to assist its favourite industry that it is willing to divert even more money from investment in schools and hospitals in order to take an equity stake in the mining industry. They seem to think that any project can be made viable if enough government money is spent on it.

Campbell Newman's has provided no cost-benefit analysis to justify his decision to make a massive investment of taxpayers money. He has provided no risk assessment to detail what would happen to that investment if the mines don't operate at full capacity for 30 years. And he has provided no comparison of the benefits that would flow from spending \$2 billion on other infrastructure projects.

Campbell Newman seems to think that because he has the political skill to become premier he can spot a good investment when he sees one. What was once called picking winners is now called being "pro-jobs".

True to form, the proponent of the Carmichael mine in the Gallilee has claimed that their mine would create 10,000 jobs. As if to prove how political economic claims have become, the developers are even running TV ads repeating the jobs figures.

The problem, however, is that the jobs claims are complete rubbish. They rely on multiplier effects that are entirely inappropriate for analysing such a project. But you don't have to take my word for it, even the the lefties at the Productivity Commission agree. According to the PC:

"Abuse [of multiplier]) primarily relates to overstating the economic importance of specific sectoral or regional activities ... Claims that jobs 'gained' directly from the cause being promoted will lead to cascading gains in the wider economy often fail to give any consideration to the restrictive nature of the assumptions required for input-output multiplier exercises to be valid."

The Western Australian Treasury concur, stating "multipliers do not provide a measure of net economic benefit of expanding activity in a particular area ... It is in assessing claims for government assistance that the potential misuse of multipliers is greatest".

But despite the potential for misuse when seeking government assistance, the Newman Government is relying exclusively on the dubious jobs claims made by the projects proponents to explain its largesse.

The assertion that some groups in society are pro-jobs while others are anti-jobs is as absurd as it is widely used. The pro-jobs Abbott government was opposed to the job destroying carbon tax, yet they promised to sack 20,000 commonwealth public servants. Campbell Newman is so pro-jobs that he sacked an additional 14,000 state public servants. Tony Abbott opposed assistance for Ford and Holden but handed \$16 million to the Cadbury chocolate factory.

Spending \$2 billion will inevitably create some jobs. The question our pro-jobs leaders should focused on is – which investment would create the most jobs, in the right place, that meet our long term needs?. With the population growing by 400,000 people a year, should we invest in public transport? With [the] population ageing, should we invest in aged care? Would investing in aged care create more or less jobs, than investing in coal transport?

When governments are determined to balance budgets, every billion spent on one project is a billion not spent on another. Claiming that a project will create jobs is as meaningless as the exaggerated estimates of how many. What matters is choosing the right ones, yet our pro-jobs leaders can't be bothered providing any information to support their choices about how to invest our money.

Apparently, we should just trust politicians to pick winners, as long as they call themselves conservative.

Economist Richard Denniss is executive director of The Australia Institute. A former Adjunct Associate Professor at the Australian National University in Canberra, he has been an adviser/researcher with the Democrats and the Greens.